

somewhat  
different



# Sustainability Report 2021

hannover **re**<sup>®</sup>



# About us

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Hannover Re, with gross premium of more than EUR 27 billion, is the third-largest reinsurer in the world.

We transact all lines of property & casualty and life & health reinsurance and are present on all continents with more than 3,000 staff. Established in 1966, the Hannover Re Group today has a network of more than 170 subsidiaries, branches and representative offices worldwide. The German business of the Hannover Re Group is transacted by our subsidiary E+S Rück.

The rating agencies most relevant to the insurance industry have awarded both Hannover Re and E+S Rück very good financial strength ratings: Standard & Poor's AA- "Very Strong" and A.M. Best A+ "Superior".

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Jean-Jacques Henchoz  
Chairman of the Executive Board

## Foreword from the Executive Board

102-14, UNGC

Ladies and gentlemen,

I am really delighted that you are taking an interest in our Sustainability Report and in this important topic, the significance of which extends far beyond Hannover Re.

In my introductory words here last year I had written about the far-reaching impacts of the Covid-19 pandemic. My hope that by now, in the summer of 2022, this issue would be a thing of the past has sadly not been fulfilled. Despite all the progress made in fighting the pandemic and the successful vaccination campaigns that have been conducted, it is the case that the virus continues to cost lives – albeit in greatly reduced numbers at the time of writing.

Back then, in the summer of 2021, I had hoped so very much that I could introduce this year's sustainability report with a focus on positive topics. Instead, we have been appalled to see war raging once again on European soil after many years of peace. Millions of people are experiencing death and suffering and have been forced to flee their homes, leaving us all profoundly impacted. Russia's aggression towards Ukraine has not only shaken the very foundations of peace in Europe, it is also a direct assault on our fundamental principles of democracy, freedom and human rights. Our thoughts are with the people of Ukraine. As a gesture of solidarity, we lost no time in donating to aid organisations. Not only that, it fills me and my colleagues on the Executive Board with pride to see how many of our staff have selflessly taken it upon themselves to get involved in organising accommodation for those fleeing the fighting, collecting donations in kind, arranging jobs and so much more.



In the face of all this suffering it would be easy to lose sight of one of the greatest challenges of our time – global warming. The Sixth Assessment Report by the Intergovernmental Panel on Climate Change (IPCC) and indeed the devastating natural disasters witnessed of late have once again made all too clear the fragility of our planet and the distress that can result from these events. Similarly, the publications of the Intergovernmental Science-Policy Platform on Biodiversity and Ecosystem Services (IPBES) and the jointly conducted 2021 workshop on interdependencies between climate change and biodiversity send out a clear signal and an urgent call for action.

At Hannover Re, we are doing our part. With the entry into force of our Sustainability Strategy 2021–2023 we are moving forward in the current reporting year on a journey that began many years ago at Hannover Re. I would like to take this opportunity to pick out a few personal highlights for you.

In May 2021, we decided to establish a function for central management of overarching sustainability issues and set up a supporting multidisciplinary ESG management team. In August 2021, we adopted specific net zero targets for our insurance business, our investments and our own business operations. In a parallel move, we became a member of the Net-Zero Insurance Alliance. I am encouraged that the insurance industry is increasingly moving towards sustainability and we have strong partners here at our side. As one of the largest reinsurers in the world, we shall play an active part in shaping this transformation together with our customers. Since 2020 we have been a participant in the United Nations Global Compact (UNGC). We are expressly committed to the Ten Principles of the UN Global Compact and continuously support them.

In our core business of reinsurance, we have taken a series of further steps to advance Hannover Re's sustainable orientation. Having already adopted exclusions for power plant coal, our facultative department expanded its ESG manual by adding further exclusions relating to oil and gas as well as activities in the Arctic. Furthermore, we developed a position paper for our entire book of property and casualty reinsurance addressing several ESG topics. Both in our property & casualty and in our life & health reinsurance business we again played a major part in closing the protection gap. At the same time, we developed an ESG training concept that is compulsory for all underwriters. On the investment side, too, we systematically pursued our goal in 2021 of reducing our carbon intensity by 30% by the year 2025 in selected asset classes. Overall, our goal is not only to minimise our emissions and our carbon footprint, but also to leverage opportunities opened up by the transformation to a resource-friendly economy.

In our business operations, we have been working consistently to reduce our carbon footprint. Through our net zero targets we have committed to achieving climate neutrality Group-wide by 2030. With this in mind, we expanded our environmental management in the year under review and now cover more than 85% of our worldwide locations.

These steps will be followed by others that we shall continue to report on going forward. I would now like to invite you to learn more about the measures we have adopted and actions taken so far when it comes to sustainability and I wish you some stimulating and thought-provoking reading.

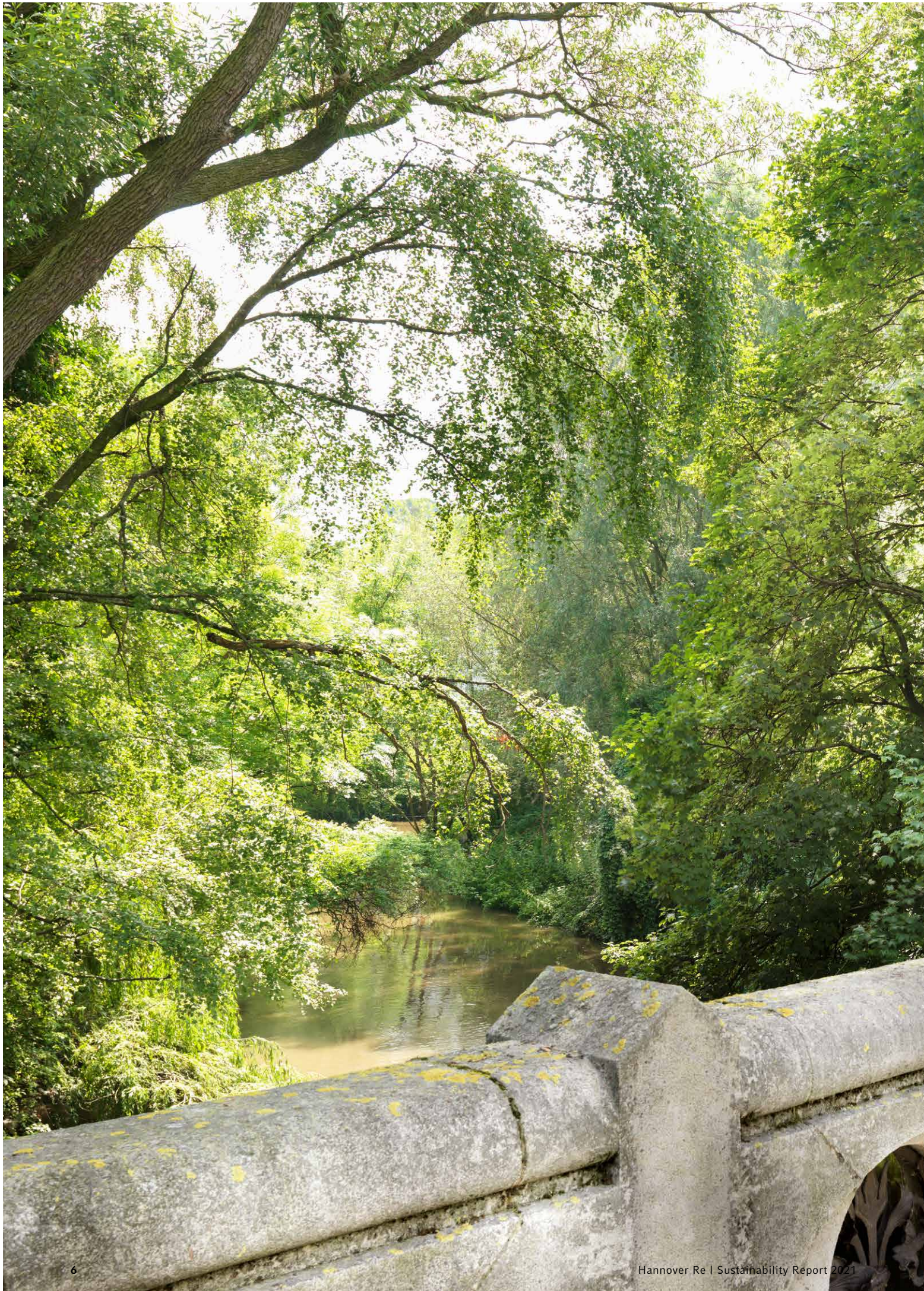
With kind regards,

Yours,



Jean-Jacques Henchoz  
Chairman of the Executive Board







# Foundations





# Foundations

## Company Portrait

### About us

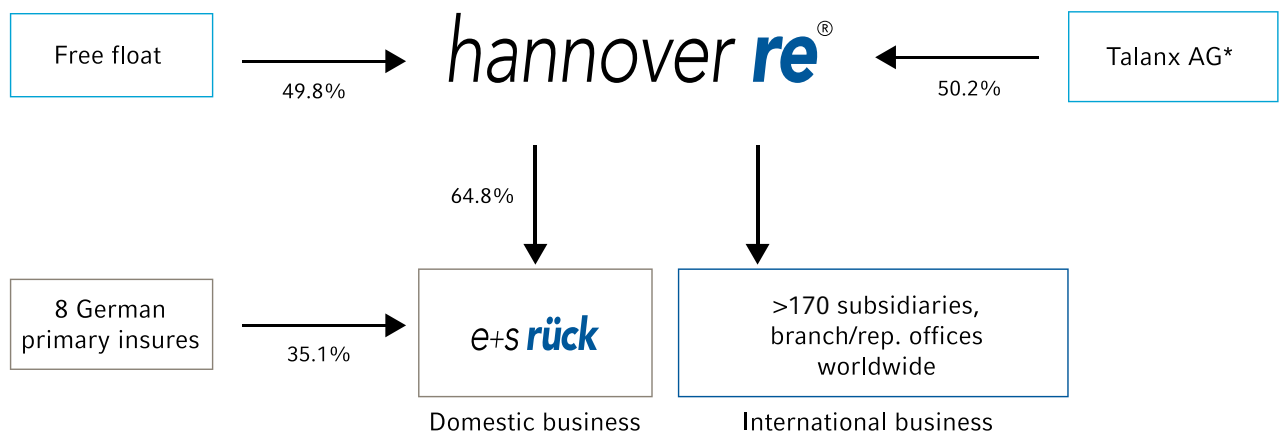
102-1, 102-2, 102-3, 102-4, 102-5, 102-6, 102-7, 102-10, 102-45

Hannover Rück SE is a European Company, Societas Europaea (SE), based in Hannover, Germany. With gross premium of more than EUR 27 billion, it is the third-largest reinsurer in the world. Established in 1966, the Hannover Re Group today encompasses more than 170 subsidiaries, branches

and representative offices worldwide. Based on our global network, we offer our business partners and primary insurance clients around the world traditional, individually tailored and innovative reinsurance solutions and we open up new business opportunities. We transact all lines of property & casualty and life & health reinsurance. Our subsidiary E+S Rückversicherung AG (E+S Rück), as the dedicated “Reinsurer for Germany”, additionally offers a range of products and services focused on the specific features of the German market. Hannover Rück SE is listed in the Prime Standard of the German stock exchange.

#### Group structure supports the business model

S 01



\* Majority shareholder HDI V.a.G.

The rating agencies most relevant to the insurance industry have awarded both Hannover Re and E+S Rück very good financial strength ratings: Standard & Poor’s AA- “Very Strong” and A.M. Best A+ “Superior”. Along with our

excellent financial strength ratings, our high degree of diversification, balanced risk management and comparatively low administrative expense ratio by industry standards all play a part in our enduring success.



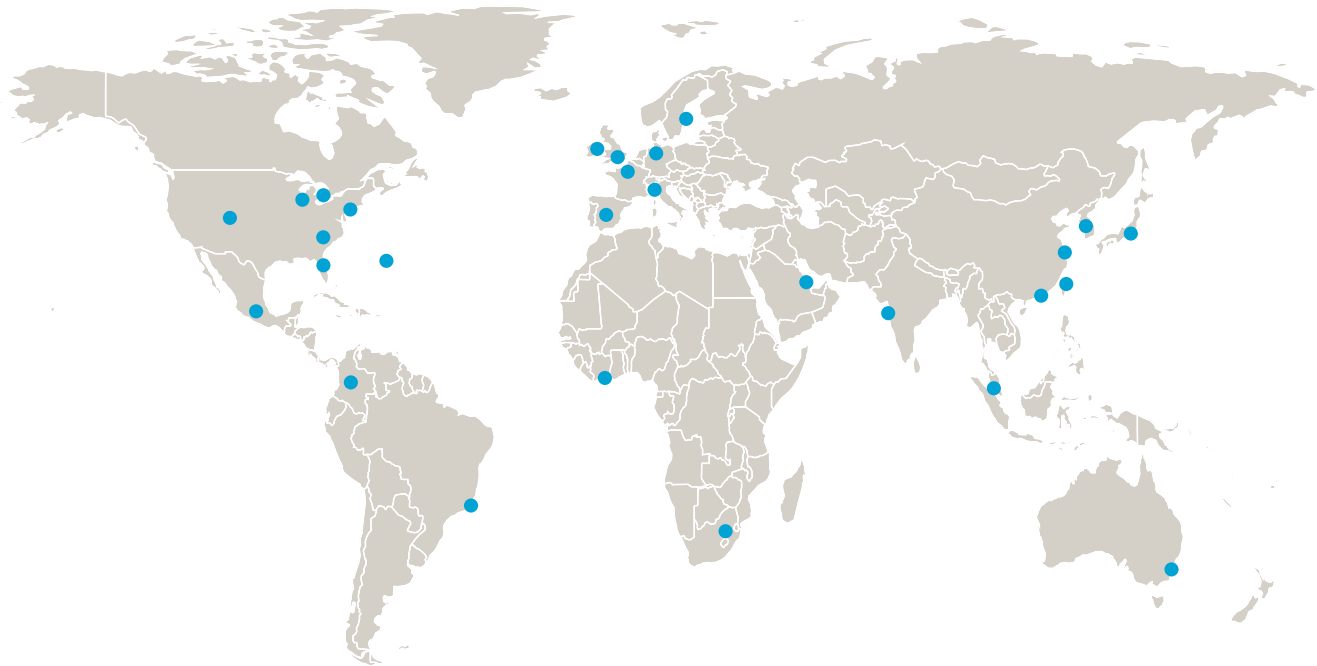
Hannover Re operates at multiple locations worldwide.

102-45: A complete list of our shareholdings is provided on page 190 et seq. of the notes to the Group Annual Report 2021. The addresses of the Hannover Re Group's international locations are to be found from page 285 onwards.

102-10: Any material changes that have occurred in our Group structure are described in the Group Annual Report (notes 4.3–4.4). These include the major acquisitions and new formations, disposals and retirements as well as other corporate changes.

## Hannover Re operates at locations worldwide

S 02



## Value chain

102-9

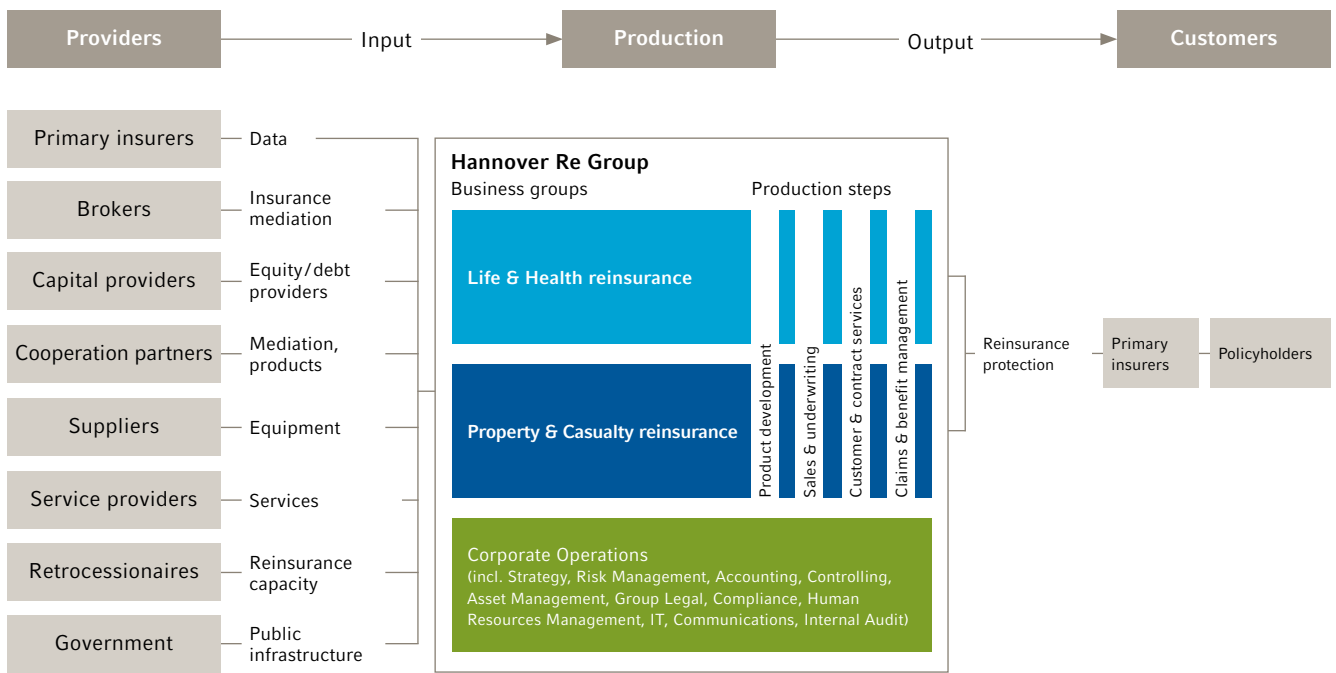
The chart below sets out in simplified form the key elements of the Hannover Re Group's value chain.

In the interests of transparency we have concentrated on the operational reinsurance business. In general terms, though, the Hannover Re Group offers a range of additional services above and beyond this.

The actual "production", in other words the generation of reinsurance protection and other services, first requires an "input". This encompasses first and foremost all products, services and other performances (data, services etc.).

A special feature of a reinsurer's value chain is that the primary insurance customer participates in production inasmuch as it is required to make available information relevant to contract formation.





## Business performance

102-7

The markets for property & casualty and life & health reinsurance have been intensely competitive for quite some years. In the 2021 financial year we had to deal with, among other things, pandemic-related loss expenditures in life and health reinsurance and catastrophe losses in property and casualty reinsurance. Once again, we demonstrated our robust risk-carrying capacity and profitability. All in all, the business development was pleasing. Despite considerable payments made to our customers, we were able to post Group net income of EUR 1,231.3 million (previous year: EUR 883.1 million) and grow our shareholders' equity.

Gross premium in the Property & Casualty reinsurance business group grew by 16.3% at constant exchange rates, comfortably beating our guidance of around 5%. The main factors here were the favourable market climate and improved prices.

On the other hand, no pandemic-related losses were recorded for our account overall beyond the reserves set aside in 2020. Nevertheless, the burden of large losses surpassed our budgeted expectation of EUR 1.1 billion. This was due primarily to substantial losses from natural catastrophes in the third quarter. The combined ratio in property and casualty reinsurance improved in the financial year just ended to 97.7% (previous year: 101.6%). Due to the considerable major loss expenditure and on account of the protracted low interest rate environment, the sustained improvement in prices and conditions for reinsurance protection in property and casualty business continued, although at the same time retrocession covers saw a moderate price increase as the year progressed. Thanks to its comparatively low administrative expenses and cost of capital as well as its above-average financial strength, Hannover Re has been and remains able to successfully assert itself in the market. Based on our positioning as one of the largest and most robustly capitalised reinsurers in the world, we enjoy sustained very good access to profitable business.



In our Life & Health reinsurance business group we were able to grow the gross premiums considerably more strongly than our anticipated guidance of at least 3% with an increase of 5.5% adjusted for exchange-rate effects. The result was, however, impacted by the effects of the pandemic in the financial year just ended. Altogether, the expenditures incurred here amounted to EUR 582.0 million. The bulk of them stemmed from deaths in the United States, our largest single market, and South Africa. The pandemic-related losses were opposed by positive one-time income of EUR 131.7 from a restructuring measure in the US mortality book as well as a positive special effect of EUR 121.9 million in business with longevity covers. The pandemic-related strains for the entire insurance industry further boosted what had already been generally strong demand for reinsurance covers – including for example in financial solutions business, where we offer our customers individual reinsurance solutions designed to improve their solvency, liquidity and capital position.

The investment income generated by Hannover Re performed significantly better than expected – with income from assets under own management rising by 14.4% to EUR 1,674.8 million (EUR 1,463.7 million) – and thus played an important part in the overall result for the year under review. Earnings benefited from, among other things, strong income from our portfolio of inflation-linked bonds and from alternative investments such as private equity funds. The return on investment stood at 3.2% and thus very clearly beat our target of more than 2.4%, which we had revised upwards.

Our gross premium volume increased by 12.1% to EUR 27.8 billion (previous year: EUR 24.8 billion). At constant exchange rates growth would have reached 12.8%. Net premium earned rose by 13.0% to EUR 24.1 billion (previous year: EUR 21.4 billion). The operating profit (EBIT) improved sharply by 42.9% to EUR 1.7 billion (previous year: EUR 1.2 billion). Earnings per share stood at EUR 10.21 (previous year: EUR 7.32).

The equity attributable to our shareholders rose to EUR 11.9 billion (previous year: EUR 11.0 billion) as at 31 December 2021. The total policyholders' surplus, consisting of shareholders' equity, non-controlling interests and hybrid capital, amounted to EUR 15.7 billion (previous year: EUR 14.1 billion). The book value per share reached EUR 98.55 (previous year: EUR 91.17). The return on equity stood at 10.8% (previous year: 8.2%). On 4 May 2022 the Annual General Meeting approved the distribution of a dividend of EUR 4.50 per share plus a special dividend of EUR 1.25 per share for the 2021 financial year.

The market capitalisation of the Group at the end of the financial year amounted to EUR 20.2 billion and was thus EUR 4.5 billion – or 28.7% – higher than the previous year's figure of EUR 15.7 billion.

Hannover Re employed 3,346 members of staff (previous year: 3,218) Group-wide at the reference date of 31 December 2021.

For further information we would refer to our Group Annual Report 2021.

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“It is only through profitable growth that we remain a reliable partner for our clients over the long term. This has been and continues to be our focus going forward.”

(Jean-Jacques Henchoz, Chief Executive Officer)



**Key financial indicators**
**S 04**

in EUR million	2021	+/- previous year	2020	2019	2018	2017 <sup>1</sup>
<b>Results</b>						
Gross written premium	27,762.3	+12.1%	24,770.3	22,597.6	19,176.4	17,790.5
Net premium earned	24,143.7	+13.0%	21,360.8	19,729.7	17,289.1	15,631.7
Net underwriting result <sup>2</sup>	-211.1		-691.0	-9.7	156.9	-253.6
Net investment income	1,943.0	+15.3%	1,685.5	1,757.1	1,530.0	1,773.9
Operating profit (EBIT)	1,734.8	+42.9%	1,214.1	1,853.2	1,596.6	1,364.4
Group net income	1,231.3	+39.4%	883.1	1,284.2	1,059.5	958.6
<b>Balance sheet</b>						
Policyholders' surplus	15,733.6	+11.8%	14,071.0	13,588.9	11,035.1	10,778.5
Equity attributable to shareholders of Hannover Rück SE	11,885.0	+8.1%	10,995.0	10,528.0	8,776.8	8,528.5
Non-controlling interests	871.2	+3.2%	844.4	826.5	765.2	758.1
Hybrid capital	2,977.4	+33.4%	2,231.6	2,234.4	1,493.1	1,492.0
Investments (excl. funds withheld by ceding companies)	56,213.2	+14.7%	49,001.6	47,629.4	42,197.3	40,057.5
Total assets	82,902.3	+16.0%	71,437.5	71,356.4	64,508.6	61,196.8
<b>Ratios</b>						
Combined ratio (property and casualty reinsurance) <sup>2</sup>	97.7%		101.6%	98.2%	96.5%	99.8%
Large losses as percentage of net premium earned (property and casualty reinsurance) <sup>3</sup>	7.5%		11.2%	7.5%	7.9%	12.3%
Retention	89.5%		90.1%	90.0%	90.7%	90.5%
Return on investment (excl. funds withheld by ceding companies)	3.2%		3.0%	3.5%	3.2%	3.8%
EBIT margin <sup>4</sup>	7.2%		5.7%	9.4%	9.2%	8.7%
Return on equity (after tax)	10.8%		8.2%	13.3%	12.2%	10.9%

<sup>1</sup> Restated pursuant to IAS 8

<sup>2</sup> Including expenses on funds withheld and contract deposits

<sup>3</sup> Hannover Re Group's net share for natural catastrophes and other major losses in excess of EUR 10 million gross as a percentage of net premium earned

<sup>4</sup> Operating result (EBIT)/net premium earned

# Strategy and sustainability

## Group strategy 2021–2023

103-3

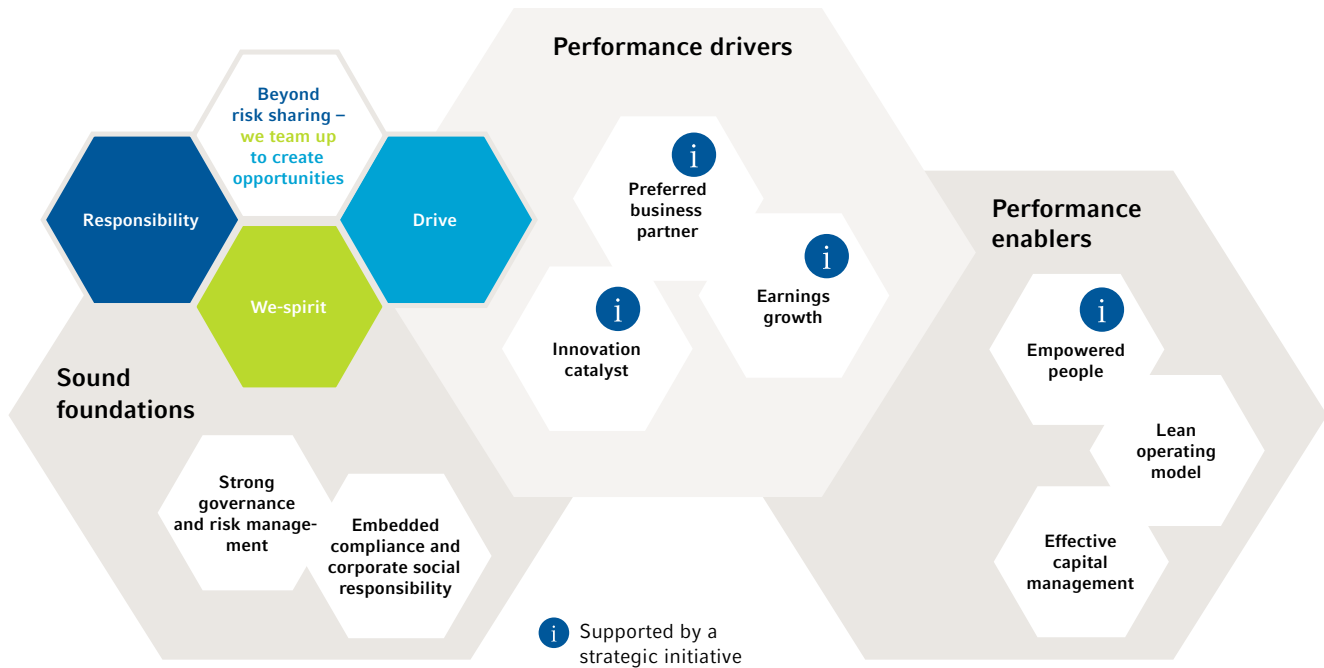
Hannover Re’s Group strategy was revised most recently in 2020. It is valid for the 2021–2023 strategy cycle. In our “Striving for sustainable outperformance” strong governance, risk management, integrated compliance and corporate social responsibility constitute the foundations for our growth as a reliable global reinsurance partner. Three performance drivers – preferred business partner, innovation catalyst, earnings growth – are based on proven strengths and address the global trends affecting the insurance and reinsurance

industry. Three performance enablers – empowered people, a lean operating model and effective capital management – have proven essential over the last decade for outperforming the industry average in terms of the return on equity.

Our purpose “Beyond risk sharing – we team up to create opportunities” captures the very essence of our work: by enabling people and businesses to access insurance and reinsurance solutions, we make it possible for them to recover from distress and look to the future. We are guided by our values Responsibility, We-Spirit and Drive. They determine the way in which we do business and reflect the core success factors of our corporate culture. Our success going forward is dependent on all the strategic areas of our Group strategy.

### Group strategy 2021–2023

S 05



We have launched four strategic initiatives – Customer Excellence, the Innovation and Digital Strategy, the Asia-Pacific Growth Initiative and Talent Management – that we consider especially crucial and we intend to work on them intensively throughout the entire strategy cycle. These four strategic initiatives form the cornerstone of the strategic programme, which encompasses altogether 25 programme items and directly supports the Group strategy. Major enterprise projects (known as value streams) and joint strategy contributions spanning multiple departments are similarly elements of this programme. “Corporate Social Responsibility” is one of these joint strategy contributions that we shall continue to refine in the 2021–2023 strategy cycle and in which we pursue non-financial as well as financial goals. Related topics are specified more closely in our sustainability strategy 2021–2023.

This encompasses the four action fields Transparency, Employees, Core Business and Commitment together with supporting measures and goals. The sustainability strategy is publicly accessible on our website. The strategic programme is backed and monitored by the department “Group Strategy & Sustainability”, with progress reported to the Executive Board quarterly (Reporting on Strategic Initiatives) and half-yearly (Management Reporting).



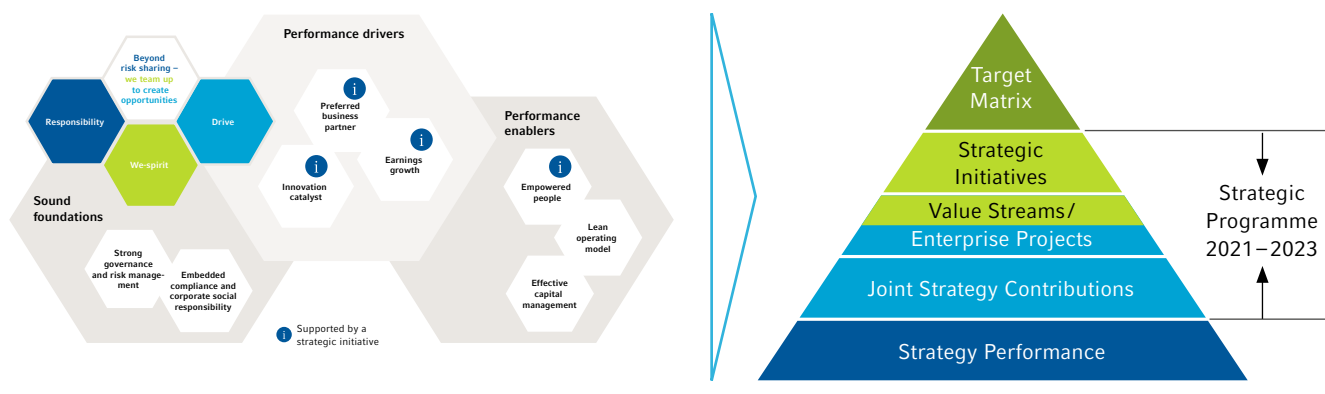
Our system of strategic targets includes qualitative and quantitative targets. In addition to traditional performance indicators geared to the IFRS balance sheet, we have defined

economic targets derived from our certified internal capital model and Solvency II reporting.

