

# Supervisory Board

## Report of the Supervisory Board of Hannover Rück SE

In our function as the Supervisory Board we considered at length during the 2014 financial year the position and development of the company and its major subsidiaries. We advised the Executive Board on the direction of the company and monitored the management of business on the basis of written and verbal reports from the Executive Board. The Supervisory Board of Hannover Rück SE held four regular meetings and one constituent meeting in order to adopt the necessary resolutions after appropriate discussion. In addition, we were informed by the Executive Board in writing and orally about the course of business and the position of the company and the Group on the basis of the quarterly financial statements. The quarterly reports with the quarterly financial statements and key figures for the Hannover Re Group constituted an important source of information for the Supervisory Board. We received an analy-

### Key points of deliberation

As in every year, we were regularly updated on the work of the Supervisory Board committees and given a description of the major pending legal proceedings. We approved an increase in the capital participation of Hannover Rück SE in a consolidation platform for German life insurance companies. The status of the Market Consistent Embedded Value in life and health reinsurance relative to competitors was also considered at length. A further key point of deliberation was the adoption of a resolution on the corporate strategy, which is reviewed and revised every three years. The annual review of the investment guidelines centred on the raising of the real estate allocation, the specification as to real estate exposure and the updating and definition of the minimum liquidity limit. The acquisition of International Insurance Company of Hannover SE, which during 2014 was engaged in relocating its registered office to Germany, from Hannover Finance (UK) Limited and a capital increase at this company were approved. In addition, a report was received on an increase in the interest held by Hannover Rück Beteiligung

### Committees of the Supervisory Board

Of the committees formed by the Supervisory Board within the meaning of § 107 Para. 3 German Stock Corporation Act, the Finance and Audit Committee met on four occasions and the Standing Committee met twice. The Standing Committee adopted one resolution by way of a written procedure. The Chairman of the Supervisory Board updated the full Supervisory Board on the major deliberations of the committee meetings at its next meeting and provided an opportunity for further questions.

sis of the 2013 results in property & casualty and life & health reinsurance as well as a presentation from the Executive Board covering the profit expectations for the 2014 financial year and the operational planning for the 2015 financial year. In addition, the Chairman of the Supervisory Board was constantly advised by the Chairman of the Executive Board of major developments and impending decisions as well as of the risk situation within the company and the Group. All in all, we were involved in decisions taken by the Executive Board and assured ourselves of the lawfulness, regularity and efficiency of the company's management as required by our statutory responsibilities and those placed upon us by the company's Articles of Association.

No audit measures pursuant to § 111 Para. 2 Sentence 1 German Stock Corporation Act were required in the 2014 financial year.

Verwaltungs-GmbH in E+S Rückversicherung AG. With an eye to § 3 Para. 1 Sentence 3 of the Regulation on the Supervisory Law Requirements for Remuneration Schemes in the Insurance Sector (VersVergV) the full Supervisory Board considered the adequacy of the remuneration system for the members of the Executive Board. The fixed remuneration of members of the Executive Board as at 1 January 2015 was also reviewed. The variable remuneration of the members of the Executive Board was defined on the basis of the findings with respect to attainment of the respective targets for the 2013 financial year. At the constituent meeting of the Supervisory Board of Hannover Rück SE the Chairman of the Supervisory Board and his Deputy as well as the members and Chair of the Finance and Audit Committee and the members of the Standing Committee and of the Nomination Committee were confirmed. Mr. Althoff was appointed to succeed Mr. Arrago on the Executive Board. The retirement benefits of a member of the Executive Board were also adjusted.

The Finance and Audit Committee considered inter alia the consolidated annual and quarterly financial statements drawn up in accordance with IFRS and the corresponding individual financial statements of Hannover Rück SE drawn up in accordance with the German Commercial Code (HGB) and discussed with the independent auditors their reports on these financial statements. As in the previous year, an expert opinion on the adequacy of the loss reserves in property and casualty reinsurance was noted, the retrocession structure of the Hannover Re

