

Supervisory Board

Report of the Supervisory Board

of Hannover Rück SE

In our function as the Supervisory Board we considered at length during the 2015 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 in order to adopt the necessary resolutions after appropriate discussion. All nine Supervisory Board members took part in each of the Supervisory Board meetings held in 2015. 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 analysis of the 2014 results in property & casualty

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 the restructuring of a sizeable life portfolio with a simultaneous expansion of the risk monitoring structures. In addition, we received extensive reports on the recognition, measurement and development of mortality solutions business in the United States and on the status of the Market Consistent Embedded Value in life and health reinsurance relative to competitors. A further key point of deliberation was the adoption of a resolution on the increase in the capital reserve at Hannover Life Re AG. In the annual review of the investment guidelines the granularity of the list of capital market products was revised. The review also centred on an increase in the real estate allocation including updating of the specifications regarding the real estate exposure. A report on the profitability of the use of inflation swaps years was also received and the bilateral letter of credit facilities were discussed. The formation of a

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 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.

and life & health reinsurance as well as a presentation from the Executive Board covering the profit expectations for the 2015 financial year and the operational planning for the 2016 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 2015 financial year.

control and profit transfer agreement with International Insurance Company of Hannover SE was approved. Implementation of the Act on the Equal Participation of Women and Men in Leadership Positions in the Private Sector and the Public Sector was also discussed and a corresponding resolution adopted. In addition, the strategic approach of acquiring capital participations in Lloyd's syndicates as well as the realisation of a portion of the hidden reserves in the equity participation held in E+S Rückversicherung AG were discussed. 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 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 2014 financial year.

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 2015 financial year. The Committee was provided with detailed reports on the current status and probable development of the subsidiary International Insurance Company of Hannover SE as well as on the recognition and measurement of the risk-oriented book of US life reinsurance business acquired in 2009 from Scottish Re. In addition, an audit report was submitted by KPMG AG Wirtschaftsprüfungsgesellschaft on the calculation of the intrinsic value creation (IVC). The Committee prepared

Corporate Governance

The Supervisory Board once again devoted considerable attention to the topic of corporate governance. It considered the various changes to the German Corporate Governance Code (DCKG) as amended on 5 May 2015 and in this connection specified a regular limit on the length of membership of the Supervisory Board. It also determined the differentiations that are required for the vertical comparison of remuneration pursuant to Item 4.2.2 of the Code. In addition, the Supervisory Board received 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. The procedure to evaluate the efficiency of the Supervisory Board's activities on a regular basis was adopted in accordance with Item 5.6 of the Code. Notwithstanding the high importance that the Supervisory Board attaches to the standards of good and responsible enterprise

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 representation of legal disputes and associated litigation risks as well as the provision of consistent and transparent reporting on the most significant financial performance indicators in the Group management report, together with an examination of the consistent representation of life and health reinsurance treaties in the individual and consolidated financial statements with an emphasis on process and

various resolutions to be adopted by the Supervisory Board, including resolutions on the increase in the capital reserve at Hannover Life Re AG and the realisation of a portion of the hidden reserves in the equity participation held in E+S Rückversicherung AG. The Committee also received an explanation of the capital market risks in life and health reinsurance and considered various M&A projects. Furthermore, the options available to the company for capital market measures were explored. As in the previous year, we were again updated on the status of the approval procedure for the internal model.

The Standing Committee dealt among other things with the adequacy of the system of remuneration for the members of the Executive Board and the determination of the variable remuneration of the members of the Executive Board for the 2014 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.

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. Justification for these divergences 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.

the accounting of non-traditional contracts as well as scrutiny of the recognition and measurement of real estate. Along with the audit concentrations of the German Financial Reporting Enforcement Panel (DPR), 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 2015 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 as well as of the Executive Board did not change in the year under review.

Word of thanks to the Executive Board and members of staff

The very good result once again generated by Hannover Rück SE for the 2015 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 recognition and special appreciation to the Executive Board and all the employees for their efforts.

Hannover, 9 March 2016

For the Supervisory Board

Herbert K. Haas
Chairman

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 2015 – 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 2015 is in accordance with that of the Executive Board.

Supervisory Board of Hannover Rück SE

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 Sturany¹

Ascona, Switzerland

Deputy Chairman

Former member of the Executive Board of RWE AG

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

Berg

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

Frauke Heitmüller⁵

Hannover

Employee

Otto Müller⁵

Hannover

Employee

Dr. Andrea Pollak⁴

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^{2,3}

Hannover

Member of various supervisory boards

Maike Sielaff⁵

Burgwedel

Employee

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 Rück SE.