## Strategy Map

## Strategy Execution and Reporting

S 06



We have defined the following financial targets for the 2021–2023 strategy cycle.

## Target attainment

S 07

Business group	Key data	Targets for 2021
Group	Return on equity <sup>1</sup>	900 bps above risk-free
	Solvency ratio <sup>2, 3</sup>	≥ 200%
Property & Casualty reinsurance	Gross premium growth	≥ 5% <sup>4</sup>
	EBIT growth	≥ 5% <sup>5</sup>
	Combined ratio	≤ 96%
	xRoCA <sup>2, 6</sup>	≥ 2%
Life & Health reinsurance	Gross premium growth	≥ 3% <sup>4</sup>
	EBIT growth	≥ 5% <sup>5</sup>
	Value of New Business (VNB) <sup>2, 7</sup>	≥ EUR 250 million
	xRoCA <sup>2, 6</sup>	≥ 2%

<sup>1</sup> After tax; risk-free: five-year average return of ten-year German government bonds

<sup>2</sup> This information has not been audited by the independent auditor

<sup>3</sup> According to our internal capital model and Solvency II requirements

<sup>4</sup> Average annual growth at constant exchange rates

<sup>5</sup> Average annual growth

<sup>6</sup> Excess return (one-year economic profit in excess of the cost of capital) on allocated economic capital

<sup>7</sup> Based on Solvency II principles; pre-tax reporting

The interplay between sound foundations, performance drivers and performance enablers will help us achieve our strategic goals and instil our purpose and values in all our activities.

## Corporate Social Responsibility

102-18, 102-19, 102-20

Corporate social responsibility and sustainability, together with robust governance, risk management and integrated compliance, are at the heart of our Group strategy 2021–2023.

Responsibility for the topic of sustainability rests with Hannover Re's entire Executive Board, which decides on the sustainability strategy and its goals and measures and approves the underlying material topics. In addition, decision papers on a range of sustainability issues are submitted to the Executive Board throughout the year on the occasion of its meetings.

In the spring of 2022, sustainability management was transferred for organisational purposes from Corporate Communications to a stand-alone organisational unit in the department "Group Strategy & Sustainability", partly in response to its increasing strategic importance. Group Strategy & Sustainability has a direct reporting line to the Chief Executive Officer (CEO) and Chief Operating Officer (COO).

A new ESG governance structure was adopted in the spring of 2021 to deal with ESG-related issues (ESG = Environmental, Social, Governance). Key elements are the newly created "Sustainability Function", the "ESG Management Team" and a supporting "ESG Expert Network".

The Sustainability Function is assigned to the department Group Strategy & Sustainability under the leadership of the Corporate Sustainability Manager. It is tasked with, among other things, central coordination of all ESG activities, identifying, analysing and evaluating ESG topics, leading ESG projects, e.g. for implementation of the EU Taxonomy, advising the specialist departments on ESG matters, submitting proposals for long-term ESG goals to the Executive Board,

providing regular reporting to the Executive Board and coordinating an annual ESG programme. The Corporate Sustainability Manager leads the ESG Management Team and convenes the ESG Expert Network.

The ESG Management Team is made up of high-calibre participants from Group Strategy & Sustainability, Group Risk Management, Property & Casualty Reinsurance and Asset Management. The ESG Management Team assists the Sustainability Function with its tasks, ensures dovetailing with the Group strategy and serves as the interface with decentralised units and the central point of contact for fulfilment of ESG-related regulatory requirements.

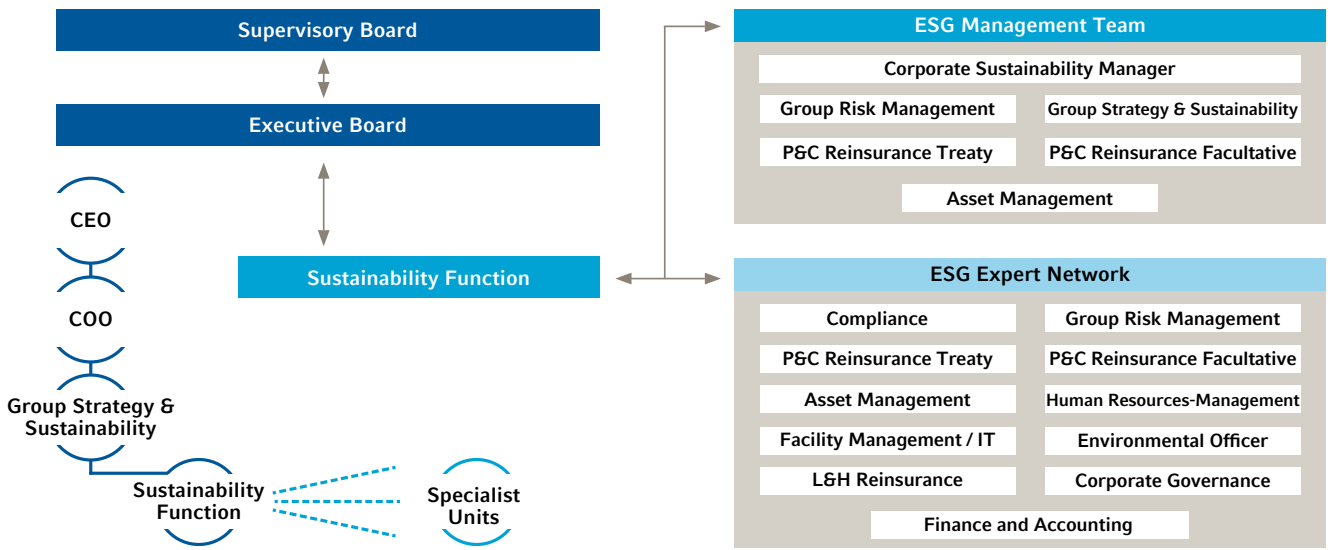
The ESG Expert Network is composed of employees from numerous areas of the organisation who are equipped with in-depth knowledge of ESG issues. They serve as central points of contact for the Sustainability Function and assist with all ESG topics.

In view of the special significance attached to sustainability issues and ESG risks, Group Strategy & Sustainability also works closely with the risk management side and helps Group Risk Management to consider sustainability risks in existing risk categories. At the same time, Group Risk Management also reports on ESG topics in the context of the risk reporting that forms part of the Group Annual Reports.

In the year under review the Executive Board approved a framework valid Group-wide for the management of sustainability and reputational risks so as to underscore the importance of the topic.

In its role as the so-called third line of defence, the Group Auditing unit carries out process-independent monitoring throughout the Group on behalf of the Executive Board.



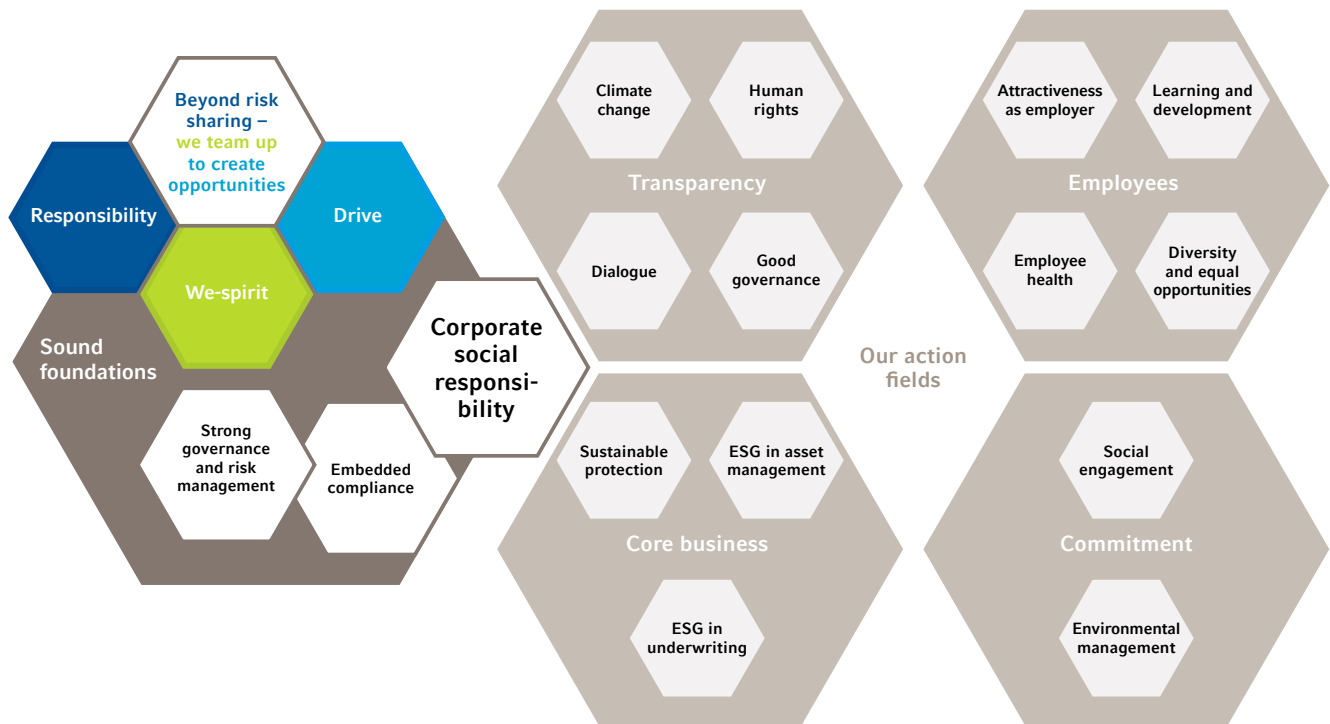


### Sustainability strategy

103-3

For us, sustainability means a commitment to responsible and transparent corporate governance geared to lasting success. With this in mind, in 2011 we drew up a sustainability strategy for the first time. We specify here in more concrete detail the higher-order corporate strategy of the Group with an eye to sustainability considerations and commit explicitly to our strategic objective of sustainable value creation. The sustain-

ability strategy is also one of 25 joint strategy contributions to the Group strategy. Just like the Group strategy, Hannover Re's sustainability strategy is subject to a three-year strategy cycle and was similarly revisited in 2020. A materiality analysis – that was also updated in 2020 – and dialogues held with various stakeholders throughout the year serve as the basis for this work.



As one of the foundations, corporate social responsibility is closely linked to the Group strategy; the sustainability strategy is subordinate to the Group strategy. It describes more extensive core elements of our sustainable actions and the part we play in a transformation towards a sustainable future. In this way, corporate social responsibility builds a bridge between the foundations of the Group strategy and the action fields of our sustainability strategy.

For the strategy cycle 2021–2023 the existing material topics were reviewed and updated as part of an enterprise-wide process and the four strategic action fields were revised. Our action field “transparency” encompasses voluntary commitments and fundamental issues with implications for multiple action fields. This also includes the cross-cutting issues of climate change and human rights as well as dialogue and good governance. The action field “employees” is consistent with the talent management initiative and pursues goals relating to attractiveness as an employer, the expansion of further training activities and talent reviews, the enhancement of programmes to promote health and wellness as well as diversity and equal opportunities. In our action field “core business” we define, firstly, measures that support the transformation towards a sustainable world and, secondly, measures that minimise our environmental impacts. The action field “commitment” covers topics that were not identified as material in the context of the materiality analysis but are nevertheless of considerable importance to us.

Goals were defined for all action fields; these are regularly tracked and presented to the Executive Board.

Further information on our sustainability strategy is provided on our website.

**Materiality analysis**

[102-15](#), [102-40](#), [102-42](#), [102-43](#), [102-44](#), [102-46](#), [102-49](#)

Hannover Re regularly conducts materiality analyses in order to identify material ESG issues.

In the spring of 2020, the materiality analysis carried out in 2018 was revisited through a survey of internal and external experts. They were tasked with contributing in-depth expertise in sustainability and the business activities of a reinsurance undertaking, on the one hand, while at the same time reflecting and advocating for the views/interests of various stakeholders.

The basis consisted of a list of possible topics derived from the previous materiality analysis, dialogues conducted throughout the year with stakeholders (including employees, job applicants, capital market analysts/investors, non-governmental organisations, customers, brokers), questions raised at the Annual General Meeting, media reports and the GRI (Global Reporting Initiative) Framework. All experts were encouraged to indicate other topics. The analysis looked at two dimensions: positive/negative impacts of Hannover Re’s



operations on the respective topic (inside-out perspective) and positive/negative impacts of the respective topic on Hannover Re's operations (outside-in perspective). Each topic was scored on a scale of 1 to 5 in this regard.

Extensive interviews were conducted with the external experts (stakeholder group: asset managers, ESG analysts, representatives of non-governmental organisations, representatives of the trade press as well as representatives of foundations and associations). All topics that received an average score of at least 3.75 were marked as material. Four workshops were held with the internal experts (stakeholder group: employees) from various market and service units to score the topics on the list. In this case, too, the materiality threshold was set at 3.75. Some topics were clustered in the workshops.

The topics were transferred to a materiality matrix as averaged values from the internal and external scores. In this context, those topics that fell below the threshold after averaging also continued to be material. We consciously decided to take a very wide approach in order to adequately reflect both dimensions and perspectives. In 2020, we identified 13 material sustainability topics, which also constitute the basis of the present report.

The materiality analysis was validated by the Executive Board at its meeting on 6 July 2020. In view of its considerable significance, the topic of Covid-19 had already been picked up on last year as an additional topic in the non-financial reporting. As part of the validation Covid-19 was included as a supplementary material topic.

### Material topics and their boundaries

S 10

Material topic	Impact boundaries within the Group	Impact boundaries outside the Group
Compliance	Entire Group	Customers, business partners, capital market players, society
Risk management	Especially risk management, entire Group	Customers, business partners, capital market players
Climate change	Entire Group	Customers, business partners, capital market players, NGOs, society
Human rights	Employees	Especially rights holders, capital market players, NGOs, society
Responsible corporate governance	Entire Group	Customers, business partners, capital market players, society
Dialogue	Entire Group	All stakeholders
Sustainable protection	Business units and risk management	Customers, business partners, capital market players, society
ESG in insurance business	Business units and risk management	Customers, business partners, capital market players, NGOs, society
Covid-19	Business units and risk management, employees	Customers, business partners, capital market players, society
ESG in asset management	Investments and risk management	Customers, business partners, capital market players, NGOs, society
Attractiveness as an employer	Especially employees and human resources management, entire Group	(Potential) applicants
Learning and development	Especially employees and human resources management, entire Group	(Potential) applicants
Employee health and wellness	Especially employees and human resources management, entire Group	(Potential) applicants, society
Diversity and equal opportunities	Especially employees and human resources management, entire Group	(Potential) applicants, society

## Goals and measures of the strategy cycle 2021 – 2023

### Transparency



S 11

Goal	Target indicator by 2023	Status 31.12.2021
<b>Climate change</b>		
Supporting the goals of the Paris Agreement on climate change	Definition of measures to reduce emissions, enhance transparency, increase adaptability and mitigate the impacts of climate change in the action fields	Cross-cutting goal, ongoing
<b>Human rights</b>		
Living up to duties of care in matters of human rights	Definition of measures in conformity with the United Nations Guiding Principles on Business and Human Rights	Cross-cutting goal, ongoing
<b>Dialogue</b>		
Raising the level of transparency in relation to ESG issues	Integration of additional, ESG-relevant report content by 2023	Achieved
Positioning as a sustainable investment on the capital market	Listing in at least two sustainable index families	Achieved
<b>Good Governance</b>		
Ensuring that the organisation is compliant	Average compliance score corresponding at a minimum to the targeted maturity level	Ongoing, achieved

## Core business



S 12

Goal	Target indicator by 2023	Status 31.12.2021
<b>Sustainable Protection</b>		
Further expanding insurance protection for emerging and developing countries in relation to extreme weather events and natural disasters in the Property & Casualty sector	Expansion of NatCat aggregates in emerging and developing countries to close the protection gap	KPI under development, initial application based on 2022 data
Expanding sustainable insurance solutions to mitigate the impacts of climate disasters and natural catastrophes	Discussion and review of at least five programmes and initiatives	Achieved
Promoting the development of actuarial methods for the assessment of risks from natural perils and climate change	Active involvement in and financial sponsorship of various market initiatives and events	Ongoing, on target
Advancing a global energy transition through the reinsurance of renewable energy sources	Increase of 60% in the facultative premium volume for renewable energies	Increase not achieved on the planned scale, under observation
Expanding insurance protection for previously inadequately insured population groups in the Life & Health sector	Premium growth in developing and emerging countries	Measurable growth achieved, on target
Supporting our primary insurance partners with the (further) development of sustainable insurance solutions in the Life & Health sector	Expanded reinsurance of longevity risks, especially outside the United Kingdom	Measurable growth achieved, on target
<b>ESG in reinsurance business</b>		
Integrating ESG criteria into the underwriting policy for the facultative reinsurance department	Approval and adoption of an internal framework	Reworking and integration of additional exclusions, overachieved
No new business in the insurance of individual risks in coal-fired power plants or mines for thermal coal	No underwriting of facultative new business in coal-fired power plants or mines for thermal coal	Exclusions further tightened, overachieved
Reducing the CO <sub>2</sub> load in connection with coal-fired power plants or mines for thermal coal in obligatory insurance portfolios	Phased withdrawal according to step-by-step plan – completion of the evaluation phase and beginning of the implementation phase; complete withdrawal by 2038	Elaboration of an internal position paper and inclusion of additional ESG criteria, on target
<b>ESG in asset management</b>		
Reducing the CO <sub>2</sub> load in the asset portfolio	Tighter goal set: reduction of 30% in the carbon footprint (corporate bonds, covered bonds, equities) by 2025 (base year 2019)	Annual reduction on target
Excluding issuers that violate ESG principles	Screening of the defined portfolio, regularly	Ongoing before inclusion in the portfolio and half-yearly
Expanding investments that support the sustainable transformation	Measurable expansion by 2023	Conceptual preparation completed, on target
Signing the Principles for Responsible Investment	Signature	Achieved



## Employees

S 13



Goal	Target indicator by 2023	Status 31.12.2021
<b>Attractiveness as an employer</b>		
Recruiting, identifying, developing and retaining performance-driven employees according to requirements	Conceptual design and further refinement of powerful branding and recruitment systems	Roadmap for employer positioning under development, on target
Cultivating and developing global mobility	Adoption of a Global Mobility Guideline	Achieved
<b>Learning and development</b>		
Supporting the lifelong learning of employees around the world	Alignment of our (ongoing) training activities with the values and core competencies of Hannover Re and expanded reporting through the worldwide programme of continuing training	Implementation of a new global learning management system initiated, on target
Identifying and fostering high-potentials and assuring successors for key positions	Optimisation of Group-wide talent reviews with a focus on development planning	Implementation of a Global Leadership Development Programme and commencement of roll-out, on target
<b>Employee health and wellness</b>		
Promoting the health and performance of employees around the world	Expansion of programmes to promote health and wellness by at least 10%	Concept under development
<b>Diversity and equal opportunities</b>		
Increasing diversity on all managerial levels, especially in relation to women	Gender-neutral new appointments/replacements (50/50) for all vacant leadership positions on all managerial levels worldwide	Selection process for managerial staff overhauled, on target
Enhancing equal opportunities through measures to support the compatibility of career and family	Worldwide programme of mobile working	Achieved

## Commitment

S 14



Goal	Target indicator by 2023	Status 31.12.2021
<b>Environmental management</b>		
Reducing greenhouse gas emissions at the Hannover location	Reduction of greenhouse gas emissions at the Hannover location by 25% per employee (base year 2019)	Valid evaluation of the figures not possible due to the ongoing pandemic
Increasing transparency around greenhouse gas emissions at the worldwide locations	Expansion of data recording for relevant environmental aspects to at least 75% of the global workforce. The assessed locations are to become 100% climate-neutral.	Concept approved by the Executive Board, on target
<b>Social commitment</b>		
Expanding corporate citizenship	Increase of 20% in the existing budget by 2023	Concept approved by the Executive Board, on target

## Risk management

103-1, own disclosure

In the course of its operations as a reinsurance company, Hannover Re knowingly enters into many different risks. It is equipped with an adequate and effective risk management system for ongoing monitoring of these and other risks. Risk management was identified as a material topic in our materiality analysis.

In the context of its risk management system Hannover Re also considers risks that arise in connection with environmental concerns, social issues or corporate governance – so-called sustainability or ESG risks. These may be associated with negative implications for the net assets, financial position and results of operations (outside-in perspective) as well as negative implications for the ESG landscape (inside-out perspective) and can jeopardise the company's reputation. Sustainability risks do not constitute a risk category of their own, but can instead have implications for all risk categories. We consider here in particular underwriting risks (property & casualty and life & health reinsurance), market risks, counterparty default risks, operational risks and other risks. In the year under review the meta-risk of sustainability and reputational risks was added to "Other risks" in the risk register.

The Executive Board approved a framework for the management of sustainability and reputational risks with Group-wide validity in the year under review in order to underscore the importance of the topic.

For further information we would refer to the "Opportunity and risk report" in the combined Group management report.

## Compliance

102-16, 103-1

At Hannover Re we pursue an integrated approach to compliance by embedding compliance activities in a multidisciplinary Compliance Management System. This brings together not only core compliance issues but also extended compliance topics with their own scope of responsibility.

Any form of unlawful or corrupt behaviour inflicts considerable harm on society and impedes free and fair competition. For this reason lawmakers around the world have taken a number of steps to prevent such behaviour. Companies in the financial sector, like Hannover Re, have an important role to play when it comes to prevention and execution.

At the same time, integrity and lawful conduct are directly correlated with a company's reputation and establish the basis for the trust placed in such company by employees, business partners, investors, shareholders and the broader public and hence also the foundation for its success and competitiveness over the long term.

For us, it is fundamental and a matter of course that we respect and comply with relevant laws and regulatory requirements for our business activities in all the countries where we operate. These include, for example, not only the relevant regulatory standards such as national and international rules governing insurance supervision, the Market Abuse Directive, the Securities Acquisition and Takeover Act (WpÜG) and the Securities Trading Act (WpHG) but also applicable laws and directives on issues such as the environment, fighting corruption and money laundering, data protection, information security, sanctions and embargos and tax matters.

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## Code of Conduct

Hannover Re has adopted a company-wide Code of Conduct that is publicly accessible on its website. The Code of Conduct makes it clear that active and passive corruption will not be tolerated. Additionally, it explicitly references the prohibition of money laundering and other criminal activities and contains specific instructions on appropriate behaviour for the avoidance and disclosure of conflicts of interest, for the granting and acceptance of benefits, gifts and invitations, for the arrangement of donations and sponsorships as well as with respect to sideline activities and involvement in other companies and business transactions. As a listed company, we make our employees aware at the start of their employment of the need to observe rules on insider trading and, as warranted, to respect blocking periods for share trading.

A new Code of Conduct was drawn up in the year under review and comes into effect in 2022.

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## Compliance Management System

103-2

Compliance encompasses not only compliance with statutory and regulatory requirements (legal compliance) but also fulfilment of external standards such as corporate governance principles as well as internal guidelines. At Hannover Re, compliance topics are addressed in a compliance management system. This is geared to international standards and ensures that the core tasks of a compliance function are performed:

- Examining and evaluating changes in the legal/regulatory environment and determining measures (monitoring function)
- Advising the Executive Board and the employees on compliance with laws (advisory function)
- Identifying and evaluating specific current and emerging compliance risks (identification function)
- Identifying and assessing material compliance risks (risk function)





The Executive Board is responsible for and tasked with ensuring adequate and effective compliance structures. Execution falls to the Chief Compliance Officer (CCO), who reports in a direct line to the Executive Board on material compliance issues and developments. The annual compliance report is also submitted to the Supervisory Board and its Finance and Audit Committee. The CCO is supported in his work by the Compliance department, specially designated officers and a worldwide network of local compliance officers. Monitoring procedures are conducted for the management of compliance risks. Checks can also take place on an ad hoc basis where there are grounds for suspicion. The underlying compliance risk analysis is updated annually.

The CCO works closely with Risk Management to ensure a consistent approach to operational risks, which include compliance risks. Several compliance committees also exist, comprised of members from the operational business groups as well as from the areas of Group Legal, Finance, Accounting and Investments. Among other things, the compliance committees examine reinsurance treaties with a special eye to compliance with supervisory requirements and accounting standards and they take fundamental decisions on dealing with sanctions.

Attentive and trained employees are a crucial component of a functioning compliance management system – both in order to avoid unconscious violations and to recognise and prevent deliberate violations and associated risks. Hannover Re uses various training activities in order to sensitise employees to compliance-related issues. On joining the Group, all new members of staff take compliance training. In the 2021 reporting year, training sessions were held for altogether 134 new employees at Hannover head office alone. In addition, focused training activities are held on various compliance topics throughout the year for specific target groups. Traditional communication channels including the intranet portal and online newsletters are also used to bring compliance-related issues to the attention of the workforce. The Compliance unit and the Chief Compliance Officer keep employees informed about changes in legislation, insofar as they affect their work. In 2020 Hannover Re also launched a twelve-month compliance awareness-raising campaign that was concluded in the year under review.

Should members of staff or indeed persons outside the company become aware of compliance violations, harmful behaviour or risks, such suspicions can be reported to the CCO or the Compliance department or, if so desired, anonymously through an online speak-up system.

Tips can be given regarding, among other things, fraud, corruption, embezzlement, anti-competitive practices, market manipulation, breaches of insider trading regulations or

skirting of embargo provisions, but are not limited to these areas. In addition, our employees throughout the Group can seek advice on compliance matters by writing to an e-mail address linked to the Compliance unit within Group Legal Services. Any tips received as well as the measures taken in response are included in the annual compliance report.

For further information we would refer to the “Opportunity and risk report” in the combined Group management report.

## Report on selected compliance issues

### Data privacy and information security

103-2, 418-1

As part of our day-to-day business activities we process personal data, including for example address details, health-related information as well as billing and benefit data. Processing includes, among other things, the collection and storage as well as the erasure of personal data. The data are required primarily in the context of underwriting, for providing customer- and contract-related services as well as in claims and benefit management. Furthermore, personal data are processed in connection with, among other things, human resources management and shareholder administration. We also process personal data in order to assert our own legitimate interests or those of third parties. In particular, this may be necessary in order to safeguard IT security and IT operations and to meet official requirements. It is incumbent on the Hannover Re Group to uphold the statutory data privacy rights of data subjects, and we have implemented appropriate procedures and methods for this purpose. These include the general principle that personal data may only be processed by Group employees to the extent that this is necessary for a precisely defined purpose as part of their lawful task fulfilment or a corresponding basis exists in law. In this context we apply the “need to know” principle.

We make use of external service providers to some extent in order to perform our contractual and statutory duties. Contractors are carefully screened and we ensure that personal data are processed in accordance with the contractually agreed legal requirements.

The existing structures of the established compliance organisation are used to implement the minimum standards required by data privacy law. Data protection policies applicable Group-wide regulate the key data protection tasks and responsibilities. Irrespective of the geographical scope of application of the EU General Data Protection Regulation (GDPR), the designated compliance officers and local data protection officers are responsible for monitoring compliance with the respective data protection requirements. As necessary, they draw up additional local data privacy policies and serve as the interface to Hannover Re’s Data Protection Officer in Germany.

The Data Protection Officer coordinates overarching aspects of the installed data privacy management system within the Hannover Re Group. He gives advice on how to resolve specific data privacy issues and monitors compliance with the GDPR and other data protection standards.

In this connection, the monitoring of data privacy requirements takes place in close coordination with Group Auditing. A documented interface, defining the main tasks and duties associated with the monitoring of data privacy, exists between the Data Protection Officer of Hannover Re in Germany and Group Auditing.

The findings of the separate reporting on data protection are integrated into the compliance report. In the reporting period there was no requirement to fulfil the duty to notify data breaches pursuant to Articles 33 and 34 of the GDPR (personal data breaches).

Training activities on data protection topics are held regularly for our employees in various forms, including web-based learning and face-to-face sessions. The latest information on these issues is also made available on a regular basis through our internal company media, such as the intranet.

Further information about data protection at Hannover Re as well as our data privacy statement can be accessed on our website.

### Information security

Cyber attacks and the loss of sensitive information can be associated with considerable financial losses and also reputational risks. In our highly networked world it has therefore become increasingly important in recent years to protect information and defend against cyber attacks. This has become all the more true during the Covid-19 pandemic given extensive working from home and the associated changed risks.

With a view to protecting against these risks, Hannover Re has implemented an Information Security Management System (ISMS) that is closely aligned with international standards – principally ISO 27001 – and harmonised with other management systems such as data protection or outsourcing management. The central document is the “Information Security Policy”, which is valid for all locations worldwide. Together with specific guidelines and standards, it regulates all technical and organisational measures including those relating to the confidentiality, integrity and availability of information assets. Needless to say, it also covers all forms of mobile working. Consideration is given to all types of digital and physical information assets.



The Executive Board bears overall responsibility for information security. It is supported by the Risk Committee, which meets quarterly under the auspices of the Chief Executive Officer (CEO). Further participants are one Board member each representing Property & Casualty and Life & Health reinsurance, the Chief Financial Officer (CFO) the Chief Risk Officer (CRO) at the Hannover location as well as two other CROs from the locations in Ireland and Africa and the Chief Auditor. The Information Risk & Security Committee (IRSC) is a sub-committee of the Risk Committee and is comprised of the Head of Risk Management, the Chief Information Security Officer (CISO) and the Head of IT. The IRSC evaluates and monitors the corresponding risks and steers any conflicts of interest in relation to information and IT security. It acts – in common with the risk management function and the CRO – independently of any instructions. The full Executive Board is provided with information at least annually by way of an information security report and also within the year if necessary. The Risk Committee receives information on a quarterly basis.

The CISO, as the main process owner, is responsible for the planning, implementation and ongoing development of the ISMS as well as for coordinating the corresponding tasks within the Hannover Re Group. He is supported by local contacts and additionally bears responsibility Group-wide for the definition and monitoring of controls. The CISO cooperates closely with Information Risk Management (IRM), the central Compliance function and the Data Protection Officer. Both the CISO and the other specified functions form part of the second line of defence. Furthermore, every single member of staff is responsible for adhering to the relevant guidelines and instructions. To this end, all employees receive training in information security topics annually and at the time of their appointment and receive awareness-raising within the year.

