Combined non-financial information statement

The combined non-financial information statement is a section of the report that the legislator has expressly exempted from the audit of the financial statements (§ 317 Para. 2 Sentence 6 and Sentence 4 German Commercial Code (HGB)). The combined non-financial information statement presented here has, however, been reviewed with limited assurance by the auditing firm of PricewaterhouseCoopers in accordance with the audit standard ISAE 3000 (Revised) (see here the Independent Auditor's Report on page 270 et seq.).

Introduction

The present combined non-financial information statement was 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 (hereinafter EU Taxonomy Regulation). The identification of material contents reflected the materiality definitions of the Global Reporting Initiative (GRI) and the German Commercial Code (HGB). The description of concepts is guided by the structure of the GRI Standards.

The combined non-financial information statement encompasses – unless presented separately – the disclosures for the Group and the parent company Hannover Rück SE. It contains the legally required information relating to material environmental matters, employee matters, social matters, respect for human rights and fighting corruption and bribery. Within the individual aspects, the underlying concepts and internal due diligence processes are discussed and available findings are reported. The identified material issues were allocated to the aspects (see section "Materiality analysis"). In addition, the combined non-financial information statement is to be used to report on material risks pursuant to § 289c Para. 3 No. 3 and 4 German Commercial Code (HGB) to the extent necessary for an understanding of the business development, business result, position of Hannover Rück SE and the Group as well as of the implications for non-financial matters.

Information is also included pursuant to the requirements of Article 8 of the EU Taxonomy Regulation.

Pursuant to § 315b Para. 1 Sentence 3 German Commercial Code (HGB), reference is also made to non-financial disclosures provided elsewhere in the combined management report with respect to certain aspects. References to information outside the combined management report and the consolidated and annual financial statement do not form part of the combined non-financial information statement.

For a description of the business model the reader is referred to the subsection "Business model" under "Foundations of the Group".

Strategic orientation

The Group strategy of Hannover Re was revised most recently in 2020 and 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, among other things, outperforming the industry average in terms of the return on equity.

We have launched four strategic initiatives – Client Excellence, Innovation and Digitalisation, the Asia-Pacific Growth Initiative and Talent Management – that we consider especially crucial. We have worked on them since the launch of the strategy cycle in 2021 and will continue to do so. These four strategic initiatives are at the heart of the strategic programme, which encompasses altogether 25 programme items and directly supports the Group strategy. Major Group projects (known as value streams) and joint strategy contributions spanning multiple departments are also integral components of this programme. “Corporate Social Responsibility” is one of these joint strategy contributions that we are refining in the strategy cycle 2021–2023 and in which we pursue non-financial goals, among others. Associated topics are specified more closely in our Sustainability Strategy 2021–2023. This is comprised of the four action fields Transparency, Employees, Core Business and Commitment as well as underlying measures and goals. The sustainability strategy is publicly available on our website. The strategic programme is supported and monitored by the Group Strategy & Sustainability department and progress reports are provided to the Executive Board quarterly (reporting on strategic initiatives) and half-yearly (management reporting).

In the 2022 reporting year work commenced on the Group strategy for the new strategy cycle 2024–2026.

Materiality analysis and material topics

Hannover Re regularly conducts materiality analyses in order to identify material ESG (environmental, social and governance) issues, most recently in the spring of 2020 in the form of interviews/workshops with internal and external experts. The basis consisted of a list of possible topics derived from the materiality analysis conducted in 2018, dialogues with stakeholders and non-governmental organisations, media reports and the GRI Framework. All experts were encouraged to indicate other topics.

The analysis looked at two dimensions (so-called double materiality): 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 at the workshops. As a result, 13 material topics were identified.

The materiality analysis was compiled most recently in 2020 and validated by the Executive Board in 2021 as well as the 2022 reporting year. The topic of Covid-19, which had been included in the previous year, was removed again on grounds of diminishing materiality. The materiality analysis was guided by the GRI Standards (2016), with no framework used for the 2022 validation. In 2023 it is envisaged that a materiality analysis will be conducted according to the parameters of the European Sustainability Reporting Standards (ESRS) as well as the GRI Standards 2021.

Allocation of the non-fiancial aspects to the material topics M 40

Non-financial aspect	Material topic	
Environmental matters	Climate change Sustainable protection ESG in insurance business ESG in asset management	Risk management
Employee matters	Attractiveness as an employer Learning and development Health and wellness of employees Diversity and equal opportunities	
Social matters	Dialogue Sustainable protection ESG in asset management	
Respect for human rights	Human rights ESG in insurance business ESG in asset management	
Fighting corruption and bribery	Compliance Good governance	

Risk Management System

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.

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) as well as negative implications for the ESG landscape (inside-out). Both risk perspectives can affect, among other things, the company's reputation. Sustainability risks do not constitute a risk category of their own, but can instead have implications for all risk categories and are included in the risk register under "Other risks" as the meta-risk "Sustainability and reputational risks".

Back in 2021 the Executive Board had already approved a framework valid throughout the Group for the management of sustainability and reputational risks.

