



somewhat
different

Striving for sustainable outperformance

Group Strategy 2021–2023

hannover **re**[®]

Our claim

“somewhat different”

Our purpose

“Beyond risk sharing –
we team up to create opportunities”

We were founded in 1966 as an in-house reinsurer. For over fifty years, we have proved ourselves every day and have grown into a company with the financial strength of a major player whilst maintaining the flexibility of a boutique one.

We are highly professional, pragmatic and focused on our business. All our people count.

At Hannover Re, we operate at the speed of trust. We actively listen when our clients need us. We're there to help, committed to excellence. Fast in our decision-making, we are well prepared to service our clients' varying needs and offer execution certainty.

We make sure to keep abreast of the times, guided by our purpose, which reflects our Raison d'Être, defines what gives us energy and indicates how we conduct our business. We want to enable the ultimately insured to mitigate potential severe losses and help rebuild and recover. In addition, we promise to work in concert with our business partners and our shareholders to do more than just preserve the status quo.

We team up to go the extra mile. Beyond risk sharing.

We are somewhat different.

Every day.

Our strategy



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Jean-Jacques Henchoz,
Chairman of the Executive Board



Ladies and Gentlemen,

It is Hannover Re's long-standing practice to revise our strategy every three years to ensure an extraordinary success journey. I am delighted to present you here the new strategy for the 2021–2023 cycle.

Our last strategy period has witnessed enormous challenges, marked not only by the Covid-19 pandemic, but also the demanding conditions on the international markets all the way along. In the midst of these adversities, we remained committed with unremitting efforts to all our stakeholders.

Guided by the vision “creating value through reinsurance” of the previous cycle, we managed to achieve our strategic targets between 2018 and 2020 and outperformed the industry. The key strengths that kept our position of excellence lie in our underwriting discipline, client partnerships, lean operating model and our highly efficient capital management approach.

Our strong underwriting culture and our ability to create value for clients allowed us to grow the business profitably, demonstrated by the outstanding premium and earnings growth. Additionally, our efficient risk and capital management secured low cost of capital and a high return on equity. Moreover, our lean operating model combined with our robust financial power are the competitive advantages safeguarding our prosperity even over unfavourable market phases.

Building on these core strengths, as well as on the experience collected from previous cycles and our analysis of the market environment, we have developed our new strategy with the vision “striving for sustainable outperformance”.

Our future success will be based on our major strengths and supplemented by four strategic initiatives aimed at strengthening our future-readiness. We want to reinforce our status in the reinsurance market as a preferred business partner and an innovation catalyst, with a special focus on customer centricity and digital partnerships. Besides, we see particularly promising opportunities in the fast-growing Asia-Pacific (APAC) region, and adapt our flexible organisational set-up correspondingly. We will also carry out a comprehensive talent management programme to attract and retain a strong and dedicated workforce. Lastly, the whole blueprint is based on the sound foundations constituted by our strong governance and risk management as well as compliance and corporate social responsibility.

The above-mentioned topics will be elaborated in the Group strategy map we prepared to define our strategic priorities, their roles and interconnection.

The Covid-19 pandemic, climate change, the competitive (re)insurance market, geopolitical factors as well as technical and societal changes bring continuous uncertainty. What remains invariable is our commitment to our strategy and to our purpose and values. I am truly proud of the sense of responsibility, the we-spirit and the drive of our employees shown in the way they respond to changes. They live up to our purpose: “Beyond risk sharing – we team up to create opportunities.”

Lastly, on behalf of our colleagues worldwide, I would like to extend our sincere gratitude to our clients, business partners and shareholders for their trust over the years in Hannover Re and in our endeavour to achieve sustainable outperformance going forward.