When it comes to a transfer of knowledge in relation to our own (operational) risks in connection with cyber risks (cyber resilience), we participate in various cooperative projects undertaken by our industry and engage in a regular dialogue with, among others, the Bundesverband der IT-Anwender e.V. in the context of the Cyber Security Competence Center.

Hannover Re offers reinsurance protection for cyber risks. The risks stemming from the cyber portfolio are monitored and managed using, among other things, the internal model. The management approach also encompasses cyber exposures from insurance contracts that do not primarily cover this risk (silent cyber risk), although these diminished in importance last year due to the implementation of exclusions. In addition, part of the risk is ceded through an external protection cover.

We report at length on cyber security and information security in our “Opportunity and risk report” as part of the management report in the context of our Group Annual Report 2021 on page 112 et seq. and page 116.

### Sanctions

103-2

Observance of applicable sanctions regulations plays a central role for us on account of our international orientation and worldwide activities. Our Code of Conduct and Underwriting Guidelines stress the obligation to comply with relevant sanctions provisions, particularly with an eye to the tighter sanctions and embargo rules imposed on Russia in 2022. In addition, a Sanctions Screening Guideline is in place, stipulating when members of staff must perform sanctions screening with respect to the initiation of contracts and/or the payment of claims. A software-supported check is made to continuously verify whether the company’s data inventories include the names of natural and legal persons who are subject to sanctions and hence with whom no or only limited business may be transacted. Above and beyond this, each working day Group Legal Services check the Official Journal of the European Union for changes in sanctions law on the EU level and advise the affected departments of relevant changes without delay.

The compliance training given to new members of staff also includes basic instruction in sanctions law. Underwriters and claims managers additionally receive sanctions training on an annual basis that explores the specific features of their market departments and work.



## Tax framework

103-2

As a globally operating reinsurance undertaking, we are subject to the tax laws of the respective national jurisdictions. We pay the incurred taxes according to the applicable legal provisions of the countries in which we operate.

Within our Group-wide Tax Compliance Management System our task areas, processes and responsibilities in relation to taxes are specified in the context of Group taxation and organisational policies. Our Group Tax Guideline defines our major principles of cooperation in matters of taxation. The entire Executive Board is responsible for this and collectively monitors its implementation. The regular verification of Group-wide compliance is the responsibility of Group Auditing. In addition, we have developed a Tax Strategy in accordance with the Group Strategy and published this on our website.

The tax expenditure of the Hannover Re Group recognised in the financial year according to IFRS accounting was EUR 146.5 million higher than in the previous year at EUR 351.6 million (previous year: EUR 205.1 million). The increase was largely due to a significantly higher pre-tax profit. This also resulted in a slightly higher effective tax rate of 21.3% compared to the previous year (18.2%).

A breakdown of domestic and foreign taxes on income is provided in our Group Annual Report 2021 from page 247 onwards.

# Transparency







# Transparency

## Good Governance

### Responsible enterprise management

103-1

As an internationally operating company, Hannover Re bears responsibility in numerous ways. This is true of compliance with relevant laws and regulations, but also applies to our relationship with our staff, clients and shareholders, the public at large and the cultures within which the company operates.

Hannover Re's objective continues to be to consolidate its position as one of the leading, most profitable reinsurance groups operating worldwide. In aspiring towards this goal, it is particularly important to observe and fulfil the principles of good and sustainable corporate governance. In so doing, we not only comply with the German Corporate Governance Code (DCGK, hereinafter also referred to as the Code), but have also developed our own model for responsible enterprise management which we consistently pursue and adjust to the latest requirements in accordance with our best practice standards.

Through transparent and responsible action we strengthen the trust placed by the market in our company and in our corporate governance and at the same time we protect the intangible asset that is our reputation. As a result, our employees and clients enjoy working for and with us. Not only that, it also makes it easier for us to access capital and reduces the cost of capital, which in turn improves our competitiveness. Furthermore, responsible corporate governance helps to minimise risks and prevent mismanagement and it

promotes the stability of financial markets. All in all, then, good corporate governance is in the interest of a broad range of stakeholders and is practised by our company as a matter of course.

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### German Corporate Governance Code

As an instrument of self-regulation for the business world, the German Corporate Governance Code (DCGK) defines current best practices for corporate governance and is intended to make the German system of corporate governance transparent and comprehensible. It seeks to foster the trust of international and national investors, customers, employees and the general public in the management and supervision of German listed companies. Although the Code does not have binding legal force, the enterprises addressed by the Code are nevertheless required by § 161 Stock Corporation Act (AktG) to provide an annual declaration as to whether or not the recommendations of the Code were and are complied with in the reality of the company's business activities. If recommendations were not acted upon, this is to be explained and disclosed as part of the Declaration of Conformity. Supplementary to the present declaration, the Declarations of Conformity pursuant to § 161 Stock Corporation Act (AktG) regarding compliance with the German Corporate Governance Code for recent years are published on our website.

The positive attitude of Hannover Rück SE towards the Code is not contradicted by the fact that in the year under review we did not comply with one recommendation, since a justified deviation from the recommendations of the Code may – as in the present case – be very much in the interests of good corporate governance tailored to a particular company, i.e. by reflecting enterprise- and industry-specific features.

### Governance structure

102-18, 102-23, 102-33, 102-35, 103-2, 405-1

As a listed European joint-stock company (Societas Europaea, SE) based in Germany, the formal structure of our corporate governance is determined by national law. As an SE, we are also subject to laws on co-determination, especially the participation agreement concluded with the employees. Furthermore, our corporate strategy, Corporate Governance Principles and Code of Conduct constitute the basis of our enterprise management.

The fundamental hallmarks are the two-tier governance system with its transparent and effective split into the management of the company (Executive Board) and its oversight (Supervisory Board), the composition of the Supervisory Board with representatives of the shareholders and employees as well as the shareholders' rights of co-administration and supervision at the General Meeting. These three bodies – Executive Board, Supervisory Board and General Meeting – make up the company's governance structure. The interaction between them is regulated in German stock corporation law as well as in the company's Articles of Association.

The avoidance of conflicts of interest is facilitated by the control mechanisms stipulated in law and in the Articles of Association that exist between the Executive Board, Supervisory Board and General Meeting. Subject to the divergences disclosed in the context of the Declaration of Conformity, the Supervisory Board also fulfils the requirements of the German Corporate Governance Code regarding the independence of this body.

Currently, the Executive Board consists of seven members and the Supervisory Board of nine members. When appointments are made Hannover Re is guided by the principle of diversity as part of a diversity concept, the ongoing realisation of which is the subject of annual reporting. Wide-ranging qualifications, expertise and relevant experience on the part of the members of the Executive Board and Supervisory Board facilitate a nuanced evaluation of the opportunities and risks associated with business operations and enable balanced and professional actions and decisions to be taken on this basis. Due consideration is given to the aspect of diversity when members of the Executive Board and Supervisory Board are appointed. In addition to specialist and personal qualifications (competencies), this aspect encompasses in particular age, gender, education and professional career. With a view to ensuring that the concept of diversity is applied on an ongoing basis, an assessment is made in the context of

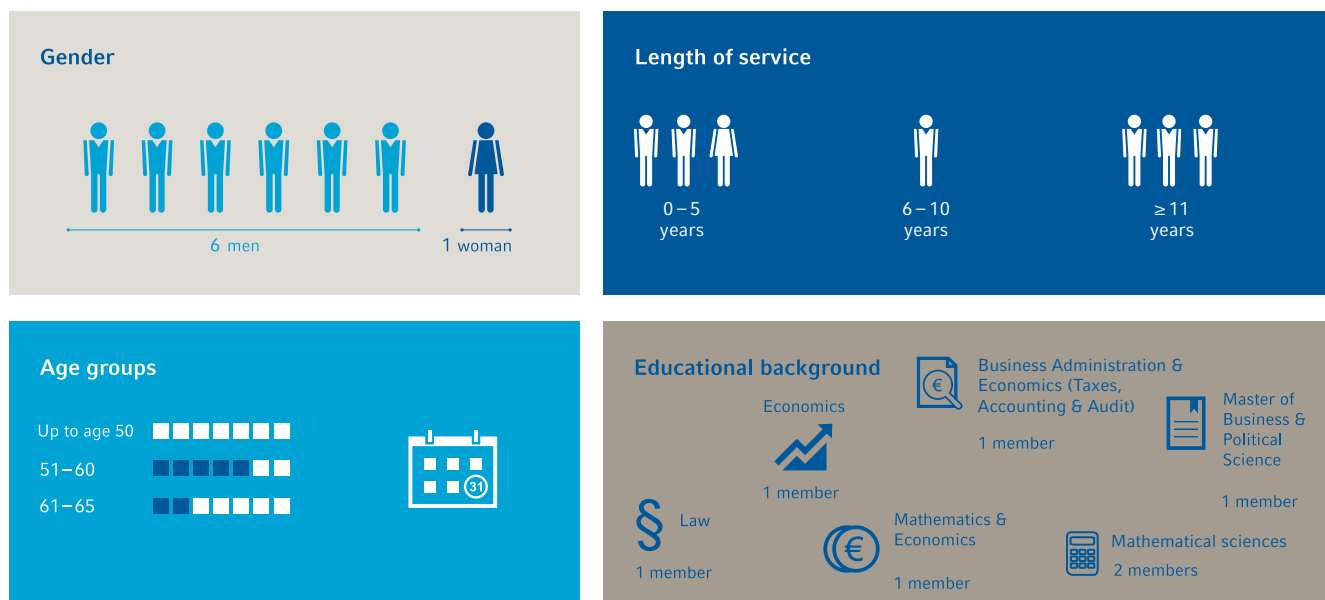
every new appointment to the Executive Board or Supervisory Board as to whether the envisaged appointment is also in keeping with the diversity concept.

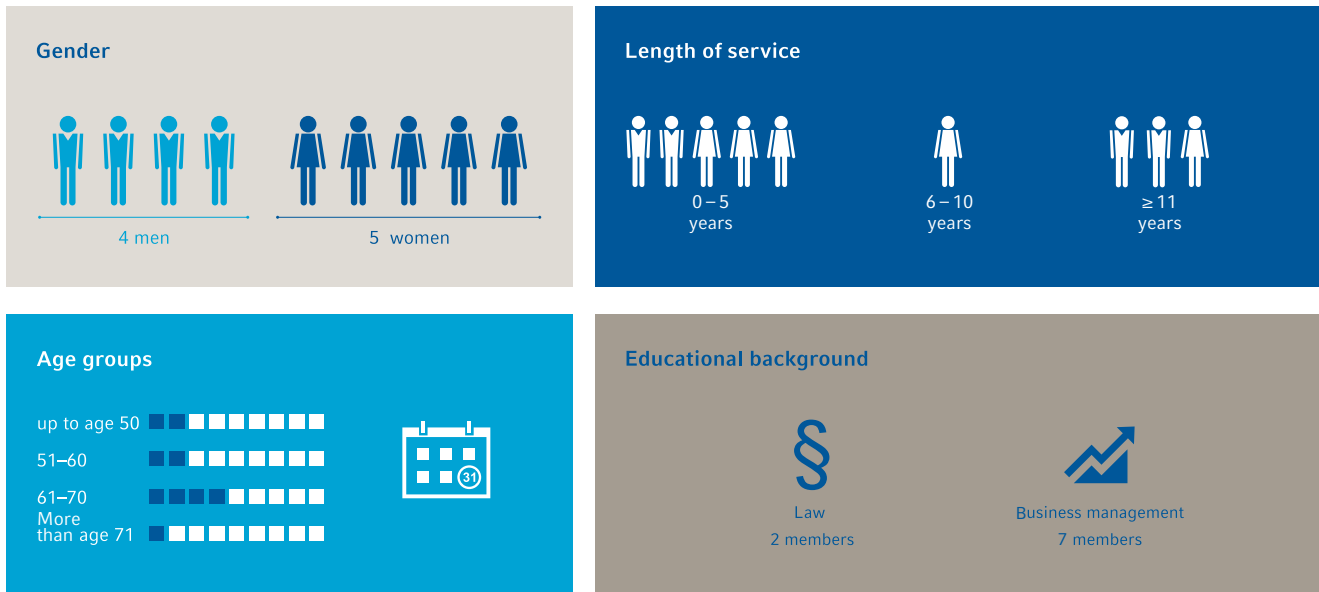
Diversity on the Supervisory Board and Executive Board continued to be a major focus in the 2021 financial year. Since the end of the Annual General Meeting on 8 May 2019, altogether five women have belonged to the Supervisory Board. It remains the case that female members of the Supervisory Board sit on two of the three Supervisory Board committees. One woman serves on the Finance and Audit Committee and one is a member of the Nomination Committee.

Furthermore, the Supervisory Board considers it important that an adequate number of Supervisory Board members are independent as defined by the German Corporate Governance Code (DCGK).

The diversity of the Executive Board with respect to female members remained unchanged in 2021. The goal of appointing at least one additional woman as a member of the company's Executive Board is factored into succession planning as far as possible. The age diversity on the Executive Board ranged from 51 to 61 in the 2021 financial year. On the Supervisory Board the age range was from 48 to 72.

**Overview of diversity on the Executive Board**





Our stakeholders have the opportunity to report critical issues to the company's highest governance body. All stakeholders, and especially shareholders, thus have recourse to the Supervisory Board with which they can raise their concerns. Our shareholders exercise their voting right at our Annual General Meeting, in particular by ratifying the acts of management of the Executive Board and Supervisory Board, adopting the resolution on the appropriation of profit and through their right to ask questions and receive information. In this connection, too, every shareholder is able to directly address questions or comments. Within the framework of our governance structures, critical concerns – including in relation to sustainability matters – are communicated on an ongoing basis to both the Executive Board and the Supervisory Board.

Our Code of Conduct, our Articles of Association, our Corporate Governance Principles, the Rules of Procedure for the Supervisory Board and the Declaration of Conformity can be viewed on our website.

102-18, 102-23: For the composition of the Executive Board and Supervisory Board, please also refer to our website. The appointment and removal of members of the Executive Board is governed by Sections 84 et seq. of the German Stock Corporation Act.

The new remuneration system has been applicable to all members of the Executive Board with effect from 1 January 2021 and constitutes the basis for the Supervisory Board's determination of the total remuneration received by each member of the Executive Board. It is in full conformity with the amended legal and regulatory requirements and the

recommendations of the German Corporate Governance Code (DCGK). In this context Hannover Re has set itself the goal of aligning the Executive Board's remuneration even more closely with publicly communicated financial and non-financial targets and providing transparent reporting on this remuneration. The Supervisory Board is supported by the Standing Committee, which in particular made recommendations regarding the elaboration of the system in light of the defined guiding principles.

Due to the reduction in the number of criteria for the variable remuneration components and the focus on a few central financial and non-financial performance criteria derived from Hannover Re's Group strategy, the remuneration system is structured more transparently and comprehensibly overall. The considerable relevance of the variable remuneration and the reinforcement of the concept of "pay-for-performance" remain front and centre in this regard. The measurement of performance also takes account of sustainability criteria.

The new system of remuneration was adopted at the Annual General Meeting in May 2021. In addition to the regular vote taken by the Annual General Meeting on the remuneration system, shareholders have an annual opportunity at the Annual General Meeting to address questions and comments to the company regarding the remuneration of the members of the Executive Board in connection with the presentation of the remuneration report and to take a consultative vote on the remuneration system ("say on pay"). For further information we would refer to the remuneration report for 2021 as well as the system of remuneration; both documents are published separately on our website.



For further information on corporate governance we would refer to our Group Annual Report 2021 from page 118 et seq., in particular:

- Corporate Governance and Declaration of Conformity cf. p. 118 et seq. as well as p. 280
- Working practice of the Executive Board and Supervisory Board cf. p. 121 et seq.
- Working practice of the committees of the Supervisory Board cf. p. 122 et seq. as well as p. 280 et seq.
- Diversity concept of the Executive Board and Supervisory Board cf. p. 123.
- 102-35: Remuneration of the Executive Board, Supervisory Board and senior executives below the Executive Board cf. p. 119 et seq. as well as p. 124 et seq.
- Report by the Supervisory Board and its committees cf. p. 278 et seq.
- Changes on the Supervisory Board and Executive Board cf. p. 282.

## Human rights

103-1, 103-2, 412-2

In the principles of the United Nations Global Compact defined as long as 20 years ago, human rights are one of the four subject areas in which companies commit to behave in a responsible manner.

The requirements placed on companies in relation to human rights were fleshed out in greater detail in 2011 through the

endorsement of the UN Guiding Principles on Business and Human Rights by the UN Human Rights Council. Companies are urged to implement adequate safeguards in order to avoid human rights risks within their entrepreneurial scope of influence. Hannover Re issued a corresponding policy statement on respect for human rights in the year under review. As a signatory to the United Nations Global Compact (UNGC), we also release an annual progress report on the Ten Principles. In addition, we publish statements regarding the Modern Slavery Act 2015 (United Kingdom) and the Modern Slavery Act 2018 (Australia) on our website.

## Determination of impacts

103-2

In the year under review we began to develop procedures for determining actual and potential detrimental impacts on human rights as well as measures for monitoring effectiveness in conformity with the UN Guiding Principles on Business and Human Rights (UNGPs).

As far as observance of human rights in our business activities is concerned, we are guided by a number of international standards:

- Universal Declaration of Human Rights (UDHR)
- International Covenant on Civil and Political Rights (ICCPR)
- International Covenant on Economic, Social and Cultural Rights (ICESCR)
- UN Guiding Principles on Business and Human Rights (UNGPs)
- United Nations Global Compact (UNGC)
- Core labour standards of the International Labour Organization (ILO)
- Sustainable Development Goals (SDGs)
- In the spring of 2021 a risk analysis was conducted under the leadership of the Sustainability Officer and with the involvement of the risk management and compliance teams (second line of defence) as well as participants from the first line of defence. Business segments were identified and prioritised in relation to possible risks connected with potential human rights violations. Consideration also began to be given in the year under review to requirements connected with the Supply Chain Due Diligence Act (LkSG), which enters into force in 2023.
- In the context of the risk analysis, the following areas were identified and prioritised in relation to potentially adverse impacts on human rights in terms of inherent risks, leverage and management maturity:
  - Priority 1:
    - Facultative reinsurance business
    - Asset management
  - Priority 2:
    - Purchasing (in particular IT)
  - Downstream:
    - Employees (high management maturity)
    - Obligatory reinsurance business (low leverage)

The identified and prioritised areas add more detail to this analysis as part of their role as the first line of defence and determine measures.

## Reinsurance business

103-2

Our clients are mainly primary insurance companies whose employees are considered to have a similarly low risk exposure as our own and for whom we therefore do not see any particular risks in relation to a violation of human rights.

With regard to our underwriting activities, we take a differentiated view of our facultative and obligatory reinsurance business.

In facultative reinsurance business, we write reinsurance contracts for individual risks, i.e. the contracts can be assigned to specific projects or policyholders. Based on our risk analysis, we have identified the greatest risk of potential impacts on human rights in the following particularly exposed areas: large construction projects (including dams, mines, and pipelines), the operation of mines as well as companies associated with internationally controversial weapons. To tackle such risks, our facultative department has drawn up an ESG manual in which the facultative underwriters worldwide have received training. In obligatory reinsurance, we provide coverage for large-volume portfolios with sometimes heterogeneous contents. It is not possible to relate specific impacts to rights holders. We are in the process of stepping up the dialogue with our customers so as to obtain a more accurate picture of the risks insured under such treaties. In 2022 an internal position paper was approved for the entire property and casualty reinsurance sector addressing, among other things, the issue of human rights. All P&C underwriters have taken a compulsory training programme in ESG topics (Web-based training and supplementary focus training), also covering human rights among other issues.

## Asset management

103-2

Hannover Re is active as an investor on the capital market. The inclusion of ESG criteria has been regulated in our "Responsible Investment Policy" since 2012.

Within our investments under own management, all fixed-income securities (government and semi-government bonds, corporate bonds and covered bonds) as well as listed equities

are subject to half-yearly negative screening with the support of an external provider. The Ten Principles of the UN Global Compact form the basis; six of these principles explicitly address the topics of human rights and labour standards. Our investment guidelines further exclude issuers associated with the development and proliferation of internationally controversial weapons.

## Suppliers

102-10, 103-2, 205-2

As a service company, unlike manufacturing companies, we do not have a classic upstream or downstream supply chain of raw and auxiliary materials or manufactured goods. Nevertheless, we too purchase a wide range of goods and services. We conduct risk assessments in order to identify sourcing categories that have a higher risk from a human rights perspective and we take measures accordingly.

We address the issue of human rights with our Code of Conduct for Suppliers. Among other things, the Code requires compliance with legal and ethical provisions, respect for human rights including compliance with the core labour standards of the International Labour Organization (ILO), and compliance with all applicable regulations in the areas of health, safety and environmental protection. When it comes to the observance of human rights, this excludes forced labour, human trafficking, involuntary working and other forms of so-called modern slavery. We do not tolerate any form of bribery, corruption and/or embezzlement and, not least through the Code of Conduct, we demand the same from their suppliers. The Code also requires our suppliers to set up a management system that ensures compliance with the listed points. Our Code of Conduct for Suppliers contains the legal requirements applicable to our company. For further information, we would refer to our Code of Conduct for Suppliers and our statements on the Modern Slavery Act 2015 (United Kingdom) as well as on the Modern Slavery Act 2018 (Australia).

As far as human rights due diligence is concerned, we see the greatest risk in connection with the procurement of IT hardware. For this reason, we have adopted an IT Procurement Guideline that is valid Group-wide and contains consistent rules governing the purchasing of IT products throughout the

organisation. It provides for all bottleneck, leverage and strategic suppliers to be subject to monitoring. Recognition of the Code of Conduct for Suppliers is mandatory (separately or through a master agreement). If a supplier submits its own more extensive code of conduct, this is subjected to further scrutiny and verification. Vendors are commissioned, managed and evaluated using the service management system “ServiceNow”, in which recognition of the Code of Conduct is also stored and tracked. Suppliers who violate our rules are blacklisted, thereby alerting purchasers accordingly if such vendors are selected and enabling them to refrain from placing an order. Effective 31 December 2021, 100% of core IT suppliers committed to comply with the Code of Conduct for Suppliers or equivalent rules.

We consider the risk in relation to our Facility Management activities to be lower. Purchasing at the Hannover location (excluding IT) is similarly governed by the Code of Conduct for Suppliers. Core suppliers allocated to Facility Management in Hannover are evaluated according to a similar scheme using a separate supplier management tool. In the 2021 reporting year 100% of FM core suppliers committed to the Code of Conduct for Suppliers. Separate checks are omitted for very minor jobs (such as the supply of specific books and journals, individual tasks performed by tradespeople).

In the context of the review of suppliers conducted in the year under review, no suppliers were identified in respect of which freedom of association or the right to engage in collective bargaining are in substantial jeopardy, a considerable risk of child labour, forced labour or involuntary working exists or environmental regulations have been violated. No were there any significant changes in relation to suppliers.

## Employees

103-2

Our employees are a key factor in our own success as a company. The promotion of fair working conditions and a healthy and non-discriminatory working environment is part of our corporate culture.

We do not tolerate any form of discrimination or harassment, as enshrined in our Group-wide Code of Conduct. We also respect employees’ right to freedom of association and collective bargaining over working conditions and will neither discriminate against nor favour employees on account of their involvement in such activities.

Within our human resources management, we promote diversity and equal opportunities in the workplace. We adhere to the highest health and safety standards for our employees and have implemented additional measures to support the health and well-being of our staff, including encouraging a work-life balance and complying with all applicable working-time regulations. Personal data of our employees are protected through strict adherence to statutory data protection regulations.

Given that our employees are highly skilled personnel and we attach the highest priority to compliance with applicable national, collective bargaining and company rules, we do not see any risk of serious breaches of human rights. Issues such as discrimination, equal opportunities and harassment nevertheless require continuous attention and monitoring. We manage these issues through our human resources management structure. Employee data are protected through strict compliance with legal data protection requirements.





## Voluntary commitments

102-12

Since May 2020 Hannover Re has been a signatory to the United Nations Global Compact. This is a voluntary international initiative between the business world and the United Nations for responsible corporate governance.

The required Communication on Progress is integrated into the present sustainability report. We would refer to the GRI Index on p. 90 for an allocation of our activities to the various Principles. Furthermore, Hannover Re has recognised the core labour standards of the International Labour Organization (ILO) for its worldwide workforce.

Since December 2020, Hannover Re has been a signatory to the Principles for Responsible Investment (PRI).

In addition, in April 2021 Hannover Re became a signatory to the Principles for Sustainable Insurance (PSI) and joined the United Nations Environment Programme Finance Initiative (UNEP-FI). We support the call of the PSI initiative for transparency. The required public Communication on Progress is integrated into the present sustainability report. We would refer to the GRI Index on p. 90 for an allocation of our activities to the various Principles.

## Dialogue formats

103-1, 103-2

The trust of stakeholders is a vital prerequisite for entrepreneurial success. With this in mind, we cultivate an active ongoing dialogue and report regularly on ESG-related topics. This is done, inter alia, through the combined non-financial information statement included in our Annual Report as well as this sustainability report, into which we have integrated the United Nations Global Compact (UNGC) Communication on Progress since 2020.

Furthermore, we cultivate an ongoing dialogue through investor conferences and roadshows at which we stay in contact with representatives of the capital market on a range of subjects – increasingly including ESG issues. In addition, analysts and institutional investors make the most of our annual Investors' Day to engage in an intensive exchange with management. Our employees stay in direct personal contact with our worldwide clients.

We similarly maintain an ongoing dialogue with political decision-makers, supervisory authorities and insurance industry associations – among other things in relation to topical issues in insurance supervision and financial market regulation.

What is more, we take part in various initiatives that address the financial costs of natural disasters in developing and emerging countries due to underinsurance. For further information please see the section of this sustainability report entitled "Sustainable Protection".

As part of our sustainability efforts we are in contact with various environmental, social and governance (ESG) rating agencies and we participate in their sometimes very comprehensive rating processes on a regular basis. In so doing, we seek to ensure that the rating agencies are optimally placed to reach their evaluations based on robust information and in some areas additional data provided confidentially. At the same time, the questions and comments in the rating surveys give us important pointers for potential new topics or room for improvement.

For investors and analysts who take a close interest in matters of sustainability, Hannover Re also participates in various ESG rating processes conducted by the CDP, ISS-ESG, MSCI and Sustainalytics. Please see our website for detailed information on the Group's ratings and scores.

Since 2014 we have been listed in the FTSE4Good, a worldwide index series geared to sustainability ratings according to ESG criteria. Additionally, we were included in the Global Challenges Index for the first time in 2017 and are listed in major STOXX indices. In March 2020, Hannover Re was also included in the newly created sustainability index of Deutsche Börse, the DAX 50 ESG.

We report on our activities annually on a voluntary basis as part of our sustainability reports (GRI) as well as our "Combined non-financial information statement", which is drawn up in accordance with §§ 315c in conjunction with 289c to 289e German Commercial Code (HGB) as well as Article 8 of Regulation (EU) 2020/852 of the European Parliament and of the Council of 18 June 2020 on the establishment of a framework to facilitate sustainable investment, and amending Regulation (EU) 2019/2088. The non-financial information statement was audited with limited assurance in the year under review by an independent auditing firm in accordance with the audit standard ISAE 3000 (Revised).

## Advocacy and memberships

102-12, 102-13

We are a member of numerous regional, national and global associations, advocacy groups and organisations. Our employees participate in working groups on various topics and contribute their specialist expertise to relevant discussions on a range of subjects, including sustainability issues.

On the international level we were a cosignatory to the Geneva Association's "Climate Risk Statement" in 2009. Together with the CEOs of a further 65 of the world's leading insurance undertakings, our Chief Executive Officer reaffirmed his support for this declaration – originally dating from 2009 – in May 2014. The guiding principles set out here describe how the insurance industry intends to play its part in global efforts to tackle climate-related risks. These include activities in the areas of product innovation, climate research and investment. We are also represented on the "Climate Change and Emerging Environmental Topics Working Group" of the Geneva Association.

Furthermore, we are an active member of various working groups of the Insurance Development Forum (IDF). The IDF is a public-private partnership led by the insurance industry and supported by international organisations. The IDF's mission is to strengthen resilience and risk protection in regions that are especially vulnerable to natural disasters through insurance solutions and risk management.

In addition, we are a member of the Reinsurance Advisory Board (RAB), which has been included in the EU Transparency Register since July 2015. We chair this body on a rotating basis, most recently in the years 2011 to 2013 and 2017 to 2019.

In the 2021 reporting year Hannover Re joined the Net-Zero Insurance Alliance (NZIA) so as to work with other participants on the development of metrics and targets. With this commitment to net zero targets Hannover Re is taking an important step in support of the transition to a climate-friendly economy.

The following list shows a selection of the most significant bodies and partnerships to which our company belongs:

- American Council of Life Insurers ([www.acli.com](http://www.acli.com))
- Chief Risk Officer Forum ([www.thecroforum.org](http://www.thecroforum.org))
- European Insurance Chief Financial Officer Forum ([www.cfoforum.eu](http://www.cfoforum.eu))
- German Insurance Association ([www.gdv.de](http://www.gdv.de))
- Geneva Association ([www.genevaassociation.org](http://www.genevaassociation.org))
- Global Earthquake Model ([www.globalquakemodel.org](http://www.globalquakemodel.org))
- Global Reinsurance Forum ([www.grf.info](http://www.grf.info))
- Insurance Association of China ([www.iachina.cn](http://www.iachina.cn))
- Insurance Development Forum ([www.insdevforum.org](http://www.insdevforum.org))
- Insurance Ireland ([www.insuranceireland.eu](http://www.insuranceireland.eu))
- International Insurance Society ([www.internationalinsurance.org](http://www.internationalinsurance.org))
- International Underwriting Association of London ([www.iaa.co.uk](http://www.iaa.co.uk))
- Net-Zero Insurance Alliance ([www.unepfi.org/net-zero-insurance/](http://www.unepfi.org/net-zero-insurance/))
- Reinsurance Advisory Board of the Insurance Europe federation ([www.insuranceeurope.eu](http://www.insuranceeurope.eu))
- South African Insurance Association ([www.saia.co.za](http://www.saia.co.za))
- United Nations Environment Programme Finance Initiative (UNEP FI) ([www.unepfi.org](http://www.unepfi.org))
- VOICE Bundesverband der IT-Anwender e. V. ([www.voice-ev.org](http://www.voice-ev.org))
- Gesellschaft für Datenschutz und Datensicherheit e. V. ([www.gdd.de](http://www.gdd.de))

# Climate change

103-1, 103-2, 201-2, own disclosure

Climate change, defined as naturally occurring or human-caused climatic changes, and the associated effects are considered a central challenge of our time. The correlation between the concentration of carbon dioxide in the earth's atmosphere – due to human activity – and the rise in the global average temperature and increased moisture in the atmosphere has been scientifically demonstrated and was recently confirmed once again by the Sixth Assessment Report of the Intergovernmental Panel on Climate Change (IPCC).

