

CORPORATE GOVERNANCE

report

In past years Hannover Re was in compliance with all recommendations of the German Corporate Governance Code (DCGK). This continued to be the case in the present year, insofar as implementation of the German Corporate Governance Code as amended 14 June 2007 is concerned. We diverged with respect to one item of the Code as amended 6 June 2008. The item in question involves a recommendation adopted with the most recent amendment of the Code to the effect that a severance cap should be included when new management contracts are drawn up or existing ones renewed. The reasons for our decision are explained in the Declaration of Conformity contained in this report.

An independent survey of acceptance of the Code's recommendations and suggestions conducted by the Berlin Center of Corporate Governance found that Hannover Re once again – as in previous years – ranked as one of the leaders among MDax-listed companies when it came to compliance with the provisions of the Code. On average, companies listed on the MDax satisfied just 74 of the 80 recommendations of the Code as amended 14 June 2007, leaving the level of acceptance unchanged at 92.4%.

As we had already explained at this juncture in the previous year, good enterprise management and supervision in the spirit of state-of-the-art Corporate Governance continues to be enshrined in Hannover Re's business practices as a matter of course. This is already evident from the fact that the Executive Board and Supervisory Board consistently address changes in the relevant legal framework conditions in a timely manner and the latest legal developments are promptly codified in internal corporate standards. The company's Business Principles, for example, were subjected to a thorough review in order to maintain Hannover Re's very good reputation and – by setting high standards – to shape a lasting and above all favourable image of our company in the perception of our shareholders, business partners and the public at large.

With an eye to the theme of compliance, we informed you last year that explicit responsibility for this issue is now enshrined within the schedule of responsibility of the Executive Board and the Balance Sheet Committee of the Supervisory Board. Since then, the Executive Board has regularly briefed the Balance Sheet Committee in detailed reports on the latest developments and activities in this area. The goal of these efforts is to prevent any infractions of the law and to ensure that every single employee and officer at Hannover Re conducts themselves with integrity, irrespective of whether the matter at hand is one of antitrust law, compliance with national and international embargo regulations or equal treatment and non-discrimination.

The resolutions adopted by the Government Commission on the German Corporate Governance Code on 6 June 2008 regarding the further refinement of the Code in the area of management board remuneration were discussed at length by the Supervisory Board. In this regard, it was agreed that the company should comply with the recommendation contained in Item 4.2.2 Para. 1 of the Code. At its first meeting of 2009 the full Supervisory Board will therefore decide upon the remuneration system for the Executive Board, including the major contractual components, and subsequently subject this to regular review.

The activities described here testify to the considerable significance that the Executive Board and Supervisory Board attach to the issue of Corporate Governance. All these efforts are driven by the goal of bringing about sustained growth in the value of the company and strengthening and consolidating on a lasting basis the trust placed in the enterprise by our shareholders, business partners, clients, employees and the general public. On this basis Hannover Re supports the principles of value-based and transparent enterprise management and supervision as defined in the German Corporate Governance Code (DCGK) and recognises their importance in guiding its activities.

In the year just-ended we again devoted considerable attention to our communication with the financial market and developed an impressive range of Investor Relations activities. For further details please see the section entitled "The Hannover Re share" in this Annual Report.

Remuneration report for the Executive Board and individualised disclosure of the remuneration received by Supervisory Board members pursuant to Items 4.2.5 and 5.4.7 of the German Corporate Governance Code

The information regarding these items is provided in the remuneration report.

Securities transactions pursuant to Item 6.6 of the German Corporate Governance Code

With regard to this information we would also refer the reader to the remuneration report.

Shareholdings pursuant to Item 6.6 of the German Corporate Governance Code

Information in this respect is similarly provided in the remuneration report.

Share-based payment pursuant to Item 7.1.3 of the German Corporate Governance Code

Information regarding this topic is provided under Item 8.3 of the notes and in the remuneration report with respect to the members of the Executive Board.

Remuneration report

The remuneration report summarises the principles used to determine the remuneration of the Executive Board of Hannover Re and explains the amount of the income received by the Executive Board in the 2008 financial year on the basis of the Board members' work for Hannover Re and its affiliated companies. In addition, the amount of the remuneration paid to the Supervisory Board on the basis of its work for Hannover Re and its affiliated companies and the principles according to which this remuneration is determined are explained.