Sincerely,



Jean-Jacques Henchoz
Chairman of the Executive Board

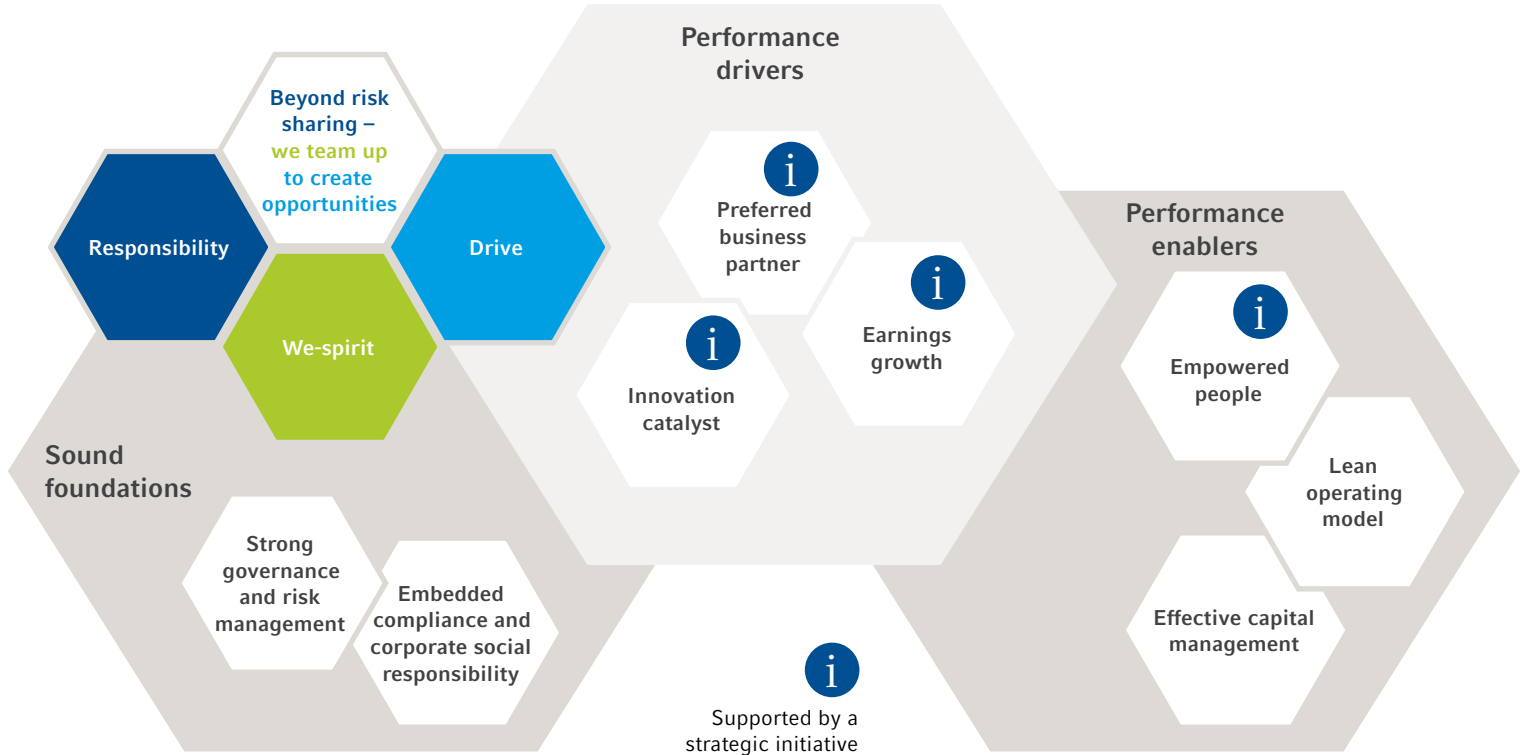
Our vision

Striving for sustainable outperformance

We transact reinsurance in the business groups Property & Casualty and Life & Health. We assume risks in all lines of business and in all geographical regions, where the business fulfils our margin requirements and is streamlined with environmental, social, governance (ESG) criteria, sanctions and general rules of compliance.

And we continue to expand our position sustainably as one of the leading, most profitable reinsurance groups operating worldwide.

Our Group strategy map



Our present strategy derives from the overarching purpose and values. The purpose explains the meaning of our existence: “Beyond risk sharing – we team up to create opportunities.” Our values, composed of responsibility, we-spirit and drive, state the way we do business and reflect the core success factors of our “somewhat different” company culture.

Our successful business model and the former ten strategic principles have found their way onto the strategy map. In the course of “striving for sustainable outperformance”, we have defined governance, risk management, compliance and corporate social responsibility as the foundations to pursue our business growth as a trusted global reinsurance partner.

The performance drivers seek to build on our proven strengths and address the global trends impacting the insurance and reinsurance industry. In order to achieve outperformance in an ever-changing environment, we strive to be the preferred business partner for our clients, seize earnings growth in the most promising areas and foster innovation in the (re)insurance markets.

The fields we define as performance enablers – empowered people, lean operating model, and effective capital management – have proven essential for outperforming the industry over the last decade. They have made us strong right from the beginning and are at the core of our “somewhat different” approach.