Associated consequences such as extreme weather events and natural disasters, e.g. heatwaves and droughts, severe precipitation events and storms, and also continuous processes such as the melting of glaciers and rise in sea levels, have far-reaching effects on society and the business world and cause considerable economic and insured losses. What is more, further environmental concerns, such as the proper functioning of ecosystems or the water resources of ground and surface waters, are directly affected by climate change. If the global average temperature were to continue rising unchecked, this would increase the scale and impacts of such phenomena. Climate change thus already presents a significant macroeconomic risk and has wide-ranging implications for the (re)insurance industry.

In view of these extensive environmental, economic and social impacts, climate change is at the heart of numerous national and international regulatory initiatives and measures. Particularly notable in Europe is the strategy to finance sustainable growth, which builds on the measures of the EU action plan on funding sustainable growth, and the European Green Deal, which aims to make Europe the first climate-neutral continent by 2050. A key driver here are the goals set out in the Paris Agreement on climate change, under which the community of nations committed in 2015 to limit the rise in the global average temperature to well below 2 degrees, preferably to 1.5 degrees Celsius, compared to pre-industrial levels. In the closing statement of the UN Climate Change Conference 2021 in Glasgow, known as COP26, the participating countries reaffirmed the 1.5 °C target in the year under review.

Climate change and the regulatory measures for tackling its causes and effects are accompanied by a number of implications for Hannover Re's operations, too. Climate-related risks are relevant to both our reinsurance business and our investments. At the same time, the desired transition to a climate-friendly, resource-conserving economy also creates opportunities for us, in particular from the redirection of

capital flows and the need to provide insurance support for new, green technologies.

In its Group Annual Report 2021 Hannover Re published disclosures for the first time pursuant to Article 8 of the EU Taxonomy Regulation (IEUJ 2020/852). The EU Taxonomy is a central element of the EU Action Plan for Financing Sustainable Growth and is intended – as a unified classification system – to foster transparency on sustainability in the financial market.

## Key points of the TCFD-aligned reporting

The Task Force on Climate-Related Financial Disclosures (TCFD) structures its recommendations according to four thematic areas: Governance, Strategy, Risk Management as well as Metrics and Targets. By publishing the TCFD report we are also meeting the corresponding obligation as a signatory to the Principles for Responsible Investment (PRI).

## Governance

102-18, 102-20, 103-2

As a general principle, all ESG topics and the associated risks and opportunities go hand-in-hand with more exacting expectations for the role of management. Requirements derive not only from the TCFD recommendations, but also from – among other things – the G20/OECD Principles of Corporate Governance, the EU Sustainable Corporate Governance Initiative, Solvency II, the Corporate Sustainability Reporting Directive (CSRD), the climate-related disclosures prototype of the International Sustainability Standards Board (ISSB), the Federal Financial Supervisory Authority (BaFin) Guidance Notice on Dealing with Sustainability Risks and the German Corporate Governance Code. It is envisaged that management will take on a prominent role in organising ESG issues and consider them in its leadership of the company.

The Executive Board is accountable for the underlying strategies, the implementation of appropriate structures and the provision of suitable resources as well as for defining responsibilities in the organisational guidelines. The Supervisory Board is responsible for advising and overseeing the Executive Board in its management of the company, including with respect to risk management.

Hannover Re has set up risk management functions and bodies Group-wide to safeguard an efficient risk management system.

## ESG governance structure

With a view to strengthening governance in relation to ESG-relevant issues, the Executive Board approved a new ESG governance structure in the spring of 2021. The core elements are the newly created “Sustainability Function”, the “ESG Management Team” and a supporting “ESG Expert Network”. Content responsibility under ESG governance also extends to the aspects associated with climate change.

The new governance structure provides for quarterly reporting to the full Executive Board. ESG topics were additionally addressed in multiple submissions to the Executive Board during the 2021 reporting year. Furthermore, ESG and the sustainability strategy were matters presented and discussed at the Supervisory Board meeting and at the meeting of the Finance and Audit Committee in November.

The integration of risk management into both the ESG Management Team and the ESG Expert Network ensures that the management of sustainability and climate risks is closely dovetailed.

For more extensive information on the structure of our sustainability management and the Sustainability Function please see the section of this report entitled “Foundations”.

Operational environmental management is the responsibility of the Environmental Officer. In common with the sustainability function and risk management, environmental management similarly falls within the Chief Executive Officer's scope of responsibility.

## Management and Risk Committee

102-18

The Executive Board's responsibility for the proper organisation of the company's business also extends to oversight of the internal risk management and control system. It explicitly includes overall accountability for definition of the risk strategy, the risk capital and the specification of limits for large risks that – if exceeded – could have a significant influence on the net assets and financial position. In connection with risks relating to climate change, this includes chronic and acute physical risks, transitory risks and litigation risks as well as mortality and morbidity risks – especially in reinsurance business and in asset management. The Executive Board additionally bears overall responsibility for operational environmental management.

The Risk Committee, which meets quarterly under the leadership of the Chief Executive Officer, is a vital element of the governance structure. The Chief Executive Officer takes responsibility both for risk management and for the ESG governance structure and is a member of the Risk Committee.

Further participants are one member of the Executive Board from Property & Casualty reinsurance and one from Life & Health reinsurance, the Chief Financial Officer (CFO), two senior executives from local offices abroad and the Chief Risk Officer (CRO). The Risk Committee assures and advances a risk culture, submits proposals to the full Executive Board on the definition and limitation of material ESG risks, is involved in the New Product Process and supports the Executive Board in the monitoring and steering of risks and risk positions. The Risk Committee reports to the Executive Board on a regular and as needed ad hoc basis.

In the year under review the Risk Committee received reports on the following matters, among others:

- Reputational and sustainability risks (quarterly reporting)
- Reporting for the sixth IPCC assessment report
- Climate change-related stress test for the main NatCat scenarios, investments and possible legal disputes on the part of insureds regarding the cause(s) of climate change

With respect to risks associated with climate change, the Executive Board takes decisions on the risk appetite based on the recommendations of the Risk Committee. In the context of risk monitoring the Executive Board determines the risk appetite for natural perils once a year on the basis of the risk strategy. To this end, it specifies the portion of the economic capital that is available to cover risks from natural perils. Risks relevant to climate change are therefore regulated in a NatCat Exposure Management Guideline (EMG). This sets out the cross-department exposure management process for, among other things, natural catastrophe business within the Hannover Re Group. The Exposure Management Guideline defines clear responsibilities and rules and constitutes the basis for our underwriting approach in this segment.

A further risk management body is the Actuarial Committee, which similarly meets on a quarterly basis.



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### The concept of the three lines of defence

On the level below the Executive Board, Hannover Re adopts a systematic approach based on three lines of defence. The first line of defence within the Hannover Re Group consists of risk steering and the original risk responsibility in the departments and in operational management. In this connection it is incumbent on each member of staff to evaluate, manage and avoid risks. The second line of defence is made up of the core functions of risk management, the actuarial function and the compliance function, which are responsible for process-integrated monitoring and control. The third line of defence is the process-independent monitoring performed by the internal audit function. Complementary process-independent monitoring and quality assurance of risk management is performed by additional external instances (supervisory authorities, independent auditors and rating agencies).

We discuss at length the concept of the three lines of defence and the structure of our risk management system in the "Opportunity and Risk Report" on pages 86 et seq. of the management report contained in our Group Annual Report 2021.

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## Strategy

102-11, 103-2

It was as long ago as 2011 that Hannover Re first drew up a sustainability strategy specifying in more concrete detail the Group's higher-order corporate strategy and committing the company explicitly to its strategic objectives of sustainable value creation. Climate change was identified as one of the material topics and integrated into the sustainability strategy. The sustainability strategy also encompasses goals for operational environmental management. Parallel to the Group strategy, the sustainability goals are similarly revisited in a three-year cycle and adjusted on the basis of the conducted materiality analysis.

For more extensive information on our Group strategy and sustainability strategy please see the chapter of this report entitled "Foundations".

The risk strategy is central to our handling of opportunities and risks and hence also to risks connected climate change. This risk strategy fleshes out in greater detail the goals of risk management and documents the understanding of risk. Hannover Re has defined eight higher-order principles in the risk strategy:

1. We monitor adherence to the risk appetite set by the Executive Board.
2. We integrate risk management into value-based management.
3. We promote an open risk culture and the transparency of the risk management system.
4. We fulfil supervisory requirements.
5. We fulfil the requirements of rating agencies.
6. We act in accordance with the principles of materiality and proportionality.
7. We make balanced use of appropriate quantitative and qualitative methods.
8. We ensure the independence of the risk management function.

The risk strategy is subordinate to the corporate strategy and is reviewed and approved annually by the Executive Board.

In combination with the Framework Guideline on Risk and Capital Management (including the system of limits and thresholds for the material risks of the Hannover Re Group), our risk strategy constitutes the central element of our risk management system. Our risk management system is subject to a continuous plan-do-check-improve cycle. In particular, the systematic identification, analysis, assessment, steering and monitoring of risks as well as the risk reporting are of pivotal importance to the effectiveness of the system as a whole.

Climate change and the transformation to a lower-emission economy are accompanied by numerous impacts on economic activities and are focus topics of our risk management (e.g. Modelling, Aggregation, Regulatory Affairs). Since 2017 we have been exploring the effects of climate change and from 2019 onwards we have recalibrated new or updated atmospheric NatCat models with an eye to the implications of climate change for the specific peril and the affected region. We conduct specially developed Group-wide realistic disaster scenarios (RDS) for climate change and perform regular climate change-related stress tests for natural catastrophe risks to which we are particularly exposed in our portfolio.

When it comes to risks induced by climate change, our focus is currently on:

- Impacts of physical and transitory risks on our property and casualty reinsurance
- Impacts of physical and transitory risks on our investments
- Litigation risks
- Mortality and morbidity risks in life and health reinsurance

Interdependencies and interactions may exist between the aforementioned risks.

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## Research and precautionary principle

A new working group “Climate Change Stress Test”, made up of participants from Risk Management (Modelling, Aggregates, Regulatory Affairs & Risk Reporting), Group Legal Services and the investments side, began its work in the 2021 reporting year. Its goal is to enhance the measurement options for the various risks resulting from climate change based on the findings from the IPCC report and other recent scientific insights. The working group meets monthly and reports regularly to the Risk Committee.

The information obtained is additionally integrated into the “Own Risk and Solvency Assessment” (ORSA). This assessment is performed once a year as part of the governance requirements and second pillar of Solvency II. The ORSA report contains analyses of current and emerging risks that could affect Hannover Re’s financial stability. We use our internal model to calculate the capital requirements from Solvency II in connection with the allocated risk capital. The report further contains information on capital resources, stress tests, scenario analyses and the interplay between risk and capital management.

For the preventive avoidance of environmental and other ESG losses (precautionary approach) we also consider developments in relevant areas as well as regulatory requirements and publications by rating agencies. As a member of the International Insurance Law Association (AIDA) we engage in a close exchange of views with other (re)insurers. Furthermore, our working group on “Emerging Risks & Scientific Affairs” regularly analyses and assesses the potential implications of megatrends for Hannover Re’s business activities. Altogether, our experts have an eye on some 20 megatrends. Along with climate change, aspects such as the decline in biodiversity and scarcity of resources are monitored.

In addition, our working group on “Emerging Risks & Scientific Affairs” develops risk briefings and position papers on a range of topics – including ESG issues. These are used by our underwriters and asset managers, among others, to identify inherent risks. What is more, ESG risks – just like compliance risks – which in general involve laws and regulations relating to environmental legislation or ESG requirements are a subject for review in every New Products Process (NPP). Our Risk & Capital Management Guideline, which contains supplementary work instructions and definitions regarding climate change and other ESG topics, is valid Group-wide. The Property & Casualty Executive Committee, the Investment Committee and the Environmental Officer similarly develop and discuss climate-related strategic objectives and operational measures.

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For further information we would refer to our risk and opportunity report as part of the management report in our Group Annual Report 2021 on pages 86 et seq. as well as the “Solvency and Financial Condition Report” (SFCR), which we publish on our website.

## Opportunities

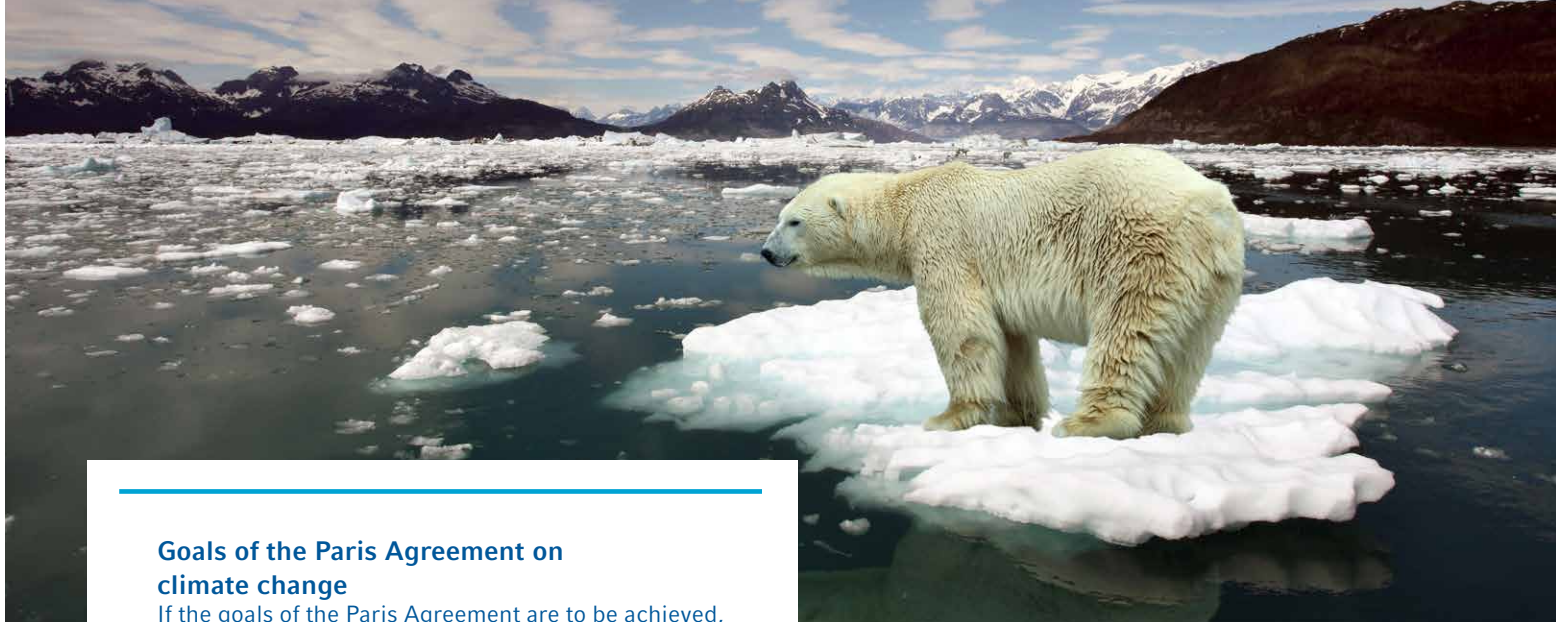
102-15

Along with risk management, we attach considerable importance to opportunity management. Hannover Re searches systematically for new business opportunities in order to generate sustainable growth and strengthen the company’s profitable development.

In the first quarter of 2022, Hannover Re’s sustainability team was transferred as a stand-alone section to the department Group Strategy & Sustainability, in part with a view to further boosting its strategic significance.

With a view to identifying opportunities and successfully translating ideas into business, Hannover Re adopts a number of closely related approaches in order to achieve holistic opportunity and risk management. Key elements in Hannover Re’s opportunity management include its various market-specific innovations in the Life & Health and Property & Casualty reinsurance business groups.

Climate change can, for example, lead to changes in extremes (e.g. temperatures, precipitation amounts, number of tropical cyclones etc.) as well as changes in weather patterns and structures. Such changes can, in turn, prompt increased demand for reinsurance products designed to protect against natural catastrophes and they can also be reflected in new opportunities. As one of the largest reinsurers in the world, Hannover Re offers a diverse range of products that help customers to protect themselves against elevated losses (in terms of both frequency and severity) from natural disasters.



## Goals of the Paris Agreement on climate change

If the goals of the Paris Agreement are to be achieved, a far-reaching transformation of the worldwide real economy is needed. This transformation goes hand-in-hand with extensive opportunities for the entire financial sector, because the measures taken also have to be funded, insured and reinsured.

In its various departments Hannover Re conducts training activities and workshops aimed at identifying not only risks but also opportunities. Starting in 2022 all underwriters will take part in a web-based training programme covering, among other things, the opportunities side of the issue and subjects such as the “circular economy”.

The agricultural sector is especially hard hit in this respect. Given the growing need for food and increasingly extreme weather conditions, demand for agricultural covers is expected to rise around the world. Not only that, protecting agricultural production is of considerable relevance to the development of structurally deprived regions. In our assessment, index-linked microinsurance products offer additional growth potential in emerging markets, not least in view of the fact that the G7 countries have defined agricultural insurance as a tool for fighting poverty. Against this backdrop, we have stepped up our collaborative efforts with government and international organisations to expand agricultural insurance. Through our cooperation with the Insurance Development Fund (IDF), the Munich Climate Insurance Initiative (MCII) and the project “Promoting Resilient Communities” we want to play our part in closing the protection gap.

As an additional factor, changes in temperature extremes around the world can lead to higher rates of mortality, which in turn can generate stronger demand for our products in life and health reinsurance. Here, too, there are protection gaps that we are seeking to close with the aid of microinsurance and microfinance solutions. We work together with a number of cooperation partners that contribute their own specialist know-how to both the conceptual design and the implementation of microinsurance products as well as their administration.

Within the “Sustainable Protection” action field, the goals set out by the sustainability strategy 2021 – 2023 therefore include expanding insurance protection for emerging and developing countries in relation to extreme weather events and natural disasters. Furthermore, against the backdrop of the globally targeted reduction in greenhouse gas emissions, demand for the insurance of alternative energy technologies will rise and we intend to support this dynamic growth with appropriate products.

## Risk management

102-15, 103-2

The recommendations made by the TCFD differentiate between an outside-in perspective (what risks can arise for the company as a consequence of climate change) and an inside-out perspective (what influence does the company have on climate change).

Of all ESG risks, the impacts of climate change were identified as potentially the most serious risk in relation to the financial position and net assets and they are therefore closely analysed, assessed, steered and monitored in the context of our risk management process. As a general principle, risks are defined as material if they can result in a loss of  $\geq 12.5\%$  of the planned EBIT or a loss of  $\geq 2\%$  of the economic capital with a probability of  $\geq 5\%$ . As far as natural catastrophes are concerned, payables in respect of which individual loss events exceed EUR 10 million are considered material. All material risks are included in the risk register and assigned limits and thresholds.

In our identification, analysis and assessment of risks we consider three time horizons – short-term (0–1 year), medium-term (1–5 years) and long-term (5–20 years). In relation to risks associated with climate change we are guided by the Assessment Report of the Intergovernmental Panel on Climate Change (IPCC) and consider an additional period until the year 2100.

The expected time horizon for a material, climate change-induced effect as well as the response time available to take management actions are calculated for all relevant risk categories in relation to the impacts of climate change. Thus, for example, the annual renewals in reinsurance business give rise to short response times and the possibility of steering risks accordingly. In our latest analyses and measures we concentrate on risk categories with anticipated short-term impacts as well as anticipated medium-term impacts with a medium-term response time. The materiality evaluation is qualitative, based on estimates and past loss experiences, and is considered in management actions.

## Outside-in perspective

### Reinsurance business – Physical risks

Outside-in risks in reinsurance business associated with climate change include, most notably, physical risks. Insured losses may be due to the effects of temperature, wind, water or soil. Such events can in turn be divided into those which materialise in acute form (e.g. extreme weather events, storms, wildfires, drought, floods, landslides) as well as chronic changes (e.g. changes in precipitation frequency, rise in sea level, rise in the average temperature). All physical risks may be accompanied by both an increase in severity and frequency in the insured property and casualty portfolio and by higher morbidity or mortality and can thus affect both main lines of reinsurance business.

Both external and internal risk models are used to model catastrophe scenarios. A team of more than 20 experts applies, analyses and refines these models in close collaboration with specialised providers, scientific experts and institutions. In addition, we make use of deterministic climate change scenarios and forward-looking simulation models with the goal of evaluating potential implications of climate change for our entire business activity and establishing measures to steer the business on this basis. The monitoring of risks deriving from natural perils is rounded off with stress tests as well as scenario and sensitivity analyses.

In this context Hannover Re uses a climate-related approach developed in-house as a qualitative scenario and looks at two main climate change scenarios:

- 2 °C temperature increase by 2050
- 4 °C temperature increase by 2050.

The following assumptions were made:

- The analysis is based on the Hannover Re Group's portfolio with natural perils exposure as at 1 July 2021.
- Adaptation, urbanisation, commodity price inflation, changes in take up rates as well as mitigation efforts of any type were ignored. This analysis should therefore be considered a stress test approach on an unchanged basis.
- Both scenarios are defined for 2050, but their impacts should occur in the next year (immediate shock).
- 2 °C/4 °C scenarios define the increase in the global average surface temperature compared to the pre-industrial level. Compared with the increase in the average surface temperature of 1 °C already recorded today, these scenarios account for an increase of 1 °C/3 °C respectively.

With regard to the climate change scenarios for 2°C and 4°C, the affected natural perils scenarios were recalculated on the basis of the aggregate results as at 1 July 2021 after model updates. In the case of what we consider to be the important windstorm scenarios, the findings for the event conditions were generated via event mapping in a second aggregate calculation database.

Similarly relevant risks from floods and wildfires were analysed using a (simplified) top-down approach by applying factors to contract losses.

The results of the analyses are incorporated into, among other things, the determination of limits and exclusions that we use to manage the type and scope of risk acceptance in those areas that are particularly associated with climate risks. On the basis of climate-related analyses and scenarios, maximum amounts are defined for risk limitation purposes with respect to various extreme loss scenarios and return periods, adherence to which is verified as part of risk management. The Executive Board, the Risk Committee and the Property & Casualty Executive Committee are kept regularly informed of the degree of capacity utilisation.

All licensed models used for NatCat pricing and risk management are validated and as necessary recalibrated to reflect our own risk assessment. Since 2019 we have also explored the effects of climate change on new, updated or proprietary NatCat models for perils affected by climate change on the basis of the latest scientific insights. This process gives rise to multiple challenges. For example, historical data series are used for model generation and it cannot be unambiguously



identified to what extent climate change is already considered in the models because the process in question is already ongoing. A further factor is that scientific projections are normally longer-term (2050 or 2100), whereas we are interested in short-term impacts owing to the typical contract period of one year. Furthermore, we have to deal with opposing effects for various peril characteristics (e.g. expected increase in the intensity of tropical cyclones, but a potential decrease in the overall frequency of tropical cyclones), a lack of statistically significant evidence for changes and a lack of scientific consensus for many peril regions. Despite this, adjustments are determined and hence the additional risk associated with short-term climate change is considered both in the pricing and in the overall current solvency capital requirement.

#### **Reinsurance business – Climate change-induced mortality and morbidity risks**

Given that obligations in Life & Health business generally have a long-term horizon, the effects of climate change – e.g. from global warming or pollution – are still subject to uncertainties. Currently, we are devoting particularly close attention to the impacts of extreme heat events as well as – facilitated by changes in climate conditions – a spread of certain diseases such as malaria or dengue fever.

The expected future claims were analysed in order to verify any exposure. In this context, we look at both different regions and different timeframes. The various emission pathways and degree scenarios are also drawn on for modelling purposes. The risk is continuously monitored and controlled.

#### **Investments**

Climate change-related outside-in risks can also affect investments and are increasingly having an influence on various asset (sub-)classes or issuers. Most notably, transitory risks can cause the book value or fair value of the impacted assets to fall dramatically or even render them worthless (“stranded assets”).

Transitory risks arise in connection with the transition to a climate-friendly economy. In some industries, for example, the current business model as a whole has been thrown into question – as is the case with operators of fossil fuel power plants or sectors engaged in coal mining and oil extraction. In other areas, the equipment and technologies used today – such as combustion engines using fossil fuels – can no longer be used. These developments affect companies' business and earnings potential and hence their financial standing, ability to pay dividends and share price performance – hence also with implications for investing.

As far as transitory risks are concerned, we look at issuers/sectors that can have lasting adverse implications for achievement of the Paris targets. For risk assessment purposes we use a stress test to identify sectors that are particularly carbon-intensive (Scope 1 + 2). In the case of our corporate bonds and equities, we apply three risk levels and two reference periods to those sectors that we identify in order to derive the appropriate scenarios.

Rather like in reinsurance business, physical risks can result from both acute emerging (natural) events and from continuous developments. Real estate and infrastructure assets are especially exposed in this regard owing to the possibility of direct damage. For this reason, we have implemented specific risk analyses for assets when it comes to our directly held real estate portfolio. These are supplemented by flood maps or more extensive climate change scenarios for assessment purposes.

Climate-related and other ESG topics are discussed by the Investment Committee, whose members include the Chief Executive Officer and another member of the Executive Board. The committee meets at least every six months. It is responsible, among other things, for defining sustainability parameters and benchmarks. All decisions respect the established frameworks, most notably the “Responsible Investment Policy”.

#### **Climate change-induced litigation risks**

We take litigation risks to mean a variety of risks that occur as a consequence of legal disputes. Particularly in relation to climate change, a significant proliferation can be observed here on the global level – also increasingly affecting the private sector and the financial industry.

Within our risk management systems we model such litigation risks using four realistic disaster scenarios (RDS). Consideration was given to two direct litigation risks as well as two litigation risks connected with directors' and officers' (D&O) insurance. The scenarios were determined with the involvement of market departments (first line of defence).

The findings were uploaded to the risk management systems and brought to the attention of the Risk Committee.

## Inside-out perspective

### Reinsurance business

In the context of climate-related inside-out risks, we analyse impacts arising in connection with our business activities.

Through the development and roll-out of insurance solutions for innovative climate-friendly technologies, Hannover Re makes an active contribution to the economic transition. At the same time, we are reducing our footprint in core business by implementing specific exclusions.

For further information, please see the section on “ESG in asset management” in the chapter “Core business”.

### Investments

In our investing activities, too, we can play our part in counteracting climate change through our decisions. By investing systematically in investments that support the transformation towards a climate-friendly economy, we actively promote climate protection. These include, in particular, infrastructure investments in renewable energy sources and clean transportation solutions. At the same time, on the investment side we similarly apply specific, climate-related exclusions. Our approach is summarised in a climate strategy.

For further information, please see the section on “ESG in asset management” in the chapter “Core business”.

### Operations

A comprehensive and consistent approach to the challenges posed by climate change also includes managing the environmental and climate-related impacts of our own operations.

Our environmental policy forms the core of our Environmental Management System. All our other policies and environmental activities are based on this.

Responsibility for the system rests with Hannover Re's entire Executive Board, which has appointed an environmental management officer to assist with implementation. In acting on the identified measures, he is supported by an interdisciplinary environmental team. Our Environmental Management System meets the requirements of DIN EN ISO 14001:2015.

The focus of our efforts to protect the climate is on reducing CO<sub>2</sub> emissions, which are caused above all by our business travel as well as by the supply of electricity and heat to our premises. Since 2016 we have operated with a net zero carbon footprint at our Hannover location. The key factors in this achievement were the changeover to electricity from renewable energy sources in 2012 and the offsetting of our remaining greenhouse gas emissions through a non-profit provider. In past years Hannover Re has succeeded in consistently reducing the CO<sub>2</sub> emissions caused at our Hannover location in business operations.

## Metrics and targets

102-48, 103-3, 305-1, 305-2, 305-3

In the context of our sustainability strategy 2021–2023 we have set a number of targets. For further information we would refer to the chapter of the present sustainability report entitled “Foundations”.

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### Offsets

Hannover Re has offset all calculated CO<sub>2</sub> emissions at its German location since as long ago as 2016. Furthermore, since 2018 all CO<sub>2</sub> emissions due to air travel for the locations in Australia, India, Japan, Malaysia and Shanghai have been offset through the voluntary purchase of climate protection certificates.

From 2020 onwards, the offset payments have been made in support of the Rimba Raya project in Borneo and the project to provide more efficient cook stoves in Uganda. Both projects not only support measures to fight climate change, they also promote some of the United Nations Sustainable Development Goals (inter alia SDG 1: End poverty, SDG 3: Healthy lives and well-being, SDG 5: Gender equality and empowerment).

For 2021, we have extended the recording of our CO<sub>2</sub> emissions to 87% of our global workforce. We have extrapolated this to 100% and fully offset it.

