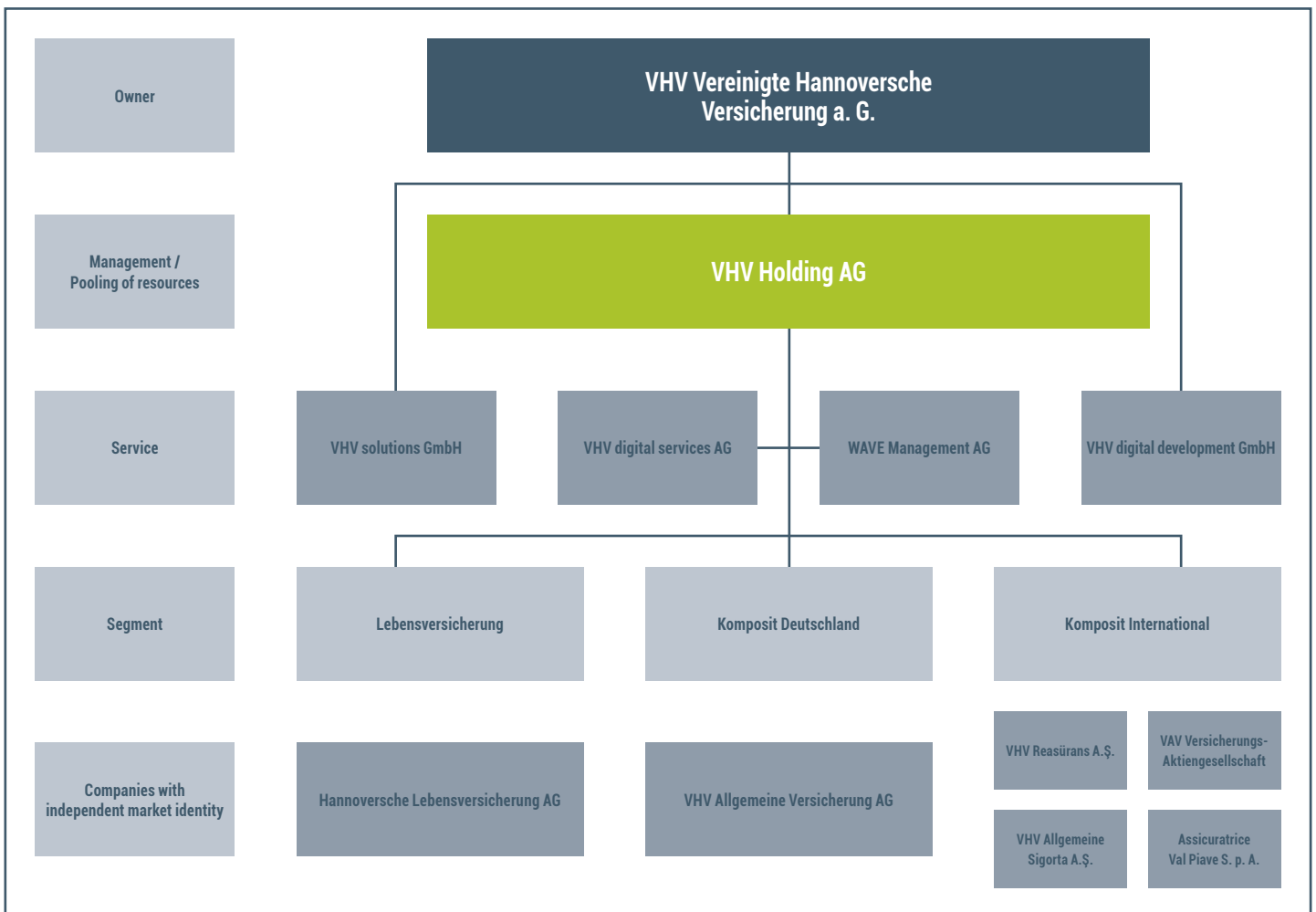


ANNUAL REPORT 2023

GROUP STRUCTURE^{*)}

KEY COMPANIES AS AT 31 DECEMBER 2023



^{*)} The glossary applies to all the annual reports produced by the German insurance companies of the VHV Group including the consolidated annual report and is a component of the respective management report.

ANNUAL REPORT 2023

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The annual report of the VHV Group is also available in German. The German version applies.

PREFACE

Ladies and Gentlemen,

In 2023, the insurance industry was heavily affected by global political tensions and megatrends – such as changing prices and interest rates, further accelerated digitalisation and increased competition for skilled workers on the jobs market – trends that in the international and national insurance environment have proven to be increasingly challenging for the VHV Group in its main business segments of motor vehicle insurance, construction and biometrics in the past fiscal year and will remain so in the future. The year was also marked by an unusually high number of natural hazard events and natural disasters, such as the earthquake in Turkey and Syria, as well as numerous natural events in our business regions, including Austria, Italy and Germany.

Our core markets are also exposed to changing dynamics and are continuing to evolve. The motor vehicle insurance market came under considerable pressure in both the private and commercial sectors during the reporting period due to price increases and significant claims inflation. It was a nuanced picture for the construction sector. Although residential construction slumped, investment in infrastructure – a very important area for us – remained comparatively high. The latter in particular is crucial for our insurance business both in Germany and in our international markets in Turkey, Austria, Italy and France. With regard to life insurance, the market remained weaker throughout the year in the pension and savings segments as people significantly tightened their belts, while the disability sector posted an increasing demand compared with the previous year both at mid-year and at year-end.

Further successful business performance

Despite all the external pressures, our core business segments of motor vehicle insurance, construction and biometrics continued to do well in 2023:

We are active in the motor vehicle segment in Germany, Austria and Italy. In Germany especially, we are one of the most important providers on the market thanks to our long-standing, close, and trust-based collaboration in broker distribution. To effectively counter price and claims inflation, we adjusted motor insurance prices throughout the year accordingly and therefore fulfilled our mandate to act proactively in the interests of the insured community.



Thomas Voigt, Chairman of the Board of Directors

The VHV Group is also a leading insurer in the construction industry, partly owing to its long-standing presence, efficiency and unique network. We once again demonstrated our extensive expertise in the national and international markets and build on our business volumes, especially with infrastructure projects. As a construction insurer, we are also a key supporter of the transition to a climate-neutral Europe and Germany. Our activities include insuring wind turbines, photovoltaic systems and providing support with the energy-efficient renovation of old buildings. To mitigate construction defects and building damage, we are also committed to prevention, for example with the VHV building damage reports.

At Hannoversche Lebensversicherung, we are working hard to transform ourselves from a direct insurer specialising in term life insurance to a multi-channel biometric insurer. As the market leader in the term life insurance field, we further increased the number of contracts in our portfolio. We were very successful in attracting new business in the self-employed occupational disability insurance segment in the intermediary market.

We would like to take this opportunity to thank all of our employees for their strong dedication to their work in 2023, which will also be vital in 2024 if we are to achieve our ambitious goals together.

Honing the Group strategy for sustainable growth

In the 2023 fiscal year, we honed and made further improvements to our Group strategy and aligned it with identifiable future and current developments. Our strong foundation is and remains our long-term corporate strategy, which is focused on stability and strength from within, attractiveness as an employer and the incorporation of sustainability goals. This forms the basis for our core business, which consists of underwriting excellence, investing and robust and effective Group functions. Our focused approach on channels and customers, cost discipline and efficiency, technological excellence and end-to-end process excellence are some of the pillars upon which our success here is based. We are committed to a structure in which our umbrella company is a mutual insurance association. We are also meeting the challenges we face with a more targeted Group strategy. This will make a significant contribution to further strengthening our competitive position in a persistently challenging market environment and to work together so that our VHV Group remains successful in the years ahead.

Outlook for 2024

We anticipate the market environment will remain challenging in the 2024 fiscal year, but are cautiously optimistic. Because we are focused on clearly defined business segments where we have been established for years, with excellent products and services, motivated employees and good relationships with our sales partners, we are very well positioned, even for a difficult environment. The Board of Directors is confident it will be able to achieve the economically ambitious targets it has set.

Kind regards
on behalf of all members of the Board of Directors
and managing directors

Thomas Voigt
CEO/Chairman of the Board of Directors
VHV Vereinigte Hannoversche Versicherung a. G.

LIST OF ABBREVIATIONS

AG	Aktiengesellschaft (stock corporation)
AGV	Arbeitgeberverband der Versicherungsunternehmen in Deutschland e. V.
AIRR	Additional interest rate reserve
AktG	German Stock Corporation Act
ALM	Asset liability management
AltZertG	Act on the certification of retirement and basic pension plans (Pension Plan Certification Act)
A.Ş.	Anonim Şirket
BaFin	German Federal Financial Supervisory Authority, Bonn and Frankfurt am Main
BGB	German Civil Code
BGBI	German Federal Law Gazette
CCA	Climate change adaptation
CCM	Climate Change Mitigation
CMS	Compliance-Management-System
CRO	Chief Risk Officer
CSRD	Corporate Sustainability Reporting Directive
DAV	Deutsche Aktuarvereinigung e.V. (German Actuarial Society), Cologne
DAX	German stock index
DeckRV	Ordinance on the calculation basis for actuarial reserves (German Actuarial Reserve Ordinance)
Deutsche Bahn	Deutsche Bahn AG, Berlin
ECB	European Central Bank, Frankfurt am Main
EEC	European Economic Community
EGHGB	Introductory Act to the German Commercial Code
EIOPA	European Insurance and Occupational Pensions Authority, Frankfurt am Main
ESG	Sustainability criteria (environment, social, governance)
ESGC	ESG Committee
ESRS	European Sustainability Reporting Standards
EStG	Income Tax Act

LIST OF ABBREVIATIONS

EU	European Union
Eucon GmbH	Eucon GmbH, Münster
EUR'000	Thousand euros
e. V.	eingetragener Verein (registered association)
Fed	Federal Reserve System
FMA	Austrian Financial Market Authority, Vienna
FNG	Sustainable Investment Forum
GDP	Gross domestic product
GDV	Gesamtverband der Deutschen Versicherungswirtschaft e. V. (German Insurance Association), Berlin
GmbH	Gesellschaft mit beschränkter Haftung (limited liability company)
HDB	Hauptverband der Deutschen Bauindustrie e. V. (German Construction Industry Federation), Berlin
HGB	German Commercial Code
HL	Hannoversche Lebensversicherung AG, Hanover
HRB	Commercial register section B
HUR	Liability and accident annuities
IBR	Internal investment guidelines
ICS	Internal control system
IDD	Insurance Distribution Directive
IDW	Institut der Wirtschaftsprüfer (Institute of Public Auditors in Germany)
IE	Infrastructure equity
ILO	International Labour Organization
InterEurope AG	InterEurope AG European Law Service, Düsseldorf
InterEurope Beteiligung	InterEurope Beteiligung GmbH, Hanover
IRCF	Independent risk controlling function
ISO	International Organization for Standardization
IT	Information technology
KfW	Kreditanstalt für Wiederaufbau, Frankfurt am Main

LIST OF ABBREVIATIONS

KPI	Key Performance Indicator
LkSG	Lieferkettensorgfaltspflichtengesetz (Supply Chain Due Diligence Act)
MGA	Managing General Agent
NGFS	Network for Greening the Financial System
ORSA	Own Risk and Solvency Assessment
PE	Private equity
Pensionskasse	Pensionskasse der VHV-Versicherungen, Hanover
PLC	Property, liability and casualty insurance
PLCT	Property, liability, casualty and technical insurance
PRI	Principles for Responsible Investment
PSI	Principles for Sustainable Insurance
R. C. Décennale	Responsabilité Civile Décennale
RechVersV	Ordinance on accounting by insurance companies (German Insurance Companies Accounts Regulations)
RfB	Reserves for premium refunds
S.p.A.	Società per azioni (public limited company)
S.r.l.	Società a responsabilità limitata
S&P	Standard & Poor's
SDG	Sustainable Development Goals
SE	Societas Europaea (European public limited liability company)
SICAV	Société d'investissement à capital variable
SIF	Specialised Investment Fund
SMEs	Small and medium-sized enterprises
SWRV	Austrian Equalisation Reserve Regulation
US	United States
USA	United States of America
USD	US dollar
VAG	Act on the supervision of insurance companies (Insurance Supervisory Act)

LIST OF ABBREVIATIONS

Val Piave	Val Piave S.p.A., Belluno/Italy
VAV	VAV Versicherungs-Aktiengesellschaft, Vienna/Austria
VHV a. G.	VHV Vereinigte Hannoversche Versicherung a. G., Hanover
VHV Allgemeine	VHV Allgemeine Versicherung AG, Hanover
VHV Assurance France	VHV Assurance France, Paris/France
VHV digital services	VHV digital services AG, Hanover
VHV Group	VHV Vereinigte Hannoversche Versicherung a. G./Group, Hanover
VHV Holding	VHV Holding AG, Hanover
VHV International	VHV International SE, Hanover
VHV Re	VHV Reasürans A.Ş., Istanbul/Turkey
VHV Sigorta	VHV Allgemeine Sigorta A.Ş., Istanbul/Turkey
VHV solutions	VHV solutions GmbH, Hanover
VMF	Actuarial Function
VVG	Act on insurance contracts (Insurance Contract Act)
VVH	VVH Versicherungsvermittlung Hannover GmbH, Hanover
WAVE	WAVE Management AG, Hanover
ZDB	Zentralverband des Deutschen Baugewerbes e. V. (Central Association of the German Construction Industry), Berlin

GLOSSARY^{*)}

A

Actuarial interest rate

The actuarial interest rate is a calculation basis for calculating premiums and the actuarial reserves in life insurance. The maximum permissible actuarial interest rate for actuarial reserves in new business is established in the DeckRV.

Actuarial reserve

Actuarial reserves are the obligations resulting from the life assurance contract or another contract offering long-term insurance protection.

Additional interest rate reserve

Additional reserve prescribed by law for life insurers that provides for a forward-looking increase in reserves with regard to periods of low interest income. The amount of the additional interest rate reserve depends on a reference interest rate. If the reference interest rate falls below a contract's actuarial interest rate, an additional interest rate reserve is created. If the reference interest rate increases, the additional interest rate reserve is gradually reversed. The method for calculating the reference interest rate is stipulated by the German Actuarial Reserve Ordinance (DeckRV).

Annual Premium Equivalent

Total of continuous new business premiums and a tenth of the new business one-off premiums.

Availability by phone

Availability by phone is the ratio of telephone calls answered to incoming calls.

Average claims expenditure

The average claims expenditure is the ratio of claims expenses to the claims registered.

Average premium

The average premium is the ratio of premiums earned to the number of contracts at the year-end.

B

Basic participation in valuation reserves

The basic participation in valuation reserves is part of the policy holders' surplus allocation in life insurance. The basic participation is the declared minimum participation in the valuation reserve.

Business-year claims expenditure

The business-year claims expenditure is the total claims expenditure including claims settlement expenses for claims incurred in the financial year including unknown late claims.

Business-year claims ratio

The business-year claims ratio is the ratio of business-year claims expenditure to premiums earned expressed as a percentage.

C

Cancellation rate

The cancellation rate indicates the percentage of insurance companies' contracts cancelled or exempted from payment of premiums before the end of the contract.

Claims frequency

Ratio of the number of business-year claims reported to the average number of contracts as at 1 January and as at 31 December of the financial year.

Claims ratio

Ratio of expenses for insurance claims to premiums earned.

Combined ratio

The combined ratio is the ratio of expenses for insurance operations and claims expenses (including processing) to premiums earned.

Current average interest

Current average interest is defined as the ratio of current income from investments less current expenses for investments to the average investments at the beginning of the year and at the year-end.

^{*)} The glossary applies to all the annual reports produced by the German insurance companies of the VHV Group including the consolidated annual report and is a component of the respective management report.

Current income from investments

Current income from investments refers to ordinary earnings such as dividends, coupon payments and interest. Other income from investments, which is realised through reversals or the sale of securities, is not covered by this definition.

D**Deposit accounts receivable/payable**

Deposit of collateral with the primary insurer by the reinsurer.

Direct deposit

Form of surplus allocation for policy holders where the amounts are paid out directly from the net profit for the year and allocated to policy holders without their being previously allocated to the reserve for premium refunds.

Direct-written insurance transactions

Insurance transactions concluded directly with the policy holder.

E**Effective interest rate method**

Discounting the expected cash flows over the entire lifecycle of a financial asset or a financial liability at the effective interest rate.

Equalisation reserve

Technical reserve in property-casualty insurance and in reinsurance that is created to offset volatilities in the development of claims in the annual financial statements prepared in accordance with German commercial law.

Equity exposure

Equity exposure is the ratio of equities held taking into account any equity derivatives and the total portfolio of investments at market value.

Expense ratio

The expense ratio corresponds to the ratio of the personnel and non-labour costs to the gross premiums.

Expenses for insurance claims

Expenses for insurance claims comprises the payments made in the fiscal year for insurance claims and the change in the reserve for insurance claims not yet processed.

Expenses for insurance operations

Expenses that an insurance company incurs in connection with the operation of its insurance business. The expenses shown relate to either the conclusion or the administration of insurance transactions.

F**Final surplus share**

The final surplus share refers to the policy holders' surplus allocation in life insurance, which is not granted until the end of the term of the insurance contract. The final amount is not definite until the year in which the contract ends and may be subject to considerable fluctuation in the preceding years.

G**Gross domestic product (GDP)**

The gross domestic product shows the total value of all goods and services that were produced in one year within the boundaries of a national economy and are used for final consumption. Goods that are not used directly but are warehoused are taken into account in the calculation as changes in inventories.

Gross new investment

The total additions to a balance sheet item within a financial year are described as gross new investment.

Guarantee assets

Portion of an insurance company's assets that serves to secure policy holders' claims in the event of insolvency.

H**Hidden reserves**

Components of companies' equity that are not visible from the balance sheet and which can arise from assets being undervalued and liabilities being overvalued.

GLOSSARY

I

Insurance transactions assumed in reinsurance coverage

Insurance transactions assumed from a primary insurer or reinsurer in reinsurance coverage.

M

Management expense ratio

The management expense ratio is the ratio of management expenses to gross premiums earned.

Management expenses

All expenses incurred for the ongoing management of the insurance portfolio.

N

Net asset value (NAV)

Value of all the tangible and intangible assets of a company or investment fund less all liabilities.

Net interest

Net interest is defined as the ratio of all income from investments less expenses for investments and the average investments at the beginning of the year and at the year-end.

Net result from investments

Income from investments less expenses for investments produces the net result.

Non-technical result

The balance of income and expenses that cannot be directly attributed to insurance transactions.

O

Operating costs ratio

The operating costs ratio is the ratio of gross operating expenses (expenses for insurance operations) to gross premiums earned expressed as a percentage.

Own funds

Total of the free and unencumbered assets used to cover the solvency and minimum capital requirements.

P

Premiums

Premiums written represent gross sales in premium business and contain customers' premiums for the corresponding insurance products. Premiums earned contains the premiums attributable to the fiscal year plus premiums carried forward from the previous year and less premiums carried forward to subsequent years.

Processed/reported claims ratio

The processed/reported claims ratio is the ratio of the expenses incurred in the fiscal year for insurance claims, including expenses arising from the processing of insurance claims that accrued in previous years, to premiums earned expressed as a percentage.

Productivity

Productivity corresponds to the ratio of processed contracts to internal and external employment levels.

Profit segmentation

In the profit segmentation, unadjusted earnings are allocated according to their sources. Consequently, the profit segmentation provides information as to the source of the surplus as part of a product costing analysis. Here, the actual business development is compared with the input variables used to set the premium for each source of earnings.

Projected unit credit method

This is an actuarial measurement method for obligations from occupational pensions where only the part of the obligation that has already accrued at each measurement date is measured.

R

Real estate ratio

The real estate ratio is the ratio of all real estate investments to the total volume of investments.

Reinsurance

Contract or contracts that have the object of transferring technical risk and which a (primary) insurance company concludes with another insurance company.

Reserve for insurance claims not yet processed

This is a technical reserve. It is created for claims that have occurred by the balance sheet closing date but which have not yet been processed.

Reserves for premium refunds

This is a technical reserve that shows policy holders' claims to future surplus allocations if sufficient surpluses have already arisen or the company has legal obligations irrespective of whether surpluses have arisen or not.

Retention ratio

Ratio of net premiums written to gross premiums written.

Risk-bearing capacity

Risk-bearing capacity is a company's ability to cover unexpected losses resulting from risks assumed with the defined level of security. If own funds exceed the risk capital required, the company has the necessary risk-bearing capacity. Risk-bearing capacity is defined via the coverage of the risk capital required by own funds.

S**Settlement**

Settlement is the difference between the claims reserves created in previous years and the claim payments made in the reporting year as well as new claims reserves created in the reporting year.

Solvency

Solvency is an insurance company's endowment of resources that serve to cover the risks of insurance transactions and consequently to secure policy holders' claims even in the event of unfavourable developments.

Solvency II

Solvency II is the current supervisory regime that among other things defines enhanced solvency requirements for insurance companies/groups based on a comprehensive risk assessment. The starting point is the solvency balance sheet, in which assets and liabilities must be recognised at fair value. In addition, Solvency II comprises extensive qualitative requirements for the governance system and enhanced reporting obligations for insurance companies/groups.

Strategic asset allocation

Strategic asset allocation refers to the target weighting of the individual investment categories. The strategic asset allocation ensures that sufficient account is taken of the long-term objectives for the specific structure of the portfolio.

T**Target amount of the equalisation reserve**

The target amount of the equalisation reserve is the upper limit for the creation of or allocation to an equalisation reserve.

Technical result

The technical result is the difference between income and expenses solely from insurance transactions.

Transaction costs ratio

The transaction costs ratio is the ratio of transaction expenses to the total premium of new business.

Transaction expenses

Transaction expenses are the expenses resulting directly or indirectly from the conclusion of an insurance contract.

Turnover rate

The turnover rate calculates the proportion of employees who leave the company each year compared with the average headcount.

U**Unadjusted earnings**

Surplus of income over expenses before allocation to the reserve for premium refunds and the direct deposits as well as the reserves and dividends in life insurance.

Unearned premiums

Unearned premiums are premiums for a specific period after the balance sheet closing date. A technical reserve is created for these in the annual financial statements.

Unisex

Insurance tariff that disregards the gender of the policy holder in the risk assessment.

GLOSSARY

Unit costs

Unit costs correspond to the ratio of the personnel and non-labour costs incurred to the contracts processed.

V

Value-at-risk (VaR)

Specific measure of risk with applications in the area of financial risks (risk), particularly insurance sector risks. Starting from a fixed time interval and a specified probability of default (confidence level), the VaR of a financial item is the amount of the loss that will not be exceeded with the specified probability.

Z

Zillmerisation

Zillmerisation is an actuarial procedure for including transaction costs in life insurance that have been incurred but not yet repaid. In the case of a zillmerised tariff, this means the actuarial reserves in the first insurance years may be extremely low or even negative.

CONSOLIDATED MANAGEMENT REPORT

VHV VEREINIGTE HANNOVERSCHE VERSICHERUNG a. G.

As the Group parent company, VHV a. G. hereby presents the consolidated financial statements and the consolidated management report dated 31 December 2023.

GROUP'S BUSINESS MODEL

The VHV Group is a group of specialists for insurance policies, provisions and assets with a history dating back 100 years. Its customers and sales partners are at the centre of the VHV Group's strategy. The parent company of the VHV Group is organised as a mutual insurance association. This form of organisation allows the company to strive for sustainable, profitable growth and not to focus its entrepreneurial activities on short-term shareholder value.

Through a constant process of improvement, the VHV Group aims to operate even more flexibly and in a more customer-focused manner on the market than the competition. The VHV Group is characterised by clearly defined business segments, efficient cost management and customer-focused, high-performance products. Customers and sales partners benefit from products and advice with a very good cost/performance ratio.

The companies affiliated with the VHV Group operate independently in clearly defined business segments. VHV Holding controls the Group's strategic development and direction and monitors the progress of the operating units.

The VHV Group's business segments are focused on composite Germany, composite international, life provision and insurance-related services.

Founded in 1875, **Hannoversche Lebensversicherung**, was Germany's first direct insurer, specialises in biometric products and is a multi-channel insurer. Needs-oriented products at competitive prices have always been its strategy and the basis of its success. HL sets great store by an above-average service focus that is seen to be different from the market.

As a special insurer of the construction industry and a car and liability insurer, **VHV Allgemeine** is one of the major German providers of property-casualty insurance. The more than 14,000 intermediaries offer customers tailored insurance solutions at a competitive price.

VAV is the VHV Group's property-casualty insurer on the Austrian market. VAV primarily sells its products via independent intermediaries and is established in the property-casualty segment with a broad range of products.

In the financial year, the VHV Group acquired 91.1 % of **Val Piave**, which operates as a primary insurer in Italy. The company is mainly active in motor vehicle insurance, coverage of risks related to the house and family, and accident insurance.

As a primary insurer, **VHV Allgemeine Sigorta** mainly sells construction and liability insurance in Turkey.

VHV Re writes facultative and treaty reinsurance business in Turkey.

VHV International is as an insurance holding company which manages the international business and sets the strategic framework.

As the central service company, **VHV solutions** bundles all key processes for contract processing and claims handling for VHV Allgemeine.

VHV digital development is responsible for all areas of IT. The IT division, which was previously part of VHV solutions, was spun off to VHV digital development in 2023.

WAVE primarily oversees the investments of the VHV Group. WAVE is distinguished by more than 20 years of expertise in stability- and security-oriented investment.

VHV digital services bundles the insurance-related and digitally oriented business.

The **Eucon Group** supports companies in the automotive, insurance and real estate sectors digitalise their processes, use data to create value and implement digital business models.

The **InterEurope Group** is a service provider for claims handling on behalf of insurance companies throughout Europe.

CONSOLIDATED MANAGEMENT REPORT

WE ENGAGE IN THE FOLLOWING BRANCHES AND TYPES OF INSURANCE BUSINESS:

1. In property-casualty insurance:

ACCIDENT INSURANCE

General accident insurance

Individual accident insurance without premium refund

Complete accident insurance

Insurance for non-work accidents

Aviation accident insurance

Functional disability insurance

Group accident insurance without premium refund

Complete group accident insurance

Partial group accident insurance

Motor vehicle accident insurance

LIABILITY INSURANCE

Personal liability insurance

Business and professional liability insurance

Construction (including architects and structural engineers)

Industry, trade and other business operations

Environmental liability insurance/Environmental damage insurance

Financial losses liability insurance

Radiation and nuclear facility liability insurance

Fire liability insurance

Construction guarantee insurance

Construction completion insurance

R. C. Décennale

Other liability insurance, and liability insurance not classified

MOTOR VEHICLE LIABILITY INSURANCE

OTHER MOTOR VEHICLE INSURANCE

Full motor vehicle insurance

Partial motor vehicle insurance

FIRE AND PROPERTY INSURANCE

Fire insurance

Industrial fire insurance

Other fire insurance

Associated household contents insurance

Associated residential building insurance

Other property insurance

Burglary and theft insurance

Water mains insurance

Glass insurance

Storm insurance

Hail insurance*)

Technical insurance

Machinery breakdown insurance

Assembly insurance

Construction services insurance

Electronics insurance

Weather risk insurance

Extended coverage (EC) insurance

TRANSPORTATION INSURANCE

LOAN AND SURETY INSURANCE

Surety insurance

Commercial credit insurance

LEGAL EXPENSES INSURANCE

TRANSPORTATION SERVICE INSURANCE

OTHER INSURANCE

Business interruption insurance

Business interruption fire insurance

Other business interruption insurance

Other indemnity insurance

Exhibition insurance

Frozen goods insurance

Luggage insurance

Camping insurance

Insurance for loss of rents

Dynamic property insurance

All risks insurance

Cyber risk insurance

Nuclear facility property insurance

LIFE INSURANCE*)

AVIATION INSURANCE*)

*) Only in insurance transactions assumed in reinsurance coverage

Legal expenses insurance is passed on to Neue Rechtsschutz-Versicherungsgesellschaft AG, Mannheim.

2. In life insurance:**LIFE INSURANCE**

Term insurance with fixed sum insured

Partner term insurance with fixed sum insured

Group term insurance with fixed sum insured

Term insurance with decreasing sum insured

Term insurance with redemption plan

Funeral expenses insurance

ANNUITY INSURANCE

Traditional annuity insurance

Traditional basic pension in accordance with section 10 (1) no. 2b of the Income Tax Act (EStG)

Traditional group annuity insurance

Traditional annuity insurance as private pension plan according to AltZertG

Fund-linked annuity insurance

Certificate-linked annuity insurance

INSURANCE FOR INCOME GUARANTEES

Occupational disability insurance

Work incapacity insurance

CAPITALISATION TRANSACTIONS

Investment for one year

Payment plan

SUPPLEMENTARY INSURANCE

Accidental death supplementary insurance

Supplementary work incapacity insurance

Supplementary survivors' annuity insurance

CONSOLIDATED MANAGEMENT REPORT

REPORT ON ECONOMIC POSITION

Macroeconomic trends

In 2023, the global economy was caught between persistently high but declining inflation rates and a slowdown in economic momentum. Global GDP growth slowed to 3.1 % in 2023 after 3.5 % in the previous year. US GDP grew by 2.5 % in 2023, while eurozone GDP increased by 0.1 %. Germany was, however, in recession. Economic output in the country shrank by 0.3 %, significantly weaker than with France (+0.7 %), Italy (+0.5 %) and Spain (+2.0 %). The Turkish economy was buffeted by high inflation and a weak national currency.

Japan and China – the two leading Asian economies – reported GDP growth of 1.9 % and 5.2 %, respectively, for 2023.

Inflation remained elevated in 2023, but declined overall, largely thanks to falling energy prices. The eurozone recorded an inflation rate of 5.4 % for the year as a whole, while Germany's averaged 5.9 %. Prices went up by similar rates in France (+5.7 %), Italy (+5.7 %) and Spain (+3.4 %). The US inflation rate fell to 3.4 %. Core inflation in the eurozone – excluding energy and food – was 3.4 % at the end of the year compared with the same month of the previous year.

Capital markets

To curb inflation, central banks kept monetary policy restrictive in reporting year 2023. The ECB raised its key interest rate for the euro area by a total of 200 basis points in several steps over the course of the year. The yield on ten-year German government bonds was initially volatile, rising from 2.57 % to more than 3 % at times. But by the end of the year, however, yields had fallen back to 2.02 % due to emerging expectations of interest rate cuts. The yield on two-year German government bonds decreased from 2.76 % to 2.40 % over the course of the year. As a result, the yield curve remained inverted. The yield on ten-year US government bonds hovered between 3.25 % and 5.02 %. By the end of the year, ten-year US government bonds were yielding 3.88 %, almost unchanged on the end of the previous year.

Global stock markets predominantly closed 2023 in positive territory. The DAX – Germany's leading index – rose by 20.3 %, while the Euro-Stoxx50 – its European counterpart – closed 19.2 % higher. The Dow Jones Industrial and S&P 500 – the US' leading indices – closed the period up 13.7 % and 24.2 % respectively.

The euro appreciated against the US dollar from USD 1.07 at the beginning of the year to USD 1.10 at the end.

Insurance sector environment

According to the projection published by the German Insurance Association (GDV) as at November, premium growth of 6.7 % and a decrease in business-year claims expenditure of 12.7 % can be expected in direct property-casualty insurance transactions in Germany in the 2023 financial year.

The combined ratio is expected to be around 98 % for the 2023 financial year and thus higher than in the previous year.

In motor vehicle insurance, the GDV forecasts growth in premium revenues of 4.1 % and a marked increase in business-year claims expenditure of 13.6 %. The big jump in expenses for insurance claims was due to the motor vehicle liability insurance and, in particular, own vehicle damage segments (motor vehicle liability insurance: +11.5 %, fully comprehensive insurance: +16.5 %, partially comprehensive insurance: +16.5 %). According to GDV, the increase was due to a rise in claims frequency compared with the previous year, and a significant increase in the average number of claims, particularly as a result of high inflation, the continued exceptionally big increases in the prices of motor vehicle spare parts and bottlenecks in garages and car hire. An above-average year for natural hazards is also expected as a result of the hail storms in August 2023. Assuming as almost unchanged settlement result and expense ratio, the GDV forecasts that motor vehicle insurance as a whole would see a technical result of around EUR –2.9 million (previous year: around EUR –400 billion) and a combined ratio of 110 % (previous year: 101.2 %).

With regard to property insurance, in particular due to the big jump in inflation indices in the previous year and the resulting adjustments to sums insured, and in general liability insurance, partly on account of rising wages and turnover, the GDV expects a significant increase in premium revenues of 13.3 % and 3.0 % respectively. With regard to general accident insurance, however, premium revenues are forecast to stagnate in 2023 with the number of contracts also declining. Claims expenditure in property insurance is expected to increase by a significant 15.2 % in 2023, partly owing to the big jump in inflation and a year-on-year increase in the average cost of major fire claims. However, the GDV predicts a slightly improved combined ratio of 96 % (previous year: 97.5 %) due to the strong increase in premium revenues.

In loan, surety and fidelity insurance, a substantially higher combined ratio of 82 % (previous year: 67.7 %) is expected for 2023 despite a 5.0 % increase in premium revenues. The GDV points to rising insolvency figures, which lead to a sharp increase in expenses for insurance claims (+44.0 %).

As a special insurer of the construction industry, VHV Group has a keen interest in the economic situation and development of the construction industry. According to their statistical projections as of September, the German construction industry and German construction trades are forecasting growth in sales of 1.4 % in 2023, although this is set to be accompanied by an above-average increase of 7 % in the price of construction services over the course of the year. In residential construction, sales are expected to decrease by 4.3 % overall in 2023. Compared with the previous year, sales are expected to increase by 4.7 % in commercial construction and by 5.1 % in public sector construction.