The remuneration report is based on the recommendations of the German Corporate Governance Code and contains information which forms part of the notes to the 2008 consolidated financial statement as required by IAS 24 "Related Party Disclosures". In addition, we took into account the more specific provisions of DRS 17 "Reporting on the Remuneration of Members of Governing Bodies". Under German commercial law, too, this information includes data specified as mandatory for the notes (§ 314 HGB) and the management report (§ 315 HGB). These details are discussed as a whole in the remuneration report. Consequently, we have not provided any further explanation of the information discussed in the remuneration report in the Group management report or the notes to the consolidated financial statement.

Remuneration of the Executive Board

Responsibility

The Supervisory Board has delegated responsibility for determination of the amount of the remuneration paid to Hannover Re's Executive Board to the Standing Committee.

Objective

The purpose of the remuneration system for the Executive Board is to appropriately recompense the members of the Executive Board according to their scope of activity and responsibility. In this context, a large variable portion of the total remuneration makes direct allowance for the joint and individual performance of the Executive Board as well as for the performance of the company.

Structure of the remuneration received by the Executive Board

With this objective in mind, the remuneration system consists of three components: fixed emoluments, a variable bonus as well as a share-based remuneration component based on a virtual stock option plan with a long-term incentive effect and risk elements.

The fixed emoluments, paid in twelve monthly instalments, are guided by the professional experience and area of responsibility of the Board member in question.

The variable bonus is cash compensation measured by the performance in the financial year; half is based on the individual Board member's profit contribution and half on the net income generated by the Group as a whole.

The members of the Executive Board are entitled to receive stock appreciation rights under the virtual stock option plan implemented in 2000 for certain members of the Group's management.

The content of the stock option plan is based solely on the Conditions for the Granting of Stock Appreciation Rights. Under these conditions, stock appreciation rights are awarded separately for each financial year provided the internal and external performance criteria defined in advance by the Supervisory Board are met.

The internal performance criterion is satisfied upon achievement of the target diluted earnings per share (EPS) calculated in accordance with IAS 33 "Earnings Per Share". The external performance criterion is the increase in the value of the Hannover Re share. The benchmark used to measure this increase in value is the weighted ABN Amro Global Reinsurance Index. The benchmarks cannot be retrospectively altered.

Exercise of the stock appreciation rights does not give rise to any entitlement to the delivery of Hannover Re stock, but merely to payment of a cash amount linked to the performance of the Hannover Re share. The amount paid out is limited to a maximum calculated as a quotient of the total volume of compensation to be granted in the allocation year and the total number of stock appreciation rights awarded in the year in question.

For further details of the virtual stock option plan please see the explanations provided in the notes to this Group Annual Report, Section 8.3 "Share-Based Payment".

Amount of remuneration received by the Executive Board

The total remuneration received by the Executive Board of Hannover Re on the basis of its work for Hannover Re and its affiliated companies is calculated from the sum of all compensation accruing in cash as well as in pecuniary advantages from non-cash compensation. It can be broken down as follows in the year under review:

Total remuneration received by the Executive Board

Figures in EUR thousand	2008	2007
Compensation in cash		
Fixed emoluments	1,909.2	1,782.1
Variable bonuses for the previous year	2,689.2	2,228.7
Remuneration from Group companies netted with the bonus	145.3	145.7
(Stock appreciation rights awarded)	527.3	1,197.9)
Stock appreciation rights executed	449.7	433.8
	5,193.4	4,590.3
Taxable amount from non-cash compensation	91.1	84.9
Total	5,284.5	4,675.2

In the 2008 financial year 215,280 stock appreciation rights totalling EUR 0.5 million (EUR 1.2 million) were granted for the 2007 allocation year; stock appreciation rights granted in previous years were exercised in an amount of EUR 0.4 million (EUR 0.4 million).

As at 31 December 2008 the members of the Executive Board had at their disposal a total of 484,232 (319,444) granted, but not yet exercised stock appreciation rights with a fair value of EUR 1.4 million (EUR 2.2 million).

The Annual General Meeting of Hannover Re held on 12 May 2006 resolved by a voting majority of 85.5% to avail itself until 31 December 2010 of the option contained in the Act on the Disclosure of Management Remuneration (VorstOG) not to specify the remuneration of the Executive Board on an individualised basis by name for a period of at most five years from the date when the resolution is adopted.

Retirement provision

The pension agreements of the members of the Executive Board with Hannover Re contain commitments to an annual retirement pension calculated as a percentage of the fixed annual emoluments. There were seven individual commitments to the active Board members in the year under review. An amount of EUR 1.5 million (EUR 2.0 million) was allocated to the provision for pensions in the year under review. This includes the allocation to the employee-funded provision constituted from deferred compensation – an allocation that was made from the variable bonus for the previous year. The provision for pensions stood at EUR 9.9 million (EUR 8.4 million) as at 31 December 2008.