The interaction of sound foundations, performance drivers and performance enablers will help us achieve our strategic goals and in turn bring our purpose and values into all our activities.

In the meantime, we have reached a size where a more systematic global approach is required to leverage synergies throughout the Group. This is why we have also defined four strategic initiatives which accentuate the areas we believe to

be of particular importance, and on which we will work intensely over the entire strategic cycle.

The Customer Excellence strategic initiative seeks leadership in customer-centricity and aims to broaden our client relationships by raising them to a strategic level. With the Asia-Pacific Growth initiative we are teaming up with our customers to create joint opportunities in the world’s fastest growing economic region. In the framework of Innovation & Digital Strategy, we focus on digital partnerships as well as on our role in assisting clients in their digital transformation. And all these efforts would be futile without the Talent Management initiative – hiring and retaining engaged and high-performing employees are absolutely crucial for the company’s future.

We are convinced that the approach to our strategy work outlined above will enable us to live up to our ambition: to outperform the reinsurance market and to be a top-tier market leader in profitability, earnings growth and cost efficiency.

Our financial targets for the strategy cycle 2021–2023: we expect to achieve a return on equity after tax of 900 basis points (bps) above the five-year average return of ten-year German government bonds. As far as the solvency ratio is concerned, we continue to anticipate a level in excess of our minimum 200% target. Regarding the average annual growth of gross premium, we are looking to reach at least 5% for Property & Casualty and no less than 3% for Life & Health. We expect both business groups to deliver operating profit (EBIT) growth of at least 5% per year on average. Meanwhile, Property & Casualty aims for a combined ratio of no more than 96%. The value of new business for Life & Health should exceed the minimum target of EUR 250 million. With regard to the excess return on allocated economic capital (xRoCA), it remains our expectation that a minimum xRoCA of 2% will be generated for both business groups.

Target Matrix Strategy cycle 2021–2023

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

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

² According to our internal capital model and Solvency II requirements

³ Average annual growth at constant exchange rates

⁴ Average annual growth; based on normalised EBIT 2020

⁵ Excess return (one-year economic profit in excess of the cost of capital) on allocated economic capital

⁶ Based on Solvency II principles; pre-tax reporting

“The key strengths that kept our position of excellence lie in our underwriting discipline, client partnerships, lean operating model and our highly efficient capital management approach.”

Jean-Jacques Henchoz,
Chairman of the Executive Board



Strong client partnerships are one of Hannover Re's proven strengths. Our Customer Excellence strategic initiative aims to leverage full data usage to address our clients' strategic needs proactively.



Preferred business partner

It is our goal to enhance earnings growth, margin and profit contribution of key clients through a holistic customer management approach.

Hannover Re is one of the financially strongest reinsurers in the world, with ratings of “AA-” from Standard & Poor’s and “A+” from A.M. Best. We do not compete with our primary insurance clients. Instead, we offer risk management solutions at competitive terms for all types of risks. We also help our clients optimise their sales and underwriting processes and offer them access to our expertise worldwide. Our customers value our short time to market, empowered employees and entrepreneurial mind-set. We are highly responsive and reliable in developing and delivering products and solutions.

It is our goal to enhance earnings growth, margin and profit contribution of key clients through a holistic customer management approach. As manifestation of our client centricity, we aspire to be the best in client and broker surveys for the respective markets.

Our interaction with the customers is characterised by the spirit of partnership. We first listen, and then work on value-added solutions to address their specific needs. And we will expand this approach as specialty leader, through our German subsidiary E+S Rückversicherung AG and with the focus on customer centricity.



Strategic initiative: Customer Excellence

We seek leadership in customer centricity and want to broaden key client relationships. And we aim to leverage our full potential with key customers by focusing on cross-business opportunities and build on state-of-the-art customer relationship management. Data analytics will enable us to enhance capital prioritisation and allocation on the basis of customer segmentation. The full data usage will allow us to address our clients’ strategic needs proactively.