According to preliminary figures published by the GDV in January 2024, gross premiums written in life insurance declined in the 2023 financial year. A downward trend in contracts is emerging compared with the level in 2023, whereas regular premiums for one year remained constant.

Gross premiums written declined by 4.0 % compared with 2022 to EUR 89.0 billion, of which EUR 64.3 billion related to regular premiums (-0.0 %) and EUR 24.8 billion to one-off premiums (-13.1 %). The number of new insurance contracts fell slightly by 0.6 % year on year to 4.4 million. The regular premiums for one year for these new contracts rose by 4.3 % to EUR 6.4 billion. One-off premiums paid declined by 13.6 % to EUR 24.4 billion.

The number of eligible new Riester contracts fell by 68.9 % compared with 2023 to 40 thousand contracts. The regular premiums for all new Riester pensions went down to EUR 0.2 billion (-20.0 %). The vast majority of the Riester contracts 79.5 % (previous year: 88.5 %) were concluded as individual hybrid insurance policies with guarantee, a further 6.0 % (previous year: 7.2 %) were concluded as traditional individual insurance policies, and only 0.4 % (previous year: 0.1 %) were concluded as wholly fund-linked individual annuity insurance policies. Group Riester contracts rose to a 14.1 % share of new business (previous year: 4.2 %).

0.1 million basic annuities were newly concluded in 2023 (+14.0 %). With a significant increase in the number of contracts of around 89,000 (previous year: 45,000), capitalisation transactions (including tontine policies) again made a significant contribution of EUR 7.3 billion (or 35.9 %) to insurers' new one-off premiums.

In terms of the annual premium equivalent, annuity insurance generated 67.0 % of the total new business of life insurers (previous year: 70.2 %).

Group performance

- As expected, consolidated net income in the financial year was higher than in the previous year
- As the largest insurance company in the property-casualty insurance segment, VHV Allgemeine achieved portfolio growth slightly below the market average with premium growth slightly above the market average, taking into account the composition of its portfolio
- In life insurance, contract numbers and regular premiums declined year on year due to new term life insurance business volumes that were lower than forecast and down on the previous year. Growth in existing contracts was above the market average and regular premiums up slightly on the previous year
- The net interest return on investments was slightly lower than in the previous year. Interest rate developments meant that hidden reserves were considerably higher than forecast and the previous year.
- Work on the major IT-related company projects were continued and concluded in the past financial year with extensive and detailed planning and implementation measures.

The Group reported consolidated net income for the financial year of EUR 211.2 million (previous year: EUR 177.0 million). This meant that the company's financial resources were also strengthened further in the interests of our policy holders.

In property-casualty insurance business, a technical result for own account of EUR 68.2 million (previous year: EUR 141.4 million) was achieved. The decrease was primarily due to the result generated by VHV Allgemeine and VAV.

The increase in the number of insurance contracts at VHV Allgemeine accompanied by a higher increase in premiums

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and average premiums was in line with our expectations. The operating result was slightly higher than in the previous year, which was in line with our expectations.

For Austrian VAV, the 2023 financial year was one of strong growth in new contracts and customer relationships. It was also marked by a highly inflationary environment in particular (7.8 % in 2023), and an increase in reported claims led to a significant rise in average expenses for insurance claims and, in combination with a high charge from natural disasters and major claims, to a decline in the operating result from EUR 10.8 million in the previous year to EUR 1.3 million, below the company's targets.

The financial year for VHV Re and VHV Sigorta was marked by premium growth in line with the previous year's expectations. Claims expenditure for the two Turkish insurers increased significantly compared with the previous year. This was mainly attributable to natural hazards resulting from an earthquake event in the financial year.

The life insurance business closed with a technical result of EUR 97.5 million (previous year: EUR 90.1 million). This was primarily attributable to the improved result of HL.

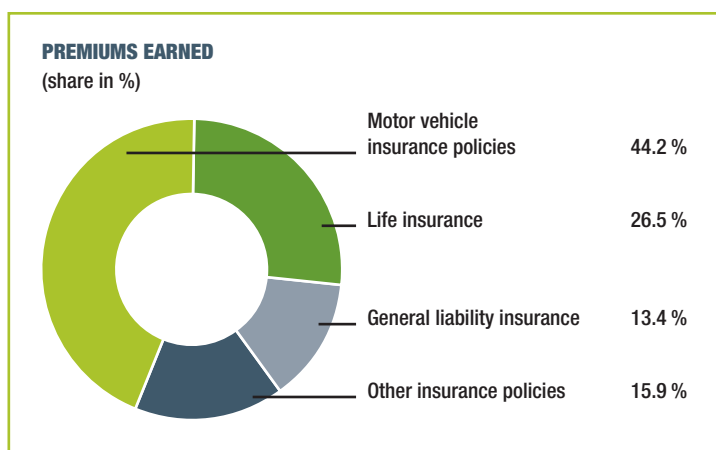
In total, the technical result for own account was EUR 165.8 million (previous year: EUR 231.5 million).

PORTFOLIO DEVELOPMENT FOR DIRECT-WRITTEN INSURANCE TRANSACTIONS

	NUMBER OF CONTRACTS			PREMIUMS EARNED		
	31.12.2023 Number	31.12.2022 Number	Change	2023 EUR'000	2022 EUR'000	Change
Accident insurance	675,928	586,364	15.3 %	66,487	58,927	12.8 %
Liability insurance	1,729,536	1,712,081	1.0 %	503,674	465,187	8.3 %
Motor vehicle liability insurance	3,676,519	3,628,927	1.3 %	997,754	953,057	4.7 %
Other motor vehicle insurance	2,895,518	2,892,388	0.1 %	683,108	650,368	5.0 %
Fire and property insurance	1,123,206	1,086,568	3.4 %	335,388	265,166	26.5 %
of which:						
Associated household contents insurance	487,949	491,349	-0.7 %	55,105	51,938	6.1 %
Associated residential building insurance	125,397	151,350	-17.1 %	78,490	63,925	22.8 %
Other property insurance	402,492	386,702	4.1 %	158,155	116,324	36.0 %
of which: Technical insurance	112,316	97,315	15.4 %	101,756	76,602	32.8 %
Loan and surety insurance	63,829	63,957	-0.2 %	117,066	111,526	5.0 %
Legal expenses insurance	37,251	36,960	0.8 %	5,240	4,610	13.7 %
Transportation service insurance	1,417,891	1,383,380	2.5 %	15,224	14,079	8.1 %
Other insurance	82,238	77,928	5.5 %	22,696	14,073	61.3 %
Total property-casualty	11,701,916	11,468,553	2.0 %	2,746,636	2,536,993	8.3 %
Total life insurance	1,126,568	1,113,935	1.1 %	1,044,802	1,054,609	-0.9 %
Total for the VHV Group	12,828,484	12,582,488	2.0 %	3,791,438	3,591,602	5.6 %

RESULTS OF OPERATIONS

Gross premiums earned for the Group amounted to a total of EUR 3,940.2 million (previous year: EUR 3,720.8 million).



Gross premiums earned were generated in the amount of EUR 3,791.0 million. (previous year: EUR 3,591.6 million) in direct-written insurance transactions and EUR 149.2 million (previous year: EUR 129.2 million) in insurance transactions assumed in reinsurance coverage. Including the reinsurance premiums ceded of EUR 189.2 million (previous year: EUR 156.9 million), the premiums for own account amounted to EUR 3,751.0 million (previous year: EUR 3,563.9 million). The retention ratio in relation to the premium written was 95.1 % (previous year: 95.8 %).

Gross claims expenses totalled EUR 3,345.4 million in the financial year (previous year: EUR 2,952.1 million), resulting in a reported claims ratio for the Group of 84.9 % (previous year: 79.3 %) in relation to gross premiums earned.

Expenses for the Group's insurance operations amounted to 19.2 % of gross premiums earned (previous year: 18.2 %).

The net result from investments (including certificate and fund-linked insurance policies) amounted to EUR 530.5 million (previous year: EUR 560.2 million), resulting in net interest of 3.1 % (previous year: 3.2 %). Current average interest increased to 3.2 % (previous year: 3.1 %).

Current income from investments increased by 1.4 % to EUR 579.8 million (previous year: EUR 571.6 million). This increase was mainly due to income from investment assets, which at EUR 109.7 million was much higher than in the previous year (previous year: EUR 60.9 million), which more than offset the EUR 35.6 million decrease in income from miscellaneous investments to EUR 226.9 million.

Gains from the divestiture of investments decreased in comparison with the previous year, from EUR 39.5 million to EUR 32.3 million.

At EUR 34.1 million, losses from the divestiture of investments were EUR 32.1 million higher than in the previous year.

Additions declined by EUR 2.6 million to EUR 2.0 million, while write-downs also decreased by EUR 0.9 million to EUR 24.6 million.

Write-downs in the amount of EUR 793.9 million (previous year: EUR 1,260.9 million) were avoided due to the valuation of investment assets and bearer bonds with a total carrying amount of EUR 10,773.5 million (previous year: EUR 10,953.1 million) as non-current assets in accordance with section 341b (2) HGB in conjunction with section 253 (3) sentence 5 HGB (moderate lower of cost or market principle).

PERFORMANCE IN PROPERTY-CASUALTY INSURANCE TRANSACTIONS

The figures on the business development are based on gross amounts (before reinsurance) unless stated otherwise.

Premiums earned in property-casualty insurance transactions totalled EUR 2,895.4 million (previous year: EUR 2,666.2 million). Of this figure, EUR 2,746.2 million related to direct-written insurance transactions (previous year: EUR 2,537.0 million) and EUR 149.2 million to transactions assumed in reinsurance coverage (previous year: EUR 129.2 million).

Net premiums earned for own account for the overall business increased by 7.9 % year on year to EUR 2,713.6 million (previous year: EUR 2,516.2 million).

The reported claims ratio in direct-written insurance transactions increased from 74.6 % in the previous year to 77.8 %. Although we anticipated an increase in expenses for insurance claims, the extent of this development was higher than expected due to a sharp rise in the number of claims.

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In the financial year, the operating costs ratio of direct-written insurance transactions increased from 21.8 % in the previous year to 22.3 %. This was due in part to the higher management expense ratio.

Taking into account the increase in the business-year claims ratio, the combined ratio in direct-written insurance transactions increased from 96.4 % in the previous year to 100.0 % in the financial year.

Overall, the direct-written insurance transactions closed with a technical result of EUR 127.4 million (previous year: EUR 171.1 million). Regarding the individual classes and types of insurance for direct-written insurance transactions, the following is reported (not including the investment income generated in the division or any consolidation effects that are negligible for this purpose):

Accident insurance

In accident insurance, the number of contracts increased by 15.3 % to 675,928 (previous year: 586,364). In addition, the positive premium growth of previous years continued thanks to competitive products. Premiums earned increased by 12.8 % (previous year: 11.4 %) to EUR 66.5 million (previous year: EUR 58.9 million), thereby meeting our expectations.

Claims expenditure decreased by 11.1 %. The reported claims ratio improved by 10.1 percentage points to 37.8 % (previous year: 47.9 %). Taking into account a slightly improved operating costs ratio, the combined ratio amounted to 78.0 % (previous year: 84.8 %).

Following a withdrawal from the equalisation reserve of EUR 2.7 thousand (previous year: addition of EUR 885 thousand), a technical result for own account of EUR 16.4 million (previous year: EUR 7.5 million) was recorded.

General liability insurance

The number of contracts for general liability insurance increased by 1.0 %, from 1,712,081 in the previous year to 1,729,536 in the financial year.

Premiums earned were again increased by a total of 8.3 % (previous year: 7.1 %) to EUR 503.7 million (previous year: EUR 465.2 million), which was above our expectations. This was due to rising sales, wage and fee totals and targeted portfolio-related measures.

In contrast to the growth in premiums, claims expenses fell by 4.2 %. The reported claims ratio improved by 7.6 percentage points to 59.3 % (previous year: 66.9 %). Taking into account an almost constant operating costs ratio, the combined ratio amounted to 89.9 % (previous year: 97.5 %).

Following a withdrawal from the equalisation reserve of EUR 9.2 million (previous year: EUR 21.0 million), a technical result for own account of EUR 60.2 million (previous year: EUR 0.7 million) was recorded.

Motor vehicle insurance policies

The number of insurance contracts in the motor vehicle segment (including motor vehicle accident and transportation service insurance) rose by 1.7 % year on year to 8,376,731.

Premiums earned increased by 4.8 % (previous year: 0.8 %) to EUR 1,702.4 million. Average premiums in the main motor vehicle accident insurance lines thus rose slightly compared with the previous year.

Due to the higher speed of settlement in motor vehicle insurance, the sharp rise in inflation already had a significant impact on payments in the financial year.

Motor vehicle liability insurance

In motor vehicle liability insurance, the number of contracts increased by 1.3 % (previous year: 0.4 %) from 3,628,927 to 3,676,519.

Premiums earned increased by 4.7 % (previous year: 0.1 %), from EUR 953.1 million in the previous year to EUR 997.8 million in the financial year.

Claims expenditure increased by 10.9 % year on year. Average claims expenditure increased by 9.4 % year on year (previous year: 18.4 %). Accordingly, the reported claims ratio rose by 4.4 percentage points to 77.8 % (previous year: 73.4 %). Taking into account a slightly improved operating costs ratio, the combined ratio amounted to 94.5 % (previous year: 89.8 %).

After a withdrawal from the equalisation reserve of EUR 29.1 million (previous year: EUR 40.1 million), the technical result for own account amounted to EUR 81.0 million (previous year: EUR 130.8 million).

Other motor vehicle insurance

In other motor vehicle insurance, the number of contracts increased by 0.1 %, from 2,892,388 in the previous year to 2,895,518 in the year under review.

The premium growth continued with a rise in premiums earned of 5.0 % (previous year: 1.8 %) to EUR 683.1 million (previous year: EUR 650.4 million). 5.5 % of the increase related to full motor vehicle insurance and 1.3 % to partial motor vehicle insurance.

Claims expenditures increased by 16.4 % year on year. Accordingly, the reported claims ratio deteriorated by 10.5 percentage points to 107.4 % (previous year: 96.9 %). Taking into account an almost constant operating costs ratio, the combined ratio amounted to 124.4 % (previous year: 114.0 %).

As a result of the above developments and a withdrawal from the equalisation reserve of EUR 94.2 million (previous year: EUR 81.7 million), the technical result for own account amounted to EUR -76.7 million (previous year: EUR -15.9 million).

Fire and property insurance

Fire and property insurance includes policies for fire, industrial fire, associated household contents, associated residential buildings, technology, burglary and theft, water mains, storm, glass and extended coverage (EC). Details on associated household contents insurance, associated residential building insurance and technical insurance policies are reported separately.

The number of contracts in the insurance segments not listed separately increased by 18.2 %, from 346,554 in the previous year to 409,781 in the year under review. Premiums earned rose by 37.6 % (previous year: 29.7 %). This was due to significant premium growth in all relevant classes of insurance. This exceeded our expectations and was attributable to demand in France in particular.

Claims expenditure decreased by 12.7 % year on year. This is due to a reduced number of claims under storm insurance and extended coverage (EC) insurance. The reported claims ratio amounted to 61.6 % (previous year: 97.1 %). Taking into account a lower operating costs ratio, the combined ratio amounted to 91.6 % (previous year: 130.3 %).

Following an allocation to the equalisation reserve in the amount of EUR 28.3 million (previous year: EUR 1.6 million), a technical result for own account of EUR -16.6 million (previous year: EUR -20.1 million) was recorded.

Associated household contents insurance

The number of contracts for associated household contents insurance decreased by 0.7 % year on year to 487,949 (previous year: 491,349). Premiums earned again increased by 6.1 % (previous year: 2.9 %), from EUR 51.9 million to EUR 55.1 million, thereby meeting our expectations. This development met our expectations.

Claims expenditure increased by 11.9 % year on year. The reported claims ratio improved by 2.1 percentage points to 40.1 % (previous year: 38.0 %). With a slightly worsened operating costs ratio, the combined ratio amounted to 81.4 % (previous year: 78.0 %).

Taking into account an unchanged equalisation reserve (previous year: withdrawal of EUR 3.3 million), a technical result for own account of EUR 7.4 million (previous year: EUR 12.3 million) was recorded.

Associated residential building insurance

The number of contracts for associated residential building insurance decreased by 17.1 %, from 151,350 in the previous year to 125,397 in the year under review.

The premium growth of previous years continued with a rise in premiums earned of 22.9 % (previous year: 17.2 %) from EUR 63.9 million in the previous year to EUR 78.5 million during the financial year. This was due to premium adjustments. The development was as expected.

Claims expenditure increased by 104.2 % year on year. This was due in particular to higher average claims as a result of inflation-related price increases. As a result, the reported claims ratio deteriorated by 40.8 percentage points to 102.4 % (previous year: 61.6 %). Taking into account a slightly worsened operating costs ratio, the combined ratio amounted to 132.6 % (previous year: 92.6 %).

Following a withdrawal from the equalisation reserve of EUR 3.9 million (previous year: EUR 2.1 million), a technical result for own account of EUR 7.4 million (previous year: EUR -1.4 million) was recorded.

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Technical insurance

The positive development in technical insurance policies was continued in the 2023 financial year, with insurance contract numbers increasing by 15.4 % to 112,316 (previous year: 97,315). Premiums earned increased by 33.0 % (previous year: 22.1 %) to EUR 101.8 million, which met our expectations.

At 64.1 %, the increase in claims expenditure was more pronounced than the growth in premiums. As a result, the reported claims ratio deteriorated to 75.0 % (previous year: 60.8 %). Taking into account a slightly worsened operating costs ratio, the combined ratio amounted to 102.8 % (previous year: 90.1 %).

Following a withdrawal from the equalisation reserve of EUR 1.9 million (previous year: EUR 2.7 million), the remaining technical result amounted to EUR 4.1 million (previous year: EUR 7.3 million).

Loan and surety insurance

In loan and surety insurance, the number of insurance contracts decreased by 0.2 % to 63,829 (previous year: 63,957). The premium growth continued with a rise in premiums earned of 5.0 % (previous year: 6.2 %) to EUR 117.1 million (previous year: EUR 111.5 million). In terms of premium growth, the development was in line with our expectations.

The liability under the surety bonds issued during the financial year increased by 10.7 % to EUR 3,556.6 million. The claims ratio improved by 1.0 percentage points to 21.3 % (previous year: 22.3 %). Taking into account a higher operating costs ratio, the combined ratio amounted to 48.8 % (previous year: 46.1 %).

Following an allocation to the equalisation reserve in the amount of EUR 10.3 million (previous year: EUR 8.6 million), a total technical result for own account totalling EUR 49.8 million (previous year: EUR 50.6 million) was recorded.

Transportation service insurance

The number of contracts increased by 2.5 % year on year to 1,417,891 (previous year: 1,383,380). The premium growth continued with a rise in premiums earned of 8.1 % (previous year: 4.0 %), from EUR 14.1 million in the previous year to EUR 15.2 million in the financial year.

At 27.6 %, the decrease in claims expenditure was more pronounced than the growth in premiums. As a result, the reported claims ratio improved by 16.2 percentage points to 32.7 % (previous year: 48.9 %). With a slightly lower operating costs ratio, the combined ratio amounted to 53.1 % (previous year: 69.5 %).

Taking account of an allocation to the equalisation reserve of EUR 1.6 million (previous year: EUR 1.5 million), the technical result for own account amounted to EUR 5.3 million (previous year: EUR 2.7 million).

Other insurance

Transportation insurance (mainly vehicle contents insurance), business interruption insurance and other indemnity insurance are included here in summary form.

In the insurance types considered, premiums earned increased by 46.7 % (previous year: 30.0 %) from EUR 19.0 million in the previous year to EUR 27.9 million in the financial year. This development was attributable to various insurance segments.

The increase in claims expenditure was more pronounced than the growth in premiums. This is due to an increase in average claims. The reported claims ratio amounted to 114.6 % (previous year: 81.5 %). Taking into account a lower operating costs ratio, the combined ratio amounted to 141.3 % (previous year: 111.5 %).

Following an allocation to the equalisation reserve in the amount of EUR 2.7 million (previous year: EUR 2.6 million), the technical result for own account amounted to EUR –6.5 million (previous year: EUR –3.5 million).

Insurance transactions assumed in reinsurance coverage

In insurance transactions assumed in reinsurance coverage, which are mostly carried out in the accident, liability, vehicle, fire and property, legal protection, life, air travel, transportation, loan and surety insurance, and technical insurances classes, there was a technical result for own account of EUR –45.4 million (previous year: EUR –24.8 million). This was mainly due to natural hazards resulting from an earthquake in Turkey during the financial year.

PERFORMANCE IN LIFE INSURANCE TRANSACTIONS

The number of new insurance contracts amounted to 74,849 (previous year: 79,230). 64.1 % or 47,985 of these contracts relate to individual term life insurance (previous year: 52,531).

Overall, new business premiums declined slightly from EUR 292.9 million in 2022 to EUR 285.3 million in 2023. EUR 55.0 million of this was attributable to regular premiums and EUR 230.4 million to one-off premiums. Not including one-off premiums from capitalisation transactions, pension products with one-off premiums impacted the portfolio in the amount of EUR 152.6 million.

Measured in terms of the sum insured, the insurance portfolio grew by 5.7 % to EUR 141.7 billion (previous year: EUR 134.1 billion).

Total new contracts of EUR 14,862.1 million insured (previous year: EUR 14,896.2 million) were partially offset by disposals in the amount of EUR 7,227.1 million insured (previous year: EUR 7,036.6 million).

Premature disposal by repurchasing, conversion to non-premium contracts and other premature disposal amounted to a sum insured of EUR 1,866.0 million (previous year: EUR 1,823.8 million).

Measured in terms of the regular premium, the insurance portfolio decreased slightly by 0.1 %, from EUR 799.6 million to EUR 799.0 million. Contrary to the trend on the market, the insurance portfolio increased by 12,633 contracts from 1,113,935 contracts to 1,126,568 contracts.

Gross premiums written declined slightly by 1.0 %, from EUR 1,047.6 million to EUR 1,036.7 million. At EUR 793.4 million, the majority of gross premiums related to regular premium revenues (previous year: EUR 796.3 million). Premiums from one-off payments of EUR 243.3 million (previous year: EUR 251.3 million) include premiums from capitalisation transactions of EUR 77.7 million (previous year: EUR 184.0 million).

The cancellation ratio based on the average regular premium fell to 2.4 % (previous year: 2.5 %) and was therefore substantially lower than the sector-wide average of 4.7 % in 2023.

Payouts to policy holders for insurance benefits and profit shares increased from EUR 1,345.5 million to EUR 1,393.0 million in the financial year. Of this figure, EUR 1,009.0 million was attributable to insurance benefits and EUR 384.0 to profit shares. The technical reserves and liabilities for future payments to insurance companies decreased by EUR 276.7 million to EUR 9,779.8 million.

Unadjusted earnings after taxes amounted to EUR 388.0 million (previous year: EUR 420.3 million). Of this amount, HL allocated EUR 145.5 million (previous year: EUR 187.7 million) to the reserve for premium refunds and EUR 190.3 million (previous year: EUR 188.3 million) was distributed as a direct deposit. EUR 52.2 million was attributable to net income (previous year: EUR 44.3 million).

The technical result for life insurance transactions was EUR 97.5 million (previous year: EUR 90.1 million).

PERFORMANCE IN VHV SOLUTIONS AND VHV DIGITAL DEVELOPMENT

VHV solutions' business performance in 2023 was significantly affected by inflation and the targeted increase in personnel resources, including for claims management. Productivity in the contract and claims area declined in the financial year, but increased in the cross-divisional functions. Unit costs in the operating area increased overall as a result. Very good progress was made in the digitalisation of communication channels with brokers and customers through various further improvements. Through various control measures within claims processing, the cost-increasing impact of claims inflation on the claims paid by VHV solutions was limited. The quality parameters in contract and claims processing were largely in line with planning. The introduction of the new inventory management system continued to have a considerable impact on the processing situation in the personal motor vehicle segment, but the situation was further stabilised in 2023. Availability by telephone has improved in most classes of insurance. The quality parameters in the personal motor vehicle segment were below the previous year's level. However, thanks in particular to technical optimisations, almost all system response times were significantly better than the respective targets. In addition, the majority of the targets agreed with the insurance companies in the service level agreements were achieved.

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The spin-off of VHV digital development from VHV solutions will strengthen Group-wide cooperation in IT further and continue to drive forward digitalisation within the Group in organisational terms. Simplifying the structures in software development will also play a role here. Specialist departments and IT will be working together directly again. After the basis for a future target structure for VHV digital development was laid in VHV solutions at the end of 2022, the second step was then taken with the transfer of employees to VHV digital development on 1 June 2023.

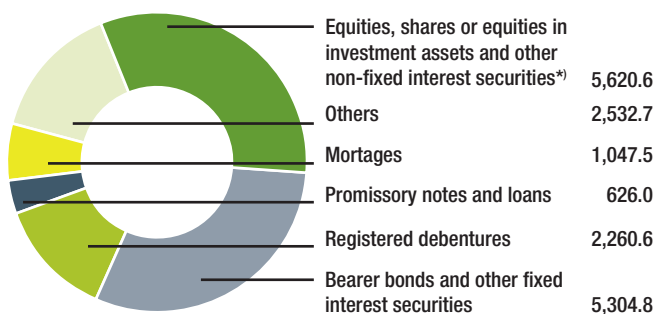
ASSETS

For the VHV Group as an insurance group, the net assets and structure of the balance sheet are largely characterised by insurance transactions even though the Group includes service companies. Assets on the balance sheet are dominated by investments, while under liabilities and shareholders' equity net insurance technical reserves and liabilities make up the largest share of the balance sheet total.

Investments

The carrying amount of investments rose slightly by less than 0.1 % to EUR 17,392.2 million in the financial year (previous year: EUR 17,363.5 million).

INVESTMENTS in million EUR



*) Equity exposure to fair value 1.7 %

Interest-bearing investments in the form of bearer bonds, registered debentures, promissory note loans, loans and advance payments on insurance policies, miscellaneous loans and loans to affiliated companies remained the primary focus of the investment portfolio, cumulatively accounting for a share of EUR 8,210.3 million (previous year: EUR 8,617.6 million) or 47.2 %.

This was followed by investment assets, which accounted for 32.3 % of the total investment portfolio and a carrying amount of EUR 5,620.6 million (previous year: EUR 5,434.4 million).

Newly approved mortgage, land charge and annuity charge receivables amounted to EUR 103.9 million in the 2023 financial year (previous year: EUR 89.5 million). Disposals fell to EUR 78.7 million (previous year: EUR 97.8 million). As a result, the investment portfolio rose to EUR 1,047.5 million (previous year: EUR 1,022.3 million). The share of the total investment portfolio amounted to 6.0 %.

As at the balance sheet closing date, equity exposure at fair value amounted to 1.7 % (previous year: 1.5 %). The equities were held exclusively in the fund portfolio.

As at 31 December 2023, the Group reported a PE/IE portfolio with a carrying amount of EUR 2,210.7 million (previous year: EUR 2,004.2 million). As a proportion of total investments, the PE/IE share was approximately 12.7 % (previous year: 11.5 %) overall.

In the area of real estate investments, selective additional purchases and sales were made in 2023. As at 31 December 2023, the Group cumulatively held real estate investment units with a carrying amount of EUR 1,389.1 million (previous year: EUR 1,207.1 million). This corresponded to 8.0 % of the total investment portfolio (previous year: 7.0 %).

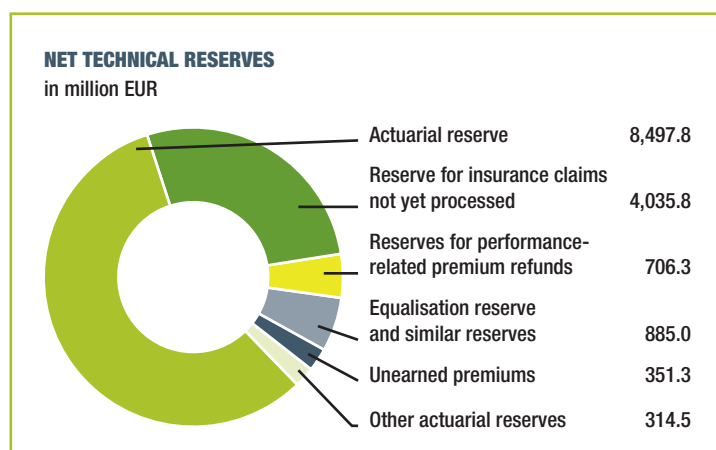
Funds for indemnification

The Group's funds for indemnification decreased by 0.1 % and consist of:

FUNDS FOR INDEMNIFICATION		
	2023 EUR million	2022 EUR million
Equity	2,691.8	2,491.3
Net technical reserves	14,790.8	15,001.1
Funds for indemnification for own account	17,482.6	17,492.4

Net technical reserves

The net technical reserves were composed of the following items as at the balance sheet closing date:



At 57.5 % (previous year: 59.3 %), the majority of net technical reserves relate to the actuarial reserve.

Of the actuarial reserves reported, the majority (41.1 %; previous year: 41.1 %) relate to individual capital insurance policies of the VHV Group's life insurance company. Group insurance policies account for a share of 23.6 % of the total actuarial reserve, followed by individual annuity insurance policies with a share of 22.2 %. To fulfil future interest obligations, the actuarial reserve includes an additional interest rate reserve of EUR 803.4 million (previous year: EUR 883.7 million).

FINANCIAL POSITION

Liquidity

The VHV Group's liquidity was safeguarded at all times in the past financial year. Risk-oriented liquidity management is carried out to satisfy ongoing obligations. This ensures that payment obligations can continue to be met at all times. Further information can be found in the risk report.

The financial and liquidity situation and changes in cash flows are largely affected by insurance and investment transactions. The VHV Group receives liquid funds through regular premium revenues, investment income and returns on investments. This is offset by insurance benefits, payments for business operations and investing.

ITEM	2023 EUR'000	2022 EUR'000
Cash flow from operating activities	-33,848	222,706
Cash flow from investment activities	-170,632	-75,162
Cash flow from financing activities	33,768	36,009
Change in cash and cash equivalents	-170,712	183,553
Change in cash equivalents due to exchange rate movements, changes in the scope of consolidation and measurement	12,854	6,398
Cash at the beginning of the period	378,829	188,878
Cash at the end of the period	220,971	378,829

In the cash flow statement, there was a change in cash and cash equivalents of EUR -170.7 million in the reporting period (previous year: EUR 183.6 million). Net cash flows therefore decreased by EUR -354.2 million (previous year: EUR 220.7 million).

The cash flow from operating activities, which primarily comprises cash inflows and outflows from underwriting and other investments, fell year on year. This was primarily due to the increase in payments for insurance claims from the property-casualty insurance business.

Cash flow from investing activities is determined by the cash flows from investments for the account and risk of policy holders, investments, tangible fixed assets and intangible assets. Performance in the reporting year was largely dictated by the increase in investment activity in the context of certificate-linked annuity insurance.

CONSOLIDATED MANAGEMENT REPORT

Cash flow from financing activities, which changed only marginally compared with the previous year, mainly included liabilities to banks.

Please see the cash flow statement on page 169 for additional details.

Investments

In financial year 2023, the VHV Group mainly made investments in financial assets. The investment focus here was primarily miscellaneous investments, investment assets, bearer bonds and other fixed-interest securities. Gross new investment amounted to EUR 1,449.0 million, corresponding to 8.3 % of the total investment portfolio at the end of the year.

In addition, investments were made as part of the “goDIGITAL” programme as a basis for future digitalisation initiatives.

MISCELLANEOUS

In 2023, the rating agency S&P once again confirmed the rating of VHV a. G. and its core companies VHV Allgemeine and HL as “A+” with a stable outlook.

The decisive factors behind this rating are the capital and earnings strength of the VHV Group with the top “AAA” rating. According to S&P, the strong and sustainable technical results of VHV Allgemeine and the favourable risk/return profile in the life segment make a significant contribution to this.

HL received the top rating “excellent A++” from the customer-focused Cologne-based rating agency ASSEKURATA for the twelfth year in a row. HL was again given the top “excellent” grade in all four subcategories.

HL again passed the stress test by the analysts Morgen & Morgen with the top rating of “5 stars” in 2023.

HUMAN RESOURCES REPORT

The VHV Group is characterised by the high degree of expertise and commitment demonstrated by its employees and executives and the constructive cooperation with employee representatives (including the Remuneration Committee of Executive Employees).

In the VHV Group, the annual average number of employees, including fixed-term contracts and excluding trainees, rose from 3,973 in the previous year to 4,244 in the financial year. Both significant increases in HR in certain areas (e. g. Eucon GmbH, Eucon digital and InterEurope) and the acquisition of Val Piave in Italy were contributors to this.

The focus of HR work in the 2023 financial year was on the recruitment of new employees and employee retention. Other issues included supporting employees in strategic change processes, the further development of leadership skills and the ongoing specialist and methodological further training of employees.

The incapacity for work rate increased to 4.5 % (previous year: 4.7 %) in the financial year but continues to be lower than the comparative figure for the insurance market (around 6.3 %).

We would like to take this opportunity to extend our gratitude to all employees whose individual dedication, expertise and experience contributed significantly to us successfully mastering the challenges we faced in 2023. The Board of Directors would also like to thank the Representative Committee of Executive Employees, the company-wide Works Council and the local Works Councils for their constructive and trust-based cooperation.