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

Compliance Management System

Compliance encompasses not only compliance with statutory and regulatory requirements (legal compliance) but also fulfilment of external standards, such as those from the German Corporate Governance Code, 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 constitute a crucial component of a functioning compliance management system – both to avoid unconscious violations and to recognise and prevent deliberate violations and associated risks. Hannover Re uses various training activities to raise employee awareness of compliance-related issues. On joining the Group and throughout the entire duration of their employment, all members of staff receive compliance training. In addition, focused training activities are held on various compliance topics throughout the year for specific target groups. This is supplemented by dedicated compliance pages in the intranet containing more extensive information.

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.

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

Environmental matters

In connection with environmental matters, special importance attaches to the active exploration of the causes and consequences of progressive climate change. Extreme weather events and natural disasters such as heatwaves and droughts, severe precipitation events and storms, as well as continuous processes such as glacier melting and rising sea levels, have far-reaching implications for society and the economy and lead to 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 earth's temperature were to continue rising unchecked, this would increase the scale of such phenomena and risks. Yet the sought-after transition to a climate-friendly, resource-saving economy is also associated with a number of social and economic impacts.

In view of these comprehensive environmental, economic and social impacts, climate change is at the heart of numerous national and international regulatory initiatives and measures. The goals of the Paris Agreement on climate change, under which the international community committed in 2015 to limit the rise in the global average temperature to well below 2 °C, preferably to 1.5 °C, compared to pre-industrial levels, are considered a key driving force here. Overall, far-reaching implications for the real economy and for the financial sector are to be anticipated in this connection.

The 1.5 °C goal was also maintained at the 2022 UN Climate Change Conference in Sharm el-Sheikh (Egypt), known as COP27. A non-binding work programme to close the emissions gap to the 1.5 °C target by 2030 is running until 2026 with the option to extend until 2030. A final cover decision reiterated the decision already taken at the 2021 Climate Change Conference in Glasgow, COP26, to phase out energy generation from coal and abolish inefficient subsidies for fossil fuels. At the same time, low-emission and renewable energy sources are to be expanded.

Impacts on operations

Climate change goes hand-in-hand with a range of impacts on Hannover Re's operations, e. g. due to an increase in the frequency and/or severity of losses (physical risks) or changing framework conditions with implications for reinsurance business and investments (transition risks). Furthermore, on the societal level an increase in environment-related lawsuits against businesses and public institutions can be observed (litigation risks) that may adversely affect the insurance industry.

The risks posed by climate change can affect numerous risk categories of the risk register and are extensively monitored through the risk management system. ESG topics are also addressed as part of the management of sustainability and reputational risks. For information on the corresponding concepts and implemented stress test mechanisms the reader is referred to the "Opportunity and risk report".

When it comes to evaluating impacts and risks, one advantage is that business in property and casualty reinsurance is normally renewed annually. This means that it is possible to adjust the premiums or risk appetite each year according to the conducted risk assessment and hence manage the exposure on a risk-oriented basis. For information on the industry-specific environment and the results of operations in property and casualty reinsurance, please see the section "Report on economic position".

Impacts of our operations

Insurance business

Fossil fuels are considered to be one of the major drivers of climate change. With a view to countering this and facilitating the transformation to a lower-carbon economy, we support among other steps the expansion of renewable energy sources. These range from wind energy (both onshore and offshore) to photovoltaic and geothermal energy. Insurance protection begins with installation of the equipment and accompanies customers through many years of operation. In addition, we support special coverages for the roll-out of new technologies, such as performance guarantees for fuel cells (that convert hydrogen or natural gas into electricity). Furthermore, our products support the development of hydrogen infrastructure worldwide and we are participating in initial large-scale projects to advance the energy transition.

At the same time, Hannover Re is consistently seeking to reduce its exposure to fossil fuels. The goal is to no longer cover any risks connected with the mining of and energy generation from power plant and thermal coal by the year 2038 in the entire portfolio of property and casualty reinsurance business. In the year under review we adopted our internal positioning for the property and casualty reinsurance sector, which fleshes out this approach in greater detail and addresses further issues (such as oil and gas). The position paper is applicable to both facultative and obligatory business.

In facultative reinsurance business, covers are written for individual risks, i. e. the treaties can be allocated to specific projects or policyholders.

Supplementary to the position paper for the property and casualty reinsurance sector, the facultative division has its own more specific ESG manual that deals with environmental concerns and specifies exclusions, among other things.

Since as long ago as April 2019 the facultative division has no longer provided reinsurance for planned new coal-fired plants or thermal coal mines. Moreover, from February 2020 onwards all new facultative business connected with thermal coal or the associated infrastructure has been excluded. 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. As an additional step, an exit plan for existing facultative business in thermal coal was adopted in 2021. The phased plan provides for exclusions based on thresholds. As a first step, the facultative division will scale back business with thermal coal producers whose annual production volume from all mines amounts to 100 million tonnes or more as well as business with the operators of coal-fired power plants whose installed total capacity from coal power stations amounts to 25 gigawatts or more (reference date 31 December 2025). It is envisaged that these thresholds will be progressively reduced in the following years until complete exclusion of such risks.

