

Declaration of Conformity 2013

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

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

The Executive Board and Supervisory Board declare pursuant to § 161 Stock Corporation Act (AktG) that in its implementation of the German Corporate Governance Code Hannover Rück SE diverges in four respects from the recommendations contained in the version of the Code dated 13 May 2013:

(Code Section 4.2.3 Para. 2; Caps on the amount of variable compensation elements in Management Board contracts)

The variable compensation of the members of the Executive Board consists of a cash component and payments into a bonus bank as well as – accounting for 20% of the total variable compensation – the automatic allocation of virtual Hannover Re share awards. The maximum amount of total remuneration is capped. The number of share awards allocated is determined by dividing the amount of the 20% variable compensation by the average share price of the Hannover Re share on the five trading days before and five trading days after the Ordinary General Meeting for the allocation year in question.

This means that upon allocation of the share awards the expense accruing to the company on this variable compensation element is fixed (capped) at the time of allocation. In economic terms, these virtual share awards constitute a compulsory investment by the members of the Executive Board in the Hannover Re share that is geared to a holding period of four years. This compulsory investment thus appropriately takes into account both positive and negative developments at the company as reflected in the share price.

These share awards are paid out after a vesting period of four years according to the share price of the Hannover Re share applicable at the payment date plus an amount equivalent to the total dividends per share distributed during the vesting period. The virtual share awards thus follow the economic fortunes of physically awarded real shares.

Should the share price at the time of exercise be higher than the share price at the time of allocation, the resulting additional expenditure for the company can be neutralised by way of appropriate safeguards.

Insofar as the delivery of real shares for retention by the Executive Board members is granted with a resale lock-up period as part of the variable compensation, a cap is normally only provided for with respect to the granting of shares (i.e. at the time of allocation) and not at the time of exercise, which is at the discretion of the recipient once the lock-up period has expired.

The virtual share awards of Hannover Re have a cap at the time of allocation and a time of exercise set by the company after four years. Given the safeguards put in place by the company, we consider a further cap at the time of exercise – especially in light of the desired economic identity of compulsory investments in virtual and real shares – to be unnecessary. As a precaution, however, the company is declaring a divergence from Code Section 4.2.3 Para. 2.

(Code Section 4.2.3 Para. 4; Caps on severance payments in Management Board contracts)

Premature termination of a service contract may only take the form of cancellation by mutual consent. Even if the Supervisory Board insists upon setting a severance cap when concluding or renewing an Executive Board contract, this does not preclude the possibility of negotiations also extending to the severance cap in the event of a member leaving the Executive Board. In addition, the scope for negotiation over a member leaving the Executive Board would be restricted if a severance cap were agreed, which could be particularly disadvantageous in cases where there is ambiguity surrounding the existence of serious cause for termination. In the opinion of Hannover Rück SE, it is therefore in the interest of the company to diverge from the recommendation contained in Section 4.2.3 Para. 4.

(Code Section 5.2 Para. 2; Chairman of the Audit Committee)

The current Chairman of the Supervisory Board of Hannover Rück SE served as the company's Chief Financial Officer in the period from 1994 to 2002. During this time he acquired superb knowledge of the company and he is equipped with extensive professional expertise in the topics that fall within the scope of responsibility of the Finance and Audit Committee. With this in mind, the serving Chairman of the Supervisory Board is optimally suited to chairing the Audit Committee. In the opinion of Hannover Rück SE, it is therefore in the interest of the company to diverge from the recommendation contained in Section 5.2 Para. 2.

(Code Section 5.3.2; Independence of the Chairman of the Audit Committee)

The current Chairman of the Audit Committee is at the same time also the Chairman of the Board of Management of the controlling shareholder and hence cannot, in the company's legal assessment, be considered independent. As already explained above in the justification for divergence from Code Section 5.2 Para. 2, the current Chairman of the Supervisory Board is, however, optimally suited to chairing the Audit Committee. This assessment is also not cast into question by the fact that the Committee Chairman cannot therefore be considered independent within the meaning of the German Corporate Governance Code. Furthermore, since his service as Chief Financial Officer of Hannover Rück SE dates back to a period more than ten years ago, it is also the case that the reviews and checks performed by the Finance and Audit Committee no longer relate to any timeframe within which he himself was still a member of the Executive Board or decisions initiated by him as a member of the Executive Board were still being realised. In the opinion of Hannover Rück SE, it is therefore in the interest of the company to diverge from this recommendation contained in Section 5.3.2.

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

Hannover, 4 November 2013

Executive Board Supervisory Board