PERSONNEL OF THE VHV GROUP^{*)}

	2023	2022
Average number of employees for the year ^{*)}	4,244	3,973
Average number of trainees for the year	66	63
Number of employees at end of year ^{*)}	4,320	4,033
Number of employees at end of year	79	73
Average number of office-based employees ^{*)}	3,995	3,739
Average age of employees (years)	44.0	42.2
Average length of employment with the company (years)	14.1	14.5
Proportion of university graduates (%)	31.9	32.0

^{*)} Not including apprentices, including temporary employees.
From 2023 including Val Piave.

GENERAL STATEMENT OF THE BOARD OF DIRECTORS

With VHV Allgemeine, the VHV Group is one of the largest motor vehicle insurers in Germany. It largely maintained its market position in this segment. Another focal point in the past year was on strengthening the non-motor vehicle business. VHV Allgemeine succeeded in doing this particularly in the commercial insurance and the home insurance classes. Among other things, this was achieved through the expansion of the French branch VHV Assurance France, a special insurer for the construction industry. As an insurer specialising in the construction industry, VHV Allgemeine further increased its own sales compared with previous years, despite the negative trend in construction industry sales and simultaneous decline in incoming orders in the construction industry. Positive factors were the continued increases in wage and fee totals, which form the basis for assessing premiums.

Life insurance recorded a slight decline in premium revenues compared with the previous year. This was largely due to the single premium business, which was down on the previous year. One positive development was the retention of market leadership in term life insurance despite the cooling market environment. In addition, last year's focus on expanding the disability business continued with growth well above market average, both in current premiums and in terms of numbers. The cancellation rate, which was well below the market average, continued to move in the right direction. Based on the latest GDV forecast, the administrative expense ratio will remain well below market average. Based on an increased risk result, the gross profit was again very satisfactory.

The VHV Group's strategy of further expanding the international property-casualty insurance business also led in the financial year to the acquisition of the primary insurance company Val Piave.

The net result from investments remained stable at EUR 530.5 million (previous year: EUR 560.2 million).

Consolidated net income was higher than in the previous year. As the technical result in property-casualty insurance was lower than in the previous year whereas the result in life insurance was higher, consolidated net income was in line with expectations at EUR 211.2 million (previous year: EUR 177.0 million).

Despite persistently high inflation, a sharp rise in expenses for insurance claims and the ongoing economic and political challenges, the Board of Directors can look back on a financial year with a good overall performance in terms of profitability.

OPPORTUNITY AND RISK REPORT

RISK REPORT

As in the previous period, the financial year was marked by inflation. This was triggered by the impact of various wars and crises and prompted the ECB to steadily tighten its monetary policy further, while economic growth in the eurozone and Germany continued to soften. Higher yields during the year initially led to further price losses on fixed-income securities. Yields on bond markets then plunged in the second half of the year as they returned to where they were at the start of the year. The elevated rate of inflation also had an impact on claims expenditure in property-casualty insurance and on new business.

The investment and actuarial risks are continuously monitored and analysed in light of these developments, including in the form of stress tests and scenario analyses. Even under these stresses and in these scenarios, the VHV Group continued to have the minimum cover set out in its risk strategy at all times. The VHV Group's risk profile has not changed materially. Accordingly, ad hoc reporting on the company's own risk and solvency assessment (ORSA) was not required.

Manual and automated processes are in place at the VHV Group for the examination of sanction lists and compliance with non-personal sanctions. There were no material risks relating to Belarus and Russia as at 31 December 2023.

Based on the information currently available, there are no risks that could jeopardise the VHV Group's development or its existence as a going concern. Due to the ongoing war in Ukraine and current developments in the Middle East conflict, the assessments of the risk situation are subject to uncertainty.

CONSOLIDATED MANAGEMENT REPORT

Targets

The VHV Group attaches major importance to risk management. The risk management methods are continuously enhanced. Risk management serves to secure the appropriate risk-bearing capacity and therefore the long-term and sustainable continued existence of the VHV Group and the individual insurance companies. The main objectives of risk management are to:

- establish a consistent risk culture within the VHV Group,
- support and secure the business strategy,
- create transparency regarding all material risks and appropriate risk management,
- meet legal and supervisory requirements for risk management.

The eligible own funds of the VHV Group comfortably exceeded the legal solvency requirements in all quarters of 2023.

The forecast period for the Opportunity and Risk Report is one year.

Risk strategy

The risk strategy sets out the strategic requirements for risk management. The risk strategy is aligned to the business strategy and governs the handling of the corresponding risk. The risk strategy is reviewed and adopted by the Board of Directors every year. The risk strategy documents the risks that were deliberately entered into in pursuing the business strategy and how these are to be managed. It also serves to create a comprehensive understanding of risk and the establishment of a Group-wide risk culture. The most important element of a healthy risk culture is an open exchange of information on the risk situation within the company. By unequivocally allocating risk responsibility, the Board of Directors seeks to promote the risk culture, increase the commitment of the individuals appointed, and ensure overall transparency through clear contact persons.

Organisation

Overall responsibility for Group-wide effective risk management is the responsibility of the **Board of Directors** of VHV a. G. and the respective boards of the individual companies, which play an active role in the ORSA process. In particular, the responsibility is in:

- Approving the methods used,
- Discussing and critically reviewing the results of the ORSA process,
- Approving the Group's risk management policy and the ORSA report.

The Risk Committee is established as a Group-wide risk management body in the VHV Group. The key task of the Risk Committee is to ensure the uniform development of risk management systems, methods and procedures throughout the Group on behalf of the Board of Directors. The Risk Committee also provides a platform for Group-wide discussion of the risk situation and can initiate decisions. The members of the Board of Directors of VHV a. G. and VHV Holding, representatives of the subsidiaries, and the responsible persons of the IRCF, the Compliance Function and Internal Audit are members of the Risk Committee.

In addition, a subcommittee of the Risk Committee is established to offer assistance on technical and operational questions regarding the risk models.

To underline its responsibility for sustainability, the VHV Group has created the ESG Committee, which is tasked with controlling the establishment of uniform Group-wide sustainability management in line with the regulatory requirements. Its members are the Chairman of the Board of Directors and the other members of the Board of Directors of VHV a. G. and VHV Holding.

In accordance with the principle of the **separation of functions**, the responsibility for managing and independently monitoring risks in the VHV Group is separated within the organisational structure up to Board level. If the separation of functions is excessive, accompanying measures (e.g. separate reporting channels) are taken instead.

In the **business units**, risk officers who are responsible for the operational management of risks and compliance with limits are appointed in the strict separation of functions from the IRCF. In particular, the Group pursues the aim of encouraging the risk culture in the company by clearly allocating responsibility for risk internally.

The Risk Committee supports the Supervisory Board in controlling risk management and in all key functions, including the corresponding reporting. At the meetings of the risk committees, the risk strategy and the reports of key functions under Solvency II (IRCF, VMF, Compliance Function and Internal Audit) are discussed with the Board of Directors and the people responsible for the key functions. In particular, this includes the discussion of the ORSA report, the report on solvency and the financial position and the results of the internal review of the business organisation. In addition, the methods and tools of the key functions and changes in the organisation are also discussed.

The **IRCF** is tasked with the operational implementation of a consistent and efficient risk management system. The IRCF is exercised centrally in an organisational unit led by the responsible person of the IRCF. The responsible person of the IRCF reports directly to the respective Board of Directors of the insurance companies.

The **VMF** at Group level is performed in the central area of Group risk management. The VMF at Group level is responsible among other things for technical risks and the VHV Group's solvency. The Group VMF coordinates the timing of the VMF reports. The solo VMF of the individual insurance companies is exercised by a different responsible person than the Group VMF for each company. The main tasks of the VMFs include coordinating the calculation of the technical reserves and guaranteeing the appropriateness of the methods and basic models used. In addition, the solo VMF submits an opinion on the general underwriting and acceptance policy. The solo VMF also presents the VMF report to the Board of Directors at least once a year, detailing all the VMF's activities, the results achieved and recommendations.

The **Compliance Function** is responsible for guaranteeing compliance with legal and supervisory provisions. The four core tasks of the compliance function are: the advisory task, the risk control task, the monitoring task and early warning task. In addition to the Chief Compliance Officer, Compliance Function in the wider sense also includes other employees as well as company officers and their employees, who in particular cover the topics of supervisory and antitrust law, distribution law, insurance contract law, money laundering law, financial sanctions and embargoes, data protection law, tax law and anti-fraud management.

The tax compliance management system is used to ensure the complete and timely fulfilment of tax obligations and contributes to the early recognition and minimisation of tax risks. The Head of Accounting is responsible for the operation of the tax compliance management system. The Group's tax policy describes the organisation of the tax compliance management system, stipulates the roles and responsibilities of all organisational units involved and standardises tax-relevant processes.

The topic of data protection is handled together with the information security management system in its own organisational unit that includes the company data protection officers appointed for the VHV Group's domestic insurance companies.

Anti-money laundering and financial crime (including financial sanctions and embargo, anti-fraud management) is performed in its own organisational unit head by the Anti-Money-Laundering Officer.

Internal Audit audits all business segments, processes, procedures and systems within the VHV Group independently and in a process-independent manner on the basis of a risk-oriented audit plan to be updated annually. Internal Audit is only subject to the instructions of the Board of Directors, but remains independent and objective in the performance of its function. It has the following rights and obligations:

- Internal Audit evaluates the appropriateness and effectiveness of risk management in general and the internal control system in particular, as well as the security and propriety of essentially all activities and processes
- Internal Audit is immediately informed when significant deficiencies are identified or significant financial losses are incurred or there is a specific suspicion of other irregularities.

Risk management process

We understand the risk management process as all the organisational regulations and measures from risk identification to risk management in their entirety. Risk management at Group level also takes account of accumulations and interactions between the risks of the individual companies.

The aim of **risk identification** is to record and document all key risks. Risk inventories are regularly carried out for this purpose. Relative to reference dates, a company-wide risk assessment is carried out, in which all risks are queried and updated systematically every six months by the risk officers in all divisions and projects of the VHV Group. Individual risks identified are checked for plausibility by the IRCF and then aggregated to determine the overall solvency needs. Process-oriented risks are also identified on the basis of an IT-based system of documenting business processes.

There are also wide-ranging ad hoc reporting requirements to ensure risks or material changes are identified during the year. In addition, risk analyses on an ad hoc basis are prepared for projects relevant to risks, the results of which are taken into account in the decision by the Board of Directors.

CONSOLIDATED MANAGEMENT REPORT

Risk assessment refers to all methods and processes that serve to measure and assess identified risks. Operational, strategic and reputation risks are evaluated in the semi-annual risk assessment via an expert assessment of the risk officers using the probability of occurrence and the potential economic loss as criteria. In addition to this quantitative assessment, there is an opinion in accordance with qualitative criteria (appropriateness and reputation). Appropriate procedures are used to aggregate the overall solvency needs for operational risks. Findings from the regular review of the ICS are also taken into account when assessing operational risks. The model calculations of the standard formula provided for the quantitative assessment of the risks under Solvency II and the determination of eligible own funds are conducted both on an annual basis as at 31 December and on a quarterly basis. To determine the overall solvency needs annually, company-specific circumstances are included in the risk models. The underlying assumptions of the standard formula and risks not shown in the standard formula are assessed for their appropriateness for the insurance companies of the VHV Group.

Risk monitoring is ensured at aggregate levels through the IRCF. To this end, a comprehensive limit system has been implemented to apply the risk strategy operationally, which is permanently refined and adapted to environmental changes. The limit system ensures that the risk tolerance variables defined in the risk-bearing capacity concept are monitored through a number of risk parameters. Various escalation processes ensure that there is an early warning in the event of material deviation from targets and that an ad hoc report is submitted to the Board of Directors.

Reporting on the company's own risk and solvency assessment takes place on a regular basis and on an ad hoc basis. In addition to quarterly reporting as part of the model calculations of the standard formula, standard reporting takes place in particular via the annual ORSA report and during the year via the monthly limit reports. The ORSA report is approved by the Board of Directors and made available to the members of the Risk Committees of the Supervisory Boards and the supervisory authority. In addition, the IRCF's annual standard reporting includes the results and recommendations of the HGB projections carried out in asset/liability management and the internal ICS report. Ad hoc risk analyses are also prepared where necessary. In addition, the results of risk analyses relevant to the decision and on an ad hoc basis are reported to the Board of Directors.

Risk management refers to the taking of decisions and the implementation of measures to deal with a risk situation while taking risk strategy targets into account. This includes the conscious acceptance of risk, risk avoidance, risk reduction and risk transfer. In particular, new business segments, new capital market and insurance products as well as outsourcing projects are subjected to a risk assessment by the IRCF and other key functions before any resolution, meaning that the Board of Directors can take risk-oriented decisions that build on this process.

Internal control system

The VHV Group has drawn up a binding group policy that defines the standard requirements for the internal control system. The ICS of the VHV Group consists of all the internal requirements, organisational measures and controls.

The minimum requirements from the Group policy are implemented at company level through company policies. The subsidiaries confirm the implementation of the requirements to the Board of Directors of VHV a. G. in an annual process, and any deviations and implementation measures needed are explained.

Material business processes, including the risks involved and the associated controls, are assessed and documented according to standardised requirements by the risk officers of the respective organisational units. Risks related to business processes are assessed based on financial criteria (quantitative risks) and qualitative criteria (qualitative risks).

The ICS is systematically reviewed and evaluated across the Group at least once a year according to a standardised procedure on the basis of a control process (ICS control process). The ICS control process is coordinated by the IRCF. The ICS control process is primarily geared towards an assessment of the key controls and a comprehensive confirmation of the proper functioning of the ICS by all executives of the VHV Group. In addition, findings of the key functions (e.g. Internal Audit results, IRCF risk analyses, findings from compliance activities) are taken into account in the assessment. The results of ICS control processes are reported by the IRCF to the Board of Directors and the Risk Committee of the Supervisory Board at least once a year.

The ICS particularly ensures the completeness and accuracy of accounting and thus of the respective annual financial statements and consolidated financial statement.

Material risks

The risk categories are described below. The following ranking, derived from Solvency II calculations, shows the importance for the VHV Group based on risk management measures:

1. Technical risk in property-casualty insurance
2. Market risk
3. Technical risk in life insurance
4. Credit/default risk
5. Operational risk
6. Strategic risk and reputation risk
7. Liquidity risk

Technical risk is one of the material risks to which the VHV Group is exposed. It describes the risk that, due to chance, error or change, the actual expense for claims and benefits differs from the forecast expense.

Technical risk in property-casualty insurance

The technical risk in property-casualty insurance arises predominantly from the underwritten motor vehicle liability, general liability and comprehensive motor vehicle insurance segments. Negligible biometric risks (especially longevity risk) also arise from the bond portfolios in liability and accident insurance at VHV Allgemeine.

In light of the inflationary environment and the high degree of uncertainty concerning macroeconomic development in Germany and the euro area, actuarial risks are continuously monitored and analysed, including in the form of stress tests and scenario analyses. In addition, the adequacy of the premiums in new and existing business is intensively observed and managed on a segment-specific basis. At the same time, new business and claim expectations are taken into account when premiums are rated. Loss reserves under HGB and Solvency II also take account of expected inflation. Technical risk from property-casualty insurance is divided into premium, reserve and disaster risk below.

Premium risk refers to the risk that (with the exception of disasters) the insurance premiums will not be sufficient to cover claim payments, commissions and other costs. In addition to reinsurance, the premium risk is reduced through the use of actuarial procedures when calculating premiums and taking reasonable surcharges into account. The premiums are calculated on the basis of applicable actuarial methods. The VMF is involved in the new product process.

In addition, compliance with major underwriting and acceptance guidelines is monitored independently by an established controlling system. In addition, the underwriting and acceptance policy is regularly assessed by the VMF. Changes in the development of claims are recognised promptly by continuously monitoring claims expenses, so that measures can be introduced where necessary. The premium risk is also reduced through the targeted use of reinsurance. Every year, premium risk is investigated together with disaster risk by the IRCF and the VMF in stochastic analyses of asset/liability management. The pooling of risks and risk diversification between the segments resulted in some random diversification in the claims ratios at aggregate Group level. There are also equalisation reserves through which technical fluctuations are offset over time.

The table below shows the consolidated reported claims ratios for the property-casualty insurance companies included in the consolidated financial statement as a percentage of premiums earned for own account for the financial years 2014 to 2023.

CLAIMS RATIO PROPERTY-CASUALTY

2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
73.8	68.9	71.3	71.6	71.5	70.7	65.9	65.4	74.1	77.0

Reserve risk refers to the risk that insurance technical reserves will not be sufficient to meet future claim payments for claims that have not yet been processed or are not yet known. Reserve risks may emerge in particular from unforeseeable claim trends resulting from changes to conditions, changes to medical care and macroeconomic factors, such as inflation, which may have a considerable impact on the settlement result. Reserve risk is limited and the probability of settlement losses reduced by a conservative reservation policy. In previous years, inflation expectations were taken into account by increasing reserves.

Reserves for late claims are also created for claims that have occurred but that are still unknown. In addition, the settlement is continuously monitored, and the insights gained in this process are taken into account in the calculation of technical reserves (including the required reserves for late claims). In segments with a long settlement period in particular, inflation expectations were determined on the basis of an actuarial assessment and reflected

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in reserves accordingly. The settlement potential of the claims reserves is also monitored by the VMF. The settlement results from direct-written insurance transactions shown below (as a percentage of the initial reserves for own account) are proof of the conservative reservation policy.

SETTLEMENT RESULT PROPERTY-CASUALTY

2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
4.6	7.0	6.3	7.0	7.0	8.2	5.9	9.1	7.2	7.2

The presentation shows consistently positive settlements over recent years. The risk of settlement losses across all segments is low.

Disaster risk describes the risk resulting from the fact that actual expenditure for disaster-related claims differs from the percentage calculated in the insurance premium. Disaster risk may occur in the form of natural disasters and "man-made" disasters. With regard to disaster risks in property-casualty insurance, in essence the risk from natural disasters for the VHV Group results in particular from hail, storms, flooding and earthquakes and from man-made disasters in the surety insurance and liability insurance segments. There are natural disaster risk concentrations in the insurance transactions conducted due to the risk of earthquakes in Turkey and to cumulative risks in Germany. These are analysed on a regular basis and reduced by purchasing reinsurance. The VHV Group predominantly underwrites technical risks in Germany. The VHV Group's fleet of vehicles and the sum insured in its property business are largely distributed across Germany because of sales by intermediaries nationwide, meaning that the VHV Group is diversified with regard to natural hazards. In addition to taking appropriate account of this when calculating premiums, disaster risk is also countered in particular by ensuring reinsurance coverage against natural disasters mentioned above, which safeguards against accumulation risk from natural hazards. The calculation of the requisite reinsurance is based in principle on a modelled 200-year event. The VMF provides an opinion on the appropriateness of the reinsurance agreements at least once a year. In addition, the IRCF provides an opinion on the reinsurance programme. With regard to reinsurance partners, the VHV Group defines requirements for solidity and takes care to avoid concentrations in individual reinsurance groups.

Market risk

Market risk describes the risks of a loss or an adverse change in the net assets and financial position arising directly or indirectly from fluctuations in the level and volatility of market prices for assets, liabilities and off-balance sheet financial instruments. The VHV Group's market risk comprises equity, real estate and interest rate risk in particular.

Equity risk primarily results from investments in private and infrastructure equity and the participating interests held. The risks associated with private and infrastructure equity investments are limited by refraining from investing directly in individual target companies. Instead, only the simple indirect form of access is permitted. Successful investments are also supported through the careful selection of a suitable manager. The profitability of the respective investment is continuously examined during the investment process. This includes taking into account a valuation that is updated on a quarterly basis, reviewing the yield generated, and including private and infrastructure equity investments in stress tests and scenario analyses. In addition, compliance with the quota for private and infrastructure equity resulting from the strategic asset allocation is continuously reviewed.

Market risks in connection with participating interests are monitored continuously in the context of managing and controlling participating interests, which covers material risks.

Real estate held via funds is also exposed to additional market risks from falls in market values resulting from the property crisis and from vacancies and the resulting loss of rent. The risk of fair value losses in connection with real estate is analysed as part of stress testing.

Quotas are defined as part of strategic asset allocation. The resulting limits are checked every day. With the exception of properties used by the company, investments in real estate may only be made via funds. The corresponding real estate funds are generally focused on Germany. To limit real estate risk, the market is continuously observed by the respective external real estate managers and the internal officers. Suitable properties are always preselected in line with the individual investment criteria (e.g. region, segment,

volume, yield). This is followed by a due diligence process in which additional external experts are typically consulted in order to analyse the attractiveness of the property from various perspectives. Due to intra-Group leasing, there is no material risk from the direct real estate portfolio.

Because of the high proportion of bonds, additional market risks result from fluctuations in market interest rates. Hidden reserves tend to accumulate when interest rates are falling, whereas rising interest rates lead to lower valuation reserves. The sharp rise in interest rates since 2022 has resulted in hidden liabilities for the VHV Group.

As the insurance companies of the VHV Group report the majority of their bonds in non-current assets as held to maturity, the accumulation of hidden liabilities does not affect the interest income from the respective investments. The only effect is a reduction in the fair value of the underlying investments. In order to identify any potential impairment losses above and beyond this, the affected bonds are subjected to a detailed analysis to establish the cause of the reduction in fair value. Impairment losses are not recognised if the change in the market interest rate is identified as the primary cause of the reduction in fair value and there is no evidence of default due to inadequate creditworthiness. No impairment losses were required to be recognised at the VHV Group as at the reporting date.

In the insurance companies of the VHV Group, a risk-conscious allocation of investments is ensured via regular value-at-risk analyses and within the framework of the company's own risk and solvency assessment. Strategic investment allocation is developed taking into account the risk-bearing capacity and involving Risk Management and the responsible actuary in Life. The core element of this strategic allocation is the definition of minimum revenues with corresponding safety. Compliance with the strategic investment allocation is monitored continuously. In addition to conventional forms of investment such as government and corporate bonds and covered bonds, new investments are focusing in particular on the asset classes of real estate and private and infrastructure equity, including renewable energies, and unlisted debt instruments in the real estate and infrastructure sectors.

The following charts show examples of the effects of simulated market changes on the value of investments that are sensitive in terms of interest rates and equity prices.

EQUITIES AND OTHER NON-FIXED INTEREST SECURITIES

Change in equity price ^{*)}	Change in market value of investments sensitive to equity price	
Decrease of 20 %	EUR	-59 million
Market value on 31.12.2023	EUR	297 million

^{*)} Change in equity price taking account of possible equity derivatives. Private equity and participating interests not taken into account.

SECURITIES WITH FIXED INTEREST AND LOANS

Interest-rate changes	Change in market value of investments sensitive to interest	
Change of +1 percentage point	EUR	-856 million
Change of -1 percentage point	EUR	949 million
Market value on 31.12.2023	EUR	11,950 million

There is also an exchange rate risk for investments in foreign currency. This is limited through fixed foreign currency rates and monitored on an ongoing basis. In addition, the foreign currency risk is reduced via hedging transactions.

Market risk is one of the material risks to which the VHV Group is exposed.

Technical risk in life insurance

The insurance technical risk in life insurance includes biometric risks and interest rate guarantee, cost, cancellation and disaster risk. At the VHV Group, this relates to the portfolios of HL and the Pensionskasse. An explanation of the calculation basis used at HL is provided in the notes to the single-entity financial statements in the presentation of the accounting and valuation methods.

In light of the inflationary environment and the high degree of uncertainty concerning macroeconomic development in Germany and the euro area, actuarial risks are continuously monitored and analysed,

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including in the form of stress tests and scenario analyses. In addition, the adequacy of the premiums in new and existing business is intensively observed and managed on a segment-specific basis. At the same time, new business and benefit expectations are taken into account when premiums are rated.

Biometric risks refers to all risks directly linked to the life of an insured person. These include mortality risk, longevity risk and invalidity risk. In the calculation, tables (some of which are company-specific) are used to determine the probabilities of death or disability. Fluctuation charges and change risks are calculated in line with DAV derivation. For annuity insurance, the mortality tables published by the DAV are used. To verify the appropriateness of the calculation, portfolio statistics are continuously evaluated and further examinations are performed based on profit segmentation and, if necessary, countermeasures are initiated. Starting at a pre-defined range, individual biometric risks involving death or invalidity benefits are limited by way of reinsurance solutions.

Interest guarantee risk describes the risk that net income generated from investments is not sufficient to fulfil the interest guarantees provided at the beginning of the policy. The interest guarantee risk is constantly controlled and assessed with the aid of analyses of asset/liability management, portfolio projections, internal profit segmentation and stress tests. Additional deterministic and stochastic scenarios are analysed along with the current market and interest rate environment. The additional interest rate reserve in accordance with DeckRV ensures that interest guarantees can be financed even in the event of declining investment income. The likelihood of cancellation and lump-sum options as well as reduced security margins in the biometric calculation basis are recognised when calculating the additional interest rate reserve. The reference interest rate for allocation to the additional interest rate reserve amounted to 1.57 % at the end of 2023. The increase in the interest rate in the past two years means that most of the interest obligations are fully funded and the reversals of the additional interest rate reserve have been recognised. The funds freed up as a result are being used to finance the approved insurance benefits, which helps to improve net interest income based on current assumptions.

Cost risk is the risk that actual costs may exceed expected costs. Cost risk is monitored continuously (including in connection with profit segmentation) and managed via effective cost management taking inflation assumptions into account.

Cancellation risk can result from any change in policy holder behaviour (increase or reduction in cancellations, one-off shock events). In particular, a mass-cancellation scenario affecting biometric products would have significant consequences for the VHV Group. The VHV Group's life insurance portfolio has a high proportion of term life insurance. This serves to hedge mortality risks and therefore offers no economic incentive for cancellation by policy holders even in the event of an interest rate rise. In addition, the cancellation rate at HL is well below the market average and is monitored and reported continuously using portfolio movement and performance statistics and via the limit system.

Disaster risk in life insurance mainly entails the risk of a pandemic with the occurrence of high mortality and invalidity rates. This could result in an unexpectedly large number of insurance claims.

The COVID-19 pandemic did not result in any extraordinary expenses in the previous financial years.

Credit/default risk

Credit/default risk describes the risk of a loss or an adverse change in net assets and the results of operations that results because of a default or because of a change in the creditworthiness or the assessment of creditworthiness of securities issuers, counterparties and other debtors (e.g. reinsurers, policy holders and insurance agents) that are liable to the company.

Any economic downturns as a result of the Russian invasion of Ukraine could lead to a further increase in the risk premiums for bonds, and hence to falling market values.

Ratings of the bond portfolio are continuously monitored for corresponding negative changes using a credit limit system. Ratings are also validated internally using a credit analysis tool. Various key figures/pieces of information are evaluated for the relevant counterparties from sources including annual reports, credit research reports and information from rating agencies.

The following charts show the composition of the fixed-interest securities and loans at their carrying amounts, along with the respective rating class allocation.

COMPOSITION OF SECURITIES WITH FIXED INTEREST AND LOANS (CARRYING AMOUNTS)

	in million EUR
Fixed-interest securities	8,194
of which debentures	2,540
of which bank bonds	2,359
of which corporates	1,781
of which loans and treasury bonds	1,514
Mortgages	1,047
Loans and advance payments on insurance policies	8
Total	9,249

SHARES OF RATING CLASSES IN % (CARRYING AMOUNTS)

	AAA	AA	A	BBB	< BBB	NR ^{*)}
Fixed-interest securities	53.1	20.5	11.9	2.1	0.1	0.9
Mortgages	-	-	-	-	-	11.3
Loans and advance payments on insurance policies	-	-	-	-	-	0.1
Total	53.1	20.5	11.9	2.1	0.1	12.3

*) No rating available

Default risks from receivables from policy holders and insurance agents are reduced by corresponding organisational and technical measures. The value of the receivables portfolio has also been adjusted sufficiently to provide for these losses. Taking account of these value adjustments, receivables from insurance policy holders that are more than 90 days past due amounted to EUR 46.3 million on the balance sheet closing date. There are no material balance sheet risks from possible defaults of receivables from policy holders and insurance agents. The average default rate is calculated as the ratio of value adjustments to gross premiums written and amounted to 0.8 % for the past three years.

On the balance sheet closing date, there were settlement receivables from the reinsurance business amounting to EUR 89.7 million. In the ceded reinsurance business, the receivables were almost exclusively due from reinsurers with a Standard & Poor's rating of at least A-. With regard to solidity, a minimum rating is defined when

selecting reinsurers. In addition, credit rating analyses of the main reinsurance partners are performed using key data. Compliance with the defined criteria is monitored continuously in the limit system.

There is a risk of impairment on deferred tax assets if the level of taxable income declines sharply or falls into negative territory. The development of consolidated net income is monitored intensively as part of our multi-year planning. The risk of impairment is estimated as low in the planning period.

Credit/default risk is a material risk for the VHV Group.

Concentration risk refers to the risk that results from the company assuming individual risks or closely correlated risks that have a significant default potential.

The VHV Group attaches great importance to concentration risk management with regard to investments by defining ranges for each asset class and continuously monitoring the resulting limits. In accordance with the prudent person principle, a broad mix and diversification of investments is ensured. The appropriate requirements are defined in an internal investment catalogue. It also aims to achieve an even greater degree of diversification of issuers in the long term. To ensure this development in operational terms, a comprehensive issuer limit system and a loan portfolio model are used for managing risk.

Liquidity risk

Liquidity risk describes the risk that a company is not in a position to fulfil its financial obligations when they fall due because of mismatches in the timing of cash flows or because assets cannot be easily converted into cash. The realisation of assets may be necessary if the benefits to be paid and the costs exceed the premiums earned and the income from investments. The sharp rise in the market interest rate means it may currently be necessary to sell securities at below their carrying amount. The VHV Group was able to meet its financial obligations at all times in the 2023 financial year.

The VHV Group controls liquidity risk through active liquidity management. To this end, liquidity planning takes place on a monthly basis and any deviations are analysed subsequently. It also monitors liquidity classes. In the process, investments are classified into different classes according to their convertibility

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into cash, and sufficient highly liquid investments are kept available. The minimum amount of highly liquid investments is guided by the identified stress events and is enshrined in the limit system. Long-term liquidity risks are also monitored via our asset/liability management system. Aside from liquidity risks relating to the capital markets, the VHV Group (particularly its insurance companies) is not subject to a significant liquidity risk. This is due to the business model of insurance companies, which usually have sufficient liquidity because they receive regular premium income.

Operational risk

Operational risk describes the loss risk arising from inadequacy or failure of internal processes, employees or systems or from external events.

The VHV Group is exposed to the following operational risks, which are identified and evaluated in the semi-annual risk assessment.

Legal risk describes the risk of disadvantages due to insufficient observance of the current legal situation and the incorrect application of a possibly unclear legal situation. Legal risk also includes the risk of legal change arising from a change in legal bases. Legal risk is minimised by employing qualified personnel as well as by obtaining external advice when necessary. In this context, it is ensured that changes in existing legal bases and prevailing jurisprudence are promptly taken into account. To reduce legal risk, a compliance management system has also been established that performs the advisory role, the early warning role, the risk controlling role and the monitoring role for the reduction of legal risk. Data protection risk is also reduced by the work of the Data Protection Officer within the framework of his or her legal duties and responsibilities. The employees of the VHV Group receive regular training on data protection regulations, and there are established procedures for reporting and eliminating risks under data protection law. In addition, money laundering risk and fraud risk are explicitly included in the risk management system and reduced via the controls established in the compliance management system. The roles of the Anti-Money-Laundering Officer and the Anti-Fraud Manager have been established in the VHV Group for this purpose. The employees of the companies of the VHV Group that are bound by the German Money Laundering Act receive training on the prevention of money laundering annually and when they join the company. A procedure has been established for the internal and external reporting of suspected cases of money laundering. The same applies to the internal reporting and prosecution of criminal offences.

Organisational risk can arise from the organisational structure of the company, e.g. from complex business processes, high coordination complexity or inadequately defined interfaces. In order to reduce this risk, the business organisation is reviewed regularly and there is an internal control system in which all material business processes, including the risks contained therein and the controls associated therewith, have been mapped using uniform process modelling software. Relevant guidelines are made available to employees.

The risk selection processes are generally exposed to operational risks, particularly with regard to individual property-casualty insurance transactions and to life insurance transactions. This risk is minimised as far as possible by painstaking risk assessment and corresponding underwriting guidelines. Compliance with underwriting guidelines is monitored via a controlling system.

The **risk from IT systems** describes the risk of the realisation of losses that could arise from the IT systems' failure to meet one or more protection targets (confidentiality, integrity, availability, authenticity). IT risks result from steadily increasing demands on IT architecture and IT applications caused by changing market requirements and escalating regulatory requirements. This increases the complexity and susceptibility to error of the IT landscape. In addition to operational risks in the event of non-functioning IT, there is also a reputation risk if the IT is not available to our customers and business partners. To secure the long-term future viability of the IT application landscape and modernise IT operations, the "go-DIGITAL" digitalisation programme was continued with ongoing high priority in the reporting year. Following the introduction of the new portfolio management system in the private motor vehicle insurance segment, the focus in 2023 was on stabilising and migrating the old portfolio. With regard to life insurance, the capital account as well as the basic and fund annuity insurances were incorporated into the new portfolio management system. In addition, existing term life insurance contracts and the first savings contracts were migrated over to the new system. In matters relating to finance, the company was focused on replacing the previous SAP system landscape with the successor technology S4/HANA. The "go-DIGITAL" programme forms the basis of future digitalisation initiatives at the VHV Group. Reports on the status of IT and the "go-DIGITAL" programme are provided on a regular basis in the meetings of the Board of Directors and the Supervisory Board. The existing IT risks are monitored intensively. The possibility of a ransomware attack with extensive consequences in terms of system availability and business process disruption is considered to represent a significant risk. For the

purpose of risk reduction, online mirroring of the most important systems at two locations has been set up in particular. In light of continually rising technical, statutory and regulatory requirements and growing cyber risks, IT risks at the VHV Group are continuously monitored as part of IT risk management and current methods and applications for identifying and defending against attacks are tested and deployed. The effectiveness of backup measures is reviewed and documented on a regular basis as part of IT emergency drills. The risks associated with the implementation of the “goDIGITAL” programme and the challenges of the upcoming transformation are managed according to a cross-programme governance structure. The personnel risk resulting from the transformation is managed via human resources management in IT. In addition to preventing failures of data processing systems, service providers, buildings and staff, information security and especially protection against attacks on IT systems play an important role. For this reason, the VHV Group has implemented appropriate precautionary measures and is monitoring their effectiveness.