Any expansion of existing capacities in the context of treaty renewals is already ruled out.

Complementing the measures described in relation to thermal coal, the exclusions for oil and gas were also expanded in the year under review. Since mid-2022 the facultative division is no longer taking on any new covers for project policies associated with the exploration and/or development of new (greenfield) oil and gas reserves (upstream) or for project policies that exclusively support the transportation and storage (midstream) of new (greenfield) oil and gas reserves. Since as long ago as 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 the extraction of bitumen from bituminous sand, refinement into synthetic crude oil, further processing of this synthetic crude into petroleum products and the associated transportation by pipeline or rail.

Furthermore, since 2021 the facultative division has no longer accepted any new risks connected with projects for the extraction of oil and gas in Arctic regions – this policy applies to both greenfield and brownfield projects. We define "Arctic regions" 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 or deep sea mining.

The facultative division similarly declines transactions if they may entail damage to wetlands protected under the Ramsar Convention or UNESCO world cultural heritage sites.

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 CO_2 intensity of the business ceded to us. We are already refraining from writing new treaties in obligatory reinsurance that are to be used exclusively for coverage of thermal coal risks. The same is true of new treaties exclusively associated with the exploration and/or development of new (greenfield) oil and gas reserves (upstream) or for project policies that exclusively support the transportation and storage (midstream) of new (greenfield) oil and gas reserves.

All underwriters on both the property and casualty and the life and health reinsurance side have taken a mandatory training programme in ESG issues in the form of Web-based training. All property and casualty underwriters additionally completed supplementary focus training covering topics such as ESG opportunities and risks, regulatory fundamentals, climate change and biodiversity and attended subsequent, specifically designed workshops.

Hannover Re joined the Net-Zero Insurance Alliance (NZIA) in 2021.

Hannover Re became a signatory to the UN Principles for Sustainable Insurance (UN PSI) in 2021.

Investments

ESG criteria are similarly applied to the assets under our own management. These are defined in writing in an internal Responsible Investment Policy, application of which is ensured by an ESG officer on the investment team.

In its investing activities Hannover Re similarly works to consistently reduce its carbon footprint. The focus here is on progressive decarbonisation of the asset portfolio. We are doing this, in the first place, by reducing the carbon footprint (Scope 1 and 2) of the investments under own management from the areas of corporate bonds, covered bonds and equities by 30% by the year 2025 compared to the base year of 2019. Our decarbonisation efforts are guided by an external "carbon risk rating" that gives us, among other things, an extensive overview of our investment portfolio's carbon footprint.

As a further step, since as far back as 2012, fixed-income securities (government and semi-government bonds, corporate bonds and covered bonds (with the exception of collateralised debt obligations (CDO))) and listed equities within the portfolio of assets under own management have been subject to half-yearly negative screening, which now takes place on an ongoing and even ad hoc basis. Only a few niche funds or asset classes, such as real estate, private equity or structured investments, cannot be analysed using this system. Similarly, before any new investments are made corresponding screening is carried out with an eye to existing ESG criteria. Issuers who do not satisfy our criteria are actively scaled back.

With an eye to environmental concerns, Hannover Re applies specific exclusion criteria to issuers that generate 25% or more of their revenues from the mining of or power generation from thermal coal or from oil sands extraction. We similarly exclude companies that generate 10% or more of their revenues from offshore extraction of oil and gas in the polar region within the Arctic Circle (66° 34' N).

In addition to application of the aforementioned exclusion criteria, the focus has increasingly turned to the best-in-class approach in place since 2019. This facilitates ongoing monitoring of the existing portfolio's sustainability quality and is used in the implementation of specific ESG portfolio measures.

sustainable development in the core business, a company's reputation, culture and work atmosphere, compatibility of work and family life, the availability of development and career opportunities and other additional benefits – summed up as the "total rewards". At the same time, existing trends such as mobile working and virtual/hybrid meetings gained added impetus.

Employees are part of a company and part of social structures outside that company. All measures taken strengthen Hannover Re's position on the labour market while at the same time having external implications. For this reason, we have chosen not to consider the impacts separately below.

Impacts on our operations and impacts of our operations

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. A risk exists, for example, if vacancies cannot be filled quickly enough or candidates of the necessary quality cannot be appointed. At the same time, companies benefit directly from motivated, dedicated and high-performing employees.

A Talent Management initiative sponsored by the Chief Executive Officer was launched in 2020. The goal is to attract talented new people to the company and retain them along with talent already existing in our ranks, 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 processes and systems as well as a greater interlinking of worldwide human resources activities. The initiative covers the following aspects:

- building a Group-wide, supportive human resources IT system,
- promoting a global network within the human resources community,
- improved succession planning,
- expanding measures relating to "Learning & Development", especially leadership development, and
- realising a Diversity, Equity & Inclusion (DE & I) strategy and implementing a roadmap with corresponding measures.

For information on operational risks that can arise in connection with or independently of the activities of the workforce, the reader is referred to the "Opportunity and risk report".

For information about the requirements placed on the specialist qualifications and personal reliability (fit & proper criteria) of persons in key positions, we would refer to the Solvency and Financial Condition Report of Hannover Rück SE 2021 from page 31 onwards.