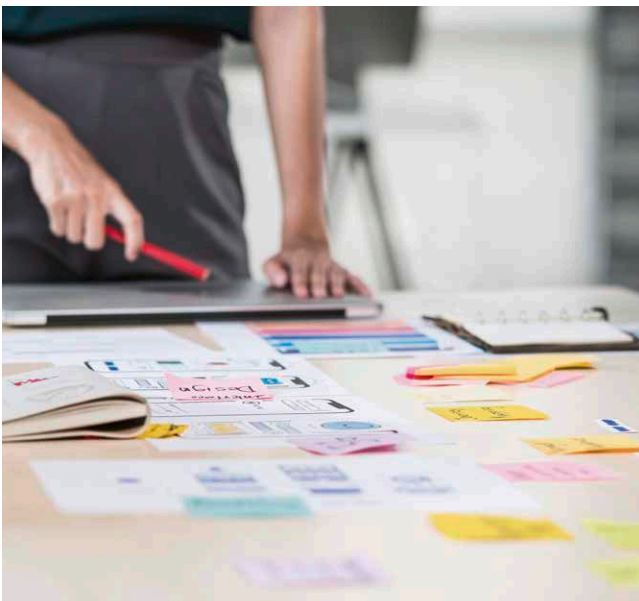


Innovation catalyst

We exert ourselves to be the go-to partner for innovative solutions and deliver local innovation on a global scale.

For decades, we have been a catalyst for innovation. Our track record of innovation comprises new products and solutions in the traditional reinsurance business, structured reinsurance and in alternative risk transfer as well. Hannover Re analyses trends, business ideas and possibilities systematically with the aim of generating new business and fostering sustainable growth. We consider preferentially opportunities that promise access to innovative technologies.

We exert ourselves to be the go-to partner for innovative solutions and deliver local innovation on a global scale. We will continue to provide tailor-made solutions, enhancing the spectrum of alternative risk transfer and structured reinsurance models. In addition, we deal with emerging risks and protection gaps with new and innovative methods. It is also our continuous effort to strengthen our digital partnerships and work on the challenges and opportunities brought by digital change.



Strategic initiative: Innovation and Digital Strategy

It is our objective to be one of the leading reinsurance companies of Digital Insurance Business. We support our clients to enhance digital solutions and strive to widen our data analytics service. Meanwhile, we establish and strengthen our partnerships with clients, start-ups, industry leaders and InsurTechs to grasp opportunities arising from digital change. We also focus on business-specific opportunities and team up with clients and across ecosystems to co-design plans, and leverage our full innovation potential to scale up new business ideas globally.



Earnings growth

We aim for outperformance in earnings growth in our business groups Property & Casualty and Life & Health.

Hannover Re has a consistent record of profitable business growth. Our strong underwriting culture encourages us to pursue arising business opportunities. We pay particular attention to the comprehensive understanding and assessment of risks and to the adjustment of technical pricing. We are not only well positioned in the developed markets of Europe and North America, but also enjoy strong and long-standing business relationships in the fast-growing Asia-Pacific region. Our strong operating cash flow and growing assets under own management support our successful investment strategy.

We aim for outperformance in earnings growth. We expect both business groups to deliver EBIT growth of at least 5% per year

on average over the three-year cycle, based on a normalised EBIT.

We will allocate our capital to areas that promise above-average profitable earnings growth in the coming years to build on our strengths. To achieve this, we would like to expand our state-of-the-art Financial Solutions portfolio of Life & Health, grow our own funds in accordance with our company's growth and with the strong operating cash flow. Meanwhile, we want to seize opportunities in Asia-Pacific, the world's fastest growing economic region.



Strategic initiative: Asia-Pacific Growth

We are engaged in growing Hannover Re's profitable market share in the APAC region by reducing the protection gap in countries with low insurance penetration, creating business opportunities related to the demographic development and taking advantage of the digital transformation in the region. To this end, we build on long-standing client relationships, empower our local teams to enhance client centricity and keep the operating model lean and fast.



Delegation of responsibilities and accountability are deeply embedded in Hannover Re's culture. Our Talent Management strategic initiative strives to attract and retain a strong and dedicated workforce at all our locations.



Empowered people

We are dedicated to becoming one of the best places to work in the industry.

Delegation of responsibilities and accountability are deeply embedded in our culture. The success of our company depends directly on the success of our employees. We therefore pay particularly close attention to the qualifications, experience, and commitment of our staff. We have a strong culture of empowerment, with people in all operating units and at all levels taking ownership to deliver what they promise. Not only do clients appreciate it, it also makes us an employer of choice, as reflected in our high staff retention and employee engagement.

We are dedicated to becoming one of the best places to work in the industry. Our talent development strategy is an integral part of the Group strategy and supports the growth of our employees as well as of the organisation. Guided by our purpose and values, we team up to create opportunities and to move our organisation to the next level.