The **risk from outsourcing** describes risks of wrong decisions, flawed contracts or the incorrect implementation of an outsourcing process and other operational risks that could arise from outsourcing. The companies affiliated with the VHV Group have outsourced their processes to a certain extent to internal and external service providers. Key functions and activities are exclusively outsourced within the Group. These companies are fully integrated in the management mechanisms of the VHV Group. The Group’s outsourcing policy defines binding minimum requirements for the outsourcing process, which are operationalised in the form of company policies. Risk analyses are prepared for any material outsourcing and are reviewed in the event of material changes and updated if necessary. Due to the careful selection of partners when outsourcing externally and the corresponding controlling mechanisms, there is no material increase in operational risk.

Personnel risk describes risks relating to the employee capacities of the company divisions, employee qualification, any irreplaceable staff members and employee turnover. To address this risk, training and continuing education measures are executed to ensure a high level of specialised qualification of employees. Rules on representation and succession minimise the risk of disruptions in work processes.

In addition to the operational risks described, the **data quality risk**, the **risk from external events and infrastructure** and the **project risk** are systematically identified, evaluated, reported and managed.

The VHV Group also has access to comprehensive protection requirements analyses and carries out regular business impact analyses, such as a failure in IT or buildings, in which extreme scenarios are modelled in order to control operational risk. The findings of these analyses are used to derive emergency plans, which are updated regularly and adjusted to reflect current circumstances. The VHV Group therefore retains its ability to act if the availability of resources such as employees, buildings or IT systems is limited, ensuring that business operations can be maintained even in emergencies.

Strategic risk

Strategic risk is the risk that results from strategic business decisions. Strategic risk also includes the risk resulting from business decisions not being adapted to changes in the economic environment.

Inflation has been falling. Interest rates are also likely to have peaked as a result of this trend. Capital market and lending rates have been in decline since the start of November, and the European Central Bank could opt to cut base rates for the first time in the early summer of next year. This would pave the way to a recovery in 2024, following a marked cooling in the economy since the start of the year, with the recovery originally expected for the second half of the year largely failing to materialise. In the eurozone, consumer demand from private households has weakened, as the real wage trend has not been so favourable. The energy price shock of the previous year is still weighing on the industrial economy too. There will still be significant uncertainty regarding future economic growth in Germany and the eurozone. Against this backdrop, it is expected that the German market for real estate financing will contract further, and the new business volume for term life insurance in particular will continue to decrease. For HL, this entails the risk of a reduction in new business in its core segment even in the event that its market share remains stable or increases slightly.

Property-casualty insurance at the VHV Group is characterised by motor vehicle and construction insurance with a sales focus on the broker segment in Germany. As a leading special insurer for the construction industry, the VHV Group is dependent on the development of the German construction industry. In order to reduce these dependencies and participate in growth markets, the VHV Group is strategically pressing ahead with the selective expansion of its core competency of construction insurance in specific foreign markets including Austria, France, Italy and Turkey.

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In life insurance, the VHV Group continues to focus on products for insuring against biometric risks in Germany. The Group intends to defend and expand its market leadership in term life insurance by further expanding digital processes and consolidating the range of tariffs. This will be supported by the strategic expansion of the broker segment as a further sales channel in addition to traditional direct business.

Alongside traditional insurance, the VHV Group is continuing to press ahead with the expansion of insurance-related business models that are digitally positioned or that can be developed digitally. VHV digital services AG was founded to bundle and further expand this business segment's activities. Risks could result from company acquisitions if the synergy potential arising from the respective acquisition is not leveraged systematically. Corresponding project structures are in place to ensure that this synergy potential is leveraged.

The advance of digitalisation in the insurance industry entails strategic risks for the current business model of insurance companies as the ongoing digital transformation makes value generation from data increasingly important. The existing barriers to market entry could become lower thanks to new technologies and innovations. New competitors harnessing the strength of new algorithms by using artificial intelligence and machine learning in conjunction with big data are considered to be particularly relevant in this respect. Among other things, the VHV Group is counteracting these risks by introducing a state-of-the-art technical infrastructure and agile development methods as part of its goDIGITAL projects. This will lay the foundations for responding quickly and flexibly to technical innovations.

Meetings of the Board of Directors to address the management of strategic risks take place on a regular basis. The main projects at the company report regularly to the Board of Directors.

The current strategic concentrations of the VHV Group are constantly analysed and are consciously initiated in line with the current business strategy. In particular, those opportunities arising from strong market positions that are intrinsically linked to the existing strategic risk concentrations should also be utilised.

Reputation risk

Reputation risk is the risk that results from possible damage to the company's reputation as a result of negative perceptions among the general public.

The risk of negative perception by customers, sales partners or other stakeholders is countered by means of intensive quality management and regular dialogue with our sales partners, among other things. Service level agreements with internal and external service providers of the VHV Group ensure continuous controlling of essential key data.

Current studies and test results confirm the good service to customers and brokers. Diverse communication activities also take place with the aim of upholding the VHV Group's strong reputation. Reputation risk is continuously monitored by the central Corporate Communication department.

To counter potential reputation risks, the VHV Group has undertaken to comply with the Code of Conduct for insurance sales and the Code of Conduct for data protection.

Emerging risks

Emerging risks constitute new types of risk where the potential danger can either not be estimated at all or only with difficulty (including due to climate change or the development of new technologies). They are distinguished by having considerable potential for substantial losses, meaning that identification of these risks at an early stage is of major importance. Emerging risks are therefore explicitly identified and assessed as part of the risk officers' risk assessment in order to increase the time available for countermeasures through early identification.

Risk-bearing capacity

The risk-bearing capacity of the VHV Group was guaranteed in full at all times throughout the reporting period and in line with risk strategy targets. As at 31 December 2023, the VHV Group clearly exceeded the legal solvency requirements with eligible own funds even without the instruments of the transitional measures subject to approval or volatility adjustments.

In the stress tests and scenario analyses performed, risk-bearing capacity was not at risk even in the stress situations analysed (extreme events) such as a hyperinflation scenario lasting several years. The hyperinflation scenario assumes prolonged hyperinflation in addition to the average inflation in recent years until the final settlement of the current claims reserves.

Sustainability risk management was again continuously enhanced in the year under review.

Please see the report on economic position and the forecast report for information on the market developments in the financial year and expected development in 2024.

OPPORTUNITY REPORT

The identification of opportunities is a significant component of future-oriented corporate governance. In the context of strategic planning, current conditions are analysed to identify emerging opportunities at an early stage and to act accordingly. Due to the ongoing war in Ukraine and current developments in the Middle East conflict, the assessments of the opportunities are subject to uncertainty.

Property-casualty insurance

In the property-casualty insurance market in Germany, VHV Allgemeine has positioned itself as a partner of intermediaries/brokers and as a special insurer of the construction industry. This allows it to identify trends and developments that will serve as the basis for competitive products at an early stage in a market environment characterised by intense competition. With regard to the technical result, the expansion of claims management and the development of methods for processing claims offer opportunities to reduce claims costs still further.

The company is further expanding its international property/casualty insurance business. The selective development in chosen foreign markets such as Austria, France, Italy and Turkey could contribute to a further improvement in diversification as well as the attainment of growth targets. In all markets, the construction segment in particular is perceived as a viable business segment for the future. To achieve the strategic goal of above-average growth in the non-motor-vehicle segments, the main focus will be on strengthening the corporate business.

Improvements in profitability and productivity via improved unit costs can also contribute to the competitiveness of our products. The measures already introduced to increase productivity are to be continued for this purpose and the management of external service providers is to become more professional.

With regard to the technical result, the expansion of claims management and the development of methods for processing claims offer opportunities to reduce claims costs still further.

Life insurance

Products for covering biometric risks remain very important for the life insurance market, both in the area of death and disability cover. However, as the long-standing market leader in new term life insurance business, HL is confronted with a shrinking market. We are therefore seeking further growth for the company in the disability product segment, particularly in occupational disability insurance and via insurance agents.

Investments

In response to rising interest rates since 2022, the investment focus was increasingly geared towards covered bonds and government and corporate bonds with a good credit rating. Investments were also made in private and infrastructure equity, real estate funds and unlisted debt instruments. In addition to portfolio diversification, which is fundamentally positive, there are also opportunities to participate in positive market trends.

Miscellaneous

The VHV Group's corporate structure with a mutual insurance association as the ultimate parent company provides opportunities in the current market environment. This corporate structure allows the VHV Group to act quickly and efficiently and thus enjoy above-average performance in a dynamic market environment with changing internal and external conditions.

In addition, corporate profits strengthen the capital base and do not have to be distributed to any shareholders. Changing customer behaviour and technical innovation mean that advancing digitalisation will be decisive for the future of the insurance industry. Especially for a medium-sized mutual insurance association with a long-term strategy and the organisation of the VHV Group, this offers opportunities in future competition following the implementation of the digitalisation strategy developed.

As a result of digital advancement and the associated shift in customer requirements, the adjustment of brand presence and advertising strategies will be of central importance in the future. On this basis, the VHV Group has initiated extensive programmes in life insurance to modernise its brand positioning and advertising strategies. In addition, there is a growing customer requirement for the use of modern communication channels such as social media and chat functions. The speed at which questions can be answered will be a key success factor in the future. The VHV Group believes it is competitively positioned. This is also demonstrated by VHV Allgemeine's multi-award-winning website.

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The VHV Group has structured its activities in insurance-related areas with the formation of VHV digital services AG. In addition to the areas of activity of the Eucon and InterEurope Group, the company intends to achieve further risk diversification in the areas of construction and building management and mobility beyond the area of insurance services. This entails an opportunity to transform the VHV Group's long-standing expertise into new digital business models with independent revenue sources.

The satisfaction of customers and brokers is a central factor for the future market position and profitability of the VHV Group. Therefore, the VHV Group sets great store by an above-average service focus that is seen to be different from the market. This is underscored by various test results and awards. Service quality is monitored continuously via internal and external reviews.

Ensuring that the VHV Group is systematically positioned as an attractive employer also provides opportunities in light of demographic change. Motivated and qualified employees are the basis for competent and high-quality cooperation with customers, brokers and other business associates. Internal continuing education measures, ongoing training and systematic succession management ensure that employees are qualified for their roles. In addition, a great deal of importance is ascribed to work life-balance and occupational health management.

SUMMARY

On the basis of the information currently available, current findings and the assessment of the future development do not indicate any sustained material impairment in the net assets, financial position and results of operations of the VHV Group at present. The VHV Group's continuity is not under jeopardy even in extreme scenarios. All material risks are recognised early, measured and managed.

FORECAST REPORT

Macroeconomic development and the capital market

Economists expect economic momentum to flag in 2024. Declining inflation, a global economic slowdown and increased geopolitical uncertainty are likely to determine how the global economy performs.

A further slowdown in global economic growth is conceivable under these circumstances. Growth rates in the USA are expected to stay

higher than in Europe. Germany's economic growth in particular will probably be below average compared with the rest of Europe due to the fiscal austerity measures announced. Geopolitical risks in Ukraine, the Middle East and Taiwan could produce an additional negative impact if there is an escalation. There is additional uncertainty regarding the overall economic forecast as the outcome of the US presidential election in November is uncertain.

Inflation is expected to fall further in 2024 with little momentum, but will remain above the ECB's target of 2.0 % in Germany and the eurozone as a whole. Core inflation is also set to fall as a result of the expected economic cooling.

In addition to these factors, the performance of the economy and capital markets will be influenced by monetary policy in particular. Market participants expect the cycle of interest rate hikes to end and are anticipating several interest rate cuts by the ECB and the Fed over the course of the year.

An expected decline in yields due to the general impact of an ease in inflationary pressure and slower economic growth should fundamentally support bond performance in 2024. The multitude of economic and especially geopolitical risks could though adversely affect market participants' risk appetite. This would mean higher risk premiums on interest-bearing securities with credit risks. An economic slowdown coupled with geopolitical risks and lower yields are likely to herald volatile stock markets.

Property-casualty insurance

According to the ZDB, residential construction – long a pillar of the construction industry – is experiencing a significant downturn on the back of the recent reduction in the number of building permits and sustained cost increases. Current investment conditions are reinforcing this trend. Sales are set to decline by 15.0 % to EUR 49.9 billion in 2024.

However, sales in commercial construction are expected to increase slightly in 2024, to EUR 60.0 billion (+0.7 %). According to the ZDB, investments in mobility and energy transition projects, along with Deutsche Bahn's investments in its rail network, are a major support for the civil engineering sector. Demand in commercial building construction, which accounts for a large share of the market, is, however, stagnating at 2023 levels due to the uncertain general economic outlook and, in particular, trends in interest rates and energy prices, with orders falling overall.

With public sector construction the company is also forecasting modest growth of 0.7 % to EUR 44.5 billion in 2024. The forecast by ZDB assumes that the investment plans for infrastructure at federal level for 2024 will be sustained. Meanwhile, the existing investment backlog at municipal authorities is expected to lengthen further.

The VHV Group is in an above-average position in terms of market development in its core business areas and, as things stand, will maintain the capacity to hold its own in a difficult market environment with competitive tariffs and products in future as well.

In investments, an investment in instruments with good credit ratings (investment grade) is planned for 2024. There are also plans to continue with the real estate, private equity and infrastructure asset classes. Equity allocations are actively aligned to market conditions and implemented in line with total-return investment approaches. For 2024, the VHV Group is planning a slight increase in investment portfolios. Based on the investment structure, it is assumed that the net interest return on investments will be below the level of 2023.

In motor vehicle insurance, the VHV Group has been focused on increasing its income for many years. This strategy was continued in 2023 and will also be decisive for the coming years. In addition to a further focusing of the risk selection, restructuring in commercial business and premium adjustments, this strategy primarily comprises extensive measures in claims management. The continued development of the current supply bottlenecks and high inflation could have an impact on the course of business. Results are expected to remain constant at least following an allocation to the equalisation reserve.

Liability business for business customers will also be influenced by intensive price and performance competition in 2024. As a result of risk exposure, a trend towards market hardening is expected in individual submarkets.

As an industry insurer specialising in the construction target group, the VHV Group believes it remains well positioned despite the expected recession in the construction sector. Based on the undisputed demand for construction services, the industry is anticipating a nominal reduction in construction sales to EUR 154.4 billion in 2024 (–5.0 %). Positive effects on the development of portfolio and earnings are expected from the continuation of the active management of the portfolio of professional liability insurance for architects and engineers. The war in Ukraine, other geopolitical crises and

overall economic growth in Germany, which is dependent on these factors, could have a significant impact on the construction industry and negatively affect the VHV Group's business performance as a result.

In the segment of personal liability insurance, the number of contracts is expected to increase in 2024 while premiums remain the same.

Accident insurance is expected to see moderate premium growth once again in 2024. Tariff revisions from 2023 in private accident insurance are expected to continue to provide sustained impetus for new business and portfolio development in 2024.

With the guarantee business expanding, the technical insurance segment is expected to post growth.

In loan and surety insurance, premium revenues and the number of contracts are set to increase in 2024. The insolvency situation, which already worsened in 2023, could become more acute due to the consequences of the decline in construction activity. The number of forecast insolvencies is expected to increase in 2024.

In fire and property insurance, our competitive products will deliver growth in terms of the number of individual contracts and the amount of premiums. This applies particularly to the commercial segment.

By systematically focusing on stability and profitability in all areas, VAV's Board of Directors expects to strengthen the net assets, financial position and results of operations in 2024. Measures to improve underwriting profitability have already been implemented through tariff adjustments in new business and portfolio management and this be continued for the remainder of the year.

The Board of Directors VHV Re expects the effects of market hardening to be felt with increasing intensity as the year rolls on. VHV Re is implementing additional measures in its underwriting policy to increase underwriting profitability with a sustainable growth rate in parallel with its diversification strategy.

In 2024, VHV Sigorta will also focus on increasing the share of SME and private customer insurance in order to create a more balanced portfolio while maintaining its business strategy of growing in its core areas.

CONSOLIDATED MANAGEMENT REPORT

Val Piave will continue working on building an autonomous IT system, as well as developing new distribution channels and new insurance products in order to achieve profitable growth and an increase in market share.

All in all, the VHV Group expects to see positive portfolio and premium growth in the coming years. Claims expenditure is expected to increase further in 2024, especially as a result of inflation. With a planned lower level of contracts in 2024 and at the same time a moderate increase in premium revenues, claims management measures, primarily in the motor vehicle segment, and measures to reduce management expenses will be a high priority in order to ensure its current competitive position in the future, too. For the coming year 2024, VHV Allgemeine is expecting a decline in earnings after an addition is made to the equalisation reserve.

In the 2023 financial year, the focus of the goDIGITAL.KOMPOSIT digitalisation programme was on stabilising and optimising the revised private motor vehicle contract system and associated processes. The transformation continued to be closely monitored and facilitated through the provision of intensive training for our employees. In addition, the conditions were created to migrate the existing private motor vehicle contracts to the new portfolio management system, and this was successfully trialled within the scope of a proof of concept. In 2024, the company will focus on migrating existing private motor vehicle contracts from the old to the new system and systematically optimise and digitalise processes. Work on converting the PLC private contract and claim system will be begin. Preparations are also being made to convert the motor vehicle commercial contract system.

Life insurance

With the rise in interest rates over the last two years, the VHV Group made significantly higher releases from the additional interest rate reserve (AIIR) than the industry as a whole. If interest rates stayed unchanged, the company expects to make further reversals in the coming year. Within the AIIR, provisions have been recognised by life insurers since 2011 to be in a position to meet interest obligations during the period of low interest rates. Because of the targeted duration management and the low proportion of annuity insurance in the portfolio compared with the market as a whole, the VHV Group believes it is competitively positioned in the market environment. The effects of substantial rises and falls in interest rates continue to be constantly reviewed at the VHV Group with the aid of ALM studies to be able to focus the investment policy in line with the requirements of liabilities and shareholders' equity in the future too.

In investments, an investment in long-term instruments with good credit ratings (investment grade) is planned for 2024. There are also plans to continue with the real estate, private equity and infrastructure asset classes. The VHV Group is anticipating a slight decline in the carrying amount of investments in 2024. Based on the investment structure, it is assumed that the net interest return on investments in life insurance is expected to be slightly above the level of 2023.

In 2024, the development of biometric products will remain a focus, particularly with a view to defending the market leadership in new term life insurance business in terms of insurance policies paid and regular premiums. The VHV Group believes it is competitively positioned in the market thanks to innovative and needs-focused product development, the ongoing review and modification of the existing product portfolio and the high quality of its sales and service. The Group's market share in new term insurance business has been maintained at a high level in recent years. This share is to be maintained in an increasingly competitive environment, while occupational disability and work incapacity insurance is to be expanded, especially in the intermediary market.

The state pension will remain under pressure in 2024, so the need for the general population to take measures for retirement provisions on their own initiative is expected to increase. There is therefore continued high potential, particularly for subsidised pension products.

In light of the sustained uncertainty concerning future economic development, the mindset of many consumers is shaped by an aversion to risky investments and long-term capital commitment. Accordingly, in the case of one-off premiums, business is expected to be dominated by demand for products with short terms.

Overall, the VHV Group expects premium revenues in the coming year to be above the previous year's. Unadjusted earnings after taxes are expected to decline slightly in 2024 compared with 2023.

The constant development of premium revenues is also being supported by the continuation of the "fitness programme" carried out in recent years, covering issues ranging from product innovation, service quality and the costs offensive through to risk selection. By systematically working through the individual issues of the "fitness programme", the excellent levels of customer satisfaction are to be further improved and the low expense ratios are to be maintained at the respective level, among other things.

The “goDIGITAL” digitalisation programme, which is modernising the IT application landscape and laying a foundation for future digitalisation initiatives within the VHV Group, will also be continued.

Miscellaneous

WAVE will continue to operate primarily as an asset management company within the VHV Group and also offer a focused product family of mutual funds. Due to the focus on asset management within the VHV Group, WAVE’s business performance is largely dependent on the investment portfolio of the Group subsidiaries. From today’s perspective, this portfolio is expected to contract slightly.

Based on current assumptions, the company’s planning forecasts stable business growth over the next two financial years. Productivity increases can offset the expected decline in income from investment portfolios of the Group mandates (excluding performance-based remuneration).

For the institutional third-party business including mutual funds, the company is expecting a small decline in earnings for the 2024 financial year due to lower expected follow-up commission. For 2024 and 2025, the operating result is expected to hold steady without taking account of performance-based remuneration.

At VHV solutions, which combines the contract and claims activities of the VHV Group companies, a key objective for the 2024 financial year remains the continuation of the measures pursued as part of the “fitness programme” with a view to continuously improving costs and quality as well as additional measures relating to various projects.

Taking account of the planning of the insurance companies, the non-financial performance indicators are expected to be positive on a sustained basis. With a significant reduction in sales revenues, a marked fall in net profit is expected.

At VHV digital development, a proactive technology management approach will continue to be taken in 2024 through the advancement of the digitalisation strategy with a focus on automation, optimised data usage and technological principles. The technological focus will be on AI and the Cloud. These projects will be supported by the creation of agile teams. A system of key indicators will be drawn up to measure the progress of digitalisation.

Taking into account the insurance companies’ planning, net income is expected to remain constant year on year with both a modest

increase in sales revenues and a marginal increase in personnel expenses, as well as a continuously positive trend in the non-financial performance indicators.

VHV Holding will continue to manage the planned major projects in the coming year. In the future, the focus will remain on the continuation of the “goDIGITAL” digitalisation programme.

VHV Holding expects to see significantly higher sales revenues and other operating expenses in 2024. Earnings before taxes are expected to decrease significantly, largely as a result of the lower profit transfer from VHV Allgemeine.

Based on the aforementioned forecasts for the individual areas of activity, the VHV Group is anticipating a marked decrease in consolidated net income in 2024.

Proviso regarding statements about the future

The present forecast contains estimates of the Group’s future development. Considering all known opportunities and risks and on the basis of plans and projections, assumptions were reached that may not occur this way or may not occur in full because of unknown risks and uncertainties.

In light of the dynamically evolving conditions, it is still not possible to conclusively assess the long-term ramifications with regard to economic development, the capital markets and the business performance of the VHV Group at present. As such, the forecasts issued are subject to increased uncertainty.

Hanover, 20 March 2024

THE BOARD OF DIRECTORS

Voigt	Bickhoff	Hilbert
Dr Reddemann	Schneider	Stark

NON-FINANCIAL STATEMENT^{*)}

Redefining economic and social structures for a sustainable future is a pivotal challenge and obligation to our children, our children's children and beyond. With the conviction that mutual support and solidarity are the way forward, the VHV Group accepts its responsibility for the social and environmental issues of our time. Climate change and demographic trends are permanent priorities

on the VHV Group's agenda. They influence the core business of Germany's leading specialist insurance provider for the construction industry, as well as major automotive and biometric coverage provider in myriad ways. The VHV Group therefore also takes account of sustainability in its business activities by integrating ecological and social issues.



^{*)} In accordance with Section 317 (2) (4) HGB, the non-financial statement is expressly excluded from the audit by the auditor as part of the annual financial statements and the management report. This non-financial statement was reviewed by the auditor pursuant to ISAE 3000.

The VHV Group is a mutual insurance association, which is why it is committed to responsible company leadership and oversight in order to create lasting value.

a) Company background:

The VHV Group is a group of specialists for insurance policies, provisions and assets with a history dating back 100 years.

The parent company of the VHV Group is organised as a mutual insurance association. This form of organisation allows the company to think and act strategically over the long term and not to focus its entrepreneurial activities on short-term shareholder value.

The Group is rooted in the idea of helping people and companies calculate their risks. The foundation of the VHV Group is a business policy that not only builds on tradition and experience but also looks to the future and defines new goals. The VHV Group sets store by its long-term, reliable business policy based on a partnership with its customers. Because the VHV Group was not created to earn the most money in the shortest possible time, but rather to think and act with future outcomes in mind, its purpose is to serve as a secure, financially stable company that stands behind its customers.

b) Strategy, business model and value chain:

As an insurance specialist with defined business segments, the VHV Group aims to tailor its array of products and insurance solutions to the expectations and needs of its customers and sales partners. Furthermore, the VHV Group believes it must integrate new or changing risks into its products and insurance solutions in order to offer seamless coverage to its customers.

The Group strategy sets the guiding strategic framework for the VHV Group. It sets out the strategic guidelines and success factors for the VHV Group. In addition, the VHV Group’s overall (quantitative) ambition is integrated into the Group strategy – including the derivation of business segments, core measures and roadmap.

General thematic strategies (risk and sustainability strategy, IT strategy, digitalisation strategy and internationalisation strategy) are derived from the Group strategy. The Group strategy and the general thematic strategies are turned into specific strategies along the business segments in the respective business segment strategies, from which specific targets are derived. Quantitative targets and necessary measures are also derived from the business segment strategies. In turn, individual strategies for selected segments (including composite construction strategy, sales strategy and claims strategy) are derived from the business segment strategies.

The VHV Group has identified the following success factors in its Group strategy and is seeking to implement them:

Our success factors ..	1 Focused approach on channels and customers	2 Cost discipline and efficiency	3 Technological excellence	9 Systematic benchmarking
	4 End-to-end process excellence			
.. for the core business ..	5 Underwriting excellence	6 Investments	7 Excellent corporate functions	
	8 Long-term focused corporate management			
... building on a strong foundation	Solidity and strength from within	Employer attractiveness	Integration of ESG/sustainability	

The areas of activity of the VHV Group are broken down into domestic/German insurance business and the strategic growth markets, international insurance business, and technology-based and digitalisable insurance-related services. In Germany, the individual companies operate under the VHV Versicherungen and Hannoversche brands, in Austria under the VAV Versicherungen brand and in Turkey with VHV Re and VHV Allgemeine Sigorta under the VHV Versicherungen brand. Major markets for the VHV Group are the private customer and commercial business in Germany, France, Italy, Austria and Turkey. Besides the private customer business, the VHV Group also offers life insurance policies as part of occupational retirement provision, which are concluded with employers.

NON-FINANCIAL STATEMENT

The VHV Group offers property-casualty insurance products in the following main classes of insurance:

- Liability insurance
- Motor vehicle liability insurance
- Other motor vehicle insurance
- Loan and surety insurance
- Fire and property insurance

Life insurance primarily offers biometric products (in particular term life insurance, occupational disability insurance, and funeral expenses insurance) and insurance investment products (fund-linked annuity insurance, annuity insurance with traditional investments, and capitalisation transactions). Insurance investment product certificate-linked pension insurance was added in the 2023 reporting period.

Employees from 32 nations and 5 continents currently work across the company. Further information on employees can be found in chapters 3 and 7.

The VHV Group does not offer any products or services to which prohibitions apply in certain markets.

The VHV Group does not generate any income from its direct business activities related to the exploration, extraction, production, processing, storage, refining, or distribution, including transportation, storage, and trading of fossil fuels pursuant to Article 2 Number 62 of Regulation (EU) 2018/1999 of the European Parliament and of the Council. The same applies to the manufacture of chemicals in accordance with Section 20.2 of Annex I to Regulation (EC) No 1893/2006.

The VHV Group does not engage in any business operations related to controversial weapons (anti-personnel mines, cluster munitions, chemical and biological weapons) or the cultivation and production of tobacco. Regarding actuarial methods and practices, the VHV Group generates income from insurance in the area of fossil fuels and the storage and transportation of tobacco.

The VHV Group endeavours to consider sustainability aspects in its products and insurance solutions in order to meet the expectations and needs of customers and distribution partners, while also adhering to the principle of risk-based premium calculation (ensuring calculated insurance premiums are sufficient to cover future claims payments, commissions, and other costs).

In life insurance, the VHV Group focuses on meeting its customers' needs for insurance cover and their interest in protection. In fund-linked life insurance, HL offers funds focused on sustainable economic activities.

The most important products and services are assessed on the basis of the materiality analysis. The most important products in terms of sustainability are those in the field of construction insurance, technical insurance, fire and property insurance, loan and surety insurance, and motor vehicle insurance. These insurance lines aid in the transformation and energy transition and have a significant influence on the environmental impact. The VHV Group offers special additional services for electric vehicles in motor vehicle insurance. The Group has also offered comprehensive insurance coverage in the renewable energies sector for more than 15 years.

Key activities of the VHV Group are focused on implementing sustainability-related regulations and developing a control concept in the field of investing, which will be the basis for the goal of climate neutrality by 2050. The Group is also looking into certification of the implemented environmental management system in light of the requirements of the Energy Efficiency Act. Other activities relate to the implementation of the Taxonomy Regulation.

With regard to the workforce, a new major project has been initiated to boost employer attractiveness and enhance the visibility of the employer brand. In addition, the VHV Group continuously monitors current market developments to be able to respond accordingly.

For information about the business model of the VHV Group, refer to the statements in the management report under “Group business model” (p. 15).

The VHV Group’s upstream and downstream value chain is defined by the legal requirements of the supply chain of the Supply Chain Due Diligence Act (LkSG) and Corporate Sustainability Due Diligence Directive (CSDDD) and extends to all products and services that are needed for their provision. The VHV Group’s value chain therefore comprises activities in connection with the production of goods or the provision of services. Small and medium-sized enterprises and private customers are not part of the value chain as per the definition in the CSDDD.

The following service providers are in the top 10 in terms of business volumes:

- 1 Deutsche Post AG
- 2 Mindshare GmbH
- 3 Accenture GmbH
- 4 msg life central europe GmbH
- 5 Rethmann SE & Co. KG
- 6 RGM Facility Management GmbH
- 7 Guidewire Software, Inc.
- 8 HUK-COBURG Schadenmanagement GmbH
- 9 Bechtle GmbH
- 10 DBS Projektsteuerung GmbH

For further information on the implementation of the requirements of the LkSG, refer to Chapter 5. The topic of human rights is dealt with in Chapter 3.

c) Interests and positions of stakeholders:

The stakeholders of the VHV Group are the policy holders, the employees, the intermediaries and other business partners of the VHV Group and civil society. Due to the organisational structure of the parent company of the VHV Group as a mutual insurance association, outside investor interests do not need to be considered. Chapters 1 and 3 provide a closer look at the interests of the insurance policy holders, brokers and employees.

The stakeholders of the VHV Group are organised through various organisations, including:

Customers

- Consumer advice centre
- Bund der Versicherten e. V.
- Versicherungsombudsmann e. V.
- Institut der Bauwirtschaft (institute of the construction Industry)

Employees

- Union
- General Works Council of the VHV Group
- Works councils in Berlin, Munich and Hanover
- Young people and trainee representatives
- Severely disabled persons representatives
- Employee representatives on the Supervisory Board of VHV solutions GmbH and VHV Holding AG

The stakeholders and their positions are considered a key success factor in achieving the business strategic objectives when designing the corporate strategy and general thematic strategies, ensuring that the strategies do not conflict.

In the reporting year, the VHV Group’s sustainability strategy that was formulated in 2021 was revised, partly due to the refinements made to GDV’s sustainability positioning. During the refinement process, the interests of the stakeholders are taken into account to ensure that the strategies do not conflict with their interests.

It is not expected that the relationship with the stakeholders and their positions will change as a result.

The Board of Directors and the Supervisory Board are explicitly involved in the development and refinement of the Group strategy and general thematic strategies. The Board of Directors approves strategies.

NON-FINANCIAL STATEMENT

d) Main impacts, risks and opportunities and their interaction with the strategy and business model:

The VHV Group has identified the main impacts, risks and opportunities in the topics of climate protection, the workforce, consumers and end users, as well as corporate policy. Further details can be found in the statements on the methodology and the findings of the materiality analysis.

In the context of investing and actuarial methods and practices, the topic of climate protection is particularly important through the provision of insurance cover and has long-term impacts. Shifting investment towards renewable energy and supporting the transformation, including through renewable energy insurance, can have a positive impact on people and the environment.

Within the statement on the key adverse impacts of investment decisions on sustainability factors at HL, adverse sustainability impacts were identified as greenhouse gas emissions, carbon footprint, and greenhouse gas intensity.

Climate change in particular has a negative impact on the VHV Group's business model. The increase in extreme weather events such as heavy rain, flooding and hail is leading to an increase in natural hazard costs and therefore potentially negative impacts. Owing to the transformation of the economy, there is a risk in the area of investing that investments will no longer retain their value (stranded assets) if the business models of the relevant investments do not adapt to the changed conditions.

The VHV Group's impact on people and the environment is analysed on an ongoing basis and taken into account both in its own business operations via the implemented environmental management system and in its investment activities and actuarial methods and practices. The impacts are primarily expected over a long-term horizon.

The main risks are identified, analysed, evaluated and dealt with in the risk survey and the stress tests conducted. No financial impacts of the material risks on the financial position, financial performance and cash flows have been identified. With regard to the stress tests conducted, refer to the statements in Chapter 5.

The resilience of the strategy and business model is analysed within the framework of the capital projection over the planning horizon in terms of its impact on the coverage ratio of the VHV Group. Refer to the information on resilience in Chapter 5.