The remuneration paid to former members of the Executive Board and their surviving dependants, for whom eleven pension commitments existed, totalled EUR 1.3 million (EUR 0.9 million) in the year under review. Altogether, an amount of EUR 10.7 million (EUR 9.8 million) has been set aside for these commitments.

Sideline activities of the members of the Executive Board

The members of the Executive Board require the approval of the Supervisory Board to take on sideline activities. This ensures that neither the remuneration granted nor the time required for this activity can create a conflict with their responsibilities on the Executive Board. If the sideline activities involve seats on supervisory boards or comparable control boards, these are listed and published in the Annual Report of Hannover Re. The remuneration received for supervisory board seats at Group companies is deducted when calculating the variable bonus and shown separately in the above table.

Remuneration of the Supervisory Board

The remuneration of the Supervisory Board is determined by the Annual General Meeting of Hannover Re and regulated by the Articles of Association.

In accordance with § 12 of the Articles of Association as amended on 3 August 2007, the members of the Supervisory Board receive fixed annual remuneration of EUR 10,000 per member in addition to reimbursement of their expenses. Furthermore, each member of the Supervisory Board receives variable remuneration of 0.03% of the operating profit (EBIT) reported by the company in the consolidated financial statement drawn up in accordance with International Financial Reporting Standards (IFRS). Variable remuneration is not paid if the EBIT is negative.

In addition, the members of the Balance Sheet Committee formed by the Supervisory Board receive an emolument of 30% of the previously described fixed and variable remuneration for their committee work. The members of the Standing Committee formed by the Supervisory Board receive an additional emolument of 15% of the previously described fixed and variable remuneration for their committee work.

The Chairman of the Supervisory Board or of a Committee receives three times the aforementioned amounts, while a Deputy Chairman receives one-and-a-half times the said amounts.

No remuneration was approved for the members of the Nomination Committee.

The remuneration for a financial year is due upon completion of the Annual General Meeting that ratifies the acts of the Supervisory Board for the financial year in question. Value-added tax payable upon the remuneration is reimbursed by the company.

Individual remuneration received by the members of the Supervisory Board in the year under review

Figures in EUR thousand		2008	2007
Name	Function		
Wolf-Dieter Baumgartl	Chairman of the – Supervisory Board – Standing Committee – Balance Sheet Committee – Nomination Committee	243.0	185.6
Dr. Klaus Sturany	Deputy Chairman of the Supervisory Board Member of the Standing Committee	71.6	49.7
Dr. Paul Wieandt	Deputy Chairman of the Supervisory Board (until 20 March 2007)	17.7	74.1
Herbert K. Haas	Member of the – Supervisory Board – Standing Committee – Balance Sheet Committee – Nomination Committee	163.9	107.9
Karl Heinz Midunsky	Member of the – Supervisory Board – Nomination Committee	47.8	43.6
Dr. Erhard Schipporeit	Member of the – Supervisory Board – Nomination Committee	42.9	3.6
Dr. Immo Querner	Member of the Supervisory Board	87.8	35.7
Otto Müller*	Member of the Supervisory Board	47.8	43.6
Renate Schaper-Stewart*	Member of the Supervisory Board (until 2 May 2007)	15.2	42.4
Dipl.-Ing. Hans-Günter Siegerist*	Member of the Supervisory Board (until 2 May 2007)	12.8	35.6
Uwe Kramp*	Member of the Supervisory Board	32.0	1.2
Gert Waechter*	Member of the Supervisory Board	32.0	1.2
Total		814.5	624.2

* Employee representatives

All the members of the Supervisory Board receive an attendance allowance of EUR 500 for their participation in each meeting of the Supervisory Board and the Committees. These fees are included in the reported remuneration.

In the year under review no payments or benefits were granted to members of the Supervisory Board in return for services provided individually outside the committee work described above, including for example consulting or mediation services, with the exception of the remuneration paid to employee representatives on the basis of their employment contracts.

Loans to members of the management boards and contingent liabilities

In order to avoid potential conflicts of interest, Hannover Re may only grant loans to members of the Executive Board or the Supervisory Board or their dependants with the approval of the Supervisory Board.

In 2008 no loan relationships existed with members of Hannover Re's Executive Board or Supervisory Board, nor did the company enter into any contingent liabilities for members of the management boards.

