

Report by the Supervisory Board of Hannover Rückversicherung AG

In our function as the Supervisory Board we considered at length during the 2012 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 held four regular meetings and one constituent meeting in order to adopt the necessary resolutions after appropriate discussion. A resolution was adopted by a written procedure with respect to one matter requiring attention at short notice. We received quarterly written reports from the Executive Board on the course of business and the position of the company and the Group. These reports describe, inter alia, the current planned and expected figures for the company and the Group as a whole and the individual business groups. The quarterly reports with the quarterly financial statements and key figures for the

Hannover Re Group constituted a further important source of information for the Supervisory Board. We received an analysis of the 2011 results in non-life and life and health reinsurance as well as a presentation from the Executive Board covering the profit expectations for the 2012 financial year and the operational planning for the 2013 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 2012 financial year.

Key points of deliberation

As in every year, we were given a description of the major pending legal proceedings. We were regularly updated on the work of the Supervisory Board committees, received an analysis of the direct insurance business transacted by the Hannover Re Group as well as reports on the pre-application phase for approval of the internal model, on the merger of the Hannover Re Group's Irish subsidiaries, on potential acquisitions as well as on the measures taken to reduce exchange rate volatility in the statement of income. In addition, we gave intensive consideration to the restructuring of the strategic objectives (target matrix) and – in the course of several meetings – the establishment of a Societas Europaea (SE) and we adopted the necessary resolutions. The operational planning for 2013 and the medium-term outlook until 2017 as well as the development and status of the Market Consistent Embedded Value in life and health reinsurance were also considered at length. Another focus of our deliberations was the adoption of a resolution regarding the refinancing of hybrid capital, as a consequence of which a new subordinated bond with a volume of EUR 500 million was placed in the European capital market in mid-November 2012 through Hannover Finance

(Luxembourg) S.A. In the context of the annual review of the investment guidelines, the work concentrated on the redefinition of the issuer limit system, changes with regard to real estate investments and the allocation of various limits. Furthermore, corporate social responsibility (CSR) standards were incorporated into the investment guidelines for the first time as part of the Group-wide sustainability concept. The full Supervisory Board considered the determination of the performance bonuses of the members of the Executive Board with an eye to § 87 Para. 1 Sentence 1 German Stock Corporation Act as well as the appropriateness of the remuneration system for the members of the Executive Board pursuant to § 3 Para. 1 Sentence 3 of the Regulation on the Supervisory Law Requirements for Remuneration Schemes in the Insurance Sector. The fixed remuneration of members of the Executive Board as at 1 January 2013 was also reviewed. At a constituent meeting of the Supervisory Board the Chairman of the Supervisory Board and his deputy as well as the members and Chairman of the Finance and Audit Committee and the members of the Standing Committee and the Nomination Committee were elected.

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 a resolution by a written procedure with respect to one matter requiring attention at short notice. 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.

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 the parent company Hannover Re 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 non-life reinsurance was noted, and a review of 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/report on adherence to Corporate Governance principles and reports on the major subsidiaries were received and discussed. 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 2012 financial year. The Committee received a detailed description of the organisation of risk management in life and health reinsurance with a specific focus on the system for controlling reserves, received a report on the adequacy of the reserves constituted in life and health reinsurance and a report on the current situation and likely

development of the UK subsidiary International Insurance Company of Hannover, which complements the core business of the Hannover Re Group – reinsurance – by writing direct business in selected markets. In addition, the Committee received an explanation of the European Commission's legislative proposals for reform of the audit sector and a detailed report on the audits conducted by the Internal Auditing unit as well as a summary presentation of key audit findings – including the implementation of measures arising out of audit reports – and a description of the audit plan for 2012.

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, the determination of the performance bonuses of the members of the Executive Board for the 2011 financial year, the stock participation rights to be awarded and the definitive maximum amount for the 2011 allocation year. In all these cases the Committee drew up corresponding recommendations for the full Supervisory Board. Substantial time was devoted to discussing and adopting a resolution on the individual targets for 2013 of the members of the Executive Board in accordance with their service contracts. The Committee also discussed at length the revised arrangements for the business group bonus in the service contracts of the members of the Executive Board and recommended to the full Supervisory Board the reappointment of Dr. Michael Pickel.