No changes to the material impacts, risks and opportunities occurred compared with the previous reporting period.

Besides the disclosure requirements of the ESRS, the VHV Group has not covered any additional company-specific information.

General principles for the preparation of the sustainability declaration:

This non-financial statement was prepared in accordance with the requirements of sections 289c et seq. and Section 315c HGB (German Commercial Code) and represents the non-financial statement of the parent company VHV Vereinigte Hannoversche Versicherung a. G. and the group non-financial statement of the VHV Group. Unless otherwise indicated, this non-financial statement includes the same scope of consolidation as for the consolidated financial statements. The following subsidiaries are exempt from sustainability reporting in accordance with Article 19a (9) of Directive 2022/2464/EU as they are included in this group non-financial statement:

- VHV Vereinigte Hannoversche Versicherung a. G.
- VHV Holding AG
- VHV Allgemeine Versicherung AG
- Hannoversche Lebensversicherung AG
- Pensionskasse der VHV-Versicherungen
- VHV International SE
- Assicuratrice Val Piave S. p. A.
- VAV Versicherung-Aktiengesellschaft
- VHV digital development GmbH
- VHV solutions GmbH
- WAVE Management AG
- Eucon Digital GmbH
- Eucon GmbH
- InterEurope AG European Law Service
- InterEurope Beteiligung GmbH
- WAVE Private Equity SICAV-SIF

VHV a. G. is the ultimate parent company and not a subsidiary itself. Therefore, no use is made of the exemption option under Article 29(8) 2013/34/EU.

The VHV Group is an international organisation, which considers human rights and environmental risks in a global context. To comply with the human rights and environmental due diligence obligations set out in the LkSG, the VHV Group identifies and assesses associated risks across borders. The VHV Group determines the risks associated with protected legal positions in its own business segment and among its direct suppliers through risk analyses in order to identify and minimise any potential violations of human rights or environmental rights as far as possible. For this purpose, the VHV Group has expanded its existing, Group-wide risk management system. Further details on the implementation of the requirements of the LkSG and the protected legal positions are shown in Chapters 3 and 5.

The VHV Group has not made use of the option to omit certain information relating to intellectual property, expertise or the results of innovations.

VHV a. G. has not made use of the option of the exemption in Article 19a(3) 2013/34/EU and Article 29a(3) 2013/34/EU from disclosing imminent developments or matters under negotiation.

Information related to specific circumstances:

The VHV Group does not use a different definition of the time horizons defined in the ESRS. The following time horizons are defined in the VHV Group:

- Short-term: up to one year
- Medium-term: one to five years
- Long-term: over five years.

No estimates or approximate values such as sector average data are currently used in the upstream and downstream value chain.

Estimates and uncertainties regarding results exist in the determined greenhouse gas emissions within the implemented environmental management system of our Group's business activities that have not been determined based on consumption bills. This applies in particular to emissions from rented office space, as the VHV Group is dependent on the landlords' ancillary cost statements, most of which are only made available after a time lag. If no current values are available, the previous year's figures are recognised. For individual branches, a calculation is made based on degree day numbers. For this reason, the issues from the 2022 and 2021 financial years are reported in this non-financial statement, as the issues for 2023 were not yet fully available at the time of reporting.

There are other estimates and uncertainties exist for Scope 3 emissions regarding the calculation of carbon emissions from the commuting of employees, as assumptions about the mobility behaviour of employees are made here. The greatest uncertainty here is from the choice of the actual means of transport used. The estimate is based on existing studies of mobility behaviour in Germany by the Federal Statistical Office. If the actual usage behaviour deviates from the assumptions made, this results in a uncertainty regarding the indicated value. The level of this uncertainty cannot be estimated at present.

The reported Scope 3 emissions from business trips are calculated and reported by the travel agency. This information only includes trips booked through the travel agency. If the employees have not booked their trips through the travel agency, these emissions are currently not yet shown.

Under the control concept for climate neutrality, data on greenhouse gas emissions from the managed investments are used by a data provider. Within this framework, only reported and not estimated greenhouse gas emissions of the value chain of the companies invested in are used.

There have been no changes in the preparation and presentation of sustainability information compared with the previous reporting period.

NON-FINANCIAL STATEMENT

The VHV Group has not become aware of any errors in reporting in the comparative period.

The VHV Group does not include any information based on other legal regulations in this non-financial statement.

With the exception of the requirement for the business model of the VHV Group, the Group does not make use of the option to refer to information.

Statement on due diligence

The VHV Group considers respect for human and environmental rights as a fundamental part of social responsibility. Our corporate due diligence to protect these rights includes our own business operations and all suppliers along the supply chain. In our own business operations, we identify, evaluate and address environmental impacts at least once a year in the environmental management system. Procedures have also been implemented to ensure duty of care is met in the areas of investing and actuarial methods and practices.

SUSTAINABILITY STRATEGY

PRINCIPLES OF THE SUSTAINABILITY STRATEGY

Unlike companies with a business model that relies heavily on energy and materials, the VHV Group's direct environmental impact is minimal. Instead, the VHV Group contributes in areas that it can have a specific, positive impact and strives to keep its carbon emissions and use of resources as low as possible for its own business processes.

The VHV Group conducts its business activities with a view to sustainability. For this purpose, it revised its own sustainability strategy drawn up in 2021 in the reporting year. It understands sustainability to mean long-term financial orientation and protecting against risks in the long term with a view to environmental and social concerns and proper, ethical corporate governance. The sustainability strategy was derived from the Group strategy and goes hand-in-hand with the Code of Conduct of the VHV Group and its values.

The VHV Group's sustainability strategy provides the framework at Group level, the requirements of which must be operationalised by the individual companies and applies to all geographical areas. The main stakeholders are customers, employees and civil society.

The interests of the most important stakeholders are appropriately taken into account when defining the strategy so that the strategy does not conflict with the interests of the stakeholders.

Besides the statements in this report, the pillars of the sustainability strategy can also be view on the website of the VHV Group and its subsidiaries VHV Allgemeine and HL for potentially affected stakeholders.

MEASURES AND RESOURCES RELATING TO MATERIAL SUSTAINABILITY ASPECTS

The VHV Group's sustainability strategy identifies climate change as one of the greatest current challenges. Consequently, one strategic goal is to build a climate-neutral investment portfolio by 2050 and therefore make a contribution to decarbonisation. For this reason, the Group gives high priority to the measurement and management of adverse sustainability impacts in relation to carbon emissions.

To achieve the goal of climate neutrality, the greenhouse gas emissions of the liquid portfolio are measured annually and a management concept for achieving the target developed on this basis. For illiquid assets, it is planned to bring in specialised data providers. This will help to achieve the greatest possible coverage and a high degree of automation.

The Group regularly reviews the inclusion of sustainability criteria in investment decision-making processes and risk management and makes changes if necessary. In addition, a standards-based screening was applied during the observation period with regard to the UN Global Compact, the inclusion of OECD Guidelines, and the incorporation of the ILO (International Labour Organization) in the investment process. This will be continued and the proportion of investments in companies involved in violations of the UN Global Compact Principles and the OECD Guidelines for Multinational Enterprises will be reduced. For real estate, it is planned to bring in specialised data providers. This will help to achieve the greatest possible coverage and a high degree of automation.

Besides the already formulated goal of climate neutrality in investments by 2050, the VHV Group has not defined any further time horizons for implementing the most important measures.

No remedial measures needed to be taken in the reporting year as a result of damage caused by actual material impacts.

As the VHV Group has not currently defined a specific action plan, no significant operating expenditure or capital spending is evident based on current knowledge. It is therefore not yet possible to make any statements on the amount of current or future financial resources.

PARAMETERS RELATING TO MATERIAL SUSTAINABILITY ASPECTS

The material impacts and risks are assessed in particular as part of the sustainability stress tests carried out. For this purpose, the risk modelling is adjusted for the individual risk categories, market risk and insurance risks (life and non-life). The key parameters are the impacts of the sustainability stress tests on the coverage ratio in accordance with the standard formula and the ORSA model. The impacts on the Group's capital, solvency capital requirements and risk capital requirements are analysed.

For the methodology used in the sustainability stress tests, refer to the statements in Chapter 5. Additional parameters for assessing performance and effectiveness are the carbon emissions and fuel consumption figures calculated in the environmental management system.

Adverse sustainability impacts are identified based on data obtained from an external sustainability data provider. The provider was selected based on its extensive data coverage and long-standing involvement with ESG ratings. The required data is particularly available for listed asset classes. In the case of non-listed asset classes, the data is requested from other external financial service providers (e.g. asset managers, investment management companies) or directly from the target investment. The supplied data is checked for consistency and logical coherence. Information is currently not comprehensive for all investments or of sufficient quality, so errors may occur as a result.

SUSTAINABILITY STRATEGY

The data from the external sustainability data provider can be divided into three areas: environmental, social and governance. Individual data points from the three areas partially correspond directly to a mandatory sustainability impact to be considered, such as the impact of greenhouse gas emissions. These data points, aggregated by sector-specific models, serve as the basis for ESG integration, which is intended to limit issuers with regard to adverse sustainability impacts.

Controversial corporate behaviour is assessed for conformity with the principles of the UN Global Compact by the sustainability data provider using a holistic and ongoing screening process based on a variety of sources, including company publications, company surveys and a media analysis.

The parameters are validated in accordance with the dual control principle.

Unless otherwise stated, all amounts are shown in euros.

TRACKING THE EFFECTIVENESS OF STRATEGIES AND MEASURES THROUGH OBJECTIVES

The objectives formulated in the VHV Group's sustainability strategy are transferred to the VHV Group's target agreement process and are further operationalised by the individual companies. The Group regularly tracks and monitors the effectiveness of the strategies and measures in relation to the main sustainability-related impacts, risks and opportunities using the instruments already described. Tracking is performed primarily on the basis of qualitative indicators.

THE FRAMEWORK

The VHV Group's sustainability strategy incorporates internationally recognised principles and standards such as

- **ESG criteria for sustainable business**
- **Goals of the UN 2030 Agenda**
- **Principles from the leading sustainability initiatives**

THE THREE PILLARS OF ESG

The sustainability strategy revolves around the ESG criteria for sustainable business outlined below. These three criteria illustrate how broadly the topic of sustainability should be considered today. They range from equal opportunities for employees to product development and sustainable financing strategies.

ENVIRONMENTAL

- Fighting climate change
- Reducing carbon emissions
- Using renewable energies
- Decreasing energy consumption
- Maintaining biodiversity
- Protecting natural resources, such as water and forests
- Avoiding environmental pollution from toxins, waste, imprudent use of materials

SOCIAL

- Diversity and equal opportunity
- Fair pay
- Healthy, safe products
- Healthy, safe working conditions
- Social commitment

CORPORATE GOVERNANCE

- Complying with all legal and internal rules
- Preventing corruption and bribery
- Preventing money laundering
- Respecting human rights
- Executive remuneration tied to sustainability targets
- Tax compliance
- Data protection and security
- Complying with fair competition practices

SUPPORT FOR THE UN 2030 AGENDA AND THE GREEN DEAL

The UN 2030 Agenda, with its 17 sustainable development goals, is a global plan to promote sustainable peace and prosperity while protecting our planet. The VHV Group stands behind all 17 of these goals and actively fosters five of them:



Goal 4: Quality Education

Ensure inclusive and equitable quality education and promote lifelong learning opportunities for all



Goal 5: Gender Equality

Achieve gender equality and empower all women and girls



Goal 8: Decent Work and Economic Growth

Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all



Goal 12: Responsible Consumption and Production

Ensure sustainable consumption and production patterns



Goal 13: Climate Action

Take urgent action to combat climate change and its impacts.

In order to do its part particularly for the aforementioned goals, the VHV Group also supports the Green Deal, which aims for Europe to become climate neutral by 2050.

SUSTAINABILITY STRATEGY

INVOLVEMENT IN SUSTAINABILITY INITIATIVES

The VHV Group has joined numerous sustainability initiatives and relevant networks, thereby underscoring the commitment to its goals and intent while providing transparency.

Signatory of:



PRINCIPLES FOR RESPONSIBLE INVESTMENT

The PRI is a global investor network with six principles for responsible investments that the VHV Group is committed to fulfilling.



GERMAN SUSTAINABILITY NETWORK

The GSN is a practical cooperation platform for insurers in the German-speaking region and stakeholders from relevant industries. It uses eleven focal areas to share knowledge, provide ideas and foster industry-wide networking.



PRINCIPLES FOR SUSTAINABLE INSURANCE

The PSI supports the sustainable transformation of actuarial methods and practices based on four principles. As a member, the VHV Group also follows these principles.



CHARTA DER VIELFALT

An employer initiative to promote diversity in companies and organisations in order to advance recognition, appreciation and integration for diversity at the workplace. The VHV Group signed the Diversity Charter in 2023.



FNG LABEL

The quality standard for sustainable investment funds in German-speaking regions. The WAVE Total Return ESG fund managed by WAVE has received the FNG-Label.



UN GLOBAL COMPACT

The UN Global Compact is the world's largest and most important initiative for sustainable and responsible corporate governance. The VHV Group has participated in the UN Global Compact since April 2023.



ÖKOPROFIT

A partnership project between municipalities and local business that aims to reduce operating costs while also protecting natural resources.

THE TEN PRINCIPLES OF THE UN GLOBAL COMPACT ARE:

- 1. Businesses should support and respect the protection of internationally proclaimed human rights.**
- 2. Businesses make sure that they are not complicit in human rights abuses.**
- 3. Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining.**
- 4. Businesses should work towards eliminating all forms of forced and compulsory labour.**
- 5. Businesses should stand up for the effective abolition of child labour.**
- 6. Businesses should work towards eliminating discrimination in respect of employment and occupation.**
- 7. Businesses should support a precautionary approach to environmental challenges.**
- 8. Businesses should undertake initiatives to promote greater environmental responsibility.**
- 9. Businesses should encourage the development and diffusion of environmentally friendly technologies.**
- 10. Businesses should work against corruption in all its forms, including extortion and bribery.**

SUSTAINABILITY STRATEGY

SIX KEY SUSTAINABILITY ISSUES

Under its sustainability strategy, the VHV Group has defined six action areas that include customers, employees, sales partners, investments and social initiatives.



01 Deliver the right products

The VHV Group designs its products and services according to the interests of its customers and sales partners, to do more for a bright future for all.

02 Invest responsibly

Sustainability is the leading social trend of our times. As a long-term investor, the VHV Group aims to benefit from this trend as soon as possible and has set a goal of climate neutral investments by 2050.

03 Offer the best employment opportunities

The VHV Group wants to enable all its employees to realise their full potential and have development opportunities. Its corporate culture is aligned to equal opportunity and freedom from discrimination.

04 Implement climate-friendly operations

With this aim in mind, the VHV Group has compensated for the direct emissions as at 31 December 2022, fleet management in 2023 and the energy it purchased in 2023. Furthermore, as at 31 December 2022 the VHV Group has compensated for its indirect emissions from paper and water use, waste, business trips and hire cars in 2023.

05 Follow the guidelines

From legal requirements to the VHV Code of Conduct and the procedures of the VHV Group, the Group is transparent about what is expected from each and every one of us.

06 Foster and engage

The VHV Group works to promote sustainability even outside its business operations. The VHV Stiftung supports relevant projects for education, integration, culture and research. It takes part exclusively and directly in charitable initiatives particularly in the Hanover region.

SUSTAINABILITY ORGANISATION

BOARD OF DIRECTORS VHV A.G./VHV HOLDING

ESG-COMMITTEE

SUSTAINABILITY MANAGER

As the executive body of the VHV Group, the Board of Directors of VHV a. G./VHV Holding makes strategic decisions for the group and monitors the progress of its sustainability management efforts. It stipulates the requirements for sustainability management within the entire VHV Group. The in-house audit of the business organisation as ordered annually by the Board of Directors also includes an evaluation of the adequacy and effectiveness of the sustainability management system that has been adopted by the VHV Group.

The ESG Committee makes strategic decisions for individual or multiple companies and steers the establishment of a uniform sustainability management system throughout the Group. The ESGC of the VHV Group is established at the level of the Board of Directors of VHV a. G./VHV Holding. There are also general communications about the status of implementation of the sustainability management system in order to ensure its consistent and complete integration. The general strategic decisions taken by the ESGC are operationalised by the respective individual companies. The CEOs of VHV Allgemeine, HL, VHV digital services and WAVE, and the managing directors of VHV digital development who are members of the ESGC communicate the decisions made in the ESGC for further implementation in the respective individual companies.

The sustainability manager is the primary point of contact and general expert on all issues relating to sustainability management. He steers the operational side of the sustainability management system and handle other coordination and implementation activities relating to Group operations.

SUSTAINABILITY STRATEGY

METHOD AND PROCESS OF THE MATERIALITY ASSESSMENT

In preparation for the new requirements of the CSRD for non-financial reporting, the VHV Group has conducted a materiality assessment. Reporting under the CSRD is based on the European Sustainability Reporting Standards (ESRS). These standards break down environmental, social and governance topics into sub-topics that must be covered in the future in the non-financial reporting. For this report, the VHV Group referred to the final ESRS.

The VHV Group has decided to subdivide these sub-topics further.

This subdivision will allow for a more detailed analysis of sustainability activities and therefore the findings for their disclosure through reporting. To this end, the relevant departments, in consultation with the sustainability manager, have weighted the applicable sustainability issues by importance and confirmed their decisions with the Board of Directors. Each sustainability topic is weighted according to the double materiality principle as required under the CSRD. This states that the materiality of both aspects, i. e. "impact materiality" and "financial materiality" be taken into account. It stipulates the sustainability topics to be reported on.

For instance, with climate protection (emissions) as a sustainability topic, the impact of providing financing to companies in investments or the providing insurance coverage to companies are factors in the materiality assessment. For other sustainability topics, an analysis must be performed with a view to European reporting standards in order to verify the proper interpretation.

The materiality analysis was largely based on industry and sector analyses in the area of investing, specifically on the impact on individual sectors. This was compared with the findings of the climate value at risk of the stress tests carried out. With regard to actuarial methods and practices, the internal reporting system was used for the distribution of premiums by line of business and the financial impact of major loss events.

The company’s potential and actual impacts on people and the environment are keys parts of the materiality analysis and, besides the company’s own business operations, include in particular the underwriting processes and investing.

Affected stakeholders are not directly consulted. The impact is derived and assessed from available internal and external information.

The departments involved validate and discuss internally the findings of the materiality analysis. This includes both the topics identified and the respective assessment. The process is incorporated into the existing governance system.

Compared with the previous reporting period, the procedure for reviewing the assessment of materiality is unchanged.

DISCLOSURE REQUIREMENTS COVERED BY THE COMPANY’S SUSTAINABILITY STATEMENT IN ESRS

The impacts, risks and opportunities of the following standards are not material for the VHV Group, so that the disclosure requirements for these topic-related ESRS are limited to the disclosure requirements specified in ESRS 2 Appendix C:

- ESRS E2 Pollution
- ESRS E3 Water and marine resources
- ESRS E4 Biodiversity and Ecosystems
- ESRS E5 Resource use and circular economy
- ESRS S2 Workers in the value chain
- ESRS S3 Affected communities

The classification of the aforementioned standards is based on the findings of the materiality analysis, as both the impacts within the company’s own business operations and across the value chain as well as their remediability were assessed as not material.

THE FOLLOWING SUSTAINABILITY ISSUES WERE RATED FOR THE VHV GROUP AS A RESULT OF THE MATERIALITY ASSESSMENT:

ENVIRONMENTAL	SOCIAL	GOVERNANCE
Energy (E1)	Working conditions (S1)	Corporate culture (G1)
Climate protection/emissions (E1)	Equal treatment and equal opportunities for all (S1)	Protection of whistleblowers (G1)
Climate change adaptation (E1)	Other employment-related rights (S1)	Political engagement (G1)
	Consumers and end-users (S4)	Management of relationships with suppliers, including payment practices (G1)
		Corruption and bribery (G1)

The material issues identified are the basis for reporting on the qualitative and quantitative information as required for each topic.

SUSTAINABILITY STRATEGY

Impact materiality

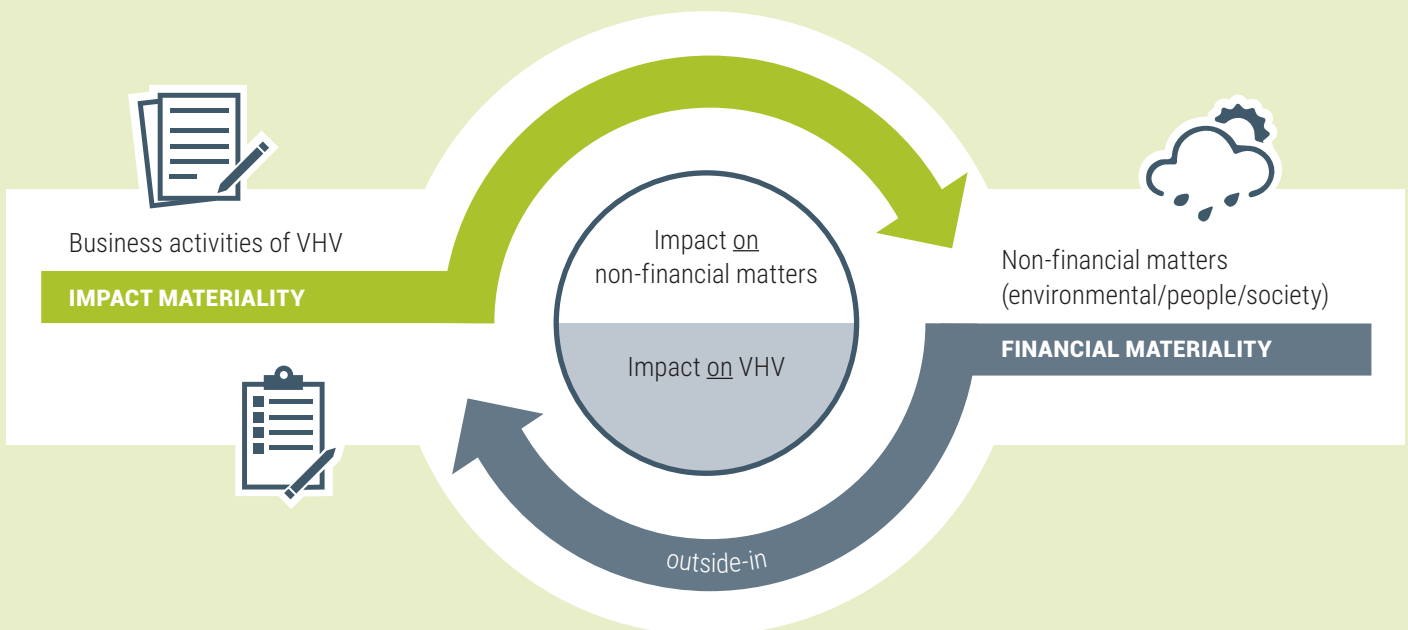
For the evaluation of the material impact regarding sub-topics of sustainability, an analysis was performed as to which business activities of the VHV Group had a substantial impact on external, non-financial matters. Thus, the impact relates to the activities, products and/or services of the VHV Group. They can be relevant to the company's own business activities as well as upstream or downstream value chains. The analysis considers the type of impact, as well as the severity and scope of the impact and – if it is negative – the degree to which it can be resolved.

Financial materiality

The direct and indirect impact of external, non-financial matters on the VHV Group are identified and the risks and opportunities relating to the net assets, financial position and results of operations are evaluated. This is handled on the basis of the company's own business activities, the product portfolio, the investment portfolio and other relevant topics.

The materiality analysis includes the time horizon for opportunities and risks. For the short-term (0–2 years), mid-term (2–5 years) and long-term (5+ years) perspective, the company considered the extent to which non-financial matters impacted the business activities, products and services. The (potential) probability of occurrence was also analysed.

DOUBLE MATERIALITY PRINCIPLE



GENERAL ENVIRONMENTAL INFORMATION

TRANSITION PLAN FOR CLIMATE PROTECTION

Besides the targets formulated in the sustainability strategy, the VHV Group does not have any further reduction targets or an overall transition plan for climate protection. In the strategic definition of its sustainability goals, the VHV Group is guided by the GDV's sustainability positioning, among other things.

Essential decarbonisation levers include in particular redirecting capital flows into investments that are in line with the Paris Agreement.

The VHV Group does not directly pursue any economic activities falling under the delegated regulation for climate change adaptation or for mitigation of climate change according to the Taxonomy Regulation. There is indirect involvement by investing in companies with such activities. The investment decision is usually made without considering the specific goals and plans of the companies to adjust their economic activities to the criteria set out in Commission Delegated Regulation (EU) 2021/2139.

The VHV Group does not fall under the scope of the Implementing Regulation 2022/2453 and the Delegated Regulation 2020/1818, as the VHV Group neither provides nor uses benchmarks.

The VHV Group has not derived an explicit transition plan. The general strategic goal was defined in the VHV Group's sustainability strategy. Appropriate measures to achieve the goals are derived from this. The goals defined in the VHV Group's sustainability strategy are consistent with the respective business strategy and were adopted by the Board of Directors of VHV a. G./VHV Holding.

STRATEGIES IN THE CONTEXT OF CLIMATE PROTECTION AND ADAPTATION TO CLIMATE CHANGE

Aside from the content of the sustainability strategy, the VHV Group has not defined any other strategies in connection with climate protection and climate change adaptation. The sustainability strategy takes into account the areas of climate protection, climate change adaptation and energy efficiency in owner-occupied buildings.

MEASURES AND MEANS IN CONNECTION WITH CLIMATE STRATEGIES

To achieve the goal of climate neutrality in investing, the greenhouse gas emissions of the liquid assets are measured annually and a management concept for achieving the target developed on this basis. For illiquid assets, it is planned to bring in specialised data providers. This will help to achieve the greatest possible coverage and a high degree of automation.

In addition, a standards-based screening was applied during the observation period with regard to the UN Global Compact, the inclusion of OECD Guidelines, and the incorporation of the ILO (International Labour Organization) in the investment process. This will be continued and the proportion of investments in companies involved in violations of the UN Global Compact Principles and the OECD Guidelines for Multinational Enterprises will be reduced.

GOALS IN THE CONTEXT OF CLIMATE PROTECTION AND CLIMATE CHANGE ADAPTATION

Regarding climate protection and climate change adaptation, the VHV Group has not set any further goals and strategies regarding GHG emission reduction targets in its sustainability strategy, apart from the goal of a climate-neutral investment portfolio by 2050. To achieve climate neutrality by 2050, a management concept is being drawn up for investments, on the basis of which future GHG emission reduction targets will be derived.

INTERNAL CO2 PRICING

The VHV Group does not use an internal CO2 pricing system.

CHAPTER 1: DELIVER THE RIGHT PRODUCTS

As an insurance specialist with clearly defined market segments, the VHV Group continually aims to tailor its array of products and insurance solutions to the expectations and needs of its customers and sales partners. Furthermore, the VHV Group believes it must integrate new or changing risks into its products and insurance solutions in order to offer seamless coverage to its customers.

Special account is taken of the sustainability expectations and needs of the VHV Group's customers and sales partners. The Group is committed to design its products and insurance solutions with sustainability aspects in mind while also adhering to the principle of risk-based premium calculation (making sure that the insurance premiums charged can cover future claims payouts, commissions and other costs).

To underscore its position in this regard, the VHV Group joined the "Principles for Sustainable Insurance (PSI)" in 2022.

The initiative includes four principles that the member companies must agree to follow:

- 1. We will embed in our decision-making environmental, social and governance issues** relevant to our insurance business.
- 2. We will work together with our customers and business partners** to raise awareness of environmental, social and governance issues, manage risk and develop solutions.
- 3. We will work together with governments, regulators and other key stakeholders** to promote widespread action across society on environmental, social and governance issues.
- 4. We will demonstrate accountability and transparency** in regularly disclosing publicly our progress in implementing the Principles.



AN ACTIVE ROLE IN COMBATING CLIMATE CHANGE

The VHV Group fulfils its responsibility by supporting the transformation process with its products and insurance solutions.

"Green building" – serving as an instrumental partner to the construction industry



Climate protection and climate change adaptation, energy efficiency, resource conservation, affordable housing, digitalisation and a state-of-the-art infrastructure are the main challenges to the construction industry of tomorrow. More and more customers are seeking project stakeholders with sustainable practices for every step of the way, i. e. "green building". As Germany's leading speciality insurer for the construction industry, the VHV Group offers an extensive range of services with its VHV construction insurance policies. Our current generation of products already includes special benefits for green building. Specifically when it comes to liability insurance for architects and engineers, the scope of benefits has been updated, for example to include an ESG due diligence (analysis/expert opinion on a planned construction project or building in terms of ESG risks) and insurance to include e-charging stations and wallboxes.

Renewable energies – performance-driven insurance coverage for the energy transformation



Renewable energies and making them more widely available, are an essential part of the energy transformation. The supply of energy must become more climate-friendly while Germany reduces its dependence on the import of fossil fuels. The VHV Group supports the energy transformation, offering comprehensive insurance coverage in the renewable energies sector for more than 15 years. This includes, but is not limited to, insurance on photovoltaic systems including solar power battery storage and wallboxes, hydroelectric and wind power plants, geothermal energy and biogas facilities. These are all risk insurance policies for damage to the policyholder's property. At the same time, the quick and professional resolution of the damage helps to prevent or reduce the potential negative downstream environmental effects. The VHV Group currently has more than 60,000 photovoltaic systems and more than 1,600 biogas systems in its portfolio of contracts.



E-mobility and telematics: our active role in promoting mobility that is kind to the climate and the environment



Electromobility is one of the keys to creating an innovative, sustainable transport network and to reaching climate goals in the transportation sector. The operation of electric vehicles results in much lower carbon emissions, particularly in conjunction with regenerative power. The VHV Group already plays an active role in the transformation to climate-friendly and environmentally conscious mobility in Germany, thanks to its auto insurance products with special added benefits for e-vehicles such as “all risk” coverage and coverage of auxiliary equipment. VHV auto insurance rates offer the option for a telematics component. Telematics is an innovative technology which combines telecommunications and IT. It can be used to record data on driving behaviour. Discounted premiums are available, depending on the policyholder’s driving habits as recorded and analysed.

Risk coverage, security and pensions – customer care from A to Z



The VHV Group also educates consumers on the need for sustainability in life insurance and pension products. The VHV Group focuses on its core business – insurance for biometric risks in the segments of term life, pension and occupational disability insurance. Sustainability aspects are taken into account when identifying target markets and monitoring products.

In the pension insurance category, customers can select the degree of sustainability they prefer based on the specific fund for fund-linked annuity insurance. The funds perform well not just in financial terms (value over time) but also with regard to environmental, social and governance matters; for instance they have earned the FNG-Label of approval. The range of options has included sustainable funds for some years now. Future changes to the selection of funds will include more and more sustainable funds and ETFs.

CHAPTER 1: DELIVER THE RIGHT PRODUCTS

RISK HEDGING "HANDLING CLIMATE CHANGE"

As a result of climate change, natural disasters are on the rise, as is damage from climate-related natural disasters. Now more than ever we must ensure protection against the financial consequences.

The VHV Group currently offers its customers comprehensive insurance coverage against natural hazards.

In addition to the natural hazards cover in comprehensive insurance, the VHV Group's household contents and residential building insurance for private customers and business property and building insurance for commercial customers, protect the policyholders' property in the event of damage from fire, storms, hail and any resulting business interruptions. Additional natural hazards can also be insured. The VHV Group provides different levels of additional cover in this area which provide financial compensation in claims e. g. from flooding and backwater.

ALIGNMENT TO CUSTOMERS AND BROKERS

A strong focus on customers and brokers forms the basis for the VHV Group's business activities and represents a key factor for its market position and profitability. Accordingly, its practices are designed to retain existing customers and sales partners for the long term while attracting new ones.

Quality management is essential in this context. The VHV Group believes in providing above-average service that sets itself apart from the market, as illustrated by the test ratings and awards it has received to date, such as the AssCompact Award in the field of broker service. Service quality is monitored on a constant basis by internal and external assessments. In this way, we can continually advance our service quality in line with external requirements while monitoring our in-house processes as they relate to sustainability aspects.

The digitalization of customer interfaces and functions has a direct impact on the service and benefits assured for the customers and sales partners of the VHV Group. For this reason, the VHV Group is making technical upgrades to all its processes in the digital customer experience in order to lay the foundations for faster response times, "time to market" product development and greater service quality, particularly those using digital communication channels.

In keeping with our nature, the VHV Group is integrating its sustainability philosophy into its customer and broker focus and into quality management. The VHV Group promotes fair advisory services in sales and user-friendly communication about its insurance solutions.

The VHV Group has enacted both a group policy and a company policy for underwriting policy. We have established a system for monitoring compliance with the underwriting guidelines. By way of spot checks on transactions, the system will ensure that

- compliance with the underwriting guidelines is monitored,
- violations of the underwriting guidelines are identified and
- any required measures are taken.

The spot check system is coordinated on a quarterly basis via the IRCF, with a focus on "high risk" transactions. The VHV Group has adopted a number of policies and checklists both at Group and individual company level for sales, the product development process and the product approval process. In this way, we can manage the impact as well as the material opportunities and risks for consumers and end users:

- Sustainability strategy and external initiatives (life) checklist
- Sustainability checklist (property-casualty)
- Procedures for the product development process in the divisions
- Product development (life) checklist
- Product review (life) checklist
- Policy on the product approval process (life)
- Corporate policy on the internal product approval process

The product approval process serves as binding documentation as to whether the product developed takes sufficient account of the customer's goals (including sustainability preferences), interests and other characteristics. It is also intended to avoid negative effects for the customer while ensuring customers are not placed at any disadvantage. The product approval process is one step in handling conflicts of interest properly. Legal requirements for the product approval process have been defined in the EU's Insurance Distribution Directive (IDD). The sustainability strategy of the VHV Group's companies is also an essential tool.