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## Key environmental indicators

### CO<sub>2</sub> emissions pursuant to the Greenhouse Gas Protocol<sup>1</sup>

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in t CO <sub>2</sub>		2021 <sup>2</sup>	2020 <sup>3</sup>	2019 <sup>3</sup>
Scope 1	Total	158,16 <sup>5</sup>	23.94	28.36
Scope 2	market-based	2,061.85	231.19	255.17
	location-based	2,359.04 <sup>5</sup>	1,858.58	2,471.44
Scope 3	Total	1,236.98	1,771.62	7,986.82
	Business travel	944.42	1,579.01	7,981.03
	Plane	937.65 <sup>4</sup>	1,579.01 <sup>4</sup>	7,977.23 <sup>4</sup>
	Train, Car	6.77	0	3.80
	Paper	1.95	3.74	5.79
	Water	11.88	–	–
	Remote working	74.75	61.67	–
	Cloud Computing/Data Center	198.65	127.2	–
	Waste/Recyclables <sup>3</sup>	5.33	–	–

<sup>1</sup> Excluding HGS

<sup>2</sup> Degree of coverage: 87% of the Hannover Re Group

<sup>3</sup> Degree of coverage: 44% of the Hannover Re Group

<sup>4</sup> Radiative Forcing Index 2.7 (RFI 2.7)

<sup>5</sup> Corrected

### Energy

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Input	Unit	2021 <sup>1</sup>	2020 <sup>2</sup>	2019 <sup>2</sup>
Electricity	L (Petrol)	9,838	7,900	4,329
	L (Diesel)	1,993	2,085	7,347
	MWh	105.91	89.75	105.62
Gas	MWh	297.69	–	–
Electricity	MWh	7,715	3,811	4,329
	of which from renewable energies	50.32%	100 %	100%
District heating	MWh	2,957	2,586	2,804
Total energy consumption	MWh	11,075.6	6,487	7,242
	kWh/employee	3,823.13	4,182.30	4,780.26

<sup>1</sup> Degree of coverage: 87% of the Hannover Re Group

<sup>2</sup> Degree of coverage: 44% of the Hannover Re Group

### Paper

S 19

Input	Unit	2021 <sup>1</sup>	2020 <sup>2</sup>	2019 <sup>2</sup>
Paper (printers, copiers)	t	4.77	10.33	16
	kg/employee	3.23	6.66	10.56

<sup>1</sup> Degree of coverage: 87% of the Hannover Re Group

<sup>2</sup> Degree of coverage: 44% of the Hannover Re Group

**Water****S 20**

Input	Unit	2021 <sup>1</sup>	2020 <sup>2</sup>	2019 <sup>2</sup>
Waste water	m <sup>3</sup>	29,367	8,786	19,039
	m <sup>3</sup> /employee	11.48	5.66	12.57

<sup>1</sup> Degree of coverage: 76% of the Hannover Re Group<sup>2</sup> Degree of coverage: 44% of the Hannover Re Group**Business travel****S 21**

Input	Unit	2021 <sup>1</sup>	2020 <sup>2</sup>	2019 <sup>2</sup>
Business travel	km	1,989,540	5,003,121	21,397,657
	km/employee	687	3,226	14,124
Train	km	245,695	133,320	948,456
Plane	km	1,716,141	4,869,801	20,449,201
Car	km	27,704	–	–

<sup>1</sup> Degree of coverage: 87% of the Hannover Re Group<sup>2</sup> Degree of coverage: 44% of the Hannover Re Group**Waste by method of disposal<sup>1</sup>****S 22**

Input	Unit	2021	2020	2019
Recycling	t	82.69	59.6	93.5
	kg/employee	55.99	38.43	61.73
Composting	t	17.95	17.9	17.9
	kg/employee	12.15	11.54	11.84
Residual waste	t	65.03	46.1	66.4
	kg/employee	44.03	29.72	43.38
Electronic waste	t	3.49	1.98	0.6
	kg/employee	2.36	1.28	0.4
Hazardous waste	t	0.15	0.22	0.17
	kg/employee	0.10	0.14	0.11
Total	t	169.31	125.58	178
	kg/employee	114.63	80.97	117.46

<sup>1</sup> Degree of coverage: 44% of the Hannover Re Group





## Social commitment

413-1, 415-1

We are aware of our responsibility to society. For us, this means not only sharing knowledge with various research institutes and universities but also showing cultural, environmental and social engagement and supporting relevant institutions and projects. In so doing, we generate positive effects for society that go beyond our own business operations. Our activities encompass not only the Hannover location but also our subsidiaries and branches, which engage in their own individual projects in response to social and environmental issues in the various countries.

Through our guidelines on donations we have defined our own policies for our social engagement. These guidelines regulate our investment in the community, with special importance attached to the non-profit status of the social groups and projects that we support.

Donations to political parties and churches or other political and religious organisations are expressly prohibited. Consequently, neither in the period under review nor in prior years have we made contributions to political parties, politicians or organisations associated with them. Compliance with this policy is verified by Group Auditing.

Altogether, we supported projects and initiatives with a worldwide donation volume of more than EUR 730,000 in the year under review.

In the year under review we began to develop a new donations concept. Our goal is to enhance our impact as well as our We-Spirit. In this context, our national and international donation guidelines are to be standardised and given a shared thematic emphasis.

### Our commitment at Hannover head office

We support projects in the following categories from our location in Hannover:

- Commitment to society, science, art and culture
- Commitment to the environment and climate protection
- Commitment to the welfare and protection of young people
- Commitment to advances in medicine/humanitarian projects
- Commitment to employees

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## War in Ukraine

After many years of peace in Europe, war has shattered the lives of millions of people and made all too clear just how fragile democracy and peace can be. Hundreds of thousands of Ukrainians are currently fleeing their country because their own lives and those of their family members are in peril.

“With Russia's attack on Ukraine we once again see war raging in Europe. This aggression has shaken not only the foundations of peace right across Europe, but is also a direct assault on our fundamental principles of democracy, peace and human rights. Our thoughts are with the people of Ukraine and we stand shoulder-to-shoulder with them,” commented Jean-Jacques Henchoz, our Group's Chief Executive Officer.

We-Spirit is one of Hannover Re's core values. We stand together in good times and in bad, and we help in various ways, including by donating to aid organisations. Similarly, our employees have taken it upon themselves to show selfless commitment when it comes to housing refugees, collecting donations in cash and kind, arranging jobs and much more besides.

We are proud to be part of such an extraordinary community and we would like to thank our staff for their tireless efforts.

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## Research and science

When it comes to the management of natural catastrophe risks, we work together with governments, universities and research institutions and provide financial assistance to appropriate initiatives. We report at length on our own individual activities in the section “Sustainable Protection” within the chapter “Core business”. They include, for example, our involvement in the Geo Research Center in Potsdam and in the Global Earthquake Model (GEM) Foundation as well as our participation in working groups of the Geneva Association.

With the establishment of the “House of Insurance” in January 2018, we are working together with six other Hannover-based insurers in a cooperative project with Leibniz University of Hannover on a centre for insurance sciences. In addition, there are plans to hold events for scientific and vocational further training as well as graduate employment fairs and to arrange internships in the insurance industry.

Furthermore, we support the work of thematically relevant Associations of Friends at various universities, including for example the Förderkreis des Instituts für Versicherungswesen at Cologne Technical University. We are also a member of a similar society and the alumni association of the Faculty of Economics at Hannover University of Applied Sciences and Arts as well as the University of Ulm association Studium und Praxis e.V. Above and beyond our aforementioned involvement, we regularly offer field trips for students and systematically place various projects and topical issues with university departments.

## Support for art, culture and music

Supporting art, culture and music has traditionally been a cause for our company. In 1991, to mark our 25th anniversary, we set up the Hannover Re Foundation to benefit the Sprengel Museum in Hannover. The foundation's mission is to acquire contemporary works of art and make them available to the Sprengel Museum on permanent loan – thereby also promoting Hannover as a centre for art. The foundation also funds publications and events to accompany the exhibitions.

Along with the Sprengel Museum, we support other cultural institutions based in Hannover such as the Kunstverein Hannover and the Kestner Gesellschaft. In addition, we have our own in-house art collection, which is continuously expanded through acquisitions.

The series of exhibitions dedicated to “Masterclass Students” has been held since 2014 as a way of profiling the work of young artists from the Lower Saxony region. In cooperation with Braunschweig University of Art, we display selected works from the graduating class in the foyer of our Hannover head office, enabling staff and visitors alike to engage with the works in intensive contemplation and exploration. The exhibitions are accompanied by artist talks and catalogues are produced to document all the exhibits.

Against the backdrop of the Covid-19 pandemic a new element was added to the 2021 exhibition series: members of staff are now able to borrow paintings for their home workspace through the newly created “artotheque”. The four artists make original works available to complement the exhibition held on-site. This makes it possible to engage with the artistic positions before the pieces return to the company's premises. At the same time, the loan opportunity offers a chance to design an inspiring home workspace. This proved to be a stimulating experience both for the masterclass students and for us, and we have therefore decided to extend it into 2022.

The exhibition series was finally able to reopen in 2022 after a two-year hiatus. For the ninth time staff and visitors were able to review the latest works by four students majoring in art and sculpture in the foyer of Hannover Re's main office premises.

## Environmental and climate protection

By making donations in the area of environmental and climate protection we support projects that tackle issues affecting the environment and climate change and seek to alleviate their adverse impacts. Since 2014, for example, we have contributed to the Fishing for Litter project developed by the Nature and Biodiversity Conservation Union (NABU) of Lower Saxony. The littering of the seas, and especially plastic waste, is a growing problem for our oceans and marine life. The project focuses on the development of effective disposal structures to manage waste fished out of the sea, thereby helping to conserve the marine environment and its inhabitants.

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### What's that buzzing sound? – Hannover re Bees

As the third-most important working animal, bees are of great significance to the economic cycle: most notably, through pollination, the global economic benefit of which is put at around EUR 60 billion, they make themselves indispensable to agricultural production.

Yet one in ten species of wild bee in Europe is now at risk of extinction. The reasons are many and varied, including parasites and pesticides, but also a lack of flowering plants and the trend towards increasing monocultures – leading to one-sided nutrition and weakening of the bee's immune system.

With a view to fostering biodiversity, two beehives were set up in our garden at Karl-Wiechert-Allee 50 in September 2021. They are home to altogether some 60,000 wild bees.

Not only that, we are planning to hold information events on beekeeping for our staff and our "ReKids" in our daycare facility so as to put the spotlight on the need to protect and support bees. It is envisaged that products resulting from caring for the beehives, such as honey and beeswax candles, will be sold to our employees or used for promotional purposes – you can't get more sustainable than that!

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Hannover Re has long been a participant in the "Climate Alliance Hannover 2020", an initiative launched by the state capital of Hannover to strengthen cooperation on local climate protection over the long term. By 2016 we had already lived up to our original commitment, namely to emit altogether 40% less harmful greenhouse gases by 2020 than in 1990, as we achieved a net zero carbon footprint for our location in Hannover. We additionally participate in the Business Strategy Group of the Master Plan 2050 for the City and Region of Hannover "100% for Climate Protection". In 2019, the decision was taken by the initiators to continue the programme as the Climate Alliance Hannover 2030 – we are very pleased to be on board once again.

Since 2007, we have also taken part in the "Ecological Project for Integrated Environmental Technology" (Ecoprofit) of the Greater Hannover region and thereby contribute to the local sustainability agenda for 2021. The underlying idea of the project is to combine economic gain and ecological benefit through preventive environmental protection. The participating companies are regularly involved in work on specific topics such as "Ecoprofit in the Urban Development Process" and "Current Changes in Energy Management". The energy-saving successes already achieved are regularly publicised in the relevant project publications.

For the sixth time we gave our support to the Friends of the Earth – Diepholz Moor Depression (BUND Diepholzer Moorniederung), an initiative dedicated to protecting and preserving the moorland and the species of plants and animals (in some instances endangered) native to this part of Lower Saxony. In addition to preserving biodiversity, the project also makes a major contribution to climate protection by reducing the release of carbon dioxide.

### Social issues

As part of our commitment to social issues, the welfare and protection of young people and the advancement of medicine and humanitarian projects, we support a number of organisations with donations – in some instances on a recurring basis. These include institutions such as Handicap International, Doctors Without Borders, Terre des Femmes, the civic initiative Bürgerstiftung Hannover, the foundation "Ein Platz für Kinder", Stiftung Lesen (a non-profit organisation to promote reading), the initiative "Seniorpartner in School" and others.

### Selected global engagement

Through regular donations and by enabling corporate volunteering, i.e. releasing employees for charitable activities during working hours, we support social projects all around the world. In so doing, we contribute our expertise in the area of reinsurance, whenever possible.

At our North American locations our associates select a national charitable organisation every three years that receives support in the first three quarters of each year from all locations based in the region through the Jeans to Work programme.

In the fourth quarter each North American location supports a community-based charitable organisation of its own choosing. As a life and health reinsurer, our selected charities always have some relevance to the industry. In particular, the focus is on measures to assist children, young people and adults in low-income families as well as various campaigns to promote physical and mental well-being. In the year under review, for example, our location in Denver donated to the Healing Warriors Program in support of veterans. Our associates in Orlando supported the Muscular Dystrophy Association of Florida to help fund worldwide studies for the treatment of muscular dystrophy, ALS and related diseases. In the United Kingdom and Ireland we got behind a number of measures intended to alleviate the impacts of various diseases and homelessness.

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## Hotel Hope

Hotel Hope is a South African non-profit organisation established with the aim of ensuring that each and every child is brought up in a safe, happy and healthy home. Orphaned and abandoned children are taken care of in family-style care and foster homes until they are placed in their adoptive forever families. To date, 141 children have been taken care of, with 116 of these being placed in adoptive families or reunited with their own family. We first learnt about Hotel Hope through one of our employees who was involved with this registered NGO. Presently, more employees are engaged with Hotel Hope in official but unpaid roles such as looking after the finances of Hotel Hope. Smaller donations in kind were made, for example on Fridays our catering team donated the remaining food of the week to feed the children over the weekend. We have also made more substantial financial contributions that have enabled Hotel Hope to open another home in the third quarter of 2022.

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At our location in Bermuda we assisted various social institutions in the year under review. Our efforts include measures aimed at children and young people with special support needs as well as people with disabilities or particularly vulnerable groups.

In Australia, Hannover Re Life of Australia continued to focus its efforts on creating positive and healthy working environments – and hence also on the health and well-being of employees – through its support for SuperFriend, whose partner we have been since the very beginning.

Together with its partners, SuperFriend works to help members facilitate positive and healthy work environments. The aim is to enable employees to enjoy their working years as well as their retirement.





# Employees



# Employees

## Our People

103-1, 103-2, 103-3, 102-8

Companies are much more than just abstract units of value creation, balance sheet ratios or building complexes. Rather, they are interconnected living organisms that are composed of numerous actors engaged in a direct interaction and interplay with one another and the wider environment. At the core of this philosophy are our employees with their own individual qualities, abilities, needs, ideals and goals – all of which have to be reconciled.

Motivated and well qualified people – as well as their long-term employment with our company – are one of the most important factors in Hannover Re's success. In this context, growing importance is attached to sustainability-related aspects in all phases of employment. Most notably, the demographic shift in industrial countries is leading to intensified competition for well-qualified junior staff. It is evident that members of Generations Y and Z are especially likely to consider not only monetary aspects when it comes to choosing their employer, but focus instead on the “total reward”: adherence to principles of responsible corporate governance, measures to realise sustainable development in core business, a company's reputation, culture and work atmosphere, compatibility of work and family life as well as other additional benefits.

As a service provider in the insurance industry, Hannover Re operates in a highly specialised environment and at the same time finds itself faced with the framework conditions described above. Talent management is therefore a pivotal element of the Group strategy 2021 – 2023 and advances both the ongoing development of employees and the growth of the organisation. It is for this reason that “empowered people” was identified as one of four performance enablers and supported with a strategic Talent Management initiative.



### Leadership Fundamentals

In the year under review, we developed leadership fundamentals that are closely aligned with Hannover Re's purpose and values – Responsibility, We-Spirit and Drive. Our purpose and our values serve as orientation in how we define leadership and embody it both Group-wide and across hierarchal levels. What is more, they give us a framework for providing mutual feedback. Our purpose and our values guide us both in our interactions with each other as well as with our customers and business partners.

We have operationalised our values with six leadership fundamentals as behavioural anchors:

- Responsibility with Guide. and Empower.
- We-Spirit with Include. and Connect.
- Drive with Transform. and Develop.

In the context of our leadership programme LEAD we make it possible to experience these behavioural anchors and thereby ensure that the leadership fundamentals are widely understood and applied.

In the 2021 reporting year the labour market and associated personnel management work in the financial sector, just as in other highly skilled industries, continued to be highly complex and were shaped by a wide range of additional issues. They included, among other things, the increasingly rapid transformation of the working world, ever more demanding regulatory requirements as well as digitalisation and automation. The Covid-19 pandemic, the direct and indirect effects of which did not spare Hannover Re and its employees, was another crucial factor as in the previous year.



As a central interface function, Hannover Re's personnel management around the world is steered to a large extent from Hannover head office and falls within the Chief Execu-

tive Officer's scope of responsibility. Hannover Re employed a global workforce of 3,346 (previous year: 3,218) Group-wide at the reference date of 31 December 2021.

“Our internationality with its local characteristics is one of our greatest strengths, but it also brings with it the need for standardised principles and specific approaches which we want to develop together – based on a strong Human Resources community worldwide. Hence, we will be working together to build consistent global structures, frameworks and programmes and at the same time learning from each other and keeping local what should be kept local.”

(Cornelia Demmel, Head of Human Resources)

Since 2020, Hannover Re has been a signatory to the United Nations Global Compact (UNGC). Furthermore, Hannover Re recognises the eight core labour standards of the International Labour Organization (ILO) for all its employees around the world and respects the right to freedom of association and union representation. The company is also a signatory to the Germany Diversity Charter.

Hannover Re draws on the available supply of temporary workers solely as a means of bridging short-term shortages. The proportion of temporary workers at the Hannover location was less than 1% on the reference date of 31 December 2021 just as in the previous year. Given our activities as a B2B

service provider in the financial sector, there are no temporary fluctuations in the number of staff during the year such as those that may occur in connection with seasonal employment.

As a long-standing participant in the Fair Company initiative, a campaign supported by the publications Handelsblatt and Wirtschaftswoche, we are also committed to the fair employment of interns. This initiative embraces various fundamental principles, including for example not filling full-time positions with interns, volunteers, student employees or long-term temporary workers.





## Indicators

102-8

### Breakdown of the workforce by region, gender, activity level and employment contract<sup>1</sup>

S 23

Activity level and employment contract by region	2021				2020		
	Number of employees <sup>2</sup>	+/- previous year	Men	Women	Number of employees <sup>2</sup>	Men	Women
<b>Number of employees</b>	<b>3,346</b>	<b>128</b>	<b>1,601</b>	<b>1,745</b>	<b>3,218</b>	<b>1,560</b>	<b>1,658</b>
Germany	1,477	70	734	743	1,407	691	716
Europe excl. Germany	535	14	300	235	521	301	220
United States	307	2	155	152	305	155	150
South Africa	476	-4	145	331	480	157	323
Asia	334	32	165	169	302	157	145
Americas excl. USA	85	11	37	48	74	38	36
Australia	132	3	65	67	129	61	68
<b>Full-time positions</b>	<b>2,899</b>	<b>117</b>	<b>1,512</b>	<b>1,387</b>	<b>2,782</b>	<b>1,484</b>	<b>1,298</b>
Germany	1,113	64	666	447	1,049	633	416
Europe excl. Germany	477	4	283	194	473	290	183
United States	303	2	154	149	301	154	147
South Africa	469	0	144	325	469	152	317
Asia	331	33	164	167	298	156	142
Americas excl. USA	84	11	37	47	73	38	35
Australia	122	3	64	58	119	61	58
<b>Part-time positions</b>	<b>447</b>	<b>11</b>	<b>89</b>	<b>358</b>	<b>436</b>	<b>76</b>	<b>360</b>
Germany	364	6	68	296	358	58	300
Europe excl. Germany	58	10	17	41	48	11	37
United States	4	0	1	3	4	1	3
South Africa	7	3	1	6	11	5	6
Asia	3	-1	1	2	4	1	3
Americas excl. USA	1	0	0	1	1	0	1
Australia	10	0	1	9	10	0	10
<b>Permanent positions</b>	<b>3,098</b>	<b>125</b>	<b>1,496</b>	<b>1,602</b>	<b>2,973</b>	<b>1,449</b>	<b>1,524</b>
Germany	1,398	94	701	697	1,304	649	655
Europe excl. Germany	493	21	279	214	472	272	200
United States	306	2	154	152	304	154	150
South Africa	469	-3	141	328	472	150	322
Asia	223	1	121	102	222	125	97
Americas excl. USA	78	5	36	42	73	38	35
Australia	131	5	64	67	126	61	65
<b>Temporary positions</b>	<b>248</b>	<b>3</b>	<b>104</b>	<b>144</b>	<b>245</b>	<b>111</b>	<b>134</b>
Germany	79	-24	33	46	103	42	61
Europe excl. Germany	42	-7	20	22	49	29	20
United States	1	0	1	0	1	1	0
South Africa	7	1	4	3	8	7	1
Asia	111	31	44	67	80	32	48
Americas excl. USA	7	6	1	6	1	0	1
Australia	1	-2	1	0	3	0	3
<b>Trainees</b>	<b>15</b>	<b>-1</b>	<b>8</b>	<b>7</b>	<b>16</b>	<b>9</b>	<b>7</b>

<sup>1</sup> From 2016 onwards the employees of all companies included in the financial statement of the Hannover Re Group are counted.

<sup>2</sup> The key personnel indicators are calculated according to headcount. In this context, we consider the consolidated group in accordance with the requirements of IFRS 10 "Consolidated Financial Statements" on the basis of a consistent consolidation model for all companies that defines control without regard to whether it arises out of company law, contractual or economic circumstances. Group companies are consolidated with effect from the date on which Hannover Re gains control over them. The total number of employees also includes trainees at the Hannover location.

## Co-determination and involvement of employees

402-1

Hannover Re is an internationally operating company. For us, it goes without saying that we respect relevant laws and rules as the legal foundation of our business activities in all the countries where we operate. At our location in Germany, where we employ 44.1% of our worldwide workforce, this means all individual and collective laws, regulations and directives. At the Hannover location, for example, all employees are subject to:

- the General Act on Equal Treatment (AGG),
- the Safety and Health at Work Act (ArbSchG),
- the Occupational Safety Act (ASiG),
- the Working Time Act (ArbZG),
- the Works Constitution Act (BetrVG),
- the Federal Data Protection Act (BDSG),
- the Federal Parental Allowance and Parental Leave Act (BEEG),
- the Federal Leave Act (BUrlG),
- the Continued Payment of Wages Act (EFZG),
- the Transparency in Wage Structures Act (EntgTranspG)
- the Basic Law (GG),
- the Infection Protection Act (IfSG)
- the Youth Employment Protection Act (JArbSchG),
- the Protection against Unfair Dismissal Act (KSchG),
- the Maternity Protection Act (MuSchG),
- the Act on Long-term Carer's Leave (PflegeZG) and the Family Caregiver Leave Act (FPfZG)
- the Social Security Code (SGB I to XII),
- the Act on Part-Time Work and Fixed-Term Contracts (TzBfG)

and other relevant laws, legal provisions, (group) company agreements and collective bargaining agreements. The elaboration of workers' rights at the international locations is determined in each case by the applicable laws and legal provisions in the various countries. Other matters are additionally regulated by our Code of Conduct that can be viewed on our website.

At Hannover Re, considerable importance is attached to in-house co-determination. All employees at the Hannover location are represented by the joint German Employee Council of Hannover Rück SE and E+S Rückversicherung AG. In accordance with the Works Constitution Act (BetrVG), the Employee Council has extensive rights of information, consultation and co-determination for matters that are clearly defined in law. Under the terms of the Works Constitution Act the Employee Council regularly convenes employee meetings. Participation is open to all employees of the company and counted as working time.

The employee-employer relationship for employees at the European locations is governed by the SE Employee Participation Act (SEBG), the Articles of Association of Hannover Rück SE and the "Agreement on the Participation of Employees in Hannover Rück SE". The agreement applies to all employees of Hannover Re and its subsidiaries based within the European Union or the European Economic Area. All employees covered by the "Agreement on the Participation of Employees in Hannover Rück SE" are represented by the SE Employee Council. This has rights to be informed and to be heard.

The executive staff of Hannover Rück SE and E+S Rückversicherung AG are represented by the joint Executive Committee. This operates in accordance with the Act on a Representative Body for Executive Staff (SprAuG). It cultivates an active dialogue with the executive staff and represents their interests to management.

Trade union representation at the German location is through the service industry trade union ver.di. Employees at international locations are in some instances represented by locally based trade unions. All members of staff are free to join a trade union. In addition, the right is recognised of every employee to form employee representative bodies and engage in collective bargaining to regulate working conditions. Employees receive neither preferential nor discriminatory treatment on account of belonging to a trade union or representative body.

The employee representatives of Hannover Rück SE are elected by the joint Employee Council of Hannover Rück SE and E+S Rückversicherung AG, as the competent representative body pursuant to § 14 (3) Agreement on the Participation of Employees in Hannover Rück SE. The employee representatives on the Supervisory Board of E+S Rückversicherung AG are elected by the employees of the joint operation Hannover Rück SE and E+S Rückversicherung AG.

All employee representatives are full members of the Supervisory Board and as a general principle are equivalent to the members elected by the shareholders in terms of their social duties and rights, i.e. primarily in their function as a control and supervisory body of the respective company. At the reference date of 31 December 2021, three employee representatives were delegated to each of the two Supervisory Boards.

Our employees Group-wide are informed of significant operational changes without delay and in accordance with legal requirements. The Supervisory Boards including the employee representatives (the Employee Council as well as the Youth and Trainee Council and the Representative Body for Severely Disabled Employees) must be advised in an immediate, timely and comprehensive manner of matters that can have a

substantial influence on the position of the company. The joint Employee Council of Hannover Rück SE and E+S Rückversicherung AG as well as the SE Employee Council of Hannover Rück SE and the Economic Committee also duly receive all relevant information within the scope of their right to be informed so as to be able to influence operational changes.

All employees are free to contact the Employee Council, Human Resources Management or the relevant supervisor regarding any concerns that they may wish to raise. In addition, tips can be submitted via an online whistleblower system, anonymously if so desired.

In 2021, we were not made aware of any incidents involving a restriction of rights to freedom of association or collective bargaining at our company.

## Attractiveness as an employer

103-1, 103-2, 103-3

Hannover Re is an employer that lives up to its responsibility: with fair working conditions, efficient structures and sustainable growth targets. In order to attract and retain highly qualified and motivated staff, Hannover Re offers not only task-oriented and performance-based salaries but also numerous non-monetary benefits, most notably in the areas of working hours, childcare and pensions. With a weekly working time of 38 hours and thanks to various working time models at the Hannover location, we put in place the basis for a healthy work-life balance. We also care about making the return to work for mothers and fathers after parental leave as smooth as possible. With this in mind, we consider the worldwide expansion of flexible working hours and needs-based working time models to be major pillars of our human resources policy.

In order to assist our employees with childcare we operate our own in-house daycare centre “ReKids” at the Hannover location, where an eight-person team of seasoned professionals provides all-day care for children aged three and under. The daycare facility accepts infants for the entire day so as to enable parents to make a quick return to the office. Since 2020, we have also partnered with a provider of virtual childcare and holiday programmes at the Hannover location. Employees with children and grandchildren can choose from a wide range of around 1,500 unlimited free digital recreation and holiday offerings and thereby spend a happy and fun-filled time with their (grand)kids and experience a more worry-free daily work routine.

Two newly furnished rooms are available at the Hannover location to employees who are breastfeeding.

At Hannover Re, we invest a great deal in the health and wellness of our employees: with a diverse range of sports programmes, ergonomic workstations and healthy meals in the canteen.

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### Talent Management initiative

A Talent Management initiative sponsored by the Chief Executive Officer was launched in 2020. One of altogether four strategic initiatives, it forms part of the Group strategy 2021-2023 and at the same time supports the “Performance enabler: Empowered people”, which has similarly been integrated into the Group strategy. The goal is to attract talented new people and retain them at the company, to optimally deploy, foster and develop them at all locations and to create a work environment that makes Hannover Re the employer of choice. In addition, the initiative envisages measures to promote global mobility, the optimisation of relevant support processes and systems as well as a greater interlinking of worldwide human resources activities.

Further goals of the initiative are:

- developing a Group-wide HR IT system as a support tool,
- promoting a global network within the human resources community,
- optimised succession planning,
- expanding programmes for “Learning & Development”,
- implementing a roadmap in support of “Diversity, Equity & Inclusion”

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### Recruitment of new employees

As a growing company, we attach considerable importance to attracting junior recruits and skilled professionals. Despite the ongoing Covid-19 pandemic, we therefore continued to effectively step up our recruitment activities in Germany and abroad in the year under review.



In recent years, we have already been successful in recruiting qualified new employees in a timely manner. If we are to maintain this high level, it is vital to remain prominent and attractive as an employer and to know the expectations of candidates on the job market. Our primary target groups are university graduates and young professionals / professionals. Most job profiles are centred on the disciplines of mathematics and economics as well as computer science. It is becoming increasingly difficult to fill IT profiles, in particular, owing to sustained strong demand in almost every sector.

Coronavirus restrictions again meant that in the year under review we had to limit our outreach at the Hannover location to our youngest potential recruits in the form of presentations given on orientation days at schools and activities held on the so-called “Future Day” in Lower Saxony, when children and young people between the ages of 10 and 15 are able to get a taste of what we do. Nevertheless, we were able to offer an online programme for Future Day and using a virtual platform, we shared insights into reinsurance business with some 50 children and young people through interactive presentations.

As a route to obtaining a professional qualification, we offer up to six places each year to study for a Bachelor of Arts in business management with an insurance concentration as part of an integrated degree programme. For this group, too, we try to integrate a stay abroad into the training programme, thereby similarly reflecting our company’s international approach under this programme.

We use a range of measures to systematically address graduates as a target group, including building and cultivating contacts with universities, attending job fairs, offering to arrange field trips, publishing activity reports in student magazines and trade journals as well as using online media and providing job application training. In the year under review, we moved these activities online wherever possible. Furthermore, internship opportunities and cooperation arrangements to assist with final degree papers enable students to get to know the company and discover it as an attractive employer. University graduates can join us both through direct entry and through trainee programmes with concentrations in reinsurance, mathematics and computer science. Trainees are taken on with a permanent employment contract right from the outset.

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### Employer Branding

The expansion of our presence in social media was especially key to the recruitment of new employees in the 2021 reporting year. For this purpose, Hannover Re uses its own LinkedIn profile so as to boost its worldwide presence.

Together with general postings on activities undertaken by our Human Resources Management department and on personnel policy, we also place job postings on LinkedIn. This is done on both the local and international level and enables us to assert ourselves in the international competitive arena as well as addressing specific target groups.

With a view to being the employer of choice on the market, this year also marks the implementation of the “Employer Branding Roadmap” focused on the “Candidate Experience”. At stake, here are the experiences and perceptions of a candidate – and hence also a potential employee – during the recruitment process as they relate to the company. “Employer Branding” and employee satisfaction can be heavily influenced by such positive or negative candidate experiences and are therefore at the heart of our efforts.

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Positions for young professionals / professionals as well as leadership positions are advertised internally throughout the Group. For outside recruitment purposes, we use not only traditional job ads but also Web-based business networks such as XING and LinkedIn. Word-of-mouth recommendations are becoming increasingly influential on the recruitment side, as in many other areas. To this extent, our “Employees recruit Employees” programme and our good employer ratings on the portal kununu are important marketing factors in Germany when it comes to attracting young talent.

## Feedback culture and succession planning

Providing targeted support for employees is one of the core components of human resources management. It involves a three-way interplay between the member of staff, their supervisor and the company. With a view to fostering the individual advancement of our employees, all members of staff at the Hannover location have the opportunity to take part in an annual performance review with their direct supervisor. During this review, the employee’s performance is evaluated according to higher-level, company-specific criteria, and issues relating to cooperation and the scope of tasks as well as the goals and professional development of the individual employee are explored at length. Participation in this review is optional for the member of staff, although we recommend an annual cycle of performance reviews to strengthen the feedback culture and trusting cooperation. The basis of our corporate culture is the greatest possible delegation of tasks, the assignment of authorities and responsibility and the development of our staff. Our performance reviews thus similarly reflect our leadership fundamentals:

- Responsibility with Guide. and Empower.
- We-Spirit with Include. and Connect.
- Drive with Transform. and Develop.

