

# Supervisory Board

## Report of the Supervisory Board of Hannover Rück SE

In our function as the Supervisory Board we considered at length during the 2013 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 Rückversicherung AG held one regular meeting. Following transformation of the company into an SE and entry of the transformation in the commercial register on 19 March 2013 the Supervisory Board of Hannover Rück SE came together for three regular meetings, one extraordinary meeting and one constituent meeting in order to adopt the necessary resolutions after appropriate discussion. 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 for 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 2012 results in non-life and life and health reinsurance as well as a presentation from the Executive Board covering the profit expectations for the 2013 financial year and the operational planning for the 2014 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 2013 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, and at several meetings we deliberated on the reorganisation of the business relationship with E+S Rück and adopted the necessary resolutions. We approved the participation of Hannover Rück SE in a consolidation platform for German life insurance companies and were informed about the opportunities and challenges in growth markets of life and health reinsurance as well as about the current retrocession structure. The medium-term outlook until 2018, the possible acquisition of a Lloyd's platform and the development and status of the Market Consistent Embedded Value in life and health reinsurance were also considered at length. Further key points of deliberation were the adoption of a resolution on the issuance of hybrid capital in a maximum amount of EUR 750 million by the end of 2015 as well as the taking out of bilateral letter of credit lines. The annual review of the investment guidelines focused on the adjustment of issuer limits, specifications with regard to forward exchange transactions and the updating of asset allocations for various capital market products. A capital increase at the subsidiary

Hannover Life Re Bermuda was also approved. 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 2014 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 2012 financial year and the arrangements governing the business group bonus were revised. 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 elected. At an extraordinary meeting of the Supervisory Board the members of the Executive Board of Hannover Rück SE were appointed and the agenda for the first Annual General Meeting of Hannover Rück SE was set.

### 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, the Standing Committee met twice and the Nomination Committee

met once. 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 Hannover Rückversicherung AG/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 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 and the report on adherence to Corporate Governance principles as well as 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 2013 financial year. The Committee was provided with detailed reports on the current position and probable development of the subsidiary International Insurance Company of Hannover as well as on the recognition and measurement of the acquired ING portfolios. It prepared the resolutions to be adopted by the Supervisory Board on the implementation of various capital

measures (including issuance of a perpetual bond). The Committee 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 as well as a status analysis of risk management within the Group. An analysis of the results of major competitors rounded off the work of the Finance and Audit Committee in the year under review.

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, the determination of the variable remuneration of the members of the Executive Board for the 2012 financial year on the basis of the findings with respect to attainment of the respective targets and the revised arrangements for the business group bonus. The Committee drew up corresponding recommendations for the full Supervisory Board. The Committee also recommended to the full Supervisory Board the reappointment of Mr. Claude Chèvre, Dr. Klaus Miller and Mr. Ulrich Wallin.

The Nomination Committee considered the upcoming election of new shareholder representatives to the Supervisory Board on 7 May 2014 and nominated appropriate candidates for election.

## 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 13 May 2013 and made the differentiations recommended pursuant to Item 4.2.2 of the Code for the vertical comparison of remuneration. The Supervisory Board again deliberated on the definition of the appropriate number of independent Supervisory Board members within the meaning of Item 5.4.2 of the Code. Furthermore, the Supervisory Board was advised by the Executive Board of the progress made in the context of the concept to promote the advancement of female employees and was provided with the compliance report and the risk report. Intensive discussion was devoted to the findings of the efficiency audit of the Supervisory Board's work and the possibilities for mailing documents electronically to the members of the Supervisory Board. 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. Purely as a precautionary measure, a divergence from Code Item 4.2.3 Para. 2 regarding caps on the amount of variable compensation elements in management board contracts was also declared. 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 of the individual and consolidated financial statements of Hannover Rück SE were the issues defined by the Financial Reporting Enforcement Panel (Deutsche Prüfstelle für Rechnungslegung) for the 2013 financial year as well as the cur-

rency translation in the individual financial statements drawn up according to the German Commercial Code (HGB) and in the IFRS consolidated financial statements. The mandate for the review report by the independent auditors on the interim financial report as at 30 June 2013 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 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 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 shareholder representatives on the Supervisory Board, the Finance and Audit Committee and the Standing Committee did not change in the year under review. With effect from 6 March 2013 Dr. Pollak replaced Dr. Sturany as a member of the Nomination Committee. With effect from 6 March 2013 Ms. Maike Sielaff succeeded Mr. Gerd Wächtler as an employee representative on the Supervisory Board. The

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 2013 – 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 2013 is in accordance with that of the Executive Board.

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

The very good result once again generated by Hannover Rück SE for the 2013 financial year 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, 10 March 2014

For the Supervisory Board

Herbert K. Haas  
Chairman

Supervisory Board thanked Mr. Wächtler, who had belonged to the Supervisory Board since 3 May 2007, for his many years of valuable work on the Supervisory Board. Mr. Claude Chèvre, Dr. Klaus Miller and Mr. Ulrich Wallin, the latter being simultaneously appointed as Chairman of the Executive Board, were reappointed as members of the Executive Board.

# 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

**Former member of the Executive Board of E.ON SE**

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

Burgwedel

(from 6 March 2013)

**Employee**

**Gert Wächtler**<sup>5</sup>

Burgwedel

(until 6 March 2013)

**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.