Strategic initiative: Talent Management

It is our target to attract and retain a strong and dedicated workforce at all our locations. We strive to strengthen our employer brand, encourage and facilitate mobility across functions and offices, refine succession planning and strengthen the talent review process. We also plan to focus development programmes on underwriting and leadership, strengthen diversity and inclusion, and improve services through efficient systems, streamlined processes and a global network of human resources professionals.



Lean operating model

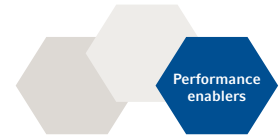
We strive to keep our lean operating model an essential competitive advantage.

We believe that our low expense ratio – compared with our peers – gives us a competitive advantage. We safeguard it through a unique mix of cultural and organisational factors. Our effective and efficient organisation is set up in alignment with our business processes. We are convinced that cost efficiency provides us flexibility, and thereby gives us more room for profitable business growth.

We strive to keep our lean operating model an essential competitive advantage. We want to maintain our average cost/premium ratio stable over the period of the strategy cycle. Short-term fluctuations may be triggered by investments in means and measures to ensure future fitness, but overall, our cost base should not increase faster than earnings growth.

Our lean operating model provides not only an extra profit margin, but also enables flat hierarchies, fast decision-making and cost leadership. This is a good starting point to develop a truly agile, customer-centric organisation that allows flexible resource allocation within a strong framework.

We leverage the opportunities opened up by automation to support our business activities. Investments are strictly oriented to efficiency and future profits. By establishing global systems and automating standard processes “end to end” as well as exploiting opportunities for automated decision-making, we harness the enormous power of new technology.



Effective capital management

We aim at reliable and increasing dividend payments.

We provide strong financial support to our customers. Our financial strength is evidenced by a Solvency Ratio threshold of 200% and excellent ratings from the rating agencies. Our capital and liquidity level provides our clients with a high certainty. At the same time, we offer attractive and reliable returns to our bond and shareholders.

We aim at reliable and increasing dividend payments. In times when our shareholders' equity is growing faster than our profits, we are prepared to use special dividends to balance equity and profit growth. The market environment, business opportunities as well as our future growth plans will continue to feed into our dividend decisions.

For the purpose of optimising our overall cost of capital we use alternatives such as hybrid capital and we transfer risks to the capital or retrocession markets. In years with high losses, independent of their frequency, size or business group, retrocessions protect our capital and earnings position and contribute to a reduction of our cost of capital. In addition, our active volatility management greatly contributes to the effectiveness of our capital management.

We systematically monitor and manage our inforce business in order to enhance the worth of our portfolio. We strive to create long-term value and to free up capital, both in Property & Casualty and Life & Health. To realise these goals, we are equipped with the latest techniques to analyse our portfolios in sufficient detail, to identify value-destroying risks, to take possible actions and to adjust pricing accordingly.



Strong governance and risk management

Our goal is to secure a strong capital position and financial flexibility.