These leadership fundamentals and how we embody them, together with role-specific competence models, are included in every performance review.

Our attractiveness as an employer is further reinforced by systematic career development programmes. As a general principle, we fill vacant management positions whenever possible from within our own ranks – where qualifications are equivalent – and we consider leadership potential even at the recruitment stage. At our consolidated Group companies, too, we take care to ensure that all positions on Management Level 3 or higher (General Manager / Director) are filled locally in the respective countries wherever possible. A process is followed for all our appointments: all candidates for Level 3 positions or higher are evaluated by an internal panel rather than a single person and are additionally subjected to external assessment. Furthermore, systematic succession planning prevents gaps emerging when executives or staff in mission-critical roles leave the company. In a standardised process, all positions from Management Level 3 upwards and mission-critical roles are thoroughly reviewed on an annual basis. The identification of successor candidates takes into account not only the evaluation of their expertise and assessment of their potential, but also their fulfilment of our leadership fundamentals.

We similarly offer a development assessment for employees on the level of Deputy Manager and Manager as a means of pinpointing just where they are in their development. Building on this, employees can reflect on their development opportunities and grow into a specialist, project-centred or leadership role.

### Global HR information system

A major goal of the Talent Management initiative is to put the human resources function on a global and forward-looking footing in matters of organisation, processes and systems. In the context of the project “FutureHR”, which is set to last around two years, we also intend to implement a new HR information system for this purpose. Using a cloud-based solution, this will enable us to further advance digitalisation and standardisation going forward and to add value to the design of core processes such as recruitment as well as talent and learning management. Together with our human resources network in Hannover and the local entities, we shall thus establish a basis worldwide that opens up an overall perspective on our talent, thereby also supporting succession planning and global mobility – among other things – on a lasting basis.



## Remuneration and fringe benefits

102-35, 102-36, 102-41, 201-3, 401-2

Employees in Germany benefit from the security and advantages of the collective agreement for the private insurance industry. At the reporting date of 31 December 2021, 94% of our employees at the Hannover location were covered by this collective bargaining agreement.

The remaining 6% are second- and third-tier Group executives, with whom non-collective agreements have been reached and whose salaries are comprised of fixed, performance- and responsibility-based components. Depending on the individual objectives agreed with them and the higher-level company results, our managers additionally receive performance-related payments and long-term incentives.

All our employees below management level in France, India and Sweden are similarly covered by collective bargaining agreements.

In view of the nature of our business activities and the associated very specialised skills of our employees, we deploy highly qualified personnel worldwide. Salaries reflect these high skills levels. Our employees are paid according to their specific tasks, their skills and qualifications and their performance based on a globally valid remuneration policy. Salary increases and promotions follow a clearly defined process. There is consequently no risk of falling short of a local minimum wage.

The individual promotion grades for staff employed in Germany are subject to transparent criteria published in the intranet, which are also purely function- and skills-based. In the context of the annual round of salary adjustments and promotions, we explicitly evaluate how many women and men receive a salary increase, whether there is a difference in the average amount and whether a trend towards favouring or disadvantaging one gender over the other can be discerned. As in the previous years, there was no preferential treatment or discrimination in this respect. In addition, we review how many women and men are promoted for each hierarchical level so as to maintain a gender balance within the workforce.

Supplementary to individual and statutory retirement provision, employees in Germany who have been with us for longer periods of time are entitled to inclusion in the employer-funded retirement provision. The amount of the funding contributions is determined by the individual salary levels and calculated according to the pay scale groups under the collective agreement. For new entries after 31 March 2018 and for employees who have switched to the so-called matching system, the employer makes an additional contribution if the employee arranges individual provision. Negotiations were conducted with the Employee Council with a view to making the occupational retirement provision even more attractive.

These negotiations were brought to a successful conclusion in the year under review. Employees can accumulate further employee-funded occupational retirement provision by way of deferred compensation.

Furthermore, we offer our employees additional voluntary benefits. These include, among other things, life, health and disability insurance policies. Such offers are dependent upon the particular location and relevant legal stipulations. All members of our staff are granted the same benefits in proportion to their working hours.

In the year under review, Group-wide guidelines were also drawn up for remuneration and fringe benefits as well as for deployments across multiple locations in connection with training activities as well as short- and long-term secondments.

### Social security contributions and expenditures for pension provision and assistance S 24

in EUR thousand	2021	2020	2019	2018	2017
Social security contributions and expenditure for pension provision and assistance	58,922	56,795	49,275	57,112	56,753
Social security contributions	25,144	23,152	20,749	26,928	25,486
Expenditures for pension provision	29,028	28,851	24,245	26,117	26,551
Expenditures for assistance	4,750	4,792	4,281	4,067	4,716

102-35: For more detailed information on the remuneration paid to our employees, executives and the members of the Executive Board, we would refer the reader to the “Remuneration report” from page 119 onwards of our Group Annual Report 2021. For information on personnel expenditures we would refer to item 8.4 of the notes to the Group Annual Report.

## Employee satisfaction

401-1

The satisfaction of our employees is very important if we are to remain an attractive employer in the eyes of our workforce. For many years now, we have obtained a reliable picture of our employees’ satisfaction by surveying our staff. In 2021, this was again done by way of a Group-wide employee survey known as the “Organisational Health Check” (OHC), which is intended to make a company’s “state of health” visible and measurable. The OHC was conducted again in the year under review. Altogether, 2,332 employees and executives of the Hannover Re Group took part in the evaluation of our company, thereby ensuring that informative results were obtained.

This number translates into another pleasing overall participation rate of 82%. The strong level of participation clearly highlights the importance attached to the survey by every one of our staff and managers. With an overall score of 81, the result remains stable on the high level of the previous year. All scores in the year under review were in the “top decile” or “top quartile” based on McKinsey's global benchmark.

Overall, the satisfaction of our staff is also reflected in a low turnover ratio. The staff turnover ratio at the Hannover location of 3.3% (previous year: 2.8%) was substantially lower than the industry average of 5.0%. The average length of service to the company at the Hannover location stood at 11.8 years in 2021.

### Staff turnover by region

S 25

Region	2021				2020				2019				2018			
	Rate of persons joining <sup>1</sup>		Rate of persons leaving <sup>2</sup>		Rate of persons joining <sup>1</sup>		Rate of persons leaving <sup>2</sup>		Rate of persons joining <sup>1</sup>		Rate of persons leaving <sup>2</sup>		Rate of persons joining <sup>1</sup>		Rate of persons leaving <sup>2</sup>	
	Number <sup>3</sup>	in %	Number <sup>3</sup>	in %	Number <sup>3</sup>	in %	Number <sup>3</sup>	in %	Number <sup>3</sup>	in %	Number <sup>3</sup>	in %	Number <sup>3</sup>	in %	Number <sup>3</sup>	in %
Germany	130	8.8	47	3.2	119	8.5	37	2.6	99	7.1	45	3.2	96	6.7	57	4.0
Europe excl. Germany	64	12.9	64	13.3	86	16.5	44	8.5	77	15.5	65	13.1	119	17.0	118	16.8
United States	32	11.3	31	11.0	42	13.8	20	6.6	38	13.4	30	10.6	38	13.0	36	12.3
South Africa	48	10.3	37	7.9	49	10.2	37	7.7	60	12.9	49	10.5	58	12.1	50	10.4
Asia	81	32.0	32	12.6	67	22.2	16	5.3	42	12.9	24	9.5	52	22.3	31	13.3
America excl. USA	12	16.9	6	8.5	10	13.5	10	13.5	9	12.7	5	7.0	9	12.7	8	11.3
Australia	14	12.0	17	14.5	20	15.5	6	4.7	12	10.3	10	8.6	13	11.5	11	9.7

### Staff turnover by gender

S 26

Gender	2021				2020				2019				2018			
	Rate of persons joining <sup>1</sup>		Rate of persons leaving <sup>2</sup>		Rate of persons joining <sup>1</sup>		Rate of persons leaving <sup>2</sup>		Rate of persons joining <sup>1</sup>		Rate of persons leaving <sup>2</sup>		Rate of persons joining <sup>1</sup>		Rate of persons leaving <sup>2</sup>	
	Number <sup>3</sup>	in %	Number <sup>3</sup>	in %	Number <sup>3</sup>	in %	Number <sup>3</sup>	in %	Number <sup>3</sup>	in %	Number <sup>3</sup>	in %	Number <sup>3</sup>	in %	Number <sup>3</sup>	in %
Men	204	12.7	125	7.8	219	14.0	89	5.7	169	11.8	95	6.6	175	11.2	154	9.9
Women	177	10.1	113	6.5	174	10.5	83	5.0	168	10.2	134	8.1	210	11.9	159	9.0

### Staff turnover by age group

S 27

Age group	2021				2020				2019				2018			
	Rate of persons joining <sup>1</sup>		Rate of persons leaving <sup>2</sup>		Rate of persons joining <sup>1</sup>		Rate of persons leaving <sup>2</sup>		Rate of persons joining <sup>1</sup>		Rate of persons leaving <sup>2</sup>		Rate of persons joining <sup>1</sup>		Rate of persons leaving <sup>2</sup>	
	Number <sup>3</sup>	in %	Number <sup>3</sup>	in %	Number <sup>3</sup>	in %	Number <sup>3</sup>	in %	Number <sup>3</sup>	in %	Number <sup>3</sup>	in %	Number <sup>3</sup>	in %	Number <sup>3</sup>	in %
Up to age 29	173	35.7	59	12.2	167	37.6	43	9.7	127	37.6	43	12.7	151	44.7	73	21.6
Ages 30 to 49	173	9.3	121	6.5	191	10.6	80	4.4	174	10.5	121	7.3	206	12.5	166	10.0
Age 50 and over	35	3.5	58	5.8	35	5.0	49	5.1	36	5.6	65	10.0	28	4.3	74	11.4

<sup>1</sup> The rate of persons joining considers all newly appointed employees in the year under review (according to total headcount as at 31.12.).

<sup>2</sup> The rate of persons leaving considers the number of employees who left the company in the year under review voluntarily or due to termination, retirement or death (according to total headcount as at 31.12.).

<sup>3</sup> The key personnel indicators are calculated according to headcount. In this context, we consider the consolidated group in accordance with the requirements of IFRS 10 “Consolidated Financial Statements” on the basis of a consistent consolidation model for all companies that defines control without regard to whether it arises out of company law, contractual or economic circumstances. Group companies are consolidated with effect from the date on which Hannover Re gains control over them.

# Learning and development

103-1, 103-2, 103-3, 404-1, 404-2

Hannover Re operates in a knowledge-intensive industry with a high degree of specialisation. The expertise and skills of our employees are assured through continuing and customised (further) training, thereby reinforcing a positive perception of the company. At the same time, the opportunities made available to our employees enable them to continue their personal growth and support the desire for lifelong learning.

In the context of the Talent Management initiative, all ongoing training activities offered by Hannover Re are systematically aligned with our purpose and our values as well as our leadership fundamentals, as is also true of the leadership programme LEAD.

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## Leadership development

In the 2021 reporting year, a global leadership development programme known as “LEAD” was implemented to promote a values-based leadership culture. The LEAD programme enables participants to experience our leadership fundamentals Responsibility, We-Spirit and Drive and ensures that they are applied. Featuring three modules, two of which are intentionally designed in a virtual format and also tackle the subject of hybrid leadership, each module focuses on one leadership fundamental and its further operationalisation:

- Module 1: Responsibility with Guide. and Empower.
- Module 2: We-Spirit with Include. and Connect.
- Module 3: Drive with Transform. and Develop.

The importance attached to fostering talent at Hannover Re is further underscored by the participation of members of the Executive Board – which has the role of programme sponsor – in the in-person Module 3. The programme’s 12-month duration and a subsequent learning transfer phase assure its lasting impact. It is envisaged that the roll-out of LEAD, which began with Management Level 3 and higher, will be extended to the next level for the coming financial year. This leads to the systemic anchoring of a consistent understanding of leadership.

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When it comes to our portfolio of personnel development measures, we attach special importance to a range of measures tailored to specific needs and target groups that reflects Hannover Re’s strategic initiatives and orientation. The individual programme of development measures is normally drawn up jointly by the employee and their supervisor as part of the annual performance review. Above and beyond this, all employees can access an extensive range of supplementary further training. Seminars can be booked online Group-wide through the tool HannoverReAcademy and take the form of face-to-face events, Web-based activities or a hybrid blended

learning format. For this reason, despite the limitations associated with the Covid-19 pandemic, there were again no significant reductions in our (further) training programme in the year under review because the various offerings were made available flexibly either on-site in observance of Covid-19 conditions, in an entirely virtual format or in hybrid form.

The HannoverReAcademy training programme is continuously reviewed and adjusted to meet requirements. The ReEssentials courses, which are compulsory for all new employees worldwide, were updated in the year under review and converted to a state-of-the-art online format. They consist of special basic seminars that convey in-depth knowledge not only of reinsurance business and risk management but also about the history of Hannover Re, its strategic orientation as well as its vision and values. These courses not only provide specialist support for our employees, they also help them to find their way in their new field of work and build a network within the organisation.

In addition to specialist offerings on information technology, among other things, the training programme currently encompasses compulsory training in compliance issues and data protection, health and wellness courses and a range of instruction in social, methodological and leadership skills. We also continued to offer our range of in-house language courses, with tuition in selected languages also available in an e-learning format. In addition, seminars reflecting Hannover Re’s global orientation such as “International Negotiations” or “Intercultural Skills” stimulated lively interest among the workforce.

In 2021, we continued to devote special attention to supporting our employees and managers in dealing with the implications of markedly changing work environments. In this context, the effects of new forms of working or automated/digitalised workflows play a particularly important role. We continued to make available all offerings on virtual forms of cooperation, whether in relation to leadership or virtual meetings with clients. Dealing with changes was another topic that was again actively addressed through the workshop series “Fit for Changes”. Held as joint events, staff and managers alike are able to simulate change processes in order to avoid the stressful situations that can arise and they are equipped with tools for successfully shaping change.

Further examples of our offerings include seminars for new and seasoned executives alike on topics such as “Wellness – Management Task and Individual Responsibility” and “Mastering Complexity – Assured Leadership in Complex Situations” as well as coaching supports. In addition, we have recently begun to offer worldwide web-based training in sustainability and online learning units about “Digital Fitness”. This gives us added motivation to keep addressing relevant and topical issues within the company and thereby also to



fulfil the requirements placed not only on insurers but also on reinsurance undertakings by the Insurance Distribution Directive. This directive regulates the initiation and conduct of all insurance distribution, and in particular insurance mediation. It is applicable to all market players within the EU that transact insurance business, including reinsurers. Employees of reinsurance undertakings who are directly or substantially involved in insurance distribution fall under this directive.

On average, each employee of our company participated – both internally and externally – in 3.0 days of further training in the 2021 reporting year. The number of training days per employee at the Hannover location was 4.7, a significant increase compared to the previous year's figure of 3.4 training days per employee.

**Average number of training days worldwide and at the Hannover location** S 28

Region	2021	2020	2019	2018	2017
Worldwide	3.0	2.3	3.4	2.7	2.7
Germany	4.7	3.4	4.8	4.4	3.9

### Global Mobility

Back in 2020, as part of the Talent Management initiative, the “Talent Management Sounding Board” was set up to support the development of a global human resources network. The participants are four members of the Executive Board, representatives of Human Resources Management and an international team of executives from various business units. The body comes together every eight weeks to shape the initiative and provide integrated support for its implementation. As an additional step, a “Hannover Re Global Leaders Meeting” was instituted, enabling representatives from the human resources departments at various locations to discuss both Group-wide and local issues and take action on the identified measures. One topic here was the adoption of a global secondment policy, which was approved in the year under review. This facilitates short- or long-term secondments to other locations or for training purposes so as to gather valuable new experience. All in all, this fosters both internationality and global mobility at Hannover Re. At the same time, the internal job market was expanded to all locations worldwide with this goal in mind.

## Employee health and wellness

103-1, 103-2, 103-3, 403-1, 403-2, 403-3, 403-4

The health of our employees has been inextricably linked to Covid-19 since the onset of the pandemic in March 2020. Hannover Re's interdisciplinary crisis management team analyses infection patterns around the world and within the workforce and also monitors the emergence of new scientific insights. Furthermore, scenarios, risks and options are discussed and decisions taken. Working in close consultation with the Executive Board, various support measures were initiated from the German head office and regularly communicated to all employees Group-wide through the intranet. Responsibility for implementing the measures at our international locations rests with the local emergency management teams and HR managers, who supplement them with additional steps as necessary.

Our priority at all times is protecting our staff against infection. Above and beyond this, as a learning organisation, we seek to safeguard our operational capability in the interests of our clients and sales partners by exploring and taking paths into a new working normal. This also includes expanding our experience and facilitating mobile working and on-site office work on a parallel basis – in other words, flexible “hybrid working”. Last but by no means least, we support public authorities in their efforts to slow the spread of Covid-19 and hence protect society against more widespread infection.

The performance capability and health of our employees are essential prerequisites for sustainable development of our company's business and for maintaining our high quality standard. Given that they work for a service provider, our staff members do not engage in activities that expose them to particularly high risk. Nevertheless, the transformation in the world of work, the need for efficiently structured work processes and a constant pressure for change can lead to reduced productivity and physical and / or psychological disorders – and hence to direct economic impacts on the company as well as social implications for the employees concerned, their private sphere, their colleagues and the social welfare systems.

Our goal is to preserve and restore the physical and mental well-being of our employees because every illness or injury has both direct economic impacts on our company and social implications for the affected individuals, their families, our colleagues and the social security systems.

With a view to protecting the health of the workforce, the applicable employment protection legislation as well as requirements relating to ergonomic workplace design are systematically observed and reviewed worldwide. Instruction in health and safety at the workplace is provided regularly.

In addition, wellness among staff is actively encouraged through health promotion measures; these are in place worldwide but are tailored to local needs in each case.

Aspects of workplace safety and health management are governed by various laws in Germany including the Occupational Safety Act (AsiG), the Safety and Health at Work Act (ArbSchG), the Infection Protection Act (IfSG) and the Fire Protection Code. These apply to all employees, service providers and suppliers active in Germany. Our international offices within and outside Europe are subject to local laws which are similarly observed.

An interdisciplinary Health and Safety Committee, which also includes representatives of Human Resources Management, the Employee Council and the company physician, meets regularly at the Hannover location to explore the latest risks in connection with occupational health and safety, define necessary measures, coordinate regular activities such as on-site inspections and determine how to respond, e.g. in the case of an accumulation of incidents. Employees receive regular instruction in matters of occupational safety.

In addition, the process for occupational reintegration management – which is required by law in Germany – was further optimised. A company agreement was concluded in this regard in 2018, thereby ensuring a harmonised internal process with the participation of all relevant areas of the company.

Seminars and workshops designed to strengthen the resilience and relaxation skills of our staff and managers remain an integral part of our preventive wellness support measures, just as they were in previous years. Our executives are additionally able to attend workshops tailored specially to their needs, including one entitled “Wellness – Management Task and Individual Responsibility”.

In addition, we offer staff at our Hannover head office an extensive range of fitness opportunities, including company sports groups dedicated to various types of sport and cooperation arrangements with fitness studios. When it comes to individual workspaces, we take care to provide an optimal room layout and ergonomic furnishings, including electronically height-adjustable desks and chairs with a flexible range of adjustment options. If required, we pay the costs of special computer glasses.

We also continued to offer an Employee Assistance Programme (EAP). This provides external and anonymous immediate counselling on personal, professional and health concerns for our employees, managers and their family members, including assistance with accessing a service for families.

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## Employee health and wellness around the world

Promoting health and wellness is an expression of the high regard in which we hold our employees. At our companies abroad, we are similarly committed to measures that can be easily integrated into everyday working life. They are intended to help avoid health problems. During the Covid-19 pandemic, we keep our staff informed about various health issues. Advice provided locally covered a wide range of topics including the ergonomic design of the home workspace as well as nutrition and fitness.

Our branches and subsidiaries organise exercise programmes and offerings to promote individual initiative. They include, for example, covering a portion of the costs associated with membership of fitness facilities. The programme is particularly intended to prevent musculoskeletal disorders and generate awareness of the benefits of movement. Due to the Covid-19 pandemic, these measures again had to be largely suspended in 2021. Where possible, the opportunity to participate virtually in personal training is offered.

Many locations offer a medical check-up for executives and members of staff alike. The programme is rounded off with anti-stress courses and special activities at the workplace to support employees' mental well-being. In Orlando, United States, a Wellness Committee develops various offerings for staff such as workplace massages and stress management workshops and tailors them to meet current requirements. In Sydney, Australia, mental health training sessions are held annually. The mental wellness programme in the United Kingdom was supplemented by a “Kindness Week” with a special emphasis on mindfulness.

Particularly during the Covid-19 pandemic, the local Employee Assistance Programmes support managers and staff with their professional, personal and health concerns. When the feedback from ICAS, an international provider of Employee Assistance Services, identified an increase in relationship problems in South Africa, our location in Johannesburg added workshops to its programme that concentrated on relationship problems and were led by a qualified psychologist.

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Altogether three accidents occurred in Germany while at work or commuting in 2021; the total number of employee days lost to absenteeism was 10,595. The rate of absenteeism in Hannover was lower in 2021 than in the previous year at 2.3% (previous year: 2.4%). No work-related fatalities were recorded among the workforce at any Group company. Our business operations do not give rise to any health and safety risks that are covered in formal agreements with trade unions.

**Days lost to absenteeism, accidents and fatalities at the Hannover location** S 29

	2021	2020	2019	2018	2017
Days lost to absenteeism	10,595	11,978	14,469	14,134	12,934
Rate of absenteeism	2.3%	2.4%	4.2%	4.0%	3.8%
Work- or commute-related accidents	3	6	11	16	4
Fatalities	0	0	0	0	0

## Diversity and equal opportunities

103-1, 103-2, 103-3, 405-1, 406-1

The topic of “diversity and equal opportunities” recognises the heterogeneity of the workforce and the right of every individual to equal treatment within a company. Yet it is by no means merely a matter of tolerating “difference”, but rather welcoming, supporting, appreciating and indeed benefiting from “diversity” as a valuable complement.

In general terms, cultivating diversity and ensuring equal opportunities within a company fosters a positive working environment, boosts employee motivation and enhances its appeal as an employer. What is more, collaboration in diverse teams makes it possible to incorporate different experiences, ways of thinking and knowledge, to blaze new trails and to optimally support problem-solving and innovation processes. External influencing factors such as demographic change, globalisation and shifting values also make diversity and equal opportunities a pivotal success factor for companies.

A Diversity, Equity & Inclusion (DE&I) strategy built on our purpose and our values was developed in the year under review as part of our Talent Management initiative. We aim to “create opportunities together” and also to be “somewhat different”. Along with the DE&I strategy, we also defined an action plan with nine points of emphasis for 2022.

### Somewhat different ways of working

The world of work is currently heavily preoccupied with issues around the “new normal” and changed ways of working. The Covid-19 pandemic has brought these changes into even sharper focus. The most significant implications for our initiative “The somewhat different way of working” are community, digitalisation, mobile working and flexibility. We want to create units that are perfectly tailored to the needs of the new normal by configuring our office spaces in such a way that they optimally serve the four forms of work – namely, concentration, collaboration, communication and representation. In order to make this idea a reality, we intend to adopt a shared & clean desk philosophy at the Hannover location. In our new working environment this will mean that employees can choose their workstation flexibly according to their individual work situation.

We are actively involving our departments in the process of redesigning their working environment. This gives us all a unique opportunity to help shape an inspiring work setting that looks to the future. All departments were able to apply to join a pilot project that is currently underway and a needs analysis of the participating departments has already taken place; this will play a crucial role in influencing the subsequent workspace redesign.





## Non-discriminatory environment

Supporting fair working conditions as well as a healthy and non-discriminatory working environment is part of Hannover Re's corporate culture. The Executive Board has recognised the Core Labour Standards of the Initial Labour Organization (ILO) for 100% of the workforce. We also take the German General Equal Treatment Act (AGG) as our yardstick. Hannover Re does not tolerate any form of discrimination whatsoever. Unequal treatment, disadvantaging or exclusion of any type, e.g. based on age/generation, disability, health impairment or medical condition, relationship / marital status, gender / gender identity or expression, race, skin colour, ethnicity or nationality, social origin, religion or world view, sexual orientation or any other legally protected factor are not tolerated. Furthermore, we welcome all other facets of diversity and similarly reject any form of discrimination in this connection. This includes, but is not limited to, attributes such as demeanour, appearance, education, professional experience, dialect, income, leisure habits, hierarchical level, service to the company as well as the personality traits of the individual.

This is enshrined in our company-wide Code of Conduct. Furthermore, the right to form employee representative bodies and to engage in collective bargaining negotiations over working conditions is recognised; employees are neither advantaged nor disadvantaged on account of their membership of a trade union or employee representative body. It is incumbent upon every employee to report any suspected or known violations. To do so, they may turn to their supervisor, Human Resources Management, the Compliance department or a confidential Group-wide whistleblower system.



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### Unconscious bias

"Unconscious bias" is a term referring to patterns of thinking of which we are not aware that influence our everyday behaviour. Research findings show that we are all affected by such unconscious biases, which may influence us even if they run directly contrary to our convictions.

At Hannover Re, we consider it important to create awareness of the existence of unconscious biases and to identify and prevent their potentially negative impacts in everyday working life.

As part of the Talent Management initiative, therefore, we launched a workshop to raise awareness of the issue: how do we recognise and understand biases and how they can influence our decisions? Techniques for arriving at more objective decisions are also learned.

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There were no instances of discrimination that would have required consequences in employment law in the year under review.

The proportion of persons with severe disabilities employed at the Hannover location (only those employed directly) was 2.7% in the year under review.

## Women in leadership positions

Hannover Re and its Executive Board are committed to equal opportunities in relation to all diversity criteria and on all hierarchical levels. A focus of the measures is currently on fostering women in leadership positions. Worldwide, the proportion of women stood at 20.4% in the year under review or 18% for the Hannover location. This means that we have achieved the target quota of 18% for women on the first and second levels of management set by the Executive Board for no later than 2022.

Group-wide, the gender ratio of the 3,346-strong workforce is virtually balanced at 47.8% male and 52.2% female. Yet women are less widely represented on the company's more senior hierarchical levels compared to men. As part of our sustainability strategy 2021-2023, we aim to increase diversity on all levels of management worldwide.

Various tools and approaches have been adopted to support women in their professional development: these include, for example, a mentoring programme aimed at women, support for a Group-wide women's network, advice sessions for parents-to-be covering periods of employment protection, parental leave, part-time working during parental leave etc. and also planning – in terms of both timing and content – for employees returning from parental leave with the aid of flexible arrangements that go well beyond the legal standards.



The mentoring programme, in particular, is a highly customised development tool. It brings female employees (mentees) together with senior executives (mentors) for a period of twelve months to engage in a targeted, regular dialogue. The specific focus of the internal mentoring programme on a purely female group of participants is part of our initiative to give targeted support to promising junior female managers by raising their profile in the organisation and fostering their abilities on an individual basis. In addition, the programme is intended to encourage women to reflect on their professional development to date and career prospects and to take steps to actively shape them going forward. They also gain insights into new fields of work and are able to learn from their mentor's experience. Yet for the participating senior executives, too, the role of mentor enables insights to be gained and leads to greater awareness of gender-related issues. In the 2021 reporting year, the programme had to be suspended due to the pandemic, but in view of the lasting benefit offered by mentoring it is expected to resume soon for the next reporting period.

**Proportion of women on the first and second levels of management at the Hannover location** S 30

in %	2021	2020	2019	2018	2017
Target quota set	18.0	18.0	18.0	18.0	16.8
Quota achieved	18.0	18.0	17.4	15.6	15.4

## Work-life balance

401-3

Compatibility of the professional and personal sphere as well as support for a harmonious work-life balance are closely associated with the issue of diversity and equal opportunities. Measures to promote the compatibility of work and personal life are an important part of our human resources management. We would like our employees to be able to strike a fair balance in both aspects of their life.

Measures that support a work-life balance lead to increased employee satisfaction boost staff motivation and support both operational health management and social security systems. For potential applicants, too, a harmonious work-life balance remains an important factor in their choice of employer. This issue therefore has a bearing on all personnel-related material topics.

Flexible working times and locations are an important element in the compatibility of work and family life. This includes, for example, more intensive use of combined office and mobile working, teleworking and working time models tailored to the

situation of individual employees. These changes are increasingly becoming an integral element of a state-of-the-art, agile working world and boost the company's attractiveness on the employment market as well as the satisfaction, loyalty and commitment of the workforce.

Our regular measures in Germany encompass multiple part-time and teleworking models that can be individually tailored the design of which far surpasses what is legally required, as well as flexible working-time arrangements without core hours and various opportunities for partial retirement. At the Hannover location 358 members of staff were employed part-time as at 31 December 2021 on the basis of more than 70 very different and individually agreed working time models. In addition, 587 employees have a teleworking contract. A variety of part-time working models are also offered at our locations abroad, and teleworking opportunities are available. Starting in 2019, we began to offer employees another option for improving the flexibility of their working world – both in terms of time and location – in the form of “mobile working”. Mobile working refers to the possibility of performing work – outside of formal teleworking models – at a location other than the company workplace as warranted and on a time-limited basis. All that is required is mutual agreement between the supervisor and the employee.

**Number of employees engaged in part-time working and teleworking at the Hannover location** S 31

	2021	2020	2019	2018	2017
Part-time	364	358	348	322	397
Women	296	300	301	288	351
Men	68	58	47	34	46
Teleworking	587	614	572	528	463

Since March 2020, we have rolled out extensive measures in connection with the Covid-19 pandemic. In order to avoid infections and help slow the spread of the virus as far as possible, the technical capabilities and necessary capacities were put in place within a very short space of time to enable more than 3,000 people around the world at our subsidiaries, branches and representative offices to work entirely from home. Restriction on physical contacts and travel were also put in place – always based on official policies and adjusted to local requirements. At the Hannover location, Hannover Re has voluntarily topped up in full missing hours for employees with children under 12 or special needs children to the individual working time, even if work was not possible or only partially possible as a consequence of the crisis situation. As a further step, even greater flexibility was introduced for daily working hours so as to optimally support the members of staff.

With a view to facilitating re-entry for employees who are currently on or just returning from parental leave, we encourage our executives to actively maintain contacts with our staff members on parental leave, e.g. by inviting them to attend further training activities or in-house events. On a Group-wide basis, 170 employees of our company were on parental leave in the year under review, thereof 58 men and 112 women. 41 employees returned to work from their parental leave in 2021, thereof 15 men and 26 women. 52 employees who returned from their parental leave in 2020 were still with our company twelve months later (8 men, 44 women).