Hannover Re employed 3,519 members of staff (previous year: 3,346) Group-wide at the reference date of 31 December 2022.

Development opportunities

Hannover Re operates in a knowledge-intensive industry with a high level of specialisation. Continuous and appropriate (further) training of employees serves to assure the high quality standard of services and a positive perception of the company. At the same time, the programme of further training enables employees to continue their personal growth and it promotes life-long learning. In support of our approach to talent management, our goal is to align ongoing training activities more closely with the values, competencies and leadership fundamentals and to extend reporting to additional locations. The global leadership development programme "LEAD" launched in 2021 was expanded to the team leadership level in the year under review. A global assignment policy was also approved back in 2021 and the internal job market was expanded to all locations around the world. Both took effect in the year under review and created transparency around the internal filling of positions on the global level.

Health and wellness

The performance capability and health of our employees are essential prerequisites for sustainable development of our business. 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.

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. Particularly close attention was paid to this issue in connection with the redesign of workplaces as part of "New Ways of Working". 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.

Diversity and equal opportunities

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 recognised the Core Labour Standards of the International Labour Organization (ILO) for 100% of the workforce in the year under review. Hannover Re does not tolerate discrimination or bullying in any form whatsoever and has enshrined this in a 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 not disadvantaged on account of their membership of a trade union or employee representative body.

Hannover Re and its Executive Board are committed to equal opportunities in relation to diversity criteria and on all hierarchical levels. A current focus of the measures is on supporting women in leadership positions. Of the 163 senior executives around the world, 36 are women; this is equivalent to a proportion of 22.1%. Our goal is to increase diversity on all levels of management worldwide. For the two levels of management below the Executive Board explicit targets have also been defined for this purpose, details of which can be found in the Declaration on Corporate Governance.

As part of the Talent Management initiative, a DE&I strategy was developed in 2021 that builds on our self-image and our values. We aim to "create opportunities together" while also being "somewhat different". Along with the DE&I strategy, we have drawn up an action plan with nine new focus areas for 2022. In the year under review, for example, we expanded the women's network 'Women@Hannover Re', made further progress in closing the gender pay gap and modified recruitment processes with an eye towards diversity. With a view to counteracting issues of "unconscious bias", in other words unconscious prejudices or thought patterns that influence everyday behaviour and can have potentially negative effects in daily working life, awareness-raising workshops were conducted in the year under review, especially in the context of the LEAD leadership programme. Techniques for more objective decision-making are also integrated.

Compatibility of the professional and private sphere is closely correlated with issues of diversity and equal opportunities. The Covid-19 pandemic has accelerated certain developments in the world of work that had already begun in prior years. These include, for example, greater combination of an office workspace with remote working as well as flexible working time models tailored to the employee's situation. These changes are increasingly becoming an integral component of a state-of-the-art, agile working environment and enhance the company's attractiveness on the labour market as well as the satisfaction, loyalty and performance readiness of the workforce.

Opportunities

We link all measures to the possibility of recruiting, retaining and optimally fostering the best employees on the market.

Employee matters: Selected goals M 42

Goal	Target indicator by 2023	Status 31.12.2022
Recruiting, identifying, developing and retaining performance-driven employees according to requirements	Conceptual design and further refinement of powerful branding and recruitment systems	On target
Cultivating and developing global mobility	Adoption of a Global Assignment Policy (GAP)	Achieved
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 on the worldwide programme of continuing training	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	Achieved
Promoting the health and performance of employees around the world	Expansion of programmes to promote health and wellness by at least 10%	Under observation
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	Achieved
Enhancing equal opportunities through measures to support the compatibility of career and family	Worldwide programme of mobile working	Achieved

Employees

In view of the fact that our employees are highly skilled workers and we attach the utmost priority to compliance with applicable national, collective bargaining and company regulations, we do not see any risk of serious violations of human rights. That said, issues such as discrimination, equal opportunities and oppression require constant attention and monitoring. We manage these issues in the context of our human resources management structure. For further information the reader is referred to the remarks in connection with the aspect "Employee matters". We protect employee data through rigorous compliance with statutory data protection requirements.

Suppliers

Hannover Re does not have a traditional upstream or downstream supply chain of raw and auxiliary materials or produced goods as is the case with, for example, manufacturing companies. Nevertheless, we too source a broad range of goods and services. Hannover Re has adopted its own Code of Conduct for Suppliers. This encompasses compliance with legal and ethical provisions, respect for human rights including observance of the core labour standards of the International Labour Organization (ILO) and adherence to all applicable requirements in the areas of health, safety and environmental protection.

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. All bottleneck, leverage and strategic suppliers are subject to monitoring. Recognition of the Code of Conduct for Suppliers or submission of the supplier's own more extensive code of conduct is mandatory. As of 31 December 2022 100% of core IT suppliers have committed to comply with the Code of Conduct for Suppliers or equivalent rules.