Group and the accumulated prefinancing volume in life reinsurance including a comparison of the expected return flows with the repayments actually made, the risk reports, the compliance report and the report on adherence to Corporate Governance principles were discussed and reports on the major subsidiaries were received and considered. In addition, the Committee examined the investment structure and investment income – including the stress tests with regard to the investments and their implications for net income and the equity base – and defined the audit concentrations for the 2014 financial year. The Committee was provided with detailed reports on the current status of the participation in ITAS Vita S.p.A. and considered the relocation of the registered office of International Insurance Company of Hannover SE from London to Hannover as well as the further development of this subsidiary. In addition, an audit report was submitted by KPMG AG Wirtschaftsprüfungsgesellschaft on the calculation of the intrinsic value creation (IVC). The Committee prepared various resolutions to be adopted by the Supervisory Board, including resolutions on the revised corporate strategy, the acquisition of the shares of International Insurance Company of Hannover SE and the capital increase at Hannover Finance (UK) Limited. The Com-

mittee also received an explanation of the capital market risks in life and health reinsurance and was provided with a detailed report on the implications of downgrade clauses. The Finance and Audit Committee approved the issuance of a perpetual subordinated bond to refinance hybrid capital. As in the previous year, we were again updated on the status of the approval procedure for the internal model.

The Standing Committee dealt with the adequacy of the system of remuneration for the members of the Executive Board, the review of the fixed remuneration with respect to those members of the Executive Board for whom a review was due and the determination of the variable remuneration of the members of the Executive Board for the 2013 financial year on the basis of the findings with respect to attainment of their respective targets. In all these matters the Committee drew up corresponding recommendations for the full Supervisory Board. The Committee also recommended the appointment of Mr. Althoff to the Executive Board as the successor to Mr. Arrago and decided upon the stipulation of his individual targets for 2014 by way of a written circulation procedure.

## Corporate Governance

Bearing in mind that the Government Commission on the German Corporate Governance Code (DCKG) made only minimal amendments to the Code in 2014, deliberations on the Code were not a focus of the Supervisory Board's work. Nevertheless, the Supervisory Board was provided with an explanation of the method used to calculate the vertical comparison of remuneration pursuant to Item 4.2.2 of the Code. The Supervisory Board also received a follow-up report from the Executive Board on the progress made in connection with the concept for the advancement of female employees, a report on the design of the remuneration schemes pursuant to § 3 Para. 5 of the Regulation on the Supervisory Law Requirements for Remuneration Schemes in the Insurance Sector (VersVergV) as well as the compliance, internal audit and risk reports. As part of the efficiency audit of the Supervisory Board's work the experiences gathered in connection with the electronic mailing of documents to the members of the Supervisory Board were evaluated and it was decided to extend the system. Despite

the high importance that the Supervisory Board attaches to the standards of good and responsible enterprise management defined in the German Corporate Governance Code, the Supervisory Board decided not to comply with the recommendations contained in Code Item 4.2.3 Para. 2 regarding caps on the amount of variable compensation elements in management board contracts, in Code Item 4.2.3 Para. 4 concerning a cap on severance payments in management board contracts, in Code Item 5.2 Para. 2 concerning the Chair of the Audit Committee and in Code Item 5.3.2 concerning the independence of the Chair of the Audit Committee. The justification in these respects is provided in the Declaration of Conformity pursuant to § 161 German Stock Corporation Act regarding compliance with the German Corporate Governance Code, which is reproduced in this Annual Report as part of the Declaration on Corporate Governance. Further information on the topic of corporate governance is available on Hannover Re's website.

## Audit of the annual financial statements and consolidated financial statements

The accounting, annual financial statements, consolidated financial statements and the combined management report were audited by KPMG AG Wirtschaftsprüfungsgesellschaft. The Supervisory Board selected the auditor and the Chairman of the Supervisory Board awarded the audit mandate. The auditor's independence declaration was received. In addition to the usual tasks performed by the auditors, key points of focus in the audit were the performance of goodwill impairment tests, the scrutiny of business combinations, the accounting of defined benefit pension commitments, the new standards governing consolida-

tion and the new requirements placed by German Accounting Standard No. 20 (DRS 20) on the Group management report, together with the examination of the underwriting-related internal control system (ICS) in selected lines and the review of the ICS process for handling major losses. The additional audit concentrations defined by the European Securities and Markets Authority (ESMA) also formed part of the scope of the audit. The mandate for the review report by the independent auditors on the interim financial report as at 30 June 2014 was also awarded again. The special challenges associated with the international

aspects of the audits were met without reservation. Since the audits did not give rise to any objections KPMG AG Wirtschaftsprüfungsgesellschaft issued unqualified audit certificates. The Finance and Audit Committee discussed the annual financial statements and the combined management report with the participation of the auditors and in light of the audit reports, and it informed the Supervisory Board of the outcome of its examination. The audit reports were distributed to all members of the Supervisory Board and scrutinised in detail – with the participation of the auditors – at the Supervisory Board meeting held to consider the annual results. The auditors will also be present at the Annual General Meeting.