**Number of employees on parental leave (Group-wide)** S 32

	2021	2020	2019	2018	2017
On parental leave	170	188	190	202	216
Women	112	120	124	134	142
Men	58	68	66	68	74
Returnees	41	58	65	72	95
Women	26	37	39	46	60
Men	15	21	26	26	35
Turnover	52	52	55	69	83
Women	44	36	35	44	51
Men	8	16	20	25	32

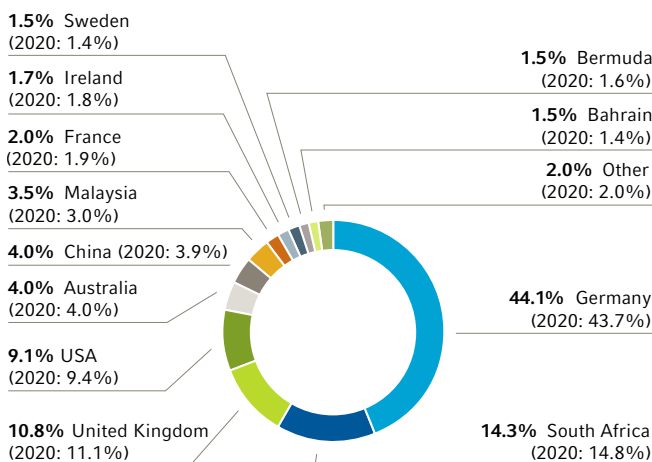
## Further diversity-related indicators

We collect data on the diversity of our workforce Group-wide in relation to gender and age, and additionally at the Hannover location in relation to nationality. Due to statutory regulations we do not publish any data on other categories such as religious belief or disability.

Throughout our entire Group, employees are selected without regard to origin. On the contrary, we welcome the fact that numerous experts from a wide range of areas and with different cultural backgrounds work for us – also with an eye to meeting the exacting quality standards associated with our complex reinsurance services. By way of example, we had colleagues from altogether 53 nations working at our Hannover location as at 31 December 2021.

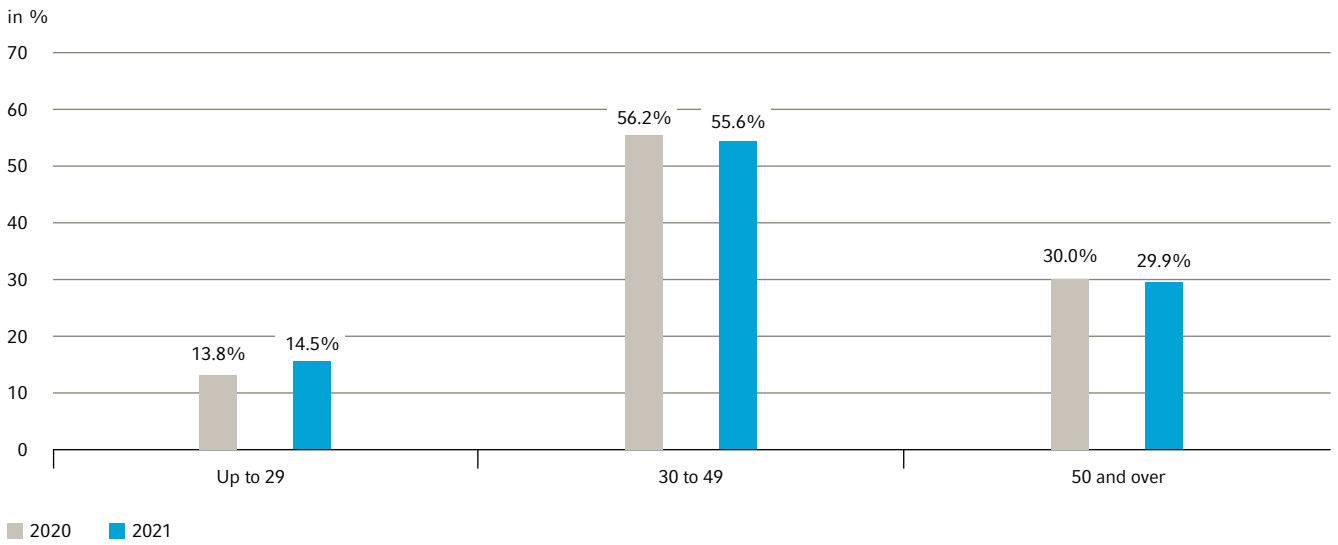
## Breakdown of employees by country in 2021

S 33



The age structure of our Group's workforce in 2021 again reveals a balanced picture: 14.5% of our employees are under 30, 55.6% are aged between 30 and 49 and 29.9% are 50 or over. A comparison of the age structure over the years, however, shows a trend in line with the shift in demographics. The proportion of employees aged "50 and over" rose steadily by 10 percentage points in the period from 2011 to 2021.

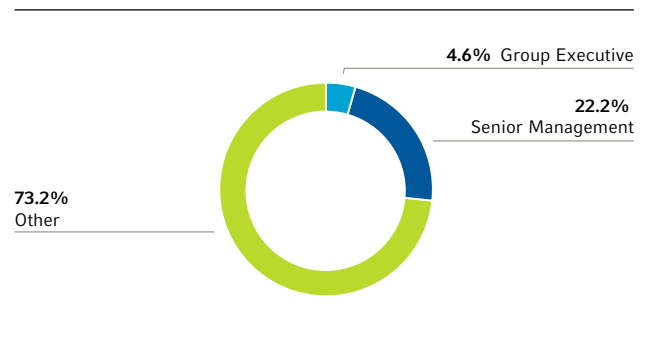
We have been quick to tackle the challenges of an ageing workforce. In the context of our demography and generation management, for example, we have put in place measures to promote cooperation between new and seasoned members of staff.



In our personnel statistics a distinction is made between three hierarchical levels: Group Executive, Senior Management and other employees. Of the altogether 3,346 employees Group-wide, 152 (4.6%) belong to the category of Group Executive, 744 (22.2%) to the category of Senior Management and 2,450 (73.2%) to the category of other employees.

Details of the breakdown of the various employee categories are provided in the tables below.

Breakdown of employees by hierarchical level in 2020



**Breakdown of employees by gender and employee category**
**S 36**

		2021			2020			2019			2018		2017	
Gender		Num- ber <sup>1</sup>	+/- pre- vious year	in % <sup>2</sup>	Num- ber <sup>1</sup>	+/- pre- vious year	in % <sup>2</sup>	Num- ber <sup>1</sup>	+/- pre- vious year	in % <sup>2</sup>	Num- ber <sup>1</sup>	in % <sup>2</sup>	Num- ber <sup>1</sup>	in % <sup>2</sup>
Number of employees	Men	1,601	41	2.6	1,560	125	8.7	1,435	-123	-7.9	1,558	47.0	1,535	47.2
	Women	1,745	87	5.2	1,658	10	0.6	1,648	-111	-6.3	1,759	53.0	1,716	52.8
Group Executive	Men	121	-	-	121	1	1.2	120	-8	-6.3	128	84.2	131	84.5
	Women	31	4	14.8	27	0	0	27	3	12.5	24	15.8	24	15.5
Senior Management	Men	452	3	0.7	449	24	5.6	425	-27	-6.0	452	63.1	433	63.5
	Women	292	11	3.9	281	25	9.8	256	-8	-3.0	264	36.9	249	36.5
Other employees	Men	1,028	38	3.8	990	100	11.2	890	-88	-9.0	978	39.9	971	40.2
	Women	1,422	72	5.3	1,350	-15	-1.1	1,365	-106	-7.2	1,471	60.1	1,443	59.8

**Breakdown of employees by age group and employee category**
**S 37**

		2021			2020		2019		2018		2017	
Age group		Num- ber <sup>1</sup>	+/- pre- vious year	in % <sup>2</sup>	Num- ber <sup>1</sup>	in % <sup>2</sup>	Num- ber <sup>1</sup>	in % <sup>2</sup>	Num- ber <sup>1</sup>	in % <sup>2</sup>	Num- ber <sup>1</sup>	in % <sup>2</sup>
Number of employees	Up to age 29	484	40	9.0	444	16.8	380	13.4	444	13.4	415	12.8
	Ages 30 to 49	1,862	55	3.0	1,807	1.8	1,776	-9.4	1,981	1,960	59.1	1,981
	Aged 50 or over	1,000	33	3.4	967	4.3	927	1.5	855	913	27.5	855
Group Executive	Up to age 29	-	-	-	-	-	-	-	-	-	-	-
	Ages 30 to 49	65	4	6.6	61	-	61	-3.2	69	63	41.1	69
	Aged 50 or over	87	-	-	87	1.2	86	-3.4	86	89	58.9	86
Senior Management	Up to age 29	1	1	100.0	-	-	-	0.4	3	0.4	5	0.2
	Ages 30 to 49	411	4	1.0	415	5.9	392	-9.7	423	434	60.6	423
	Aged 50 or over	332	17	5.4	315	9.0	289	3.6	254	279	39.0	254
Other employees	Up to age 29	483	41	9.2	64	-13.8	380	18.0	441	18.0	410	12.6
	Ages 30 to 49	1,386	55	4.1	1,331	0.6	1,323	-9.8	1,489	1,467	59.8	1,489
	Aged 50 or over	581	16	2.8	565	2.4	552	1.3	515	545	22.2	515

<sup>1</sup> The key personnel indicators are calculated according to headcount. In this context, we consider the consolidated group in accordance with the requirements of IFRS 10 "Consolidated Financial Statements" on the basis of a consistent consolidation model for all companies that defines control without regard to whether it arises out of company law, contractual or economic circumstances. Group companies are consolidated with effect from the date on which Hannover Re gains control over them. The total number of employees also includes trainees at the Hannover location.

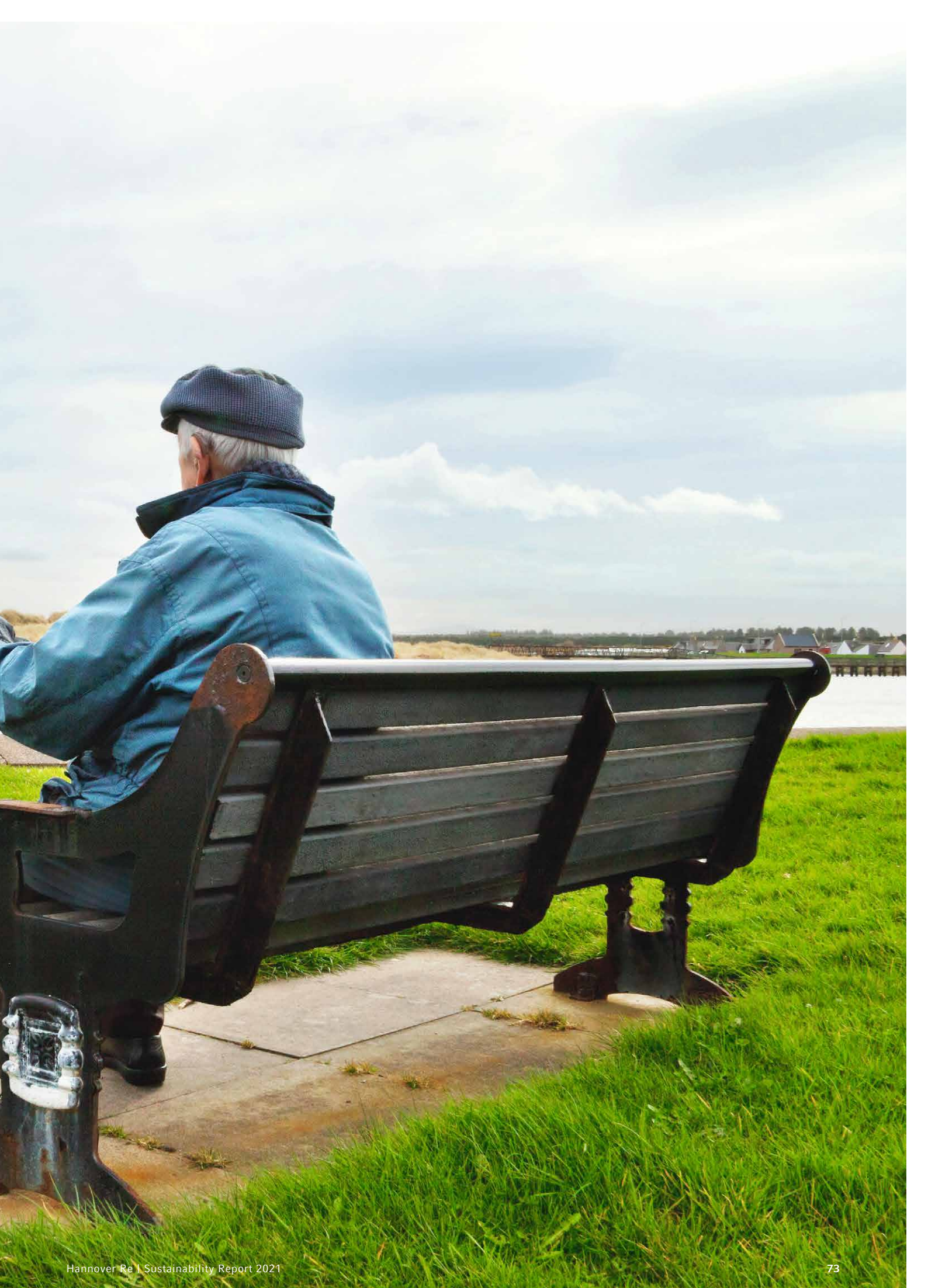
<sup>2</sup> The percentage shows the proportion of women and men within the respective hierarchical level.



# Core Business







# Core Business

103-1

Insurance is per se a business model designed for sustainability. Protecting people and their property is a core task of the insurance industry. As risk carriers, insurers therefore make a concrete and direct contribution to global sustainable development on many different levels. The range of measures extends from protecting the individual against the consequences of sickness and accidents as well as the impacts of natural disasters on crops and property to supporting the global energy transition.

Above and beyond this, as an insurance undertaking, we have a whole range of possibilities to actively support these developments and advance the transformation towards a more sustainable future. In our role as risk carrier, we enable technological progress and thereby facilitate the ongoing refinement of processes and products at companies, for example in connection with the reinsurance of renewable energy sources. As an investor, we provide capital for innovative businesses that actively contribute to the achievement of climate and sustainability goals, for example with the aid of new technologies. As a solution provider, we develop innovative insurance products that deliver protection – especially for people in emerging and developing countries – against the now unavoidable economic and social consequences of climate change. And as a centre of competence for the management of risks, we are able to play an active part in the social and political discussions around how to fight the causes and impacts of climate change. In the context of these core activities, we also make a very real contribution to the United Nations Sustainable Development Goals (SDGs).

## Sustainable Protection

103-1, 103-2, FS 14

Under the term “sustainable protection” we bring together all measures by means of which we support the global transformation of the economy and society towards a climate-friendly, resource-saving and social future. Key points of reference here are the ten principles of the UN Global Compact as well as the 17 Sustainable Development Goals of the United Nations.

As a reinsurer, i.e. a provider of business-to-business services, with few exceptions we have no direct contact with consumers. Through our range of products we nevertheless help many people to access insurance protection. Indeed, it is frequently only thanks to internationally operating reinsurers that primary insurers are even in a position to cover large portfolios and sizeable individual risks or those associated with natural perils. We thus help to boost insurance density not only in mature markets but also in emerging and developing countries and we contribute to social and financial inclusion, both in property & casualty and life & health reinsurance. Furthermore, we assist young insurance companies with the cost-intensive acquisition of new business and with their efforts to increase insurance density.

A focus of our efforts is on providing insurance solutions for population groups that previously had too little insurance protection or could only obtain it with difficulty. We additionally concentrate on delivering insurance offerings that mitigate the impacts of natural disasters or climate change and on commitments to sustainable technologies. This also includes an intensive dialogue and knowledge transfer with primary insurance companies, partners and insurtechs. To this end, we participate in various initiatives or research projects that support fulfilment of our goals. In the context of our working group on “Emerging Risks & Scientific Affairs” (see the section “ESG in insurance business”) we monitor not only megatrends and emerging risks, but also the resulting opportunities.

## Our engagement in property and casualty reinsurance

### Closing the protection gap

In property and casualty reinsurance we facilitate first and foremost the expansion of insurance protection for extreme weather events and natural disasters in emerging and developing countries – regions that are disproportionately impacted by such extreme events, leaving the people living there often facing a protection gap. We are therefore seeking to expand our NatCat aggregates in emerging and developing countries and our sustainable insurance solutions so as to



alleviate the impacts of climate disasters and natural catastrophes. By stepping up our cooperation with our partners and promoting the development of actuarial methods in various initiatives to evaluate such risks, we help to close this protection gap.

With this goal in mind, we participate actively in the development of parametric insurance products – also known as index-based covers – that have already been used in agricultural business for a number of years. These products insure and settle losses on the basis of defined parameters that can be unambiguously established, such as amount of precipitation. In contrast to traditional indemnity-based insurance, the amount paid out under parametric covers is defined in advance and depends on the materialisation of a trigger event and not on the actually incurred loss. In cases where risks are insurable, parametric covers can help to make coverage more accessible and speed up claims settlement, thereby closing the protection gap in many areas. Hannover Re develops and explores products offering parametric coverage for risks such as floods or heatwaves – not to mention cyber risks. By making claims settlement quicker and more straight-

forward, these solutions add value to the insurance product because the customer experiences a direct and immediate benefit. Frequently developed in public-private partnerships, such solutions could take on even greater significance in connection with climate change.

Against this backdrop, we support the Natural Disaster Fund (NDF). This invests exclusively in risk transfer instruments for natural disasters and climate risks in developing countries. Backed by our expertise in the development of risk transfer solutions that are tailored to the relevant risks and local needs, Hannover Re contributes its know-how and risk capital for relevant projects all around the world. So far, it has been possible to reach more than 10 million people from 20 different countries in Africa, Asia and Latin America – not least thanks to the capacity made available by Hannover Re in an amount of USD 50 million.

“We see considerable potential in parametric covers and are taking a keen interest in them.”

(Dr. Michael Pickel, member of the Executive Board)





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### Lemonade Crypto Climate Coalition

On 23 February 2022, Hannover Re joined the Lemonade Crypto Climate Coalition as a founding member. The coalition formed by Lemonade aims to bring a credible insurance mechanism to subsistence farmers and livestock keepers in the event of unforeseeable catastrophic losses caused by extreme climate and weather events.

The majority of Africa's estimated 300 million smallholder farmers find themselves facing real climate risks to their livelihood because traditional insurance products are often unaffordable or unavailable to them. This is where the power of the Lemonade Crypto Climate Coalition comes in: farmers will be able to pay premiums and receive payments with global stablecoins or local currencies quite straightforwardly using a decentralised application (dApp) on their phone, similar to how they make bank transactions and payments today. The initial experience gained from a pilot project in an African country is expected before the end of this year.

"Climate change is happening, and we should all play our part in tackling this global challenge. We are firm believers that partnership-based innovation is the best way to offer sustainable protection and close the protection gap. For this reason, we are delighted to support the Lemonade Crypto Climate Coalition with our expertise and risk-carrying capacity."

(Silke Sehm, member of the Executive Board)

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In 2021 we booked reinsurance premium in the mid-triple-digit millions (EUR) in the area of agricultural risks, with around half of the total amount coming from developing and emerging markets in South America, Asia and Africa.

Hannover Re is an active member of the Insurance Development Forum (IDF). The IDF is a public-private platform for coordination and cooperation between the insurance industry and public-sector agencies and organisations that brings together actors such as the World Bank, the United Nations, civil society and others.

The IDF's mission is aligned with the InsuResilience Vision 2025. The strategy adopted by the IDF is to use insurance and risk management capacities to improve resilience and the protection of people, communities, companies and public institutions in developing countries at risk of catastrophic events and the associated economic losses. The IDF and Hannover Re thereby contribute to fulfilment of sustainable development goals and associated UN agreements such as the Sendai Framework and the Paris Agreement.

In the year under review more than 90 experts from 11 (re) insurance companies and over 50 United Nations Development Programme representatives took part in the IDF's various country projects and five working groups. In April 2021, our Chief Executive Officer Jean-Jacques Henchoz became a member of the Steering Committee. This step underscores the strategic importance attached to closing the protection gap, especially in emerging and developing countries.

We are already playing a lead role in numerous national projects tasked with developing solutions to close the protection gap in relation to natural disasters, including in Columbia. In Columbia we are a partner on the project "Medellín Urban", the goal of which is to strengthen the resilience of the city of Medellín through the creation of insurance protection for climate risks and natural catastrophes. The products proposed for the target population at the city level are not currently available on the local market but envisage an index-based solution for floods and earthquakes and an indemnity-based solution for landslides. This will be the first parametric cover for the city of Medellín and the Colombian market. The project funded by the InsuResilience Solutions Fund is conducted jointly with Willis Towers Watson and Global Communities.

## Catastrophe bonds

In 2021, Hannover Re transferred altogether 11 catastrophe bonds with a record volume of USD 2.7 billion (previous year: USD 1.6 billion) to the capital market for its clients and hence expanded its leading position in the market for insurance-linked securities.

The purpose of catastrophe bonds is to transfer insurance risks – usually natural catastrophe risks – to investors and thus boost the supply of available reinsurance capacity. Through the additional provision of investor capital, catastrophe bonds help to mitigate adverse impacts in the event of natural disasters and thereby stabilise society.

Last year, Hannover Re helped bring covers to market for its customers against losses from natural disasters such as floods, storms, earthquake and wildfires. Traditionally, companies from the insurance sector look to catastrophe bonds as alternative risk coverage. Corporate groups from other industries as well as countries are now also increasingly turning to Hannover Re and its partners for the placement of insurance risks with investors.

Since 2014 experts from Hannover Re have taken part in the Munich Climate Insurance Initiative (MCII). The goal of membership is to operationalise various market initiatives intended to boost the resilience of countries particularly impacted by climate change under the umbrella of the United Nations Office for Disaster Risk Reduction (UNDRR). The MCII was launched as a charitable organisation by representatives of insurers, research institutes and NGOs in April 2005.

As part of our cooperation with the Moroccan Ministry of Economy and Finance and the Solidarity Fund against Catastrophic Events (FSEC), we developed a traditional and a parametric insurance solution in 2021 that provides financial protection for the local population against earthquakes, floods, tsunamis and terrorism risks. This initiative is supported by a loan from the World Bank.

“You have to look at [...] the economics of climate change from a holistic point of view and [...] not only the price of insurance or the price of reinsurance.”

(Jean-Jacques Henchoz, Chief Executive Officer)

## Sustainable and green technologies

Technological advances and an expanding network of insurtechs and partners make it possible to offer new covers. A specialised team for index-based and parametric covers, for example, is responding to a growing number of inquiries

involving hurricane and earthquake risks. Structured as “emergency cash” or loan default protection, private individuals as well as SMEs can be protected against precarious financial situations. In the renewable energy sector, too, such as wind and solar, we are seeing a steady rise in interest. While risks to earnings – in terms of the risk of generating lower profits than originally anticipated – were still difficult to cover just a few years ago, it is now possible to provide far more precise coverage for customer needs thanks to improved data and technologies.

In support of a global energy transition we are explicitly committed to the expansion of renewable energies, ranging from wind power generated both onshore and offshore to photovoltaic and geothermal energy. Insurance protection begins with plant construction and accompanies the customer through many years of operation. In addition to building and preserving specialised underwriting know-how around the world, we support special covers for the adoption of innovative technologies. Our facultative premium volume in 2021 amounted to EUR 37.4 million.

S 38

in EUR million	2021	2020	2019	2018	2017
Net premium earned <sup>1</sup>	37.4	34.2	24.7	14.2	17.9

<sup>1</sup> The calculation method was modified in 2022. The premium income for past underwriting years was recalculated to preserve comparability.

With an eye to green tech solutions, the working group for “Emerging Risks & Scientific Affairs” discusses additional issues that may go hand-in-hand with the need for new (re) insurance solutions. These include, among others, modified methods of waste disposal or recycling, cradle-to-cradle solutions, changing mobility habits, new propulsion concepts such as those in the automobile sector, new services in passenger transportation, rechargeable batteries and storage media for renewable energies. The issues of information security and cyber security are also addressed by our

working group, which supports monitoring across the various departments. Further issues relevant to our business going forward that have been analysed so far include, among many others, environmental pollution, natural catastrophes, fracking and the supply of raw materials.

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### Accelerator network

In late 2019 and early 2020, some months before the Covid-19 crisis dramatically accelerated the pace of the digital transformation, Hannover Re embarked on the development of its Innovation and Digital Strategy (I&D). The Innovation & Digital Solutions Committee (IDSC) as well as the Accelerator Network were therefore set up with the goal of identifying, evaluating and developing innovative digital solutions and services for and with our customers and expanding local business opportunities to other markets.

The Accelerator Network is a team made up of five accelerator units:

- Property & Casualty Digital Business Accelerator (P&C DBA)
- Life & Health Digital Business Accelerator (L&H DBA)
- Digital Technology Accelerator (DTA)
- Parametrics Business Accelerator (PBA)
- Innovation & Digital Network Accelerator (IDNA)

The Lemonade Crypto Climate Coalition is just one of our examples that has come about in the context of our Accelerator Network (cf. p. 76). On the Life & Health side, too, we are highly active (cf. LifeQ on p. 83).

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### Initiatives for risk assessment

When it comes to assessing natural catastrophe risks, Hannover Re works together with governments, universities and research institutions and is active in several market initiatives and oversight bodies. Through our participation in a number of initiatives we cultivate a dialogue with various globally active risk managers. This dialogue encompasses, among others, universities, other reinsurers, clients, political actors and industry associations such as the German Insurance Association (GDV).

Since it is now the case that underwriting processes increasingly take place during the sales conversation, our subsidiary E+S Rück makes the electronic underwriting tools eslmeRiT and eslunfallT available to its customers to enable medical assessment directly in the customer's presence. The application eslmeRiT, in particular, is also provided for use as a mobile solution and can thus be deployed in the digital environment. In the field of functional disability insurance this makes it possible to offer individuals with pre-existing medical conditions coverage for accident and other disability risks by means of risk-specific adjustments to the policy wordings. E+S Rück also works with various cooperation partners. The rehab service provider RehaAssist, for example, supports severely injured policyholders so as to enable them to recover as quickly and completely as possible. Another cooperation partner is the Malteser aid agency, which helps insurance customers who have been injured in an accident to reintegrate into daily life by providing a range of assistance services.



We are a long-time supporter of the Global Earthquake Model (GEM) Foundation. The GEM Foundation's mission is to improve public understanding and awareness of earthquake risks by developing a global stochastic earthquake model. Efforts to promote cooperation in worldwide earthquake research and establish consistent standards have proven successful. The "Open Quake" model, which is now available for free online, is establishing itself as a platform used by the scientific community, governments as well as commercial and private users worldwide. The improved transparency about the risk situation in countries and cities around the globe makes it possible to objectively evaluate and mitigate the impacts of earthquakes on the population and on concentrations of values.

Furthermore, we are involved in the CAT workstream of the European Insurance and Occupational Pensions Authority (EIOPA) and thus belong to the group of experts elaborating the future standards to be observed by all companies in the field of risk management for natural perils and climate change.

In addition, we are a partner supporting the Open Loss Modelling Framework (OASIS). OASIS has developed an open source simulation engine and a financial software component that are intended to enable scientists to efficiently provide proprietary natural hazards models for the insurance industry without having to spend too much time grappling with the technical requirements for using the models and the technical needs of the industry.

The Geneva Association is an international think tank of the insurance industry that aims to identify political, economic and societal issues and risks as they relate to the insurance sector. Through Hannover Re's active involvement in the working group on "Climate Change and Environment" we raise awareness of the considerable potential for losses caused by natural perils and climate change around the world. Studies, position reports and targeted decision papers are prepared that are designed to enable various stakeholders on the highest level to efficiently obtain an overview of the facts of the matter, the status of research into individual topics and the role of the (re)insurance industry in problem solving. Measures taken by the United Nations, governments and those with local responsibility to minimise the potential impacts of extreme events and climate change on populations are encouraged and their effectiveness is evaluated.

We seek to mitigate financially the consequences of residual risks remaining after implementation of the measures through innovative reinsurance solutions.

As a member of the International Insurance Law Association (AIDA), we also regularly share insights with insurers and reinsurers in the "Climate Change" working group on coverage concepts and on loss events that may be attributable to climate change.

In addition, we are a member of the Chief Risk Officer (CRO) Forum. In June 2021, our Chief Risk Officer and Head of Risk Management took over as chair for a regular term of office of one year. We are also a permanent participant in the CRO Forum's Emerging Risk Initiative and a working group devoted to sustainability. In the year under review the latter published a position paper on the subject "Mind the Sustainability Gap – Integrating sustainability into insurance risk management". Furthermore, the Emerging Risk Initiative continuously tracks and analyses various emerging risks, publishes information on megatrends and associated risks and conducts corresponding impact analyses. The megatrends considered include ageing and health, consumer habits and digitalisation, economic stability, environment and climate change, shifting geopolitical landscapes, technological advances, urbanisation and social changes. Three more megatrends were added in the year under review: "Biodiversity", "Mental health", and "Socioeconomic inequalities". The publications are publicly accessible on the CRO Forum website. A report on the subject "Carbon footprinting methodology for underwriting portfolios" is also available there.





## Our engagement in life and health reinsurance

In life and health reinsurance we support our primary insurance partners with our worldwide expertise and power of innovation by developing, launching and delivering sustainable reinsurance solutions. Our product range extends from traditional life insurance through solutions for critical illness and disability to coverage for long-term care. In this context we also consider social sustainability aspects, for example in relation to lifestyle insurance products that are currently enjoying a surge in interest. These are for the most part products for which the premium and any bonus payments are linked to the insured's healthy lifestyle (e.g. fitness and nutritional habits). In this way, insureds are incentivised to pursue a healthier and more health-conscious way of life. One example is Vitality Active – a steadily growing cooperation with the Discovery Group in South Africa. Not only does the policyholder benefit from a reduction in their own insurance premium by following a healthy lifestyle, the local economy also profits through the bonus programme thanks to the vouchers awarded for local partners (e.g. coffee and cinema vouchers). By the beginning of 2022 nine primary insurers around the world had implemented the programme. Further expansion is planned, especially to smaller global insurance markets with a reduced and more affordable product range.

## Longevity

In longevity business we develop innovative annuity products tailored to the individual needs of policyholders in various life situations. Awareness of a consistent increase in life expectancy means that reinsurance solutions for the transfer of longevity risks are set to take on even greater importance over the coming years.

In many countries the pension system is made up of three pillars: government pension, occupational pension and personal annuity. Increasing life expectancy goes hand-in-hand with a number of challenges. People are increasingly needing a secure income for a longer period of time in retirement. At the same time, governments, state systems, pension funds, businesses that offer company pensions and life insurers are faced with growing pension-related liabilities. Equipped with our profound expertise on the longevity market, we successfully support our clients with the development of tailor-made solutions for the coverage of such longevity risks. We have been doing this since 1995 and are one of the leading providers in the market for longevity solutions.