Insurance business

With regard to our activities in insurance business, we would refer the reader to the remarks made in connection with the aspect "Environmental matters". Based on our risk analysis, we identified the greatest risk of potentially detrimental impacts on human rights in the following, particularly exposed areas: large construction projects (including dams, oil and gas projects, mines and pipelines), mining operations as well as companies connected with internationally banned weapons. The facultative division's ESG manual provides for a screening process to identify and decline transactions that entail an inherent risk of severe breaches of fundamental human rights.

All underwriters on both the property and casualty and the life and health reinsurance side have taken a mandatory training programme in ESG issues in the form of Web-based training. All property and casualty underwriters additionally completed supplementary focus training covering topics such as human rights and attended subsequent, specifically designed workshops.

Investments

As far as our activities relating to assets under own management are concerned, we would refer the reader to the remarks made in connection with the aspect "Environmental matters" and the negative screening process described there. This is based inter alia on the Ten Principles of the United Nations Global Compact (UNGC); six of these Principles explicitly address the issues of human rights and labour standards. Our investment guidelines also exclude issuers involved in the development and proliferation of internationally banned weapons.

Opportunities

We do not see any particular opportunities in connection with this non-financial aspect.

Respect for human rights: Selected goals **M 44**

Goal	Target indicator by 2023	Status 31.12.2022
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

Fighting corruption and bribery

Corruption, as the abuse of entrusted power for personal gain, has numerous negative repercussions. On the political and administrative level, corruption influences decision-making and the execution of approved measures in favour of individuals or parts of the population. This erodes trust in the state and can become a threat to state legitimacy as well as to democratic institutions. On the economic level, corruption distorts competition and causes business transactions to become more expensive while preventing the efficient use of resources. The fight against corruption and bribery forms part of our compliance management system.

Impacts on our operations

Compliance risks may become relevant in connection with the non-financial aspect "Fighting corruption and bribery". 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 business partners, investors, shareholders and the broader public and hence also the foundation for its success and competitiveness over the long term. In view of the business operations and implemented structures, no direct and/or severe risks were identified. For further information the reader is referred to the "Opportunity and risk report" in the combined Group management report.

Impacts of our operations

Governance and compliance

Any form of unlawful or corrupt behaviour inflicts considerable harm on society and impedes free and fair competition. Companies in the financial sector have an important role to play when it comes to prevention and execution. Hannover Re has a sophisticated governance and compliance management system and adopts the "three lines of defence" approach. For details of the implemented structures please see the "Opportunity and risk report" in the combined Group management report.

Code of Conduct

Hannover Re has adopted a company-wide Code of Conduct that is publicly accessible on the website. This was completely revised in the year under review and approved by the Executive Board and Supervisory Board.

The Code of Conduct contains directions for our employees on appropriate behaviour with respect to all topics covered by our compliance management system. Hannover Re does not tolerate active or passive bribery or corruption and we do not participate in transactions with a criminal background. We act with caution in relation to gifts and invitations and make business decisions solely on the basis of solid, objective criteria. Our Code of Conduct further addresses issues around conflicts of interest.

As a listed company, we make our employees aware at the start of their employment and subsequently at regular intervals of the need to observe rules on insider trading and, as warranted, to respect blocking periods for share trading.

Opportunities

No particular opportunities are identified in connection with this non-financial aspect.

Fighting corruption and bribary: Selected goals **M 45**

Goal	Target indicator by 2023	Status 31.12.2022
Ensuring that the organisation is compliant	Average compliance score corresponding at a minimum to the targeted maturity level	Ongoing

Other risks

Under other risks we include emerging risks, strategic risks, sustainability and reputational risks as well as liquidity risks.

Management of other risks

Other risks are managed primarily using qualitative methods and on the basis of risk indicators. Risk management monitors and reduces the other risks through mitigation measures such as company-wide working groups and guidelines. Regular quarterly risk reporting to the Risk Committee and the Executive Board takes place with regard to the other risks. Risks are also evaluated as part of the reporting.

Within the risk management processes we also take into account the impacts on operational and reputational risks of aspects of environmental management, employee matters, social concerns, respect for human rights and the combating of corruption and bribery, as required by the CSR Directive Implementation Act in accordance with § 289b and c German Commercial Code (HGB) and § 315c German Commercial Code (HGB).

Emerging risks

Emerging risks 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 be reliably assessed, especially with respect to our treaty portfolio.

Early detection and subsequent evaluation of risks are crucially important when it comes to emerging risks. For this reason, we deploy Hannover Re's internal, interdepartmental and multi-line expert working group on "Emerging Risks & Scientific Affairs" and we ensure its linkage to risk management. The analyses performed by this working group are used Group-wide in order to initiate any necessary measures. The working group is currently exploring around 20 megatrends so as facilitate the identification and adequate evaluation of not only existing but also emerging risks. Megatrends are defined as developments with a trend cycle of at least 30 years. They are not presently associated with direct impacts on operations, but may potentially evolve in this direction. Megatrends are considered in connection with emerging risks and resulting opportunities. Thus, for example, the megatrend towards a decline in biodiversity can be viewed in conjunction with emerging risks associated with scarcity of resources, air pollution, genetically modified organisms or food security and availability – but also goes hand-in-hand with a need for innovative (insurance) solutions and services. Action on climate change means new or refined technologies, such as renewable energies or hydrogen concepts and their various possible applications, for which insurance coverages are needed.