The report on the company's relations with affiliated companies drawn up by the Executive Board has likewise been examined by KPMG AG Wirtschaftsprüfungsgesellschaft and given the following unqualified audit certificate:

“Having audited the report in accordance with our professional duties, we confirm that

1. its factual details are correct;
2. in the case of the transactions detailed in the report, the expenditure of the company was not unreasonably high.”

### **Changes on the Supervisory Board and the Executive Board**

The composition of the Supervisory Board and its committees did not change in the year under review. With effect from 1 August 2014 Mr. Althoff was appointed to the Executive Board. Mr. Arrago stepped down from the Executive Board

We have examined

- a) the annual financial statements of the company, the financial statements of the Hannover Re Group and the combined management report prepared by the Executive Board for the company and the Group, and
- b) the report of the Executive Board pursuant to § 312 German Stock Corporation Act (Report on relations with affiliated companies)

– in each case drawn up as at 31 December 2014 – and have no objections. Nor do we have any objections to the statement reproduced in the dependent company report.

The Supervisory Board thus concurred with the opinions of the auditors and approved the annual financial statements and the consolidated financial statements; the annual financial statements are thereby adopted. Our proposal regarding the appropriation of the disposable profit for 2014 is in accordance with that of the Executive Board.

with effect from 31 August 2014. The Supervisory Board thanks Mr. Arrago, who had belonged to the Executive Board since 2001, for his many years of valuable service.

### **Word of thanks to the Executive Board and members of staff**

The very good result once again generated by Hannover Rück SE for the 2014 financial year was made possible by the exceptional performance of the Executive Board and the members of staff working for the company and the Group. The Supervisory Board would like to express its special appreciation to the Executive Board and all the employees for their efforts.

Hannover, 9 March 2015

For the Supervisory Board

Herbert K. Haas  
Chairman

# Supervisory Board of Hannover Rück SE

**Herbert K. Haas**<sup>1, 2, 4</sup>

Burgwedel

**Chairman**

**Chairman of the Board of Management of Talanx AG**

**Chairman of the Board of Management of HDI Haftpflichtverband der Deutschen Industrie V.a.G.**

**Dr. Klaus Sturany**<sup>1</sup>

Ascona, Switzerland

**Deputy Chairman**

**Former member of the Executive Board of RWE AG**

**Wolf-Dieter Baumgartl**<sup>1, 2, 4</sup>

Berg

**Former Chief Executive Officer of Talanx AG and HDI Haftpflichtverband der Deutschen Industrie V.a.G.**

**Frauke Heitmüller**<sup>5</sup>

Hannover

**Employee**

**Otto Müller**<sup>5</sup>

Hannover

**Employee**

**Dr. Andrea Pollak**<sup>4</sup>

Vienna, Austria

**Independent management consultant**

**Dr. Immo Querner**

Celle

**Member of the Board of Management of Talanx AG**

**Member of the Board of Management of HDI Haftpflichtverband der Deutschen Industrie V.a.G.**

**Dr. Erhard Schipporeit**<sup>2, 3</sup>

Hannover

**Member of various supervisory boards**

**Maike Sielaff**<sup>5</sup>

Burgwedel

**Employee**

<sup>1</sup> Member of the Standing Committee

<sup>2</sup> Member of the Finance and Audit Committee

<sup>3</sup> Independent financial expert on the Finance and Audit Committee

<sup>4</sup> Member of the Nomination Committee

<sup>5</sup> Staff representative

Details of memberships of legally required supervisory boards and comparable control boards at other domestic and foreign business enterprises are contained in the individual report of Hannover Rück SE.