With our longevity insurance products we also help to fight poverty in old age. While the bulk of the volume still derives from the UK market, last year we increasingly offered solutions in markets where solid longevity protection has hitherto

been lacking and thereby once again demonstrated our ability to transfer our longevity expertise to global markets. These include, among others, Europe, Australia, North America and Africa, where we quoted inquiries from over 30 countries and helped to raise awareness around protection for the longevity risk as a crucial component of retirement provision. Not only in various European markets, but also and most notably in Hong Kong and Korea, we see a growing need for the development and roll-out of individual annuity products. We have made it our mission to work towards this goal.

The “Parents Pocket Money Protection” is just one example of our longevity insurance products. This is a solution for people in countries where there is no state retirement provision and in which parents are financially dependent on their children in the final phase of life. This product secures a lifelong income for parents even after the death of their child by making up for the payments that they do not receive. Benefits are paid as regular retirement income for as long as at least one parent is alive so as to cover the longevity risk of the surviving parents.

“Enhanced annuities” are another product solution. An annuity is a regular, lifelong payment. The concept of enhanced annuities is aimed specifically at individuals with pre-existing conditions that result in a shortened life expectancy. As a result, on the one hand, such persons will probably receive payments for a shorter period of time, while at the same time they often have a greater need for financial resources during their lifetime due to their condition. Enhanced annuities respond to this challenge by providing for an annuity payment procedure that is tailored to the aforementioned needs: the annuitant receives a higher regular annuity over a shorter period of time.

In our role as a member of the Geneva Association we engage with issues of demographic change in the working group on “Global Ageing”. In our own in-house working group on “Emerging Risks & Scientific Affairs” we also analyse issues in life and health reinsurance that will have a bearing on our business going forward – such as urbanisation and a wide range of health risks as a side-effect of climate change, the abuse of medications and obesity. In 2021 the position papers on pandemics and medical advances, among others, were updated. Internally, the topic of long Covid syndrome and the health risks associated with cannabis consumption were also explored and position papers similarly made available.

## Mental health

The issue of mental health took on added significance in the context of the Covid-19 pandemic. Especially when accompanied by unemployment, poverty or inequality that were caused or exacerbated by the pandemic, the consumption of alcohol and drugs increased and thoughts of suicide became more prevalent.

Many insurers offered those experiencing financial difficulties as a consequence of the pandemic greater flexibility in paying their insurance premiums. The premium waivers allowed by insurers afforded customers the financial relief they desperately needed and thus helped to ease stress and protect their mental well-being. These initiatives were supported by the entire industry, and at Hannover Re we too played our part in them.

Even without the pandemic, people with psychological disorders run the risk of failing to receive adequate treatment owing to a lack of access to healthcare and limited resources of public and psychiatric healthcare services. In particular, the risk of society-wide or self-stigmatisation frequently deters sufferers from seeking help. Overcoming this stigmatisation through appropriate education is a first step towards improving the quality of life of those experiencing mental health problems. It is with this awareness that we too explore the issue. In our ReCent medical newsletters we are increasingly sharing information about various aspects of mental health. The topics that we have addressed include the impacts of the Covid-19 pandemic, stigmatisation and the hitherto neglected disorder known as body dysmorphia (a mental health disorder where the sufferer becomes obsessed with their own perceived bodily flaws). On our innovation platform [hr | equarium](#) our customers and business partners can find numerous approaches and solutions focused on psychological disorders such as burnout and depression. It is our expectation that as the stigma decreases more information will be provided about mental disorders in the underwriting process and claims will rise. It is therefore important that underwriters, claims assessors and product developers stay on top of developments in the field of mental health – not least to ensure that sufferers are dealt with fairly by the industry.

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### ReCent Medical News

Our regularly published newsletter "ReCent Medical News" is aimed at claim assessors, underwriters and all other interested readers around the world. "ReCent" casts light on topical issues relevant to medical underwriting and, among other things, provides insights into the latest medical research findings, case studies and underwriting methods.

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At Hannover Re we work with medical professionals to equip underwriters with evidence-based guidelines for the underwriting of physical and mental disorders. Our underwriting manual hr | Ascent is divided into several categories for mental health problems, which we regularly review in line with our underwriting philosophy and update as needed.

### Closing the protection gap

Very much as in property and casualty reinsurance, insurance penetration in emerging markets on the life reinsurance side – irrespective of the particular line of business – is frequently still inadequate. This can often be attributed to products that are overly expensive and complex as well as the difficulties in reaching people due to poor infrastructure. We respond to this situation by joining forces with partner companies (e.g. insurtechs/healthtechs) so as to deliver appropriately tailored insurance solutions for groups of persons such as these that are (as yet) inadequately insured.

Challenging times such as these hit people without ready access to healthcare especially hard. We are therefore continuing our cooperation with BIMA. The combination of BIMA's know-how in the field of health technology and our (re)insurance expertise gives people in the most far-flung corners of the globe access to digitally delivered insurance and telemedicine services – irrespective of where and when they need them.

BIMA's focus on proactive digital health services that empower people to take their wellness into their own hands promotes the democratisation of healthcare, especially in emerging countries – a goal which Hannover Re supports through our partnership.

In addition to closing the protection gap in countries of the Global South, we are just as dedicated to improving insurance protection in developed countries. The focus there is increasingly on prevention and early diagnosis to maximise treatment success.

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### HealthŌme

On a mission to provide everyone, everywhere the opportunity to unlock and utilize their unique biological data to help them live their longest and best life, HealthŌme leverages life science and health management innovation to create omics based products for the CI and life insurance industry. HealthŌme's products are thoughtfully developed to improve customer engagement, extend healthy life and reduce health inequality.

Healthy living and promoting the well-being of all people at all ages are of particular importance to us. That is why we are working in partnership with HealthŌme to develop a new innovative cancer product. It is planned to launch the product in 2023. It combines the latest technology for early cancer detection and prevention through the technical know-how in gene sequencing of our partner HealthŌme.

Financial support (as contained in traditional CI policies) is no longer sufficient in today's cancer treatment. The extremely complex clinical picture of cancer requires, in addition to financial means, a high level of health literacy on the part of the patient. Also, due to genetic testing, the onset and/or potential effects of cancer can be detected early and treated accordingly. Furthermore, the lack of transparency and standardisation in the procedures for determining coverage by the insurers is a factor that prevents patients from accessing valid and meaningful tests and therapies as well as future innovations.

In our collaboration with HealthŌme, we aim to provide customised, disease-specific insurance that covers the areas of

- Cancer prevention,
- (innovative) cancer treatment/cure
- Recovery and
- financial protection,

rather than focusing purely on financial coverage of treatment costs, as many traditional covers do. HealthŌme's offering includes triennial preventive genetic health screening (including pharmacogenomics), as well as a comprehensive range of necessary treatments and 1-to-1 support. It is planned to offer the product as both a stand-alone policy and as an add-on policy to life insurance or long-term care insurance.

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## Digitalisation

By cooperating with insurtechs we are able to offer our clients solutions for refining digital sales processes and enhancing customer retention. Partnerships of this type enable us, among other things, to help our clients address in particular the younger generation that is especially tech-savvy and attaches considerable importance to a healthy lifestyle. It has become virtually impossible to reach such groups via traditional life insurance industry sales channels and we are therefore actively involved in the advances being made in digitalisation and automation.

Our innovation platform hr | equarium connects the global network of Hannover Re's primary insurance customers with innovative partners from the insurtech sector and gives insurers access to a wide range of solutions along the entire value chain. The aim is to simplify the search for and implementation of new technologies. Disruptive technologies, demographic change and increasingly sophisticated expectations on the part of end customers present insurers with a challenging environment. With hr | equarium Hannover Re offers the insurance industry ready access to product and sales innovations and thus delivers decisive competitive factors for insurers seeking to meet their customers' needs. Following the launch of hr | equarium in 2019, Hannover Re is opening up its innovation platform in 2022 to the entire insurance industry and thereby enabling even more insurers to directly access a pool of innovative services and solutions from insurtechs worldwide. hr | equarium has so far been used on a regular basis by more than 700 clients of Hannover Re from over 100 countries. Insurtechs all over the world use the platform to offer currently more than 160 solutions from innovative areas such as cyber, telematics and parametrics, among others.

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“It’s our ambition to be a leading reinsurer in the digital insurance space and we build on our main assets: empowered people and a strong global network. We team up with clients, insurtechs and other partners to create opportunities.”

(Silke Sehm, member of the Executive Board)

In addition to the solutions available on hr | equarium, since April 2021 regular articles and interviews have been published with insurance industry experts as well as start-up entrepreneurs and innovative minds on sustainable, forward-looking and social issues with a bearing on (re)insurance, such as digitalisation, mental health and changing customer needs. The interviews are published on hr | equarium in a blog format and also shared on LinkedIn, thereby opening them up to an even larger group of readers.

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## Digital Business Accelerator

The Digital Business Accelerator for Life & Health (L&H DBA) is currently focused on two major areas of emphasis: digital health data and digital direct sales. The goal is to develop insurance products that make a positive contribution to society and enable people to understand and improve their health and wellness.

A key project is our partnership with LifeQ. LifeQ is a leading independent provider of clinical-quality biometrics and health solutions. The data are recorded using wearables worn directly in the body and transferred to LifeQ. Last year, the L&H DBA developed an insurance solution in collaboration with LifeQ. It is intended to support Hannover Re's insurance clients in their efforts to go beyond offering purely financial protection for their customers. By means of the LifeQ insurance solution, insurers are able to help their customers live longer and healthier lives. Not only that, it enables insurers to better understand and mitigate the risks of acute and chronic diseases.

In developing this insurance product we were careful to focus on inclusion. The LifeQ solution is designed to be embedded in the insurance in such a way that it not only addresses healthy people but is also accessible to those suffering from a chronic disease, for example, or those who do not have an adequate financial cushion.

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## Services

The use of new underwriting data sources has expanded appreciably as a consequence of the Covid-19 pandemic. In this connection it has proven helpful to draw on electronic health records (EHRs). An electronic health record is a digital version of a patient's medical record that can be transmitted securely and in real time. Many insurers use such digital data sources for their underwriting in life insurance business. Customer preferences are also trending towards a seamless online process without the need for face-to-face contact with agents or life insurance examiners. At Hannover Re, we can help our clients to rationalise the risk selection process through increasingly widespread use of such electronic health records.

With our modular, automated systems “hr | ReFlex” and “hr | QUIRC” we facilitate quick and expert underwriting directly at the point of sale (e.g. over the counter at banks, during a telephone interview or online). Our so-called underwriting workbench has already been successfully implemented. This is a Web-based user application developed by underwriters for underwriters. It is intended to accelerate and simplify more complex life insurance applications that cannot be underwritten automatically using hr | ReFlex as well as the acceptance of cases that reach an underwriting team by traditional means, e.g. in paper form. In addition, we are currently working on a version for health business as well as a claims module in order to expand our range of modular automated systems. Our electronic underwriting manual “hr | Ascent” – which gives our customers comprehensive support for individual application assessment – is continuously revised and enhanced so as to ensure that we can map the latest market developments at all times.

## ESG in insurance business

103-1, 103-2, own disclosure

Consideration of ESG criteria in insurance business has implications for sustainable development. A reduction in insurance availability, for example, results in the scaling back of controversial technologies such as coal-fired power generation. At the same time, the inclusion of ESG risks in underwriting practice is a key component. A distinction is made here between two perspectives: positive/negative impacts that business operations have on ESG topics (inside-out perspective) and positive/negative impacts of ESG topics on operations and the company (outside-in perspective).

Hannover Re is seeking to consistently reduce its exposure to fossil fuels. The goal is to no longer cover any risks connected with the mining of and power generation from power plant and thermal coal by the year 2038 in the entire portfolio of property and casualty reinsurance business.

Work began in the year under review on the elaboration of our internal positioning for the property and casualty reinsurance sector. This was approved in 2022 and addresses various ESG topics as well as opportunities and risks. The position paper is applicable to both facultative and obligatory business.

Reinsurance covers for individual risks are written in facultative reinsurance, i.e. the treaties can be allocated to specific projects or policyholders. In our facultative division, reinsurance has no longer been provided for any planned new coal-fired plants or thermal coal mines since April 2019 in this segment. Moreover, from February 2020 onwards our facultative division has excluded any new business connected with thermal coal or the associated infrastructure. Thermal coal infrastructure encompasses mines, coal-fired power plants and facilities as well as port and rail operations allocable exclusively to the coal industry. In the case of mixed groups, companies are excluded that generate more than 30% of their revenues from activities in thermal coal.

In addition, an exit plan was adopted in 2021 for existing facultative business in thermal coal. The phased plan provides for exclusions based on thresholds. As a first step, the facultative division will scale back business with producers of coal for power plants, whose annual production from all mines amounts to 100 million tonnes or more, as well as business with operators of coal-fired power plants, whose installed total capacity at coal-fired power plants amounts to 25 gigawatts or more (reference date: 31.12.2025). The plan is to progressively reduce these thresholds in subsequent years until complete exclusion of such risks. Any expansion of existing capacities in renewal negotiations is already ruled out.

Complementing the steps described above in relation to power plant coal, the exclusions relating to oil and gas were expanded in the year under review. From mid-2022 onwards the facultative division will no longer take on any new covers for project policies associated with the exploration and/or development (upstream) of new oil and gas reserves (greenfield) or for project policies that exclusively support the transportation and storage (midstream) of new oil and gas reserves (greenfield). It is already the case that since 2020 the facultative division has no longer accepted any new individual risks for companies that hold 20% or more of their oil reserves in oil sands and it excludes oil sands extraction and processing operations. Oil sands extraction and processing encompass extraction from bituminous sand, refinement of synthetic crude oil, further processing of this synthetic crude into petroleum products and the associated transportation by pipelines or rail.

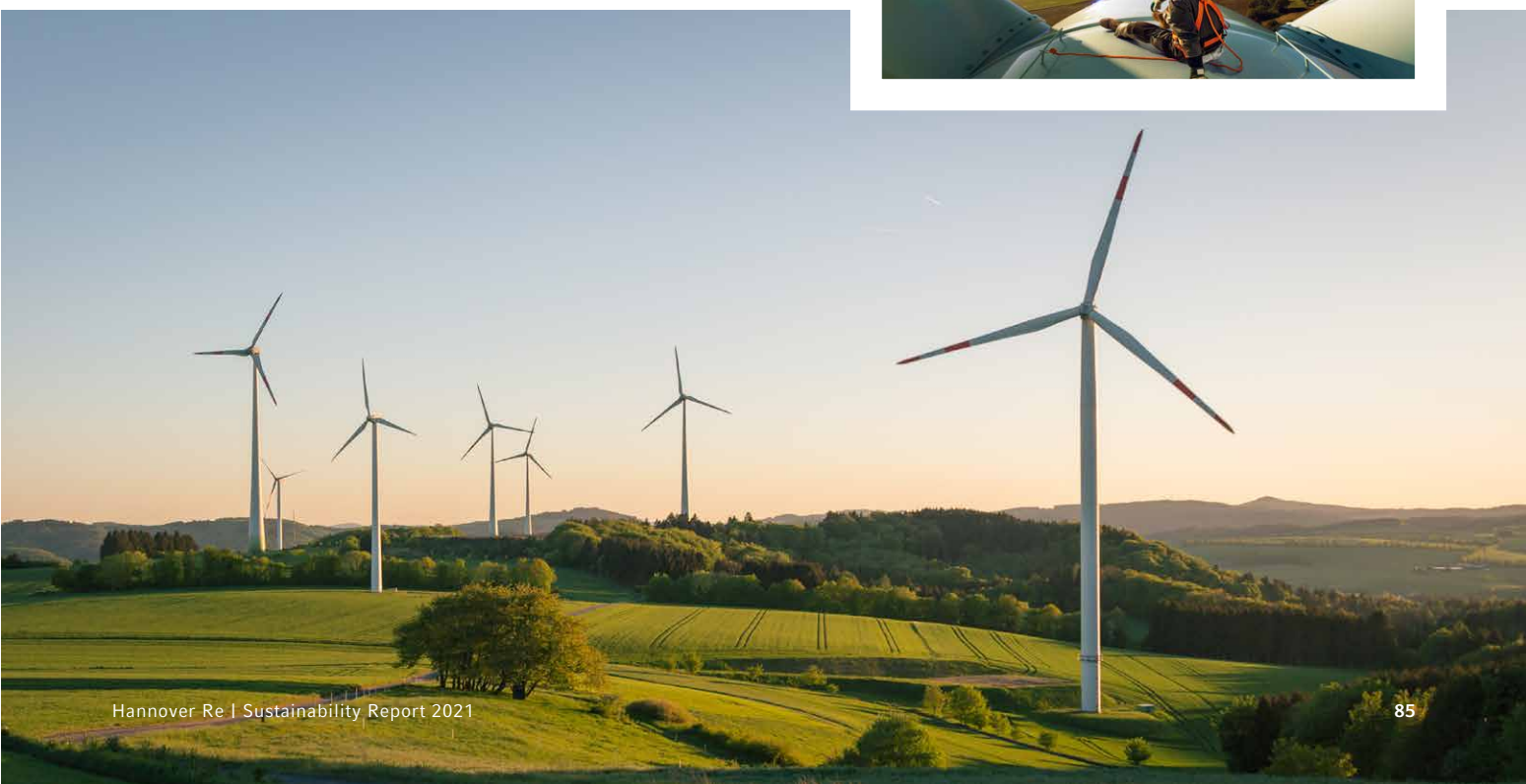
Furthermore, the facultative division no longer accepts any new risks connected with projects for the extraction of oil and gas in Arctic regions – this policy applies to both new and existing projects (greenfield and brownfield). We define “Arctic regions” – in accordance with the procedure followed in our asset management – as the zone around the Arctic Circle which runs in a circle of latitude 66.34° north of the Equator. This includes the Arctic National Wildlife Refuge (ANWR) in the United States. In addition, no risks are written that are connected with the development of new oil and gas deposits in deep waters below 5,000 feet.

Complementary to this, the facultative division adopted an ESG manual in the year under review that addresses not only the measures already discussed in relation to fossil fuels but

also other environmental concerns. Transactions are to be declined if they may entail damage to protected areas classified as IUCN category 1a/b, wetlands protected under the Ramsar Convention or world cultural heritage sites. The ESG manual additionally contains specific requirements regarding observance of human rights. It also explicitly rules out doing business with companies that are connected with internationally controversial weapons.

In obligatory reinsurance, large-volume portfolios with sometimes heterogenous contents are accepted. We are engaged in talks with our customers to obtain an overview of the carbon intensity of the business ceded to us. It is already the case that in obligatory reinsurance we refrain from writing new treaties that are to be used exclusively for coverage of thermal coal risks. The same applies to new treaties that are geared exclusively to the exploration and/or development (upstream) of new oil and gas reserves (greenfield) or that exclusively support the transportation and storage (midstream) of new oil and gas reserves (greenfield).

All underwriters in property and casualty reinsurance have taken a compulsory training programme in ESG issues. This consists of Web-based training, supplementary focus training in ESG opportunities and risks, regulatory fundamentals and key topics such as climate change, biodiversity and human rights as well as specific follow-up workshops.



In addition to the inside-out effects described above, ESG issues may also be associated with negative repercussions on a company's net assets, financial position or results of operations (outside-in perspective). Furthermore, both risks can affect its reputation. We consider ESG issues inter alia as part of our risk management system when it comes to assessing underwriting risks both in property & casualty and in life & health reinsurance. Among the environmental risks that can impact our company mention may be made, for example, of natural perils losses that we have reinsured. In the public and environmental liability lines, pollution and violations of environmental regulations or indeed practices contrary to human rights and acts of social discrimination can have implications for reinsured risks. A shift in mobility behaviour leads to changes in our motor reinsurance business. Demographic change, as a social issue, in turn has a major effect on our life and annuity insurance portfolios. Yet not only do such underwriting risks influence the company from outside, our business processes are at the same time impacted by ESG-related operational risks as the environment and society change.

In the context of our risk management systems we also consider emerging risks. These are risks that are in the process of forming or may shortly become relevant due to current developments. Emerging risks evolve gradually from weak signals to unmistakable tendencies. They can directly impact our treaty portfolio in both property & casualty and life & health reinsurance and influence our investments. A further hallmark is that their risk content cannot as yet be reliably assessed, especially with respect to our treaty portfolio. Climate change, for example, not only has implications for natural perils but is also closely connected with biodiversity. Additional impacts may be on human health (e.g. pandemic risk), the world economy, the agricultural sector (food availability and food security) and much more besides. Further examples of emerging risks include cyber risks, pandemics, scarcity of resources and supply chain risks. Early detection and subsequent evaluation

of risks are crucially important when it comes to emerging risks. For this reason, we deploy a separate interdepartmental and multi-line expert working group and we ensure its linkage to risk management. Operational implementation is handled by a working group of specialists assembled specially for this task. The analyses performed by this working group are used Group-wide in order to pinpoint any necessary measures (e.g. contractual exclusions or the development of new reinsurance products). Altogether, we are constantly monitoring 40 emerging risks. The working group also draws up internal position papers and risk briefings, which make recommendations for risk handling in reinsurance practice. Issues relevant to our business going forward that have been analysed so far include, among many others, urbanisation and a diverse range of health risks as a side-effect of climate change, abuse of medications, environmental pollution, nanotechnology, the supply of raw materials and obesity.

We report on risks connected with climate change as part of our TCFD reporting in the section "Transparency". In addition. We also give an extensive account in our opportunity and risk report as part of our Group Annual Report 2021.

Hannover Re's move to join the United Nations-convened Net-Zero Insurance Alliance (NZIA) in 2021 underscores the Group-wide drive for sustainability. With its commitment to achieving net zero targets in reinsurance business by the year 2050, Hannover Re is taking an important step in support of the transformation to a climate-friendly economy. Our goal is to play an active part in developing methods for calculating the greenhouse gas emissions of reinsured customer portfolios in property and casualty reinsurance. Only in this way can the frequently large-volume portfolios with sometimes heterogeneous risks be actively steered towards a net zero target. Hannover Re will report on its progress on a regular basis.

Hannover Re also became a signatory to the Principles for Sustainable Insurance (UNEP FI PSI) in the year under review.

# ESG in asset management

103-1, 103-2, FS 11

Incorporating ESG criteria into asset management gives us vital leverage in the fulfilment of sustainable objectives. In conformity with the European Commission's action plan on financing sustainable growth, capital can be reoriented towards issuers, projects or technologies that contribute to sustainable growth while at the same time excluding issuers that violate predefined ESG criteria. On the other hand, the ESG criteria expand the analysis of risks associated with individual sectors or issuers, e.g. inadequate engagement with the impacts of climate change, and hence help to improve the quality of decision making in strategic and tactical asset allocation.

Aside from the direct impacts on society, we are able to play a positive part in sustainable development through our investing activities by pursuing an investment policy that avoids companies which do not satisfy our ethical expectations or environmental and social standards. In this way, we live up to our aspiration to be a responsible investor and at the same time make our contribution to sustainability in the financial industry. Investors, analysts and clients are also increasingly interested to see how we respect social sustainability concerns in the management of our investments.

In accordance with our investment policy, we strive for stable, fair market returns in order to be able to meet our underwriting commitments and liquidity requirements at all times while preserving a balanced risk/return profile and broad diversification. Furthermore, we attach considerable importance to our sustainability approach by incorporating environmental, social and governance aspects (ESG criteria).

Since as long ago as 2011, we have been applying sustainability criteria in the investment sector; they are continuously refined and set out in writing in our "Responsible Investment Policy". An ESG officer on the investment team ensures the development and application of ESG criteria and implementation of the policy.

The use of negative criteria is a vital part of our sustainability approach. Within our portfolio of assets under own management, all fixed-income securities (government and semi-government bonds, corporate bonds and covered bonds [with the exception of collateralised debt obligations – CDOs]) and listed equities have been subject to such a screening process since 2012. As at the reference date of 31 December 2021, these investment classes accounted for roughly 88% of our asset portfolio.

The ten principles of the United Nations Global Compact are a decisive criterion in guiding our review of the portfolio. Companies that fail to respect human rights or are complicit in human rights abuses are in violation of fundamental principles of the United Nations. Securities issued by such entities are excluded for our investment purposes, as are issuers that disregard basic labour standards and environmental protection considerations. Lastly, exposures to companies that have been noted for their use of compulsory/child labour or their involvement in discrimination or corruption are also excluded. In the fossil fuels sector, concrete exclusion criteria are applied to issuers who generate 25% or more of their turnover from coal mining, coal-based energy generation or oil sands extraction. We similarly exclude companies that generate 10% or more of their turnover from offshore oil and gas drilling within the Arctic circle (66.34° N). When it comes to the criterion of "controversial weapons", we exclude issuers who are involved in the development and proliferation of particularly cruel weapons. We include here anti-personnel mines, biological and chemical weapons, cluster munitions, depleted uranium and white phosphorous. Issuers subject to sanctions imposed by the United Nations or the European Union are also excluded.

All new investments are checked accordingly in advance and the existing portfolio is subject to half-yearly screening. Issuers that do not meet our ESG criteria are excluded or actively removed. The investment team reports major findings of the screening process and the corresponding investment decisions directly to the Chief Financial Officer (CFO), and they are approved by the Investment Committee. Two members of the Executive Board sit on the Investment Committee.

Somewhat more than just 10 percent of our total asset portfolio cannot be classified according to the aforementioned methodology. This includes, most notably, investments in real estate and private equity funds, which at the present time – given their nature or structure – can scarcely be evaluated reliably according to the ESG criteria that we use as a basis. In some instances, however, these assets also contribute to sustainable development; this is the case, for example, with real estate that has relevant certifications.

Along with our negative screening, we are increasingly adding sustainable investments to our portfolio that support the transformation to a resource-saving economy. They include, among others, sustainable infrastructure assets as well as dedicated impact investment funds. Our goal is to increase the volume by at least 10% by the end of 2023 relative to the end of 2020.



Back in 2019, a budget was already set aside for investment in dedicated impact funds. The primary objective here is to achieve appreciable improvements through the broadest possible coverage of the United Nations Sustainable Development Goals (SDGs), inter alia in the fields of food security and nutrition, education, health and well-being, ending poverty and climate action. We had subscribed to 15 of these dedicated funds as at the reference date of 31 December 2021 with a fair value of EUR 33.5 million. In addition, we invest in the infrastructure sector both indirectly through funds and directly in areas such as renewables and clean transport as well as in sustainable forest and agriculture funds.

Not only that, the implementation of the best-in-class investment approach that was completed in 2019 makes it possible to measure the sustainability quality of the existing portfolio. Using CO<sub>2</sub> portfolio analyses and research findings obtained from external providers, the carbon intensity of the investments is evaluated and actively reduced.

Hannover Re has been a signatory to the Principles for Responsible Insurance (UN PRI) since 2020.

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### **Our climate strategy on the investment side**

In our sustainability strategy 2021 – 2023 we set ourselves the goal of lowering the CO<sub>2</sub> load of our investment portfolio by at least 10 percent by the year 2023. We have since added another ambitious goal to this target.

In 2020 we worked with other Group entities to develop a medium- to long-term climate strategy on the investment side. It was approved by the Executive Board of Hannover Re in the spring of 2021.

The climate strategy is in keeping with the goals of the Paris Agreement and aims, on the one hand, to reduce the carbon load in the investment portfolio while at the same time supporting measures to cut CO<sub>2</sub> emissions. Our strategy is founded on three pillars:

- At its heart is the decarbonisation of our liquid investment portfolio. Our goal is to reduce the carbon intensity (Scope 1 and 2) of our assets under own management in the areas of corporate bonds, covered bonds and equities by 30% by the year 2025 compared to the base year of 2019. This corresponds to an annual average reduction of 7%. Over the medium term we are also looking to measure and lower the carbon intensity for illiquid asset classes (e.g. real estate).
- The second pillar provides for increased investment in sustainable investments that combat climate change and/or advance the United Nations Sustainable Development Goals. They include, most notably, infrastructure investments in renewables and clean transport solutions, as well as dedicated impact investments.
- The third pillar involves stepped-up efforts to engage with a range of stakeholders: these include proxy voting, direct engagement and involvement in PRI activities.

Our approach is backed by a carbon risk rating from an external provider, which gives us a comprehensive picture of our investment portfolio's carbon footprint and helps us to actively steer our decarbonisation activities.

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# GRI-Index

## About this report

102-45, 102-49, 102-50, 102-51, 102-52, 102-54, 102-56

With the sustainability report on the 2021 financial year, we are publishing annual information on social, environmental and governance topics within the Group for the eleventh consecutive time. Our sustainability report was drawn up in accordance with the standards of the Global Reporting Initiative (GRI) as well as the Financial Services Sector Disclosures.

This report has been prepared in accordance with the GRI Standards: Core option. The report has not been externally audited.

With a view to satisfying the information requirements of our stakeholders and the rating agencies as comprehensively as possible, we are providing additional information above and beyond this framework. The reporting period is from 1 January to 31 December 2021. Significant developments in 2022 have been included up until the editorial deadline in July 2022. Unless otherwise indicated, the particulars refer to the entire Group. Our last sustainability report was published in July 2021. Further information on the topic of sustainability is published in the course of the year on our website and as a regular part of the Group Annual Report.

The present sustainability report reflects the issues and challenges of sustainable development that are material for us. It takes into account the requirements of stakeholders who are of major significance to our company. The fundamental principles on which the report is based are materiality, the inclusion of stakeholders, the sustainability context and comprehensiveness. In 2020, we updated our materiality analysis.

## Survey methods and calculation bases for the data

Unless otherwise stated, we report on our activities Group-wide.

Until 2015 inclusive, the Group-wide headcount refers only to employees working at Group companies allocable to the operational insurance business. From 2016 onwards, the employees of all companies included in the financial statement of the Hannover Re Group are counted. For this reason, the Group-wide employee numbers for 2016 are only comparable

with those of previous years to a limited extent. We calculate the number of employees by headcount. In this context, we consider the consolidated group in accordance with the requirements of IFRS 10 “Consolidated Financial Statements” on the basis of a consistent consolidation model for all companies that defines control without regard to whether it arises out of company law, contractual or economic circumstances. Group companies are consolidated with effect from the date on which Hannover Re gains control over them. The designation “employee” refers solely to employees of the Hannover Re Group, not subcontractors or freelance workers.

We expanded the degree of coverage for the stated environmental indicators in the year under review. The data for our international locations is provided directly by the respective location.

For the Hannover location we use data collected internally from various departments as well as consumption data obtained from the bills received from our electricity and heating supplier. When it comes to calculating the CO<sub>2</sub> emissions from district heating, we take the specific emission factors of the local utility company (enercity) as a basis. Data for paper is provided by our supplier.

The calculations of our service provider First Climate are used to determine our CO<sub>2</sub> emissions.

For the sake of making the report more easily readable, we have predominantly avoided gender-specific duplications and instead used the masculine form throughout.

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