Another observed trend is urbanisation. The steady increase in urbanisation means the growth and change of cities. Those leaving the countryside and moving to the city are mostly young, hence altering both rural and urban age distributions. Correlated trends such as the ageing society and new types of mobility, increasingly against a backdrop of sustainability, are throwing up major questions. The significance of these trends and the speed of change are compelling the insurance industry to plan which role it wants to play in helping to shape the future. In this context it is important to consider both business opportunities and risks. Given that all this is affected by climate change, people's property – especially when value concentrations form in future megacities – will have to be insured against natural perils. In a worst-case scenario, this could mean that certain regions and risks become uninsurable if adequate urban planning – taking account of natural hazards – is neglected in the spread of large cities around the world. Urbanisation not only means new buildings, technologies and lifestyles that have to be insured; rather, living close together also has implications for people's physical and mental well-being, which is relevant to our portfolio of life and health insurance.

Hannover Re publishes summary position papers on various emerging risks which can be accessed on our website. In the year under review the papers on supply chain risks, technological risks, fracking, pollution and the risk posed by terrorism, among others, were updated.

Hannover Re, represented by members of staff from Risk Management and other units, is a member of the Chief Risk Officer (CRO) Forum and a constant participant in the CRO Forum's Emerging Risk Initiative, which 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", "Economic instability", "Environment and climate". "ESG issues", "Changes in the geopolitical landscape", "Technological developments and their influence on society" as well as "Demographic and social change". New topics added in the year under review were "Climate engineering" and "Space risk associated with a low earth orbit".

At its meeting on 8 March 2022 the Supervisory Board discussed in detail the audited annual and consolidated financial statements as well as the Executive Board's proposal for the appropriation of the disposable profit for the 2021 financial year. In this regard, as in the previous year, the Executive Board described all material indicators from the technical and non-technical accounts as well as key data on the investment side. The independent auditors presented the results of the audit and elaborated on the audit procedure. The assurance report on the non-financial information statement was also discussed. The Executive Board outlined the prospects for the current 2022 financial year, with particular attention focused on the outbreak of war in Ukraine and the initial assessment of the resulting impacts. The insights gained from the important renewals in property and casualty reinsurance as at 1 January 2022 were also described, providing us with a good impression of the development of market conditions and Hannover Re's positioning. We also exchanged views with the Executive Board on the current strategy cycle 2021–2023 and the status of target achievement. We discussed the major findings from the compliance, audit and risk reports. The respective function holders of the key functions were available to answer questions for this purpose. We adopted a resolution on the annual revision of the investment guidelines, in which regard no significant change to the general investment strategy was proposed. Additionally, the variable remuneration of the members of the Executive Board was defined on the basis of the findings with respect to attainment of the respective individual targets for the 2021 financial year. In this context, as usual, we factored the findings of external remuneration surveys into our deliberations for the purpose of making a market comparison. In preparation for the Annual General Meeting on 4 May 2022 the agenda was discussed and approved, and in view of the protracted uncertainties connected with the pandemic we opted to hold the General Meeting virtually with no in-person attendance. In terms of content, the remuneration report for the Executive Board was to be submitted to the General Meeting for approval pursuant to § 120 a Para. 4 Stock Corporation Act (AktG). Details of the remuneration systems can be found in the Declaration on Corporate Governance on pages 107 et seq. and the remuneration report for 2022 on pages 114 et seq. At the recommendation of the Finance and Audit Committee, we proposed to the General Meeting that PricewaterhouseCoopers GmbH Wirtschaftsprüfungsgesellschaft should again be commissioned and mandated to conduct the audit of the annual financial statements. After extensive deliberations we also decided that with effect from 1 April 2022 Dr. Lipowsky should take over the chair of the existing Finance and Audit Committee after some years under the leadership of Mr. Haas. Given that, with Dr. Lipowsky, the chair of the committee is now held by a member of the Supervisory Board deemed independent under the German Corporate Governance Code from 1 April 2022 onwards, we updated the Declaration of Conformity with the Code at this date.

At the meeting held on 3 May 2022 the Executive Board reported on the first quarter of 2022. We explored the overall results of the previous year in greater depth, with the quality and adequacy of the loss reserves in property and casualty reinsurance considered in detail. Both internal and external experts were available to answer our questions in this regard. In addition to the outlook for the current financial year, which continued to be shaped by the war in Ukraine and resulting economic effects, the examination of the Own Risk and Solvency Assessment (ORSA) report on the previous year and the capitalisation under Solvency II constituted further key points of deliberation. Following up on this, the structure of the Regular Supervisory Report (RSR) and its differences and overlaps relative to the ORSA report were explained. We also received the audit report on the Solvency II balance sheet. A capital measure to be adopted within the Group was another focus of discussions. In conformity with § 111 Para. 5 Stock Corporation Act (AktG), the targets for women on the Executive Board and Supervisory Board were explored and defined. The current values can be found in the Declaration on Corporate Governance on page 107 et seq. Furthermore, we used the meeting as an opportunity to have the updated Code of Conduct presented to us. The Code of Conduct has now been published on the company's website (https://www.hannover-re.com/50943/code-of-conduct.pdf). With regard to the annually conducted self-assessment of the Supervisory Board's areas of expertise, the Supervisory Board decided that in 2023 the current list of topics – which already goes beyond the regulatory requirements – will be expanded to include the important areas of "ESG (Environmental, Social, Governance)", "auditing of financial statements" and "digitalisation".