The product approval process is documented using a checklist and should ensure that certain factors were taken into consideration, including:

- Materiality of product changes
- Definition of target market and determination of whether the product is suitable for this market
- Product type
- Selection of distribution channel
- Product tests
- Provision of relevant information for the agent

In general, the Board of Directors of the relevant company must approve a new product.

The product approval process applies to the development of new products and to significant changes in existing insurance products (such as the acceptance of new risk types, risks due to new types of coverage).

Even after a product has been launched and distributed, it is regularly monitored to identify any factors that may significantly impact the key characteristics, risk coverage, or guarantees under the products. The insurance products are evaluated to determine whether they meet the needs, characteristics and goals (including sustainability preferences) for the target market identified. When the product development process complies with the policies, it should be ensured that all requirements under supervisory and regulatory laws were adhered to during product development. The product approval process also should ensure that the product is in line with customer needs.

CHAPTER 1: DELIVER THE RIGHT PRODUCTS

Methods of communication with consumers and end users regarding the impact

The checklists from the product approval process should ensure that the products have been tailored to customer needs, or were created with our customers in mind. Specific activities (customer surveys by the sales departments, etc.) are defined for the product approval process. There are also remedial measures in the event of any discrepancies.

Customers play a part in the target market definition when we develop a new product or make significant changes to existing ones. This information is obtained during consultations with customers about the suitability and appropriateness of a product. Product management employees work with sales to draft target market definitions as part of preliminary studies. The target market is ultimately

defined by the product owner or Board of Directors for the product approval process. Under the principle requirements, subcategories of the market should take account of the characteristics, risk profile, degree of complexity, type of product and sustainability factors.

Monitoring compliance with the product approval process

The VHV Group has various methods of determining whether insurance brokers are following the practices under the product approval process. Insurance products are evaluated regularly to verify that they are being marketed and sold in the designated target market.

Products cannot conflict with the sustainability strategy, the Principles for Responsible Investment (PRI) or the Principles for Sustainable Insurance (PSI).



COMMUNICATION CHANNELS FOR CONSUMER AND END USER CONCERNS

Customers – or wronged parties in the case of insurance claims – of the VHV Group can voice their concerns under the complaints management system in place. The VHV Group defines a “complaint” of a customer or wronged party as an unfulfilled expectation about a service or product. It has adopted internal guidelines for handling such complaints.

Customers and wronged parties can communicate any concerns verbally (by phone or in person) or in writing (e-mail, letter, web page, etc.). Complaints are handled within the company in a timely and secure manner (data protection/data security) in accordance with the work instructions in effect.

As a rule, complaints are handled under the causation principle by the department that handled the underlying contract or claim. The complaints management role is handled centrally by the management unit of the life and property/casualty insurance provider, acting as the primary interface for all departments affected. This function focuses on ensuring the efficiency of process workflows and meeting deadlines. Central complaints management handles overall complaints analysis and optimisation, as well as complaints reporting while taking account of these aspects:

- investigating complaints in a fair and lawful manner, identifying possible focal points of the complaints and avoiding or managing these in the best possible manner with the local complaints managers,
- monitoring the implementation of the measures taken in the departments or documented by the local complaints managers,
- supporting compliance with the internal guidelines, such as by way of spot checks on response letters to complaints and records kept, a quarterly report, analysis by Human Resources on any employee training provided,
- enabling the internal flow of information and the required internal lines of reporting so that the complaints process is monitored and modified if needed on at least a quarterly basis.

The central complaints manager provides a quarterly report to the Board of Directors on the status of the complaints received and, at their discretion, on any particular incidents that have arisen. This will ensure that the complaints process is analysed, monitored and adjusted if needed at least every three months. Central complaints management presents an annual report to BaFin in line with the requirements.

The central complaints manager also takes part in regular training courses about complaints management for their continuing professional development.

Local complaints managers are also appointed to the departments in order to perform the following duties:

- obtain the information required for their area of responsibility regarding any repeat occurrences or systemic problems,
- analyse these from a professional standpoint and document the measures they have taken on the basis of this information,
- regularly review complaints handling in terms of efficiency,
- take part regularly in training events in the area of complaints management and further professional development in this segment.

The complaints received are also monitored quarterly via the implemented limit system of the independent risk control function (IRCF).

CHAPTER 2: INVEST RESPONSIBLY

Investments play an important role in sustainability management for the VHV Group. As a long-term investor, the VHV Group is keen to benefit from the opportunities of the transition to a sustainable economy while managing the accompanying risks as early as possible. To meet the financial requirements of its companies, ensuring the investment value takes priority.

When making investment decisions, the VHV Group also considers sustainability risks relating to environmental, social and governance issues that could negatively affect the value of the investments.

As a responsible investor, the VHV Group understands that its investment decisions can have an impact on ESG matters. It takes account of factors that might have an adverse sustainability impact on sustainability and works to reduce them. The VHV Group sees the most important negative effects in climate change and its considerable relevance for the economy and society. With a high volume of assets under management and average residual term of its customers' investments of well over more than ten years, it is possible to limit these negative effects as early as possible. Accordingly, the VHV Group focuses on the negative sustainability impacts of greenhouse gas emissions, carbon footprint and greenhouse gas intensity.

Applying sustainability/ESG criteria helps the VHV Group to achieve its general purpose of optimising the risk/return profile.

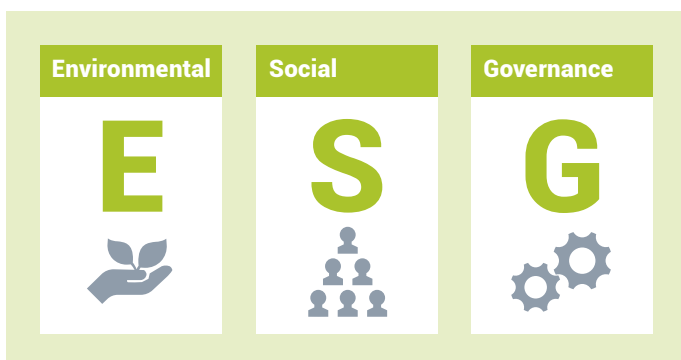
WAVE manages the investments of the VHV Group. Before and after taking on new mandates, WAVE regularly ensures that all sustainability criteria as defined by the customer are taken into account during the investment process and are monitored through risk management.

A transparent investment process is in place within WAVE, which is integrated into the various business areas and committees. This institutionalised investment process is designed to develop an assessment of the relevant capital markets and investment themes for the mandates accepted and to prepare and make decisions within the scope of the mandates issued. The aim of the Investment Committee (IC) is to manage and monitor the approved strategic investment direction for the customers of the VHV Group and institutional third-party customers. Based on a prepared assessment of the capital markets and the compiled mandate-related information, relevant market developments and their effects are discussed, and specific management measures are agreed upon, if necessary. The IC reports on ESG key figures and engagement activities, presents the results of the screening of exclusion criteria and controversies and provides information on the utilisation of limits. The IC may pass resolutions by the Board of Directors of WAVE, which is also a member of the IC in accordance with its rules of procedure.

An internal WAVE committee has also been set up to make suggestions to the IC for the refinement of the ESG investment process, taking into account regulatory changes and other developments in the industry. This committee also prepares the ESG reporting to the IC. The Committee also reviews the plausibility of the methodology used for the ESG scores and the qualitative ESG assessments and makes recommendations to the IC.

MEMBERSHIP IN ASSOCIATIONS AND INITIATIVES

The VHV Group solidifies its commitment through membership in sustainability initiatives. This membership supports collaborative achievement of sustainability goals when it comes to investments and the Group is able to further develop its own approaches and processes in consultation with experts. Reporting enables the customers and sales partners of the VHV Group to monitor its sustainability efforts.



GDV (German Insurance Association): The VHV Group supports the sustainability practices of the GDV.

UN-PRI: The VHV Group as asset owner is signatory to the UN Principles for Responsible Investment (UN-PRI), an investor initiative in partnership with the financial initiative of the UNEP environmental program and the UN Global Compact, which has devised six principles to be followed for responsible investing.

WAVE has also signed the UN PRI in its capacity as investment manager.

SIX PRINCIPLES FOR RESPONSIBLE INVESTMENTS

1. **We will incorporate ESG issues into investment analysis and decision-making processes.**
2. **We will be active owners and incorporate ESG issues into our ownership policies and practices.**
3. **We will seek appropriate disclosure on ESG issues by the entities in which we invest.**
4. **We will promote acceptance and implementation of the Principles within the investment industry.**
5. **We will work together to enhance our effectiveness in implementing the Principles.**
6. **We will each report on our activities and progress towards implementing the Principles.**

CHAPTER 2: INVEST RESPONSIBLY

ESG INVESTMENT STRATEGY

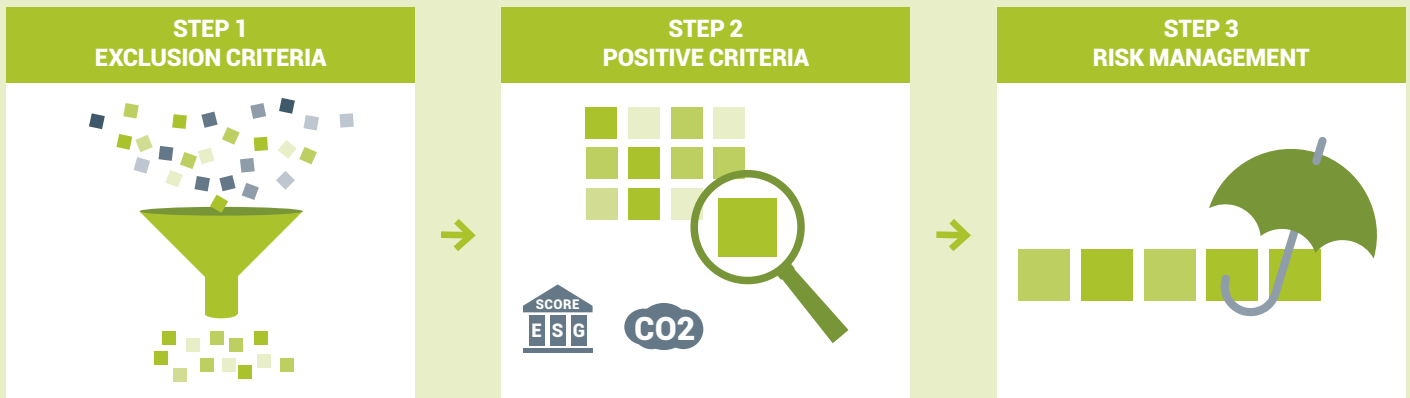
ESG integration

The VHV Group has integrated ESG criteria into its investment decision processes, risk management and investment policies. The ESG investment strategies are as follows:

Exclusion criteria

By setting exclusion criteria, risks to the portfolio should be reduced and new investments avoided that could have principle adverse sustainability impacts from the VHV Group's standpoint. The exclusion criteria is defined on the basis of the ESG goals and internationally recognised standards, such as the ten principles of the UN Global

ACCOUNTING FOR ESG CRITERIA IN THE INVESTMENT PROCESS



Companies

- Controversial weapons (such as landmines, cluster munitions)
- Very serious violations of the UN Global Compact, ILO core labour standards and OECD Guidelines for Multinational Enterprises
- Fracking and oil sands (5 % sales tolerance)
- Generation Thermal Coal (30 % sales tolerance)

Governments

- Positive list of countries

- Detailed evaluation of the sustainability of an issuer in the areas of E (Environmental), S (Social) and G (Governance)
- Minimum thresholds for ESG scores
- Inclusion of climate components with positive limits based on the Low Carbon Transition Score (which measures the transition risks for companies working toward low-emissions operations)

- Climate-related scenario analyses
- Climate stress tests



PORTFOLIO

VHV GROUP /

Compact, the core labour standards of the ILO, the OECD Guidelines for Multinational Enterprises and the Convention on Cluster Munitions, all of which correspond to the values of the VHV Group.

No new investments will be made with issuers who fall under the above exclusion criteria. Existing holdings that are affected are sold within a defined period. The ESG exclusion criteria are applied to direct holdings and special securities funds. In the case of illiquid assets, they are applied when new investments are underwritten.

Positive criteria

To achieve a high level of ESG quality in the portfolio, selections are made on the basis of ESG scores that the VHV Group obtains from a provider of sustainability data. For this purpose, the pillars of sustainability are analysed separately for each issuer and narrowed down during a selection process. This fosters investments in issuers that are not exposed (to a significant extent) to adverse sustainability impacts. The Low Carbon Transition Score is one factor in evaluating the climate-related ESG components.

Engagement

The VHV Group conducts engagement activities in the form of event-driven dialogues with issuers and/or data providers. The aim of the measure is to improve the ESG quality of issuers, broaden the investment universe and enhance the ESG quality in the portfolio. This is intended to resolve any conflicts of objectives that may arise. The criterion for taking action is any identified violations of the ESG investment criteria.

POSITIVE CRITERIA

Environmental 	Social 
Governance 	Climate 

EXCLUSION CRITERIA

ESG EXCLUSION CRITERIA OF VHV FOR COMPANIES

EXCLUSION BASED ON BUSINESS ACTIVITY

Categorically excluded:

Controversial weapons



Excluded from significant sales:

Generation Thermal coal
(sales tolerance 30 %)



Fracking and oil sand
(sales tolerance 5 %)



EXCLUSION BASED ON CONDUCT

very severe violations of:

• 10 Principles of the **UN Global Compact**

and

• **ILO core labour standards**
• **OECD Guidelines for Multinational Enterprises**



CHAPTER 2: INVEST RESPONSIBLY

ESG in risk management

The integration of sustainability risks into risk management is supported by the ESG instruments described above. Risk is limited using negative criteria such as exclusion as well as limits based on ESG scores. All the available qualitative and quantitative ESG data is used in risk management for analytical purposes. Along with a classic scenario analysis, climate-related scenarios are also examined in order to identify physical and transitory risks.

This involves calculating the climate value-at-risk (CVaR). This encompasses climate scenarios with different temperature paths and an analysis of the physical risks in the form of natural hazards and their potential impact on production facilities and buildings. The results of the climate VaR calculation include the forecast loss in the market value of the portfolios as a result of climate development.

Sustainability and external managers

Sustainability criteria are amongst the selection criteria when we hire new financial services providers. These new external managers must demonstrate that they follow responsible investment practices, such as by signing the UN PRI and/or complying with the guidelines of the Bundesverband Investment und Asset Management e. V. Furthermore they must have strategies for handling sustainability risks. They can document their eligibility with an ESG policy and guidelines for exercising voting rights. External managers also report on their strategies (and their status of implementation) for handling sustainability risks during the regular investment committee meetings. The same applies to external managers that we already work with. The exclusion and positive criteria set forth above are also binding for external managers. Any portfolio changes that may result must be made by these external managers within a certain time period.

The criteria listed here are the minimum criteria for responsible investments that are generally observed by the VHV Group. Stricter ESG criteria also apply to individual products. For example, the WAVE Total Return ESG, an investment fund managed by WAVE and regularly receives the FNG seal, the industry standard for sustainable investments in German-speaking regions.

Thematic investments with an ESG focus

For more than ten years, the VHV Group has invested specifically in the area of renewable energies and infrastructure in order to promote environmentally conscious energy production, i.e. the transformation of the energy industry. The focus in the form of direct investments and fund investments was on renewable energies such as solar, onshore wind and offshore wind. Both equity and debt investments were made throughout Europe. Infrastructure investments are an integral part of the strategic asset allocation, and there are plans to further increase investment allocations in the long term. Investments meeting ESG criteria include the following areas:



Wind energy



Solar energy



Public transport



Grid infrastructure (power)



Green/social/sustainable bonds



Certified properties

Technical implementation and automation

VHV obtains sustainability information, such as ESG scores and analysis of possible exclusion criteria, for publicly traded investments (corporate bonds, bonds issued by banks including Pfandbriefe, listed shares), and for overnight and term deposits from MSCI ESG, a provider of sustainability data. It then integrates this data into its IT systems for further use and processing.

In order to achieve comprehensive ESG integration, qualitative ESG evaluations are conducted during a due diligence process for private markets (from the asset classes of private equity, infrastructure equity, credit investments, real estate and mortgages). This results in categories with a view to ensuring comparability with the ESG evaluation for publicly traded investments. External experts are consulted as needed.

All the defined ESG limits are integrated in the investment management system. They are automatically included and used for management purposes for all trading and risk management processes.

The VHV Group continually works to enhance coverage of the assets under management using information regarding the sustainability impact. This will help to achieve the greatest possible coverage and a high degree of automation.

Goal: Climate neutral portfolio by 2050

One of the greatest challenges of our time is to fight climate change, a very relevant factor in the economy and society.

The VHV's objective is to make a significant contribution to decarbonisation with a climate neutral portfolio by 2050. The VHV Group sees the first key step to reaching this goal as regularly measuring greenhouse gas emissions in the liquid portfolio annually. On this basis it will develop a management concept in accordance with scientific findings and the availability of suitable measurement tools.

With this in mind, the VHV Group wants to help define capital flows in line with the goals of the Paris Agreement. The primary goal of the Paris Agreement is to hold the increase in the global average temperature to well below 2°C above pre-industrial levels by the year 2100.

CHAPTER 3: OFFER THE BEST EMPLOYMENT OPPORTUNITIES

FOR AN ATTRACTIVE WORKING ENVIRONMENT

Five values on the path to sustainability

For the VHV Group, corporate culture with its five core values – often referred to internally as DNA – forms the basis of collaboration within the company. The values of respect, ambition, honesty, courage and humanity/fairness were developed jointly by the employees of the VHV Group back in 2009 and used to operationalise specific leadership and action principles that guide our dealings with each other and with our customers and sales partners.



Diversity@VHV

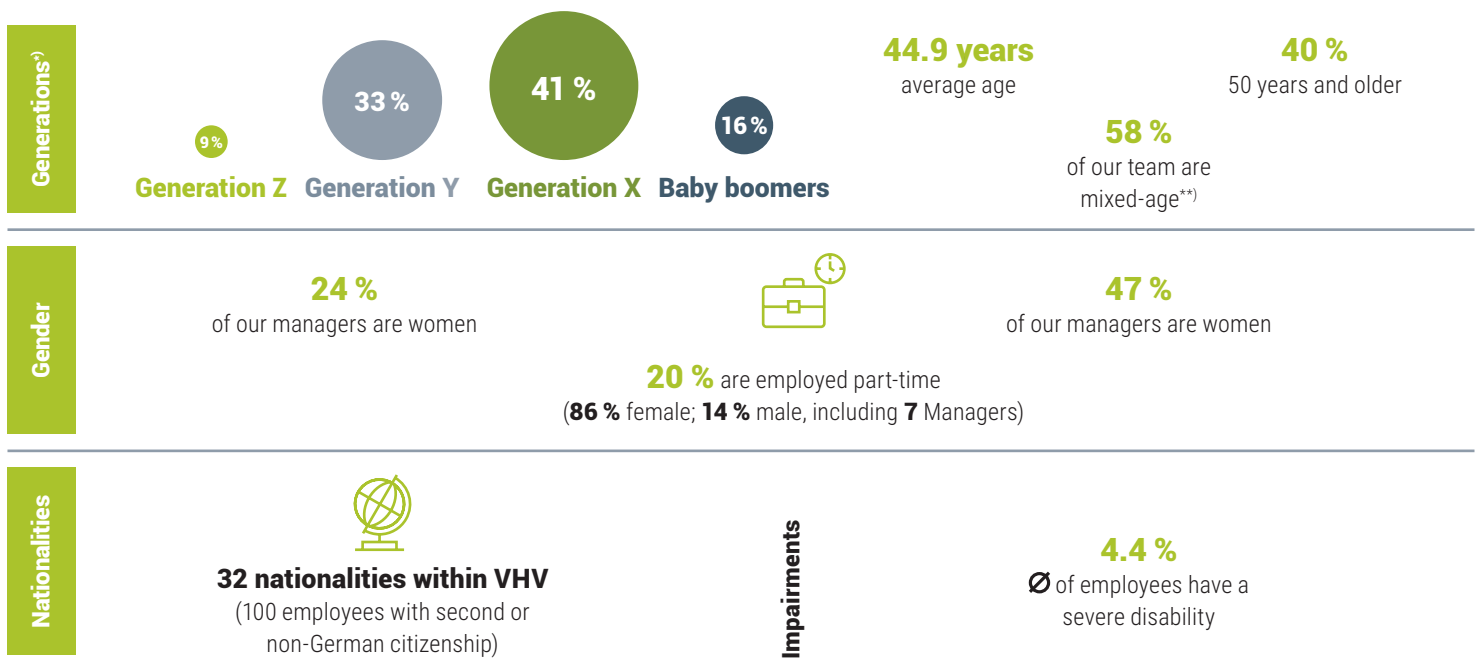
The VHV Group has a diverse workforce. This is reflected, for example, in the diversity of age, gender and background at all levels of the Group. At the same time, the VHV Group is working to further promote diversity within the company. In 2023, the VHV Group signed the Diversity Charter, thereby placing an even greater focus on the topic.

The VHV Group aims to promote diversity further so that all employees feel personally valued and experience a sense of equal opportunities and belonging, thereby motivating them to contribute their full potential. For the VHV Group, promoting diversity is not only an expression of social responsibility, but it makes a major contribution to the company's financial success. At the same time, the VHV Group aims to attract new talent in line with its values to strengthen its foundations as an attractive employer.

Selected measures relating to diversity in the world of work are being expanded in stages. The contribution to employer attractiveness will help in prioritising measures. The VHV Group is guided by the following three areas of action:

- 1** **Visualisation of the existing diversity ...**
... in the workforce and measures to promote diversity
- 2** **Awareness/sensitisation ..**
... for the relevance of the topic and acceptance of all aspects of diversity
- 3** **Building structures ..**
... to promote diversity and equal opportunities

OUR DIVERSITY AT A GLANCE



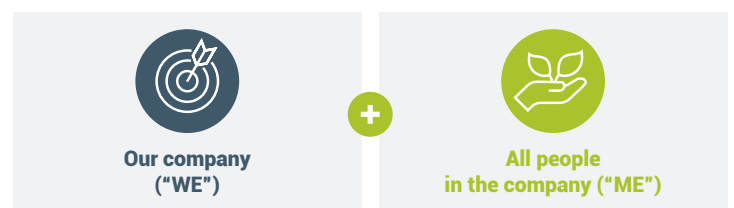
¹⁾ Gen Z: Year of birth 1995 – 2010, Gen Y: Year of birth 1980 – 1994, Gen X: Year of birth 1965 – 1979, Baby boomers: Year of birth 1946 – 1964

^{**)} Mixed-age teams – all nationalities are represented

Project MeWe

The VHV Group decided in the reporting year to review and further develop the entire topic of employer attractiveness within the framework of a new project (MeWe). The project is designed to be inclusive and involves employees from different parts of the Group. The VHV Group views employer attractiveness as a key success factor for the strategic development of the company:

The “we” – the company – and the “me” – all the people in the company – are considered together.



CHAPTER 3: OFFER THE BEST EMPLOYMENT OPPORTUNITIES

The employees in the project analysed the status quo in the VHV Group in a total of seven themed journeys and developed ideas for further development in various areas. The themed trips included the development of people, leadership in the VHV Group, employee retention and the promotion of diversity.

goDIGITAL.WORKSPACE

To provide a contemporary workplace to our employees, the VHV Group has introduced measures and projects such as mobile working as well as flexible working hours and locations.

The VHV Group considers digitalisation to be an opportunity to align its internal working conditions to the changing requirements of customers, sales partners, companies and employees.

The goDIGITAL.WORKSPACE project is the VHV Group's response to the expectations of customers, sales partners and companies that wish to enhance communications in terms of scheduling and technology. Workspace is also in the interest of employees who want the best possible work-family balance.

In times of demographic change and a fiercely competitive job market, it is important to have a clear employer value proposition to attract and retain employees for the long term. More than ever, personal freedom, flexible working hours, remote working and attractive on-site workplaces are in demand. These options have been created with goDIGITAL.WORKSPACE.

Core elements of the workspace concept:

- Providing a high level of flexibility in terms of times and location (VHV.Mobil and telecommuting) including work management options
- Extending core working times from 6:00 a.m. to 10:00 p.m. on weekdays; option to work on Saturdays
- Rolling out a new office concept using the "activity-based working" principle

CORE ELEMENTS OF THE WORKSPACE CONCEPT



Mobile working



Flexible working hours

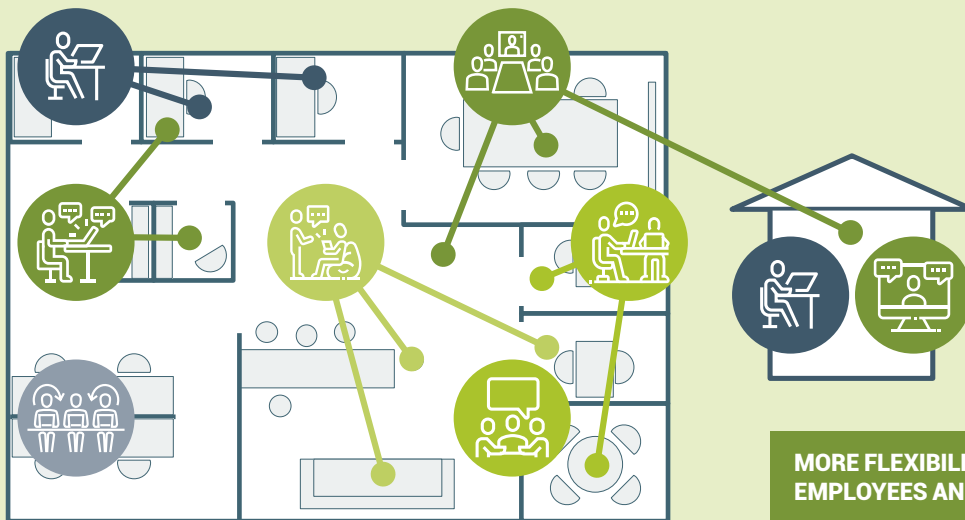


New space concept

By introducing **remote work**, the VHV Group has made working times and locations even more flexible for the benefit of its employees. There is a general works council agreement on the general conditions for remote work.

As of 2021, employees can schedule shifts on six days a week, between 6:00 a.m. and 10:00 p.m. (Saturdays 6:00 a.m. to 6:00 p.m.) Remote working refers to the flexible options for VHV Group employees in terms of location and schedule both on-site and off-site.

THE "HOT DESKING" CONCEPT ALLOWS EMPLOYEES TO USE WORKPLACES AND LOCATIONS FLEXIBLY



Type of activity

Concentration

Communication

Cooperation

Community

Support

MORE FLEXIBILITY FOR MANAGERS, EMPLOYEES AND GREATER SPACE EFFICIENCY

Model for the new spacial design: activity-based working office concept.

Employees are placed in the required work environment depending on their personal employment duties. This is based on the "hot desking" principle: Instead of permanently assigning desks, there are multiple workplace options to be shared among employees.

A distinction is made between **workstations and worksites**. Under the Workplace Policy, workstations are designed for permanent use. Worksites, however, are intended for temporary use only and not necessarily designed in accordance with the policy. They support social interaction, communications and coordination of breaks.

CHAPTER 3: OFFER THE BEST EMPLOYMENT OPPORTUNITIES

Details of the “hot desking” principle

Specifically, hot desking means that a separate workstation is not assigned to each employee. Rather, employees share the space. This reduces the total number of **workstations** while new **work-sites** are created.

The hot desking principle is also beneficial in terms of sustainability goals: According to a study in 2018, an average of some 20 % of workstations are vacant due to absences (holiday, sick leave, meetings, off-site appointments, business trips). There are even more vacant desks due to the increased popularity of remote work since 2018.

The new “village” concept

The space concept is based on the departments’ organisational structure. It requires that employees from a group sit in close proximity to each other. In general, a department constitutes a “village”.

But units that perform similar activities, interface frequently and/or have duties that are similar in subject matter, should remain together as well. There can be exceptions due to space limitations for special requirements, such as higher levels of confidentiality.

Hot desking should optimise space utilisation and help with more conscientious handling of space as a resource.

WORKATION@VHV

The term workation is an amalgamation of the words “work” and “holiday” and refers to cross-border, mobile working. It is defined as working locally and flexibly outside of Germany, which takes place in another country for private reasons, for example, after a holiday. Within the VHV Group, the term Workation@VHV is therefore used. An initial one-year pilot phase was launched in the reporting year. Workation@VHV can be carried out within the EU (except Belgium) and Switzerland.

In principle, any employee in the VHV Group in Germany can take part in the Workation@VHV pilot, taking into account their role and activity as well as their professional and personal suitability.

The VHV Group lets employees with a contractually agreed 5-day working week to perform mobile working up to 40 days per calendar year across borders. For part-time employees, the maximum number of days of cross-border, mobile working is calculated in relation to the respective contractually agreed working days.

Balancing work and family life

The balance between work and family life is of great importance to employees of the VHV Group and will only become more important going forward. In its role as employer, the VHV Group understands its responsibility for continually improving the options.

For this reason, it has concluded a works agreement for the **compatibility of work and family life**. It includes such factors as a more flexible scheduling system that allows for advance planning and can accommodate individual needs. Additional working hours accrued can be used for leave, among other things. This new form of flexibility is also used to tailor scheduling capacity efficiently to the needs of customers, sales partners and companies.

One fifth of all employees in the VHV Group work part-time

Communication during parental leave

Employees on parental leave continue to receive all important information from their manager. This applies to professional and technical developments, for example. Company-wide meetings and events will also be communicated to them in advance.

Nursery

Employees who must care for their child temporarily at work – such as when the daycare is closed – can use our on-site nursery. Alongside the usual office equipment, it contains toys, a bed and changing table.

“RAPPELKISTE” on-site pre-school

The VHV Group offers a pre-school for children of employees, designed to recognise and foster the individual personality of each and every one. Rappelkiste is the first pre-school in Germany to earn the “Gold” certificate from the German Sustainable Building Council. As well as having low heating energy requirements, a rooftop photovoltaic system generates green electricity. Minimal soil sealing, a green roof and near-natural rainwater retention all help to improve the micro-climate.

EMPLOYEE REFERRAL PROGRAMME



Under a company-wide referral programme, all employees of the VHV Group at all locations can use the Talentry online platform to advertise VHV Group jobs on their personal and social networks. For all referrals that result in a new hire, they will receive a finder's fee subject to special rules and conditions.

Trainee programme – career entry for young professionals

In the year under review, the VHV Group launched its own trainee programme for young professionals. With the VHV Young Professionals Programme, the VHV Group aims to further increase the visibility and attractiveness of the VHV Group employer brand in the market and actively contribute to the recruitment of young talent.

Over a total period of 24 months, the trainees gain insights into various areas of the VHV Group and benefit from a wide range of further training programmes for their professional and personal development. The programme includes the following content:

 <p>Bespoke selection of stations</p>	 <p>Further training programmes for your professional development</p>	 <p>24-month term</p>
 <p>Start on 1 October</p>	 <p>Individual mentoring for your personal development</p>	 <p>Networking through regular network meetings</p>
 <p>Great career opportunities even after the trainee programme</p>	 <p>Unique insights into the varied worlds of an insurance group</p>	 <p>Permanent employment contract</p>

Employee programme

The VHV Group offers an employee discount for its insurance products. It also cooperates with certain providers to offer discounts (relating to sports, wellness, hobbies, etc.)

Deferred compensation

By law, employees have been entitled to deferred compensation as at 1 January 2002. The VHV Group offers three options for this: direct pension entitlement, direct insurance and provident fund.

CHAPTER 3: OFFER THE BEST EMPLOYMENT OPPORTUNITIES

Employee orientation

The VHV Group has implemented a programme to give its new hires the best possible start in the company.

VHV Start is a two-day programme for employees to learn about a wide range of topics in order to better understand the Group and its business segments.

The Hanover location also holds **VHV Welcome** on the first of each month. This is a professional and social onboarding event. Both of these are designed to help new employees feel at ease and build networks as soon as possible.

POLICIES RELATING TO EMPLOYEES

The consideration of interests and social concerns of employees are of central importance to the VHV Group. Management, the employee representatives and the employees work together for a fair balance of company interests and social responsibility.

Compliance with the following rules and regulations are an essential part of this obligation:

- Legislation (such as the AGG – Germany’s General Anti-Discrimination Act; JArbSchG – Young Persons (Protection of Employment) Act; ArbZG – Working Hours Act; MuSchG – Maternity Protection Act; BEEG – Parental Allowance and Parental Leave Act; SGB – Social Code)
- VHV values and Code of Conduct
- Works agreement on “Compatibility of work and family life”
- Regulations on occupational health and safety under (general) works agreements
- Collective bargaining agreements for the private insurance industry

Dialogue on measures by executive management

The VHV Group consults with the employee representatives regarding the company’s further development. The management seeks dialogue with various committees at an early stage, Especially when decisions or changes have a direct impact on the workforce.

Future plans are presented to the commissions or responsible committees (Economic Committee, Personnel Committee, Social Committee, etc.). Works council agreements or other regulations are negotiated with the employee representatives for key topic areas.

The VHV Group uses additional communication channels to keep the entire staff apprised of developments, including the employee newsletter “GRÜN”, the intranet, regular company information and video messages.

Alongside the regular company-wide meetings, the works council consults with employees by appointment.