Securities transactions and shareholdings (directors' dealings)

Dealings in shares, options and derivatives of Hannover Rückversicherung AG effected by members of the Executive Board or Supervisory Board of Hannover Re or by other persons with managerial functions who regularly have access to insider information concerning the company and who are authorised to take major business decisions – as well as such dealings conducted by certain persons closely related to the aforementioned individuals – in excess of EUR 5,000 are to be reported pursuant to § 15a Securities Trading Act (WpHG). The following reportable transactions took place in the 2008 financial year.

Securities transactions

Name	Type of transaction	Type of security	ISIN	Transaction date	Number of securities	Price in EUR	Total volume in EUR
Wilhelm Zeller	Sale	Bond	XS0126063386	23.01.2008	25 ¹⁾	101.95	25,487.50
Wilhelm Zeller	Purchase	Share	DE0008402215	23.01.2008	1,000	28.00	28,000.00
Wilhelm Zeller	Purchase	Share	DE0008402215	18.11.2008	2,115	20.90 ²⁾	44,193.00
André Arrago	Purchase	Share	DE0008402215	07.11.2008	4,100	16.80	68,880.00
André Arrago	Purchase	Share	DE0008402215	11.11.2008	25,900	16.80	435,120.00

¹⁾ The bonds have a nominal value of EUR 1,000.00 each

²⁾ Rounded, the average price was EUR 20.89504

Members of the Supervisory Board and Executive Board of Hannover Re as well as their spouses or registered partners and first-degree relatives hold less than 1.0% of the issued shares. As at 31 December 2008 the total holding amounted to 0.058% (0.031%) of the issued shares, i.e. 69,991 (37,096) shares.

German Corporate Governance Code

The company is in compliance with the recommendations of the Code as amended 14 June 2007 in all respects. It diverges from the recommendations of the Code as amended 6 June 2008 in one respect (cf. specifically the Declaration of Conformity below).

Declaration of Conformity pursuant to § 161 Stock Corporation Act (AktG) regarding compliance with the German Corporate Governance Code at Hannover Rückversicherung AG

The German Corporate Governance Code sets out major statutory requirements governing the management and supervision of German listed companies. It contains both nationally and internationally recognised standards of good and responsible enterprise management. The purpose of the Code is to foster the trust of investors, clients, employees and the general public in German enterprise management. Under § 161 Stock Corporation Act (AktG) it is incumbent on the Management Board and Supervisory Board of German listed companies to provide an annual declaration of conformity with the recommendations of the "German Corporate Governance Code Government Commission" published by the Federal Ministry of Justice or to explain which recommendations of the Code were/are not applied.

The Executive Board and Supervisory Board declare pursuant to § 161 Stock Corporation Act (AktG) that in its implementation of the German Corporate Governance Code Hannover Rückversicherung AG was in compliance with all recommendations contained in the version dated 14 June 2007, while it diverged in one respect in its implementation of the version of the Code dated 6 June 2008:

Code Item 4.2.3 Para. 4; Caps on severance payments in Management Board contracts

Premature termination of a service contract without serious cause may only take the form of cancellation by mutual consent. Even if the Supervisory Board insists upon setting a severance cap when concluding or renewing an Executive Board contract, this does not preclude the possibility of negotiations also extending to the severance cap in the event of a member leaving the Executive Board. Whilst it is true that the legal literature discusses structuring options that would permit the legally secure implementation of the recommendation contained in Item 4.2.3 Para. 4, it is, however, open to question whether qualified candidates for a position on the company's Executive Board would accept appropriate clauses. In addition, the scope for negotiation over a member leaving the Executive Board would be restricted, which could be particularly disadvantageous in cases where there is ambiguity surrounding the existence of serious cause for termination. In the opinion of Hannover Rückversicherung AG, it is therefore in the interest of the company to diverge from the recommendation contained in Item 4.2.3 Para. 4.

Supplementary note on Code Item 4.2.4; disclosure of remuneration received by members of the Executive Board

With respect to the non-mandatory provision of the Code requiring individualised specification of the remuneration received by members of the Executive Board, we are following the resolution of the Annual General Meeting of 12 May 2006, according to which the disclosures required in § 285 Clause 1 No. 9 Letter a Sentences 5 to 9 and § 314 Para. 1 No. 6 Letter a Sentences 5 to 9 German Commercial Code as amended by the Act on Disclosure of Executive Board Compensation (Vorstandsvergütungs-Offenlegungsgesetz) shall be omitted.

We are in compliance with all other recommendations of the Code.

Hannover, 5 November 2008

For the Executive Board

For the Supervisory Board