On 3 August 2022, in a meeting that lasted the entire day, the Executive Board reported on the first half of 2022, describing as usual key performance indicators from the underwriting and non-underwriting side and outlining the progress made in attaining the strategic targets. The potential repercussions of the war in Ukraine remained a primary focus. We discussed the major insights from the risk report and the Chief Risk Officer presented at our request the internal cyber exposure management, including the report on Realistic Disaster Scenarios. Another key topic at the meeting was the discussion of and reporting on the status of implementation of the current IT strategy. Based on a separate item of the reporting, we also looked at the strategy of the property and casualty reinsurance segment in the United States. Furthermore, an account of related party transactions was routinely provided. It was concluded that there were no transactions in the reporting period that fall under the legal requirements governing mandatory approval (§ 111b Stock Corporation Act (AktG)) or compulsory disclosure (§ 111c Stock Corporation Act (AktG)). Within the subject area of corporate governance we explored the recommendations set out in the German Corporate Governance Code, which was revised in the year under review.

We were again provided with reports on the latest developments in sustainability and the company's measures and action fields. We shall engage in a regular dialogue about ESG topics, especially those of a strategic nature, in the meetings of the full Supervisory Board and have therefore nominated Dr. Andrea Pollak from among our own ranks as an expert in matters of ESG and sustainability.

On 30 August 2022 all the members of the Supervisory Board came together for a special meeting dedicated exclusively to the functioning and internal implementation of the new accounting regime (IFRS 17 and IFRS 9). Extensive training materials with illustrative examples had been prepared for the Supervisory Board for this purpose.

At the last meeting of the year held on 2 November 2022, we deliberated at length on the key preliminary results in the business performance and the outlook for the current financial year. The above-average large loss expenditure in 2022, which again confronted the entire industry with exceptional challenges in the year under review, was our primary focus. In addition, we discussed with the Executive Board the impacts of inflation and the protracted war in Ukraine. The Executive Board also presented to us the operational planning for 2023, which we considered in detail and subsequently approved. We discussed the latest insights from the risk report, including a special report on climate risks, and were informed of the status of major pending legal proceedings. The Executive Board provided routine reporting on employee capacities and the elaboration of the remuneration system for senior executives pursuant to § 3 Para. 5 of the Regulation on the Supervisory Law Requirements for Remuneration Schemes in the Insurance Sector (VersVergV). At this meeting we also adopted the resolution on issuance of subordinated debt. The bond was successfully issued on 14 November 2022 in the planned volume and with a coupon of 5.875% p. a. (https://www.hannover-re.com/1914419/bonds). Furthermore, the Supervisory Board explored the possible contribution of part of the company's private equity portfolio to a joint venture.

A significant part of the meeting was also devoted to corporate governance matters. Based on the findings of the "Fit and Proper" self-assessment that had been conducted among the Supervisory Board members, the Supervisory Board engaged in an extensive exchange of views on a development plan for the entire Supervisory Board. It was again the case this year that the individual members of the Supervisory Board attended advanced training measures in relation to various core topics; the costs incurred in this connection were paid by the company. Topics covered in 2022 included IFRS and ESG. We also approved the Supervisory Board's current competency profile in the form of a skills matrix. This is published as part of the Declaration on Corporate Governance (page 113). In addition, we nominated Dr. Lipowsky and Mr. Haas as "financial experts" in accordance with §100 Para. 5 Stock Corporation Act (AktG), with Dr. Lipowsky having the necessary expertise particularly in accounting matters and Mr. Haas in particular when it comes to the auditing of financial statements. With these further advances in corporate governance, we were then able to join the Executive Board in issuing an unqualified Declaration of Conformity pursuant to § 161 Stock Corporation Act (AktG) regarding compliance with the German Corporate Governance Code. We also discussed and approved as the full Supervisory Board the individual targets for the members of the Executive Board for 2023. The focus here was on the findings of the Organisational Health Check, sustainability and the strategic objectives.

As in every year, we were regularly briefed on the work of the Supervisory Board committees.

Committees of the Supervisory Board

Of the committees formed by the Supervisory Board within the meaning of § 107 Para. 3 Stock Corporation Act (AktG), the Finance and Audit Committee met on four occasions and the Standing Committee met three times in 2022. The committee chairs updated the full Supervisory Board on the major deliberations of the committee meetings at its next meeting and provided an opportunity for further questions. In the case of activities conducted by the committees preparatory to adoption of a resolution, we have consistently taken care to ensure that the full Supervisory Board remains extensively informed in order to fulfil its duties of due diligence.