The works council includes the following committees:

- Technology Committee
- Economic Committee
- solutions GmbH Committee
- Social Committee
- Sales Committee
- Joint committee on remuneration (Section 6 general works council agreement on remuneration)
- Joint committee ESM – vehicle claims
- Joint committee ESM – property claims
- Development Advisory Board (general works council steering committee)
- Steering committee BGM ([general] works council members)
- Joint committee on the new operations model
- Joint committee on converting special compensation into leave

Options for addressing problems

The Board of Directors has created a special position with executive employee status (management of the employee representative body) for regular and timely dialogue between the Board and the employee representative bodies. There is also the option to file complaints and discuss problems here.

Each month, the works council holds a regular meeting with the CEO and the spokespeople from the Board of Directors of the main companies. The head of HR and head of management for the employee representation body also take part in the meeting. A second regular monthly meeting is held between the employee committees and the head of HR – also with the head of management for the employee representation body in attendance.

Employees can voice their concerns or report problems even outside the committees and regular meetings. They can do so at company-wide meetings or using the whistleblower system that is part of the CMS.

Management of opportunities, risks and impact

Among the VHV Group's objectives is to support the positive impact of employee management, minimise any negative consequences and manage risks and opportunities proactively.

One example of how we drive positive impact is to ensure equal pay under the pay-scale agreement and standard employment contracts. For verification purposes, the contracts are reviewed on a regular basis and amended as needed. Changes can be made in a number of areas. The regular reviews allow the company to make updates with any improvements.

Equal treatment of employees is another objective. Negative impact is avoided by means of a disciplinary process (including violations of obligations under the employment contract).



CHAPTER 3: OFFER THE BEST EMPLOYMENT OPPORTUNITIES

Disciplinary measures for staff

Any violations of the rules are handled under the defined disciplinary process. This process should ensure correct, fair treatment of employees as well as different degrees of response depending on the type and severity of the violation and the impact on the company.

When considering disciplinary measures, the HR department must take account of certain aspects, including, but not limited to:

- Type and severity of the violation
- Degree of fault
- Extent of damage
- Potential for repeat offence
- Individual circumstances of the case

Management of opportunities and risks in the area of HR

There are various measures to minimise risks that the company incurs due to its dependence on its own employees. This includes, for instance, the disciplinary process, the whistleblower system, the detection of money laundering and other background checks (such as IDD).

The VHV Group has adopted the following measures to foster employee development:

Profit sharing model

goDIGITAL.Workspace

Executive assistant programme

Professional development opportunities

Diversity@VHV

MeWE

Key figures on headcount

In the 2023 financial year, the employment statistics for companies in the consolidated financial statements were:

Total:	4,244 employees (previous year: 3,973)
In Germany	3,754 (previous year: 3,686)
Outside Germany:	490 (previous year: 287)
Trainees:	66 (previous year: 63)

As at 31 December 2023, there were 4,320 employees (previous year: 4,033). Both significant increases in HR in certain areas (e.g. Eucon GmbH, Eucon digital and InterEurope) and the acquisition of Val Piave in Italy were contributors to this.

Management development

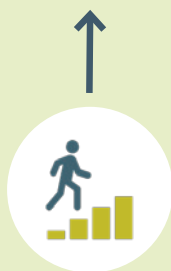
Managers are a key part of constructive collaboration and successful change processes. The requirements are complex: Managers must not only foster technological progress, they must also be instrumental in supporting the mindset, skills and work habits of their teams. These skills are trained on a systematic and strategic basis for the purposes of management development. The VHV Group offers its employees a diverse range of professional training options that suit the individual. The Group supports them from day one, enabling even career starters the chance to enhance their skills as appropriate.

For more key figures, see Chapter 7.

MANAGEMENT DEVELOPMENT



Management orientation



Management trainee programme



New managers



Project managers



Professional leadership



Assessment Centre

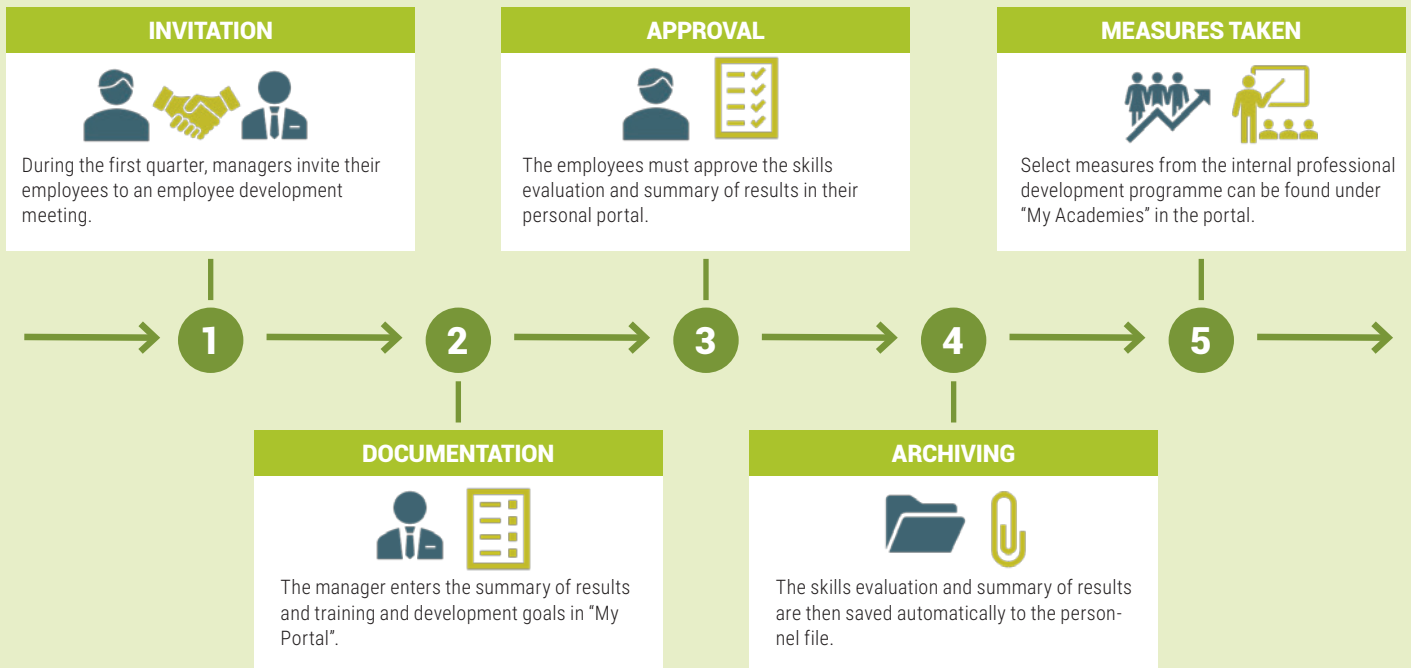
CHAPTER 3: OFFER THE BEST EMPLOYMENT OPPORTUNITIES

Documented employee development

There is a clear, documented process for employee development in the VHV Group.

In the **annual employee development meeting** the employee's performance over the last year is reviewed based on fulfilment of duties, achievement of further training goals and conduct at the workplace. The **target agreement meeting** is for setting personal training and development goals. Employee suggestions for their career development are weighed against their current skills, options and prospects.

HR DEVELOPMENT PROCESS



Variety of options for professional development

Employees have access to special training courses in a number of focal areas. In consultation with their managers, employees can sign up for training courses at any time, chosen from a broad range of further training programmes. There are also dedicated academies for certain subject areas with a specialised seminar programme. Employees can also attend events by external seminar providers.

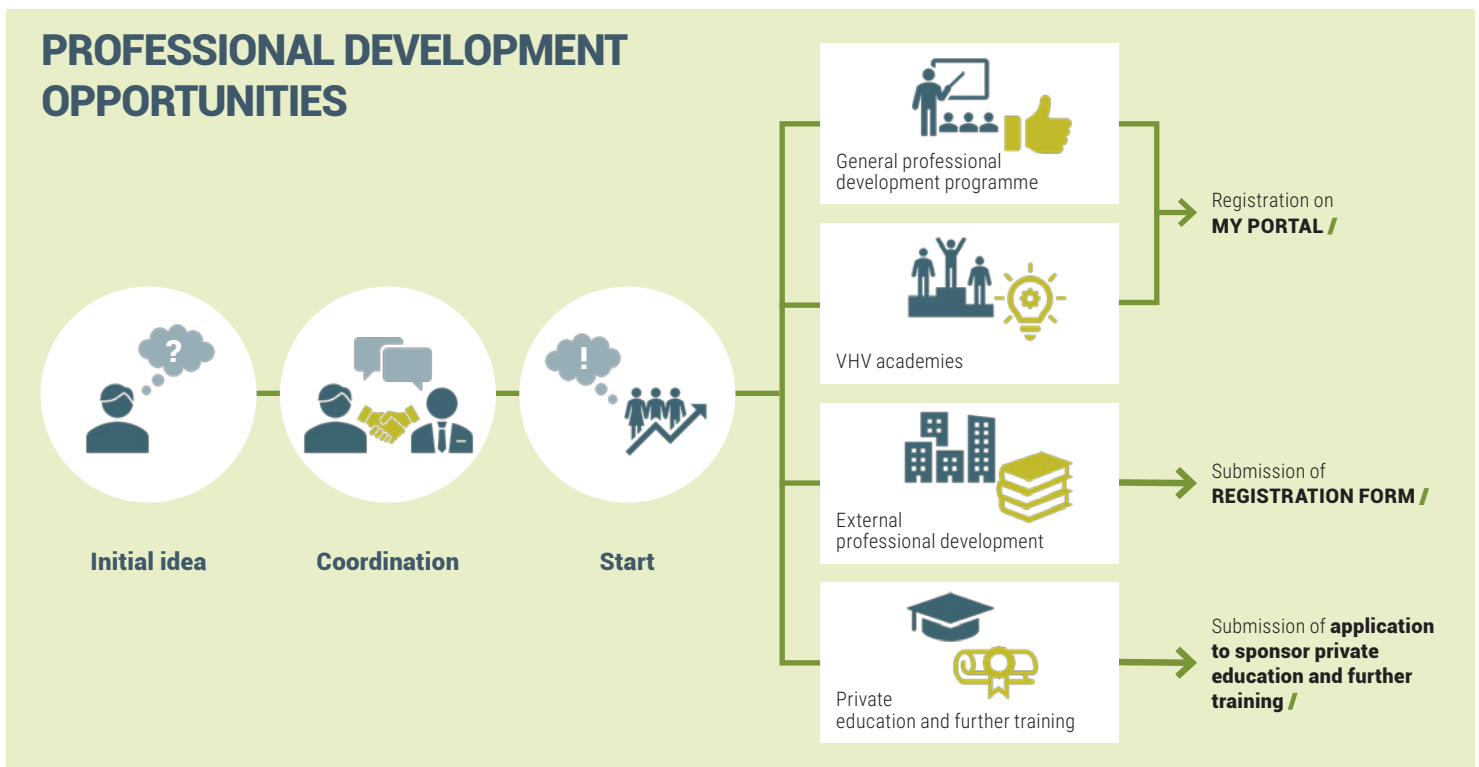
In 2023, employees completed an average of 3.9 days of further training.

In addition to the further training that is offered in-house, the VHV Group provides financial support for the private training and continuing education of its employees.

The VHV Group's professional development programme includes general subjects and specific subjects. There are long-term career programmes for those wishing to enter management or project management.

The average number of professional development hours per employee was 29.4 hours (male: 28.3 hours; female: 30.5 hours).

For more key figures, see Chapter 7.



CHAPTER 3: OFFER THE BEST EMPLOYMENT OPPORTUNITIES

Company health management programme

The physical, emotional and social well-being of its employees is of great importance to the VHV Group. Favourable working conditions and quality of life at the workplace not only support health and motivation for the long term; they also enhance the company's productivity.

The VHV Group offers a wide range of options for helping employees to take care of their health. A central company health management office coordinates all the activities with the involvement of company doctors, employee representatives and representatives for severely disabled persons.

The first focal point of company health management is **company sports** (including table tennis, football, dragon boats, running). The VHV Group also places great emphasis on the aspect of **prevention**. Employees can work with certified fitness trainers at the workplace to counteract the risks of illness or injury.

The company fitness programme entails:

- Relaxation/recovery
- Strength training
- Stress management
- Massages
- Pilates
- Back exercises
- Smoking cessation, addiction counselling
- Weight Watchers
- Yoga

The company also offers bicycles for hire in order to help employees keep fit.

In the reporting year, a Health Corner was added to the company catering range, which includes a wide variety of bowls, vegetarian and vegan menus.

Because employee health has a significant impact on the VHV Group's financial success, the absenteeism rate is monitored regularly. **The rate of absences due to illness in 2023 was 4.5 %, which is below market average** (approx. 6.3 %, Source: AGV, turnover and absenteeism statistics, as at: 2023).

Safety at the workplace

The VHV Group has adopted a workplace safety policy.

The objectives are to:

- a) Explain the role of the occupational safety coordinators
- b) Define the interfaces among stakeholders and managers in the area of occupational safety and fire safety.

Every two to three years, worksite inspections are held on the premises of the VHV Group. The information obtained is used for a detailed hazard assessment.

In order to ensure safe working conditions for telecommuters, employees who work remotely must document their workstations in accordance with the works agreement. There is also a checklist for the remote working conditions.

Occupational medicine

Given the number of employees in the VHV Group, DGUV (German Social Accident Insurance) Regulation 2 applies, which requires **basic** and **company-specific supervision**.

Of this,

basic supervision 99 hours occupational medicine
635 hours safety technology

company-specific supervision 18 hours occupational medicine
21 hours safety technology

117 hours were agreed for health management.

Occupational medical services are meant to complement and not replace, technical and organisational measures. The company has offered flu vaccinations for some years now.

Projects for occupational safety and health

The following focal areas were defined in 2023 for occupational safety and health:

- Continuation of regular occupational safety committee meetings
- Performance of worksite inspections
- Performance of hazard assessments
- Assistance with performance of employee safety training
- Provision of ergonomic assessments
- Classroom and practical training for fire safety assistants
- Assistance with performance of evacuation drills
- Provision of occupational healthcare
- Provision of preventive measures such as flu vaccinations, pilates, yoga, back exercises
- Implementation of the requirements, rules and information from the employers' liability association
- Consulting for employers and employees about all issues relating to occupational medicine and
- Occupational safety, including fire safety questions

VHV Group accident statistics, 2023

The only accident report received nationwide was a commuting accident in the field.

All accident reports received are reviewed as soon as possible to determine any action to be taken and discussed if needed during the next occupational safety committee meeting.

The near-accident situations are evaluated at the Hanover location by reviewing the first aid logs. Any required action is then taken.

Voluntary benefits

In accordance with the measures required by law (BEM – occupational integration management and hazard assessments), the VHV Group offers voluntary benefits for company health management.

CHAPTER 3: OFFER THE BEST EMPLOYMENT OPPORTUNITIES

Absenteeism

The rate of absenteeism due to occupational and commuter accidents was 0.02 %. The number of days absent due to these occupational accidents was 195.9 days.

For key figures, see Chapter 7.

Work-life balance

The VHV Group is committed to supporting the work-life balance of its employees. The VHV Group offers a number of working time models to provide career opportunities for all. In addition to a flexitime system, there is the option of teleworking, working from home or working on a part-time basis.

For purposes of implementation, there are corresponding company agreements. Around 95 % of employees have signed a contractual agreement on remote working that allows them to take advantage of this option on a permanent basis.

For key figures, see Chapter 7.

Fair compensation

The VHV Group provides profit sharing for its employees to share in its financial success: This can represent up to 2.5 salary payments.

The purpose of the VHV Group's **VHV profit sharing** program is to

- motivate and reward its employees for contributing to the target achievement of the VHV Group,
- enhance employee performance while sharing the company's financial success with them,
- optimise earnings,
- establish and enhance the company's competitive edge,
- support the continuous improvement process and
- provide a uniform compensation system.

Profit sharing is a means of harmonising company and employee interests. It is based on the same success parameters for the Board of Directors, managers and employees. The profit sharing system is set forth in a general works agreement.

For key figures, see Chapter 7.

Social security entitlement

For key figures, see Chapter 7.

Gender pay gap

The VHV Group applies the salary agreement for the private insurance industry, which provides for gender-neutral remuneration. Employees can make use of the internal jobs board for promotions or transfers. Candidates are selected on the basis of the requirements profile and personal qualifications.

To increase the percentage of women in management positions, the company has special programmes for female staff members.

Means of reducing the wage gap:

- Fostering women in management positions (especially in the Executive Assistant Programme)
- Compliance with the pay-scale agreement

Promoting gender equality is a priority for the VHV Group. Supervisors on different levels of management strive to increase the proportion of female employees. The Executive Assistant Programme is a cornerstone of recruiting for future managers. Female assistants in this programme account for 60.0 %.

For key figures, see Chapter 7.

Employment of persons with diverse nationalities

An international composition and collaboration of diverse nationalities are a matter of course at the VHV Group. Diversity also applies to geographic origin. At present, the Group companies have employees from 32 nations and five continents. There were no complaints filed for discrimination in the year under review.

Employment of persons living with disabilities

Employees with some level of disability account for 4.4 % of the total staff.

For key figures, see Chapter 7.

Complaints and claims relating to other workplace rights

We take all employee complaints very seriously. The HR department reviews each and every one.

Pay-scale commitment

The VHV Group is a member of the AGV (Employers' Association of Insurance Companies in Germany). As a result, when existing pay-scale agreements are amended or new ones are drafted, this has a direct impact on the working conditions in the VHV Group. The employment contracts correspond to the latest version of the pay-scale agreement. Therefore, if salaries under the collective agreement change, so will the salary levels in the VHV Group. The same is true for other regulations under collective bargaining.

VHV Group employees are protected against loss of earnings due to the following significant life events based on the current social security system in Germany:

- Sickness,
- Unemployment from the time the employee starts working for the company,
- Occupational accidents and disability,
- Parental leave and
- Retirement.

For key figures, see Chapter 7.

Company-employee conflicts

There were no conflict-based labour disruptions in the year under review. Strikes and labour disruptions do not affect business operations in the VHV Group.

For key figures, see Chapter 7.

Employee representative bodies

Employees are represented by the works council and Supervisory Board. These representatives are elected on the basis of applicable law (BetrVG – Works Constitution Act and AktG – Stock Corporation Act). There were no reorganisation matters that affected employees' rights to information and consultation.

CHAPTER 3: OFFER THE BEST EMPLOYMENT OPPORTUNITIES

HUMAN RIGHTS POLICY

The VHV Group considers respect for human and environmental rights as a fundamental part of social responsibility. Our corporate due diligence to protect these rights includes our own business operations and all suppliers along the supply chain within the definition of the LkSG.

For this purpose, the VHV Group has adopted a policy statement on the protection of human rights as a human rights strategy to affirm its commitment to values and social responsibility. A human rights officer has also been appointed.

The VHV Group is an international organisation, which considers human rights and environmental risks in a global context. To comply with the human rights and environmental due diligence obligations set out in the LkSG, the VHV Group identifies and assesses associated risks across borders. Its aim is to safeguard the legal positions outlined in the LkSG to promote a fair and just society.

	Prohibiting child labour
	Prohibiting forced labour and all forms of slavery
	Prohibiting discrimination
	Appropriate remuneration for the work performed
	Safeguarding employment rights and occupational safety
	Safeguarding the right to form a coalition or association and the right to collective bargaining
	Lawful deployment of private and public personnel
	Safeguarding land rights
	Protecting environmental rights

The policy statement on the LkSG can be viewed on the VHV Group website.

Incidents, complaints and serious impacts in relation to human rights

There were no incidents, complaints or serious impacts in relation to human rights in the reporting year. As a result, no fines, sanctions or compensation payments needed to be made.

WORKERS IN THE VALUE CHAIN

The VHV Group respects the right to freedom of association and therefore the right of employees to set up a trade union, to join a trade union, as well as the right to strike and collective bargaining.

The VHV Group determines the risks associated with protected legal positions in its own business segment and among its direct suppliers in the value chain in accordance with the LkSG through risk analyses in order to identify and minimise any potential violations of human rights or environmental rights as far as possible. For this purpose, the VHV Group has expanded its existing, Group-wide risk management system.

If the VHV Group recognises a risk in the risk analysis, it implements preventive measures. If it discovers a violation of a human rights-related or environmental obligation has already occurred or is imminent in its own business area or at a direct supplier, it will take immediate remedial action.

Risk management in relation to human rights and environmental risks for complying with due diligence obligations

Risks are analysed on an annual basis and on an ad hoc basis for the company's own business activities and its direct suppliers. Indirect suppliers are subject to ad hoc checks. The risk analysis in its business area and for immediate suppliers is initially carried out in an abstract manner based on industry and country-specific risk assessments. If the abstract analysis raises concerns, they are specified and prioritised based on the following points based on the legal positions of the LkSG:

- Type and scope of the business activity concerned
- Probability of occurrence of the risk
- Severity of the violation by degree, number of people affected and irreversibility
- Influence exerted by the VHV Group or its direct suppliers
- Contribution of the VHV Group to individual risks and risk areas

The findings of the analysis of human rights and environmental risks and impacts are incorporated into the corporate decision-making processes. Furthermore, the risk analysis is used as a basis for deriving preventive and remedial measures as well as the continuous further development and improvement of the existing risk management system.

The VHV Group has no employees at its locations who are not part of the workforce, nor any self-employed or workers provided by third-party companies.

The VHV Group does not operate in any geographical areas where there is a known significant risk of child labour.

There are no known significant negative or positive effects in terms of HR in the value chain.

CHAPTER 3: OFFER THE BEST EMPLOYMENT OPPORTUNITIES

Strategies relating to HR in the value chain

As a general preventive measure, the VHV Group aligns itself with internationally recognised goals, values, principles, and standards. In its thoughts and actions, the VHV Group is guided in particular by:

- United Nations (UN) International Bill of Human Rights
- UN Guiding Principles on Business and Human Rights
- Declaration of the International Labour Organization (ILO) on Fundamental Principles and Rights at Work
- Principles of the UN Global Compact
- Principles for Sustainable Insurance (PSI)
- Principles for Responsible Investment (PRI)
- UN Sustainable Development Goals (SDGs)

No cases of non-compliance are known to date.

To comply with human rights and environmental due diligence, the VHV Group fleshes out and supplements the above-mentioned guidelines and standards in guidelines for:

- Rules and code of conduct for employees
- Appropriate organisation of the employee remuneration system
- Rules and code of conduct for dealing with external service providers
- Compliance management system
- Data protection management system
- Sustainability management system
- Environmental management system
- Prevention of money laundering
- Financial sanctions and embargoes

Besides the risk analysis and preventive measures, feedback from stakeholders and reports through the complaint procedure are also taken into account. The complaints procedure enables individuals to draw attention to human rights and environmental risks, as well as violations of human rights or environmental obligations arising from the business activities of the VHV Group in its specific business area or that of a direct supplier.

Within the VHV Group's business area, responsibility for the implementation and monitoring of risk management has been assigned by appointing a human rights officer. Operationally, this is handled by the new central service provider controlling unit set up in 2022 as part of Group risk management. The VHV Group's management is regularly updated, at least once a year, about the work of the human rights officer.

Preventive and remedial measures

If the VHV Group identifies an increased risk of a violation of human or environmental rights in its risk analysis, preventive measures are taken to reduce the risk. These prevention measures cover the company's specific business area:

- Implement the human rights strategy set out in the declaration of principles in the relevant business processes
- Develop and implement suitable procurement strategies and purchasing practices
- Conduct training courses in the relevant business areas
- Implement risk-based control measures

The following preventive measures are in place for direct suppliers:

- Take account of human rights and environmental expectations when selecting a direct supplier
- Obtain contractual assurance from a direct supplier that it complies with the human rights and environmental expectations required by the VHV Group and adequately address them along the supply chain
- Implement training and further education measures to enforce the contractual assurances of the direct supplier
- Agree on appropriate contractual control mechanisms and their risk-based implementation

The VHV Group reviews the effectiveness of the preventive measures each year and on an ad hoc basis if it expects a significant change or significant expansion of the risk situation in its specific business area or at its direct supplier.

If a suspicious case arises during a risk assessment or as a result of a report via the complaints procedure, the matter is investigated. If violations are identified, the VHV Group immediately initiates remedial measures, which are immediately followed by preventive measures to prevent further violations. If the cause lies in the behaviour of their employees, measures are taken at a personnel level. If violations are identified at direct suppliers of the VHV Group, the Group reserves the right to take various measures. Depending on the severity of the violation, these range from a demand to remedy the breach violation to contractual steps and termination of the business relationship. In addition, the VHV Group always expects constructive co-operation from its suppliers to clarify the matter.

The strategies relating to workers in the value chain explicitly include human trafficking, forced labour and child labour. A code of conduct has been adopted for suppliers and also published on the VHV Group's website. The contents of the Code of Conduct for Suppliers and Business Partners can be found in Chapter 5.

No serious problems or incidents relating to human rights were reported.

CHAPTER 4: IMPLEMENT CLIMATE-FRIENDLY OPERATIONS

THE ENVIRONMENTAL POLICY OF THE VHV GROUP

As part of its continuing efforts in environmental protection, the VHV Group introduced an environmental management system based on ISO 14001 for its defined area of application in 2022, which supports it in this endeavour and provides it with a suitable framework.

Compliance with all obligations as part of this environmental system, which is eligible for certification, is among the VHV Group's priorities. Its products, services, processes and day-to-day operations are taken into account by this system. The VHV Group aims to ensure that the requirements of environmental management are fulfilled, the processes are clearly described and continuously improved and that all its employees are able to do their part towards the continuous improvement of the company's environmental practices.

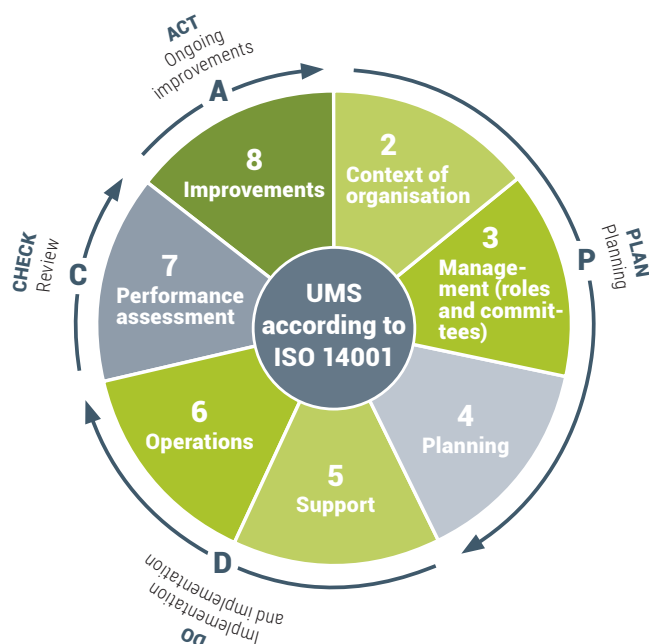
To meet its binding obligations, the VHV Group defines targets for its environmental management system, which are measured with certain key figures. The VHV Group undertakes to protect the environment by taking the actions at its locations to reduce or avoid a negative impact on the VHV Group's environmental footprint. With this in mind, the VHV Group aims to continually reduce its carbon emissions and consumption of energy and resources in its business processes. Since 2022, the VHV Group has compensated for those carbon emissions that it cannot reduce in its business operations. The VHV Group follows the established standards when developing measures for improvement to its internal environmental management system such as ISO 14001.

THE ENVIRONMENTAL MANAGEMENT SYSTEM

The environmental management system is based on ISO 14001, which uses the Plan-Do-Check-Act (PDCA) cycle. The four-element cycle starts with “plan”, i.e. the definition of environmental targets and the required processes. The second part, “do”, involves implementing these processes; in the third part, “check”, the results are analysed and measured on the basis of their targets. The final part, “act”, means taking measures for improvement.

The environmental management system in effect covers all management and auxiliary processes at the headquarters in Hanover, the management offices in Berlin and Munich and all regional offices in Germany, as well as business trips and company cars. The environmental management system applies to these companies:

- VHV Vereinigte Hannoversche Versicherung a. G.
- VHV Holding AG
- VHV Allgemeine Versicherung AG
- Hannoversche Lebensversicherung AG
- VHV International SE
- VHV solutions GmbH
- WAVE Management AG
- Pensionskasse der VHV Versicherungen



ENERGY CONSUMPTION AND ENERGY MIX

The VHV Group discloses total energy consumption in kWh related to its own business operations at the sites included in the environmental management system.

ENERGY CONSUMPTION (IN KWH)	2022
Energy consumption from non-renewable sources	
District heating	5,627,481
Natural gas	428,359
Fuel oil	73,918
Electricity	66,678
Energy consumption from renewable sources	
“Green” power	7,619,675
Geothermal	1,173,006

The VHV Group does not consumer energy from nuclear sources. The energy generated by the photovoltaic system of the company’s kindergarten facility is not significant and is therefore not separately disclosed.

The VHV Group is not active in climate-intensive sectors in relation to its own business operations.

CHAPTER 4: IMPLEMENT CLIMATE-FRIENDLY OPERATIONS

CARBON FOOTPRINT OF THE VHV GROUP BY SCOPE

The carbon emissions can be divided into three categories (scopes) under the Greenhouse Gas Protocol.

Scope 1: Emissions from sources that the company directly owns or influences (such as operation of its own boilers).

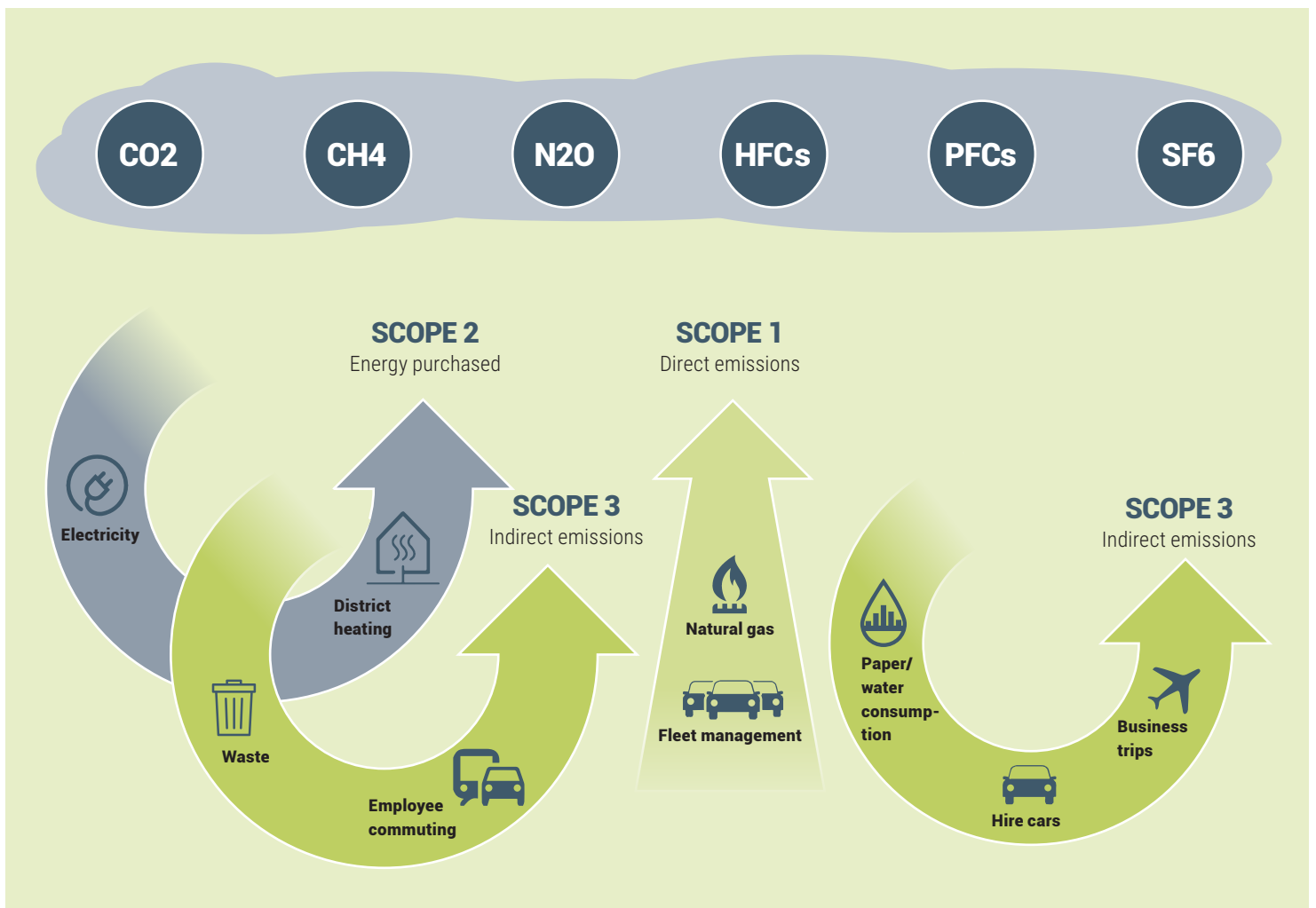
Scope 2: Emissions from the use of energy that the company purchases (such as its own power consumption, heating, cooling).

Scope 3: Emissions resulting from activities not owned directly by the company (such as business trips or waste management).

The VHV Group reports the carbon emissions determined in its environmental management system below. Deviating from the scope of consolidation, the reported emissions include the sites in Germany of the companies included in their environmental management system.

There have been no changes since the previous year.

The VHV Group does not fall under the scope of regulated emissions trading systems, meaning that the reported greenhouse gas emissions do not include any emissions from regulated emissions trading systems.



CHAPTER 4: IMPLEMENT CLIMATE-FRIENDLY OPERATIONS

CARBON EMISSIONS

Under its environmental management system, the VHV Group can measure its carbon emissions from each scope based on the latest data on hand.