Since no changes were to be made in the context of the election of shareholder representatives to the Supervisory Board in May 2012 and given that the same individuals were standing for reelection, the Nomination Committee did not meet.

Corporate Governance

The Supervisory Board once again devoted considerable attention to the issue of Corporate Governance. The Supervisory Board considered the various new items contained in the German Corporate Governance Code (DCKG) as amended on 15 May 2012 and defined the appropriate number of independent Supervisory Board members within the meaning of Item 5.4.2 of the Code. This also resulted in an adjustment to the Rules of Procedure of the Supervisory Board. The Rules of Procedure of the Executive Board were revised and the value limits for measures and transactions requiring the approval of the Supervisory Board were adjusted to reflect the increased business volume. In addition, the Supervisory Board adopted an Information Policy in which the Executive Board's duties to provide information and reporting obligations with respect to the Supervisory Board are specified in greater detail. Furthermore, the Supervisory Board was advised by the Executive Board of a concept to promote the advancement of female

employees. 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. 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 in the context of the Corporate Governance declaration. 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 corresponding management reports 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 of the individual and consolidated financial statements of Hannover Re for 2012 were the issues defined by the Financial Reporting Enforcement Panel (Deutsche Prüfstelle für Rechnungslegung) and the examination of the non-accounting-related internal control system with an eye to the effectiveness of the underwriting guidelines in selected areas of non-life reinsurance as well as adherence to investment guidelines. The mandate for the review report by the independent auditors on the interim financial report as at 30 June 2012 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 issued unqualified audit certificates. The Finance and Audit Committee discussed the annual financial statements and the management reports 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 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.”

We have examined

- a) the annual financial statements of the company and the management report prepared by the Executive Board,
- b) the consolidated financial statements of the Hannover Re Group and the Group management report prepared by the Executive Board and
- c) 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 2012 – 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. We concur with the Executive Board's proposal regarding the appropriation of the disposable profit for 2012.

Changes on the Supervisory Board and the Executive Board

The composition of the shareholder representatives on the Supervisory Board and on the committees of the Supervisory Board did not change in the year under review. The employees of the company elected Ms. Frauke Heitmüller to serve on the Supervisory Board with effect from 3 May 2012. Ms. Heitmüller succeeded Mr. Uwe Kramp, who had been a member of the Supervisory Board since 3 May 2007. The Supervisory

Board thanked Mr. Kramp for his many years of valuable work on the Supervisory Board.

With effect from 1 January 2013 Dr. Michael Pickel was reappointed as a member of the Executive Board for a term of five years until 31 December 2017.

Word of thanks to the Executive Board and members of staff

The very good result generated by Hannover Re for 2012 was made possible by the exceptional performance of the company's Executive Board and members of staff. The Supervisory

Board would like to express its special appreciation to the Executive Board and all the employees for their efforts in the year under review.

Hannover, 6 March 2013

For the Supervisory Board

Herbert K. Haas
Chairman

Supervisory Board of Hannover Re

Herbert K. Haas^{1,2,4}

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^{1,4}

Dortmund

Deputy Chairman

Member of various supervisory boards

Wolf-Dieter Baumgartl^{1,2,4}

Berg

Chairman of the Supervisory Board of Talanx AG

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

Frauke Heitmüller⁵

Hannover

(from 3 May 2012)

Uwe Kramp⁵

Hannover

(until 3 May 2012)

Otto Müller⁵

Hannover

Dr. Andrea Pollak

Vienna, Austria

Independent management consultant

Dr. Immo Querner

Hannover

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^{2,3}

Hannover

Member of various supervisory boards

Gert Wächtler⁵

Burgwedel

¹ Member of the Standing Committee

² Member of the Finance and Audit Committee

³ Independent financial expert on the Finance and Audit Committee

⁴ Member of the Nomination Committee

⁵ 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 Rückversicherung AG.