The Finance and Audit Committee considered inter alia the consolidated financial statement and the quarterly reports drawn up in accordance with IFRS and the annual financial statement of Hannover Rück SE drawn up in accordance with the German Commercial Code (HGB), and it discussed with the independent auditors their reports on these financial statements. As in the previous years, an expert opinion on the adequacy of the loss reserves in property and casualty reinsurance was noted, the retrocession structure of the Hannover Re Group as well as reports of the key functions were received and considered. In addition, the Committee examined the investment structure and investment income – including the stress tests with regard to the investments and their implications for net income and the equity base. The review of the quality of the auditing was carried out using the system put in place in previous years. In one meeting the Committee focused on the development of the company's major equity participations. The important topic of ESG/sustainability was also discussed by the Committee on multiple occasions, including in connection with the current reporting framework. The Committee again opted for an external audit of the non-financial information statement 2022 and commissioned PricewaterhouseCoopers GmbH Wirtschaftsprüfungsgesellschaft to conduct this. The implementation of the new financial reporting standard (IFRS 17) was another point of emphasis in the Committee's deliberations in the financial year. On 31 August 2022 the Committee came together for additional, more in-depth training following the meeting of the full Supervisory Board. At each meeting the Chief Risk Officer gave an account of the latest developments in risk management and answered questions about the risk report. We were able to discuss special topics, such as climate change, with him. The Committee also explored further matters relating to the internal control system. In addition, the Committee regularly engaged with the latest developments in the run-off of losses and exchanged views on this with the Executive Board. The Committee defined the audit concentrations for the auditing of the annual accounts for the financial year and considered at length the audit plan and the audit approach for the auditing of the annual financial statements. It explored the evaluation of the audit risk and the resulting audit scope with the auditors of the annual financial statements. The Finance and Audit Committee also maintained a dialogue with the auditors independently of the Executive Board.

As in the previous years, the Standing Committee reviewed the adequacy of the remuneration system for the members of the Executive Board, determined the variable remuneration of the members of the Executive Board for the 2021 financial year based on the findings pertaining to attainment of their respective targets and examined the remuneration for the Board members who were due for review, among other things. With regard to all these matters the Committee drew up corresponding recommendations for the full Supervisory Board. In the context of the extensions of the terms of office for individual members of the Executive Board that were up for discussion in 2022, we engaged in an ongoing dialogue on medium- and long-term succession arrangements. The Committee further addressed the enlargement of the Executive Board from seven to eight members and the preparations for appointment of the new member of the Executive Board. Furthermore, the individual targets of the members of the Executive Board for 2023 were defined on the basis of the updated remuneration system and prepared for adoption of a resolution by the full Supervisory Board.

The Nomination Committee was not convened in 2022.

Audit of the annual financial statements and consolidated financial statements

The accounting, annual financial statements, consolidated financial statements and the combined management report were audited by PricewaterhouseCoopers GmbH Wirtschaftsprüfungsgesellschaft. The auditor was chosen by the General Meeting following the recommendation of the Supervisory Board; the Chairman of the Supervisory Board awarded the audit mandate. The auditor's independence declaration was received. Along with the audit concentrations defined by the European Securities and Markets Authority and the Federal Financial Supervisory Authority, auditing activities relating to the implementation of IFRS 17 were also included in the scope of the audit. The mandate for the review report by the independent auditors on the Half-yearly Financial Report and the audit of the Solvency II balance sheet was also awarded again. The special challenges associated with the international aspects of the audits were met without reservation. Since the audits did not give rise to any objections, PricewaterhouseCoopers GmbH Wirtschaftsprüfungsgesellschaft issued unqualified audit certificates. It was also determined that the annual financial statement contains the information pursuant to § 289f German Commercial Code (HGB). The Finance and Audit Committee discussed the financial statements and the combined management report with the participation of the auditors and in light of the audit reports, and it informed the Supervisory Board of the outcome of its reviews. The audit reports were distributed to all the members of the Supervisory Board and explored in detail – with the participation of the auditors – at the Supervisory Board meeting held in March to consider the annual results. The auditors will also be present at the Annual General Meeting.

The report on the company's relations with affiliated companies drawn up by the Executive Board has likewise been examined by PricewaterhouseCoopers GmbH Wirtschaftsprüfungsgesellschaft and given the following unqualified audit certificate:

"Having audited the report in accordance with our professional duties, we confirm that

1. the factual details of the report are correct,
2. in the case of the transactions detailed in the report, the expenditure of the company was not unreasonably high."

We have examined

a. the annual financial statements of the company, the financial statements of the Hannover Re Group and the combined management report prepared by the Executive Board for the company and the Group, and
b. the report of the Executive Board pursuant to § 312 Stock Corporation Act (AktG) (Report on relations with affiliated companies)

– in each case drawn up as at 31 December 2022 – and have no objections in this regard; nor do we have any objections to the statement made by the Executive Board at the end of the report on relations with affiliated companies.

The Supervisory Board concurred with the opinions of the auditors and approved the annual financial statements and the consolidated financial statements; the annual financial statements are thereby adopted. Our proposal regarding the