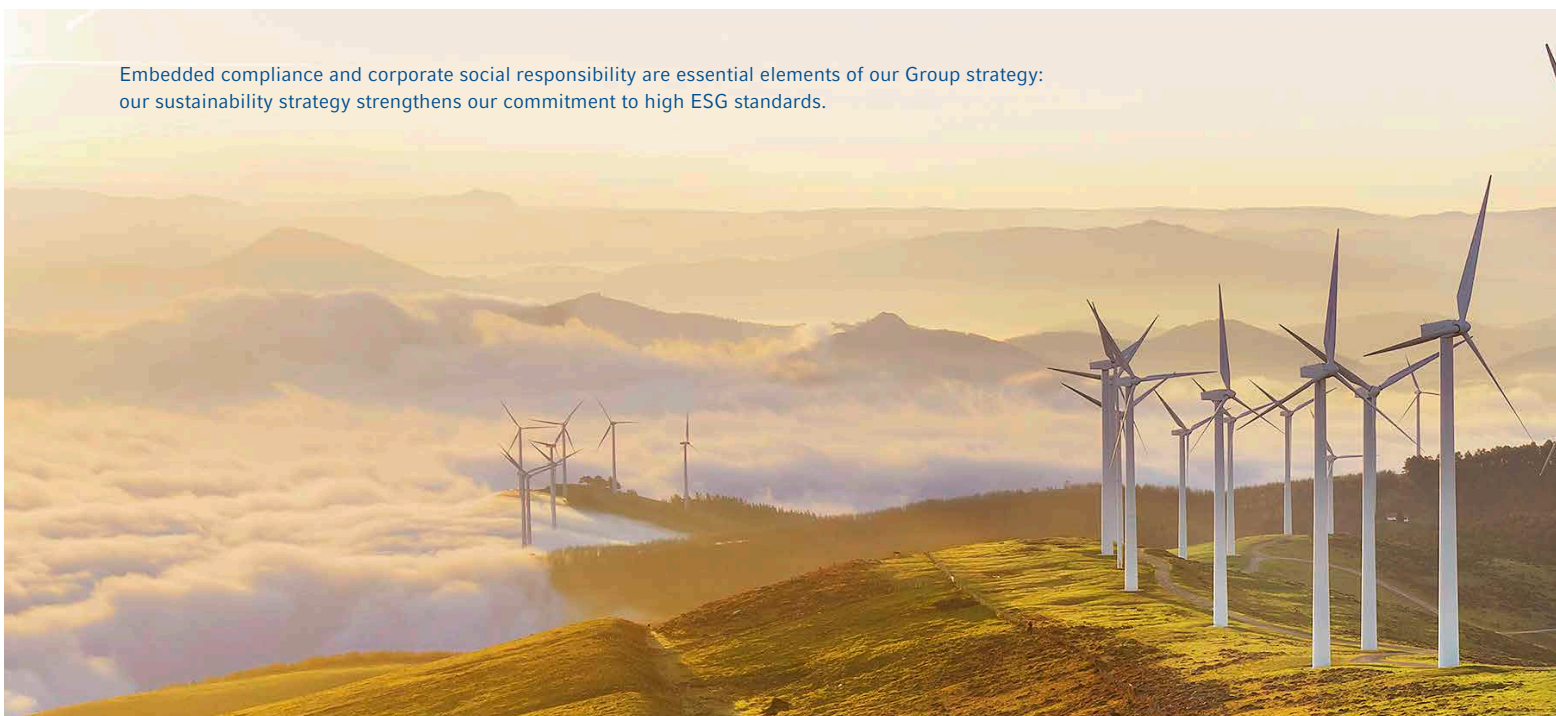
As an internationally operating reinsurer, we face a broad diversity of risks directly connected with our business activities. They exist in individual business segments and regions. Risk management therefore forms an integral component of our value-based enterprise management and hence of all underlying decision processes. Hannover Re has established a strong group-wide risk management function to ensure an efficient and effective risk management system. The roles, tasks and reporting channels of risk management are clearly defined and documented in our guidelines, which allows the holistic monitoring of all material risks.

Our goal is to secure a strong capital position and financial flexibility. During the strategy cycle 2021–2023, we will man-

age our risk exposure to achieve a high probability of positive IFRS earnings and distributable German-GAAP income, operate with an excellent solvency ratio and superior financial strength ratings, and maintain an effective and efficient governance system.

The principles of our risk management approach are set out in the risk strategy approved and regularly reviewed by the Executive Board. We utilise our risk capacities according to the risk appetite defined in the limit and threshold system. Our actuarial function supports the effective implementation of the risk management system and ensures the establishment of sufficient technical provisions.

Embedded compliance and corporate social responsibility are essential elements of our Group strategy: our sustainability strategy strengthens our commitment to high ESG standards.





Embedded compliance and corporate social responsibility

Our sustainability strategy further strengthens our commitment to high environmental, social and governance (ESG) standards.

Embedded compliance and corporate social responsibility are essential elements of our Group strategy. Beyond conforming to legal requirements, compliance also means to us a Group-wide understanding of ethics and integrity. It is our basic attitude with which we make our business decisions and attend to our customers, investors, employees and other stakeholders. Ethics and integrity are reflected in everything we do and are engraved in our self-image and Code of Conduct.

Corporate social responsibility on the other side, defines our responsibility for the environment and society. It includes all economic and legal responsibilities, and supplements them from ethical and philanthropic perspectives. We provide di-

versified solutions to protect people and their property and to mitigate investment risks. We also cultivate an ongoing dialogue with our primary insurance clients and support them to offer their customers optimally tailored services. Moreover, with our products, we foster risk awareness among the population, companies and primary insurers.

Our sustainability strategy further strengthens our commitment to high ESG standards. Our objectives and targets for essential fields of action – namely transparency, core business, employees and commitment – are set out in detail in our Sustainability Strategy 2021–2023.