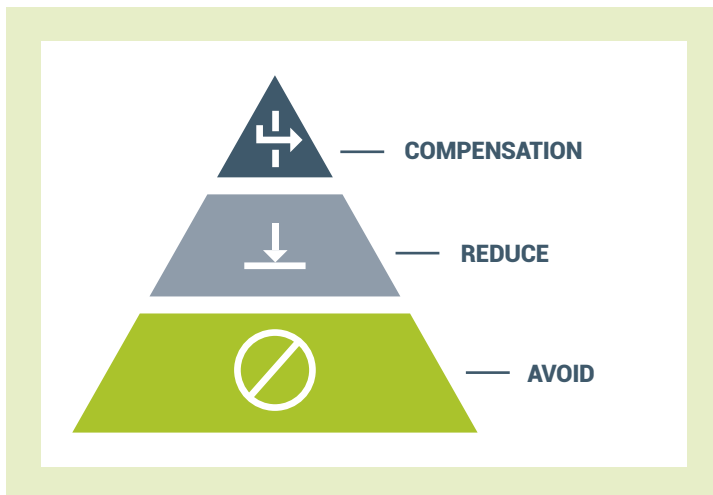
CARBON EMISSIONS In t CO ₂ eq	DEVIATION FROM PREVIOUS YEAR	2022	2021
TOTAL carbon EMISSIONS	+ 3 %	3,131	3,054
SCOPE 1	+ 18 %	1,776	1,500
Gas and fuel oil consumption	+ 2 %	126	123
Fleet management (leasing) ^{*)}	+ 20 %	1,650	1,377
SCOPE 2	- 28 %	421	583
Electricity	- 52 %	18	37
Heat consumption	- 26 %	403	546
SCOPE 3	- 4 %	934	971
Paper usage	+ 7 %	1	1
Water consumption	+ 13 %	10	9
Waste	+ 19 %	6	5
Business trips (air travel)	+ 141 %	76	32
Business trips (train travel)	+ 122 %	30	14
Employee commuting	- 11 %	803	903
Hire cars	+ 5 %	9	9

^{*)} Following the change in fuel card provider, fleet management has already been compensated for in full as at March 2022. In 2022, the VHV Group compensated for the emissions from fleet management that were incurred until the change.



Compared with 2021, the emissions determined under the environmental management system increased by a total of around 3 %. The increase in emissions from fleet management is due to the increased mileage of the vehicle fleet. The decrease in heat consumption is due to an adjusted emissions factor at the Hanover site and reduced consumption. The increase in business travel is the result of growing levels of international business and a normalisation in travel activity, which remains below pre-pandemic levels due to technological advancements.

For the long term, the VHV Group aims to avoid carbon emissions as its top priority before all other forms of emissions.



It has the most influence on both management buildings owned by the VHV Group, because modifications can be made to those systems and technologies. At rented properties, consumption can be reduced mainly through reducing the size of the office space and raising awareness among employees.

COMPENSATION OF CARBON EMISSIONS

Compensation is part of a climate-friendly strategy. It reduces the effects of unavoidable emissions once avoidance and reduction have been applied to the fullest possible effect.

The VHV Group considers the following criteria when choosing compensation providers:

Additionality

Additionality of compensation means that the project was made possible by the financing from CO2 certificates.

Permanence

Permanence in compensation projects means that the emissions saved through climate protection projects must be "permanent".

Non-profit organisation

Exclusivity

Exclusivity (avoiding double counting) for compensation projects means that the carbon emissions saved by the projects and the resulting certification can be used only one time to compensate other carbon emissions.

Standards

Compliance with established standards such as the "Verified Carbon Standard (VCS)" and the "Gold Standard".

CHAPTER 4: IMPLEMENT CLIMATE-FRIENDLY OPERATIONS

As the emissions as at 31 December 2023 have not yet been fully submitted, the emissions as of 31 December 2022 will be disclosed here. The compensation is carried out annually and for the emissions of the participating companies identified within the implemented environmental management system. With this aim in mind, the VHV Group has offset the direct emissions as at 31 December 2022, fleet management in 2023 and the energy it purchased in 2023. Furthermore, as at 31 December 2022 the VHV Group has compensated for its indirect emissions from paper and water use, waste, business trips and hire cars in 2023. In the reporting year, the VHV Group compensated for 1,450 tonnes of CO₂ through certain compensation providers. The compensation projects included various projects in Nigeria, India, and Kenya (for example, through the construction of biogas plants) as well as a reforestation project in Papua New Guinea. Further compensation measures were carried out directly by the fuel card provider so that the emissions resulting from the fleet are compensated for directly.

Additionally, HL has compensated for an additional 232 tonnes of CO₂ for its marketing campaigns.

The VHV Group has not developed any projects for the reduction and storage of greenhouse gases within its own activities as well as within the upstream and downstream value chain.

To achieve climate neutrality in the operations of the companies involved in the environmental management system, the Scope 1 and 2 emissions identified as at 31 December 2022, selected Scope 3 emissions, are compensated for through appropriate compensation providers. Climate neutrality is currently achieved entirely through compensation. The VHV Group has not yet set any GHG emission reduction targets for its own business operations.

POLLUTION

Unlike companies with a business model that relies heavily on energy and materials, the VHV Group's direct environmental impact is minimal. Therefore, the impacts of the VHV Group on the sustainability aspects pollution of air, water, soil, substances of concern, including substances of very high concern, are of minor importance for its own business operations. A consultation, especially with the affected communities, was therefore not carried out.

Under the implemented environmental management system, the VHV Group determines and communicates the environmental aspects of its activities, products, and services that it can control and influence, as well as the associated environmental impacts, taking account of the lifecycle. Here, it considers changes, including planned or new developments, as well as new or modified activities, products and services, and unintended conditions and reasonably foreseeable emergency situations.

Under the implemented environmental management system, the VHV Group has identified the external and internal issues that are relevant to its purpose. To determine the internal and external issues, all aspects which affect the VHV Group's ability to achieve the intended results of the environmental management system and improve environmental performance are taken into account. Air quality in relation to workplaces was also identified as an issue.

WATER AND MARINE RESOURCES

The VHV Group's impact on the sustainability aspects of water and marine resources is of minor importance for its own business operations. A consultation, especially with the affected communities, was therefore not carried out.

Under the implemented environmental management system, the VHV Group has identified the external and internal issues that are relevant to its purpose. To determine the internal and external issues, all aspects which affect the VHV Group's ability to achieve the intended results of the environmental management system and improve environmental performance are taken into account. Here, water availability in relation to the provision of clean sanitation and drinking water was also identified as an issue.

Concerning its business operations, the impacts, risks, and opportunities associated with water and marine resources are not significant. Hence, there is no strategy specifically formulated for this topic.

None of the VHV Group's sites are located in an area with high water stress.

The VHV Group has not formulated an independent strategy regarding the sustainability of the oceans due to the low impact on its own business operations.

Water is neither recycled nor reused at the VHV Group.

The total water consumption of the sites included in the environmental management system in 2022 was 27,815 m³.

BIODIVERSITY AND ECOSYSTEMS

A list of the sites and branches can be found in the notes to the annual report. In terms of its own business operations, the impact of the VHV Group on biological diversity and ecosystems is negligible.

Activities in areas with vulnerable biodiversity are not carried out, nor are activities with impacts on endangered species. No significant negative impacts in terms of land degradation, desertification or soil sealing were identified.

The VHV Group has identified and assessed the impacts, risks, dependencies and opportunities related to biological diversity and ecosystems within the materiality analysis conducted. The VHV Group does not have any significant impact from its own business operations. A consultation with the affected communities was therefore not carried out.

The VHV Group does not have locations in or near areas with vulnerable biodiversity, nor does it engage in activities with negative impacts on these areas which would lead to a deterioration in natural habitats and work habitats.

Due to the VHV Group's business model, no specific strategies were adopted in the areas of land use and agriculture, oceans/seas or deforestation.

RESOURCE UTILISATION AND CIRCULAR ECONOMY

Due to the VHV Group's business model, the impact in the area of resource utilisation and the circular economy is not significant. This are essentially limited to waste disposal in the company's own business operations. A consultation with the affected communities was therefore not carried out.

The total amount of waste generated by the companies included in the environmental management system is 297,003 kg. Of this, 101,565 kg is non-recyclable (residual waste and commercial waste similar to bulky waste as well as waste from the offices).

The VHV Group does not have any hazardous waste or radioactive waste in accordance with Article 3(7) of Directive 2011/70/Euratom.

CHAPTER 4: IMPLEMENT CLIMATE-FRIENDLY OPERATIONS

REDUCTION MEASURES

ELECTRICITY USE



Measures adopted to date:

2022	Full procurement of green electricity Reactivating indirect/free cooling for the data centre
2023	Aligning ventilation schedules with office utilisation periods

Planned measures

- Convert workstation lighting to LED and other use of energy saving devices
- Check the lighting in the branch offices
- Implement a smart building tool
- Modernise refrigeration technology
- Use more energy-efficient processes in areas with reduced computing capacity requirements
- Outsource special applications to the cloud

GAS AND HEAT USE



Measures adopted to date:

2016/2017	Optimisation of geothermal system in the management building in Hanover; extended hours of use thanks to simultaneous heating and cooling
2023	Employee education on ways to cut energy use

Planned measures

- Check heating systems in the branches
- Achieve further potential savings by reducing the space leased (including by way of the space concept explained in Chapter 3).
- Implement a smart building tool

PAPER AND WATER USE



Measures adopted to date:

2023 Installation of Perlator aerators to save water

Planned measures

- Rainwater for irrigation of exterior grounds (Hanover)

WASTE



Measures adopted to date:

2018 2018 Reduction of waste generated by disposable cups – the disposable cups have been all but eliminated

2021 2021 Elimination of brown bags – introduction of reusable plates and bowls

2023 Employee training to sensitise employees to resource awareness

Planned measures

- Improve waste separation in the branches
- Use digitalisation to save on paper
- Further avoid plastic; use alternatives

OTHER MILESTONES IN THE COMPANY'S ENVIRONMENTAL EFFORTS

Back **in early 2015** the VHV Group joined regional and local networks that are aimed at sustainable environmental and resource conservation:

- As a participant in the first partnership conference for the model project **"Sustainable industrial park, Lister Damm/Am Listholze in Hanover"** in mid-March 2015, the VHV Group remains a permanent contributor to the network.
- Starting in the autumn of 2015 VHV, in conjunction with the **ECOPROFIT 2015/2016 new members round**, prepared for **ECOPROFIT certification** of its management building at VHV-Platz 1 in a more than one-year development phase.

After being named as an **ECOPROFIT company** in 2023, the VHV Group was able to uphold the standards developed and the continuous development process.

CHAPTER 5: FOLLOW THE GUIDELINES

KEY GOVERNANCE ELEMENTS

The VHV Group is strongly committed to maintaining a proper business organisation. Compliance with the legal requirements, the VHV Code of Conduct and the internal sets of rules are the basis for the VHV Group's business activities.

The number one framework, applicable to all companies of the VHV Group, is the VHV Code of Conduct (directly resolved by the main companies) that outline the values of the VHV Group. Following the VHV Code of Conduct are the principles of written policies, which are divided into the following document levels:

1. Group policy
2. Company policy
3. Division policy
4. Procedure

The group policies reflect the minimum requirements from the Group's standpoint that must be adopted and further specified in company policies (as approved by executive management, taking account of local details and standards).

Code of Conduct

The VHV has designed a Code of Conduct to reinforce its own corporate governance system. It includes key rules such as the values, guidelines for action and management and anti-corruption principles and serves as a guideline for conduct by and employees in professional relationships with each other, business partners and the general public (e. g. equal opportunities, freedom from discrimination).

The Code of Conduct is available to all employees on the VHV Group intranet. It is also handed out to new hires. Employees are updated regarding any changes. The Code of Conduct is not included on the website of the VHV Group. Corporate governance is also managed by numerous group and company policies as well as the Code of Conduct for data protection by the GDV.

If the Code of Conduct has been defined in special policies or regulations for individual areas or companies in the Group, these apply in full in addition to the Code of Conduct.

The role of the administrative, management and supervisory bodies

In the VHV Group, the administrative, management and supervisory bodies include the Supervisory Board, the Board of Directors and the management.

The tasks and responsibilities are defined in the respective rules of procedure and schedule of responsibilities. The respective rules of procedure for the Board of Directors defines the activities that the general Board of Directors handles and the transactions that require consent from the Supervisory Board.

The Board of Directors or the management of the respective individual company is responsible for monitoring the impacts, opportunities and risks. Individual topics are allocated based on the schedule of responsibilities of VHV a. G.:

CEO/Chairman of the Board of Directors

- Corporate development/strategy
- Strategic marketing
- Personnel
- Corporate Communications
- Legal including compliance
- Audit
- Group controlling, including project portfolio management (excluding investments)
- Outside Germany:

Chief Financial and Risk Management Officer

- Accounting
- Taxes
- Investment and participating interest controlling
- Reinsurance
- Purchasing
- Combating money laundering/economic crime
- Group data protection and information security
- Group business administration
- Risk management
- Actuarial function

Chief Investment Officer

- Investments
- Real estate
- Facility management
- Participating interest management

Chief Property-Casualty Insurance Officer

- Property-Casualty Insurance
- Co-insurance VHV a. G.

Chief Life Insurance Officer

- Life insurance business segment
- Mortgages

Chief Information Technology Officer

- IT
- Company organisation
- Digitalisation/transformation

The topic of sustainability is an explicit component of the individual aforementioned topics and is also assigned to the Chief Financial and Risk Management Officer as a whole.

The Board of Directors is responsible for defining corporate policy, which is monitored by the Supervisory Board as part of its supervisory and control function.

The Board of Directors positions of VHV a. G./VHV Holding were 100 per cent male in the 2023 reporting year. Their contracts are valid for between three and five years. The company is represented legally by two members of the Board of Directors or one member of the Board of Directors together with a holder of procuration (power of attorney). The respective rules of procedure for the Board of Directors defines the activities that the general Board of Directors handles and the transactions that require consent from the Supervisory Board. As a rule, the Board of Directors meets every two weeks. An attendance rate of around 80 per cent is achieved at the Board of Directors meetings of VHV a. G./VHV Holding, VHV Allgemeine and HL. In other words, a total of 56 of the 70 meetings had full attendance.

CHAPTER 5: FOLLOW THE GUIDELINES

Governance system: an overview

The governance system of the VHV Group is reviewed in-house for appropriateness and effectiveness. The most recent review was initiated in the reporting year by the Board of Directors. All key functions as defined in Solvency II (IRCF, actuarial function, compliance function, Internal Audit) submitted their internal assessments of the following aspects of the governance system as required by supervisory laws:

- Structural and procedural organisation
- Written guidelines
- Governance requirements at Group level
- Role of the Board of Directors and the Supervisory Board
- Materiality concept
- Own funds
- IRCF
- VMF
- Compliance management system and function
- Tax compliance management system
- Prevention of money laundering/combatting white collar crime
- Internal Audit
- Specialist qualifications and personal integrity
- Risk management system
- Information security management system
- Data protection management system
- Internal control system
- Own risk and solvency assessment (ORSA)/own risk assessment
- Outsourcing
- Remuneration policy
- Contingency management

In the year under review, the internal assessment of the governance system also included new legal and regulatory requirements. The review also focused on the status of implementation for updated circulars by the supervisory authority.

Significant impacts, risks and opportunities are reported both via the ESGC and in the Board of Director meetings of the individual companies. In addition, the Risk Committee reports on risks (e.g. findings of the risk survey and sustainability stress tests). Detailed reports on the implemented governance system, the appropriateness and effectiveness of which is assessed in the internal review of the governance system initiated by the Board of Directors in the reporting year, are submitted to the Board of Directors committees and Supervisory Board committees. A documented Board of Directors decision from VHV a. G./VHV Holding with the final assessment was provided in response to the key functions' statements of opinion and to the results of external audits.

The individual strategies and decisions on important transactions (including the defined criteria for carrying out a risk analysis) is monitored by the Board of Directors of the individual company concerned or, in the case of issues relevant to the Group, also by the Board of Directors of VHV Holding.

In the reporting period, the Board of Directors dealt with the following significant impacts, risks and opportunities:

- CSRD implementation status
- Impacts of the Green Claims Directive
- Conceptual development of the ESG stress tests
- Description of the main adverse effects of investment decisions on sustainability factors of the HL, WAVE and pension fund
- Findings of the internal audit in the environmental management system
- Recording and analysis taxonomy key indicators

The risk strategy sets out the strategic requirements for risk management. The risk strategy is aligned to the business strategy and governs the handling of the corresponding risk.

The Group function ensures Group-wide implementation of the governance requirements.

The Supervisory Board and Board of Directors including their committees and commissions, as well as the four key functions, are the pillars of the governance system. They are part of the VHV Group's risk management and internal control systems.

The Supervisory Board and Board of Directors members are assisted in their roles by special committees and commissions for this purpose. The organisation has a coordinated system of individual risk owners with Board of Directors working groups and Supervisory Board committees at Group and individual company level.

The following bodies and functions are subject to requirements regarding the professional suitability and personal reliability of the function holders.

CHAPTER 5: FOLLOW THE GUIDELINES

GOVERNANCE STRUCTURE AND COMPOSITION

SUPERVISORY BOARD

Dr Achim Kann

Honorary Chairman
Chairman of the Board of Directors (retired),
GLOBALE Rückversicherungs AG, Cologne;
Chairman of the Board of Directors (retired),
Frankona Rückversicherungs-AG, Munich

Dr Peter Lütke-Bornefeld (from 5 October 2023)

Honorary Chairman
Chairman of the Board of Directors (retired), General Reinsurance AG,
Cologne

MEMBERS ELECTED BY THE MEMBERS' MEETING

Uwe H. Reuter

Chairman (from 5 June 2023),
Deputy Chairman (until 5 July 2023)
Chairman of the Board of Directors (retired), VHV a. G. and VHV Holding AG, Hanover;
Chairman of the Board of Directors, PATRIZIA SE, Augsburg

Fritz-Klaus Lange, lawyer

Deputy Chairman
Chairman of the Board of Directors (retired),
Gegenbauer Holding SE & Co. KG, Berlin;
Chairman of the Board of Directors (retired),
RGM Facility Management GmbH, Berlin/Dortmund;

Dr Peter Lütke-Bornefeld (until 5 July 2023)

Chairman
Chairman of the Board of Directors (retired), General Reinsurance AG,
Cologne

Dr Thomas Birtel

Chairman of the Board of Directors (retired), STRABAG SE,
Vienna/Austria;
Member of the Supervisory Board of Wienerberger AG, Vienna/Austria

Thomas Bürkle

Chairman of the Managing Board (retired), NORD/LB;
Norddeutsche Landesbank Girozentrale, Hanover;
Senior Advisor Boston Consulting Group, Boston/USA

Sarah Rössler

Former member of the Board of Directors of
HUK-COBURG Versicherungsgruppe;
Chairman of the Supervisory Board of MLP SE, Wiesloch;
Chairman of the Supervisory Board of MLP Banking AG, Wiesloch

Dr Josef Adersberger (court-appointed from 9 March 2024)

Managing Director of QAware GmbH, Munich;
Advisory Board of TWIP Venture Studio GmbH & Co. KG, Munich

The Board of Directors of VHV a. G. is responsible for managing the company, with the Supervisory Board acting in an advisory function. It defines management goals and strategies. The Board of Directors has overall responsibility for implementing, further developing and monitoring the governance system. Therefore, it is also in charge

of fulfilment of the legal and supervisory requirements for risk management and for controlling risks within VHV a. G. The Supervisory Board and Board of Directors are the main pillars of the VHV Group's management and supervisory bodies. The Board of Directors directs the company's operations, while the Supervisory Board does not.

Members and duties of the Supervisory Board

The Supervisory Board of VHV a. G. has six members that are elected by the members' meeting as the top level of company representation. In the 2023 financial year, the members' meeting voted in one woman and five men. The respective Supervisory Board meets at least three times a year and as needed. A Supervisory Board meeting can also be convened within two weeks at the request of a Supervisory Board member or Board of Directors. The Supervisory Board meetings of VHV a. G., VHV Holding, VHV Allgemeine and HL had full attendance at some 85 % of the meetings in the period under review.

The Supervisory Board of VHV a. G. performs monitoring and control functions for the Board of Directors. As part of its monitoring and control functions, the Supervisory Board members are notified by the Board of Directors on a regular basis (or ad hoc as needed) about all information regarding business operations, the performance of the Group companies and their equity interests, general questions relating to corporate management, corporate planning and the intended business policies of the VHV Group.

The Supervisory Board members are also involved on a regular basis in risk management processes.

There are no employee representatives on the Supervisory Board of VHV a. G.

The members of the Supervisory Board of VHV a. G. are 100 % independent.

Supervisory Board committees

The Supervisory Board members of the VHV Group form the following committees from their ranks:

- Human Resources and Nomination Committee
- Audit Committee
- Investment Committee
- Real Estate Committee
- IT/Digitalisation Committee and
- Risk Committee

The individual committees perform the following tasks, each of which also takes sustainability into account:

Tasks of the Risk Committee

- Discuss the risk strategy
- Discuss reports with the Board of Directors and the holders of the respective key function
- Assess the effectiveness of the management systems of the key functions by the four key functions
- Discuss the reports on the solvency and financial position
- Discuss the internal review of the business organisation
- Solvency II benchmarking
- Overview of BaFin processes and BaFin communication of the individual key functions (where applicable)

The **Audit Committee** supports the Supervisory Board in particular with monitoring

- a) the accounting process and the internal control system,
- b) the performance of the statutory audit, in particular with regard to the selection and independence of the statutory auditor, the quality of the statutory audit and the additional services provided by the statutory auditor (scope, frequency and reporting) and
- c) the swift rectification by the Board of Directors of deficiencies in the accounting process and the internal control system identified by the auditor and internal control functions during internal and external audits through suitable measures.

The non-financial statement is discussed and reviewed by the Audit Committee of the Supervisory Board.

The tasks of the **IT/Digitalisation Committee** include preparing reports to the respective Supervisory Board committees on the status of current market developments in the IT sector, the status of IT application development /landscape, IT operations and IT management, content, time and cost planning of current IT and digitalisation projects as well as assessing the necessary prioritisation and HR situation in IT.

The **Human Resources and Nomination Committee** deals with the remuneration system for members of the Board of Directors and managing directors as well as adjustments and modifications to the responsibilities of Board of Directors members and managing directors.

CHAPTER 5: FOLLOW THE GUIDELINES

The independence of the leadership bodies and leadership roles is of great importance to the VHV Group. Apart from the Supervisory Board, Board of Directors and the four key functions, the VHV Group has not defined any further key functions.

All persons holding key functions have an employment contract with VHV a. G. or with all other Group companies where they perform a function of this kind.

People in key functions are management and report directly to the responsible Board of Directors member based on the schedule of responsibilities. The Board of Directors has overall responsibility and monitors the appropriateness and effectiveness of the key functions.

The Supervisory Board of VHV Holding and VHV solutions has a group of elected employee representatives.

Members and duties of the Board of Directors

The Board of Directors of VHV a. G. comprises six members. Under the schedule of responsibilities, the following persons hold the following roles in the division:

BOARD OF DIRECTORS

Thomas Voigt

Born 1961
Chairman
Hanover

Frank Hilbert

Born 1963
Life Insurance
Hanover

Dr Sebastian Reddemann

Born 1982
Property-Casualty Insurance
Hanover

Ulrich Schneider

Born 1964
Investments
Hanover

Sebastian Stark

Born 1980
Finance and Risk Management
Hanover

Arndt Bickhoff

Born 1968
IT
Hamburg



The Board of Directors of VHV a. G. is responsible for managing the company, with the Supervisory Board acting in an advisory function. It defines management goals and strategies. The Board of Directors has overall responsibility for implementing, further developing and monitoring the governance system. Therefore, it is also in charge of fulfilment of the legal and supervisory requirements for risk management and for controlling risks within VHV a. G. This includes the design and implementation of an effective risk management system.

All members of the Board of Directors of VHV a. G. are managing directors.

The Board of Directors also has overall responsibility for the structural procedural regulations. Thus, the Board of Directors of VHV a. G. is in charge of establishing and properly designing an effective, functioning ICS.

The Board of Directors of VHV a. G. oversees the Group risk strategy of the VHV Group, in particular the requirements for risk tolerance variables. The Board of Directors of VHV a. G. is also in charge of regular monitoring of the risk profile of the VHV Group. For this purpose, a limit system with early warning function has been established. The Board of Directors has not formed any committees.

CHAPTER 5: FOLLOW THE GUIDELINES



SPECIALIST QUALIFICATIONS AND INTEGRITY

There is a company policy that governs specialist qualifications and integrity. This provides the framework for the appropriate design of the requirements and monitoring with regard to specialist qualifications and integrity of the executive body members and responsible persons, as well as employees of the key functions of the VHV Group insurance companies. It also oversees the design and monitoring of the requirements and audits.

A number of documents is used to verify that all requirements have been met. The insurance and reinsurance companies of the VHV Group that are domiciled in the European Union are subject to the relevant European and national insurance supervision laws. The companies from all other countries are subject to their respective national supervisory laws.

Suitability of the **Supervisory Board members**

The Supervisory Board members must have sufficient expertise in order to understand the business conducted by the VHV Group, to evaluate the risks and to make any changes in management as needed. The areas of investment, actuarial methods and accounting/ annual financial statements, etc. are relevant.

If the Supervisory Board member held a long-term executive position with an insurance company in the past, it is assumed that they have the required qualifications. The same is true for any Supervisory Board members with multiple years of experience as a member of the Supervisory Board for an insurance company.

The Supervisory Board members are apprised of current developments in sustainability during the Supervisory Board meetings.

The professional suitability of Supervisory Board members requires that they have the necessary expertise to fulfil their supervisory function and to assess and monitor the company's business activities. Insurance-specific knowledge of risk management is important in this respect. Attention must be paid to continuous further training.

Expertise can also be acquired through (previous) activities in other sectors, in public administration or on the basis of political mandates, provided that these were or are not of a completely subordinate nature and are significantly focused on economic and legal issues over a longer period of time. The provisions on employee co-determination apply notwithstanding.

The professional suitability requirements must be met taking into account the principle of proportionality: requirements must always be met specifically taking into account the company's individual risks and the nature and scope of its business operations. The required knowledge must therefore always be considered in relation to the general business, economic and market environment in which the company operates.

Each member of the Supervisory Board must have sufficient knowledge of all areas to ensure appropriate controlling. The knowledge and experience of the other Board members or other employees are no substitute for appropriate professional qualifications of the respective Supervisory Board member.

Suitability of the **Board of Directors members**

The specialist qualifications of the Board of Directors members include a sufficient degree of theory and practice in the area of corporate transactions and leadership experience. Leadership experience comes in particular from management positions if the position was directly below executive level or larger company organisational units were managed.

The Board of Directors of VHV a. G. is notified regularly via the ESGC about current developments in the area of sustainability. In the reports, the Board of Directors receives information such as:

- The results of any climate stress tests performed
- The status of sustainability-related projects
- The status of regulatory issues in the area of sustainability
- Results from the risk assessment, taking account of sustainability risks

Reports are made within the individual companies as needed.

At a minimum, members of the Board of Directors must be suitably qualified, experienced and knowledgeable of the following topic areas:

- Insurance and financial markets
- Business strategy and model
- Governance system
- Risk management
- Information technology
- Financial analysis and actuarial analysis as well as
- Regulatory framework and regulatory requirements

Once a year, the suitability of each member is reviewed and a personal development plan is drawn up if deemed necessary.

DIVERSITY AND EQUAL OPPORTUNITY

The VHV Group and its entire staff are obliged to comply with the principles of action and corporate values. We wish to make particular note of "respect" as a value, which is intended to foster the individual personalities of the employees along with equal opportunities and freedom from discrimination.

The Group expects all employees to respect the personal dignity and rights to privacy of each and every individual.

We do not tolerate discrimination on the basis of race or ethnic origin, gender, religion, ideology, disability, age, or sexual identity. Nor do we tolerate sexual or other personal harassment or insults.

While the VHV Group does not have a separate diversity policy, it does meet the legal requirements. Under the laws regarding equal representation of women and men in management positions in the private economy and public service, VHV Holding is required to define quotas in order to increase the percentage of women, along with deadlines for compliance.

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The company has defined a target of 0.0 % for the Supervisory Board and the Board of Directors. The proportion of women on the Supervisory Board is 16.7 %. The Board of Directors target is based on the fact that while the composition of the Board of Directors recently changed due to some members retiring, their succession had already been arranged in-house in accordance with long-term planning and internal organisational decisions. For reasons of business efficiency, it is not useful to elect additional members to the Board of Directors. Therefore, we have no current plans to modify the quota of 0. Should any new members be needed in future, the Supervisory Board will make every effort to take account of suitable female candidates in order to increase the percentage of women and diversity on the Board of Directors. The quota of female members of the Board of Directors for subsidiaries VHV Allgemeine is 20 % and VHV Re 25 %, respectively. Age is another criterion taken into account for diversity purposes.

MANAGEMENT PRINCIPLES

The Supervisory Board, Board of Directors and managers play an essential part in company governance, as they are leaders and role models. For this reason, the following management principles have been set forth in the Code of Conduct of the VHV Group:

- exemplify and demand values
- treat employees with respect
- actively promote employee success
- communicate clear goals regarding expected outcome
- allow freedom of design regarding the "how" of implementation
- make performance contributions transparent
- acknowledge performance, address criticism
- encourage constructive criticism
- communicate credibly and quickly
- work in partnership with workers' representative

These principles are also essential for supervising company management, which is put to the test on a daily basis, not only in terms of teamwork but also its image as presented to the customers and all other stakeholders. The performance assessment process for supervising company management is informal and linked directly to the corporate culture of the VHV Group.

FAIR MARKETING AND SALES

Insurance marketing and sales link insurance companies and customers. In addition to a high product standard, an important requirement for customer satisfaction is that advice and insurance distribution be of high quality. Compliance with these standards is required for a sustainable customer relationship.

For this reason, VHV Allgemeine signed off on the GDV Code of Conduct on 3 February 2016. The GDV Code of Conduct is a voluntary commitment of the insurance industry which is aimed at ensuring high quality of customer advice.

The GDV Code of Conduct transparently sets the standards of conduct for the distribution of insurance products and sets a framework of standards and values for insurance companies to fulfil their customers' interests. It applies to all forms of insurance sales.

Following the implementation of the IDD in the 2018 financial year, ensuring continuous compliance with the requirements of the IDD remains a key focal point at VHV Allgemeine and HL. The IDD is supported by delegated acts of the European Commission, such as the regulations on product oversight and governance requirements and special requirements for insurance-based investment products; guidelines, technical advice and interpretations of the European Insurance and Occupational Pensions Authority (EIOPA) on the implementation of the IDD; and corresponding national acts.

As at 2 August 2022, insurance-based investment products are subject to additional requirements concerning the recognition of sustainability factors, risks and preferences.

INCLUSION OF SUSTAINABILITY-RELATED PERFORMANCE IN INCENTIVE SCHEMES

REMUNERATION POLICIES AND PRACTICES

The remuneration system of the VHV Group complies with the business and risk strategy of the VHV Group and fosters long-term corporate development by avoiding conflicts of interest or false incentives. The remuneration system, which allows for incentives, is a risk management tool: variable remuneration components can be cancelled in full if company targets and/or individual targets are not met. The remuneration system of the VHV Group includes a fixed portion and a variable portion. An external consulting company is not hired to monitor the remuneration policy independently. The remuneration in the VHV Group is agreed under the following procedures:

- The individual targets for employees are agreed in writing between the employee and their manager at the start of the year.

- The targets of executive employees are agreed with the head of the respective division. The division targets (individual targets) are based on the written agreement between the Board of Directors and Supervisory Board that is entered into at the start of the year.
- Remuneration for Supervisory Board members is defined by the members' meeting in accordance with the legal provisions and the articles of association. It is disbursed at the end of the financial year and includes a fixed amount plus meeting attendance fees.

Variable remuneration depends on the company's earnings (company targets of the VHV Group and the individual company relevant for the respective business areas) and the individual target achievement by employees, executives and top management (individual targets). At the end of a financial year, Board of Directors members, managing directors and executive employees receive the qualitative and quantitative targets for the upcoming financial year. Definitive remuneration parameters are also set in order to evaluate target achievement.



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All target agreements account for the aspects below (list not exhaustive):

a) Company targets and individual targets are defined in accordance with the business and risk strategy, the risk profile and the long-term interests and performance of the respective company and the VHV Group. No targets should be agreed that could result in conflicts of interest.

b) Company targets and individual targets are agreed in consideration of environmental and social matters as well as proper, ethical corporate governance. They should promote steady and effective risk management and not encourage the acceptance of risks that exceed the risk tolerance thresholds of the company or the VHV Group.

c) The company targets apply to the companies of the VHV Group and for the VHV Group as a whole. The individual targets provide for specific agreements regarding the duties and performance of the employees.

Targets and measures are formulated on the basis of the sustainability strategy. The sustainability goals define the desired conditions in the areas of action that need to be achieved. By contrast, the measures describe selected actions with which the realisation of the desired states is pursued.

As part of the target agreement process, the goals of each action area in the sustainability strategy can be realised by defining goals for each Board of Directors division. The targets for each action area include, but are not limited to, product development, investments, environmental management system, disclosure and communication.

The sustainability-related targets set out in the target agreement are agreed in the strategic dialogue. Thematic localisation extends across individual sub-categories of the individual objectives of the target agreement.

Target achievement is monitored during the year in the operational dialogue at ESGC level.

For executive management, the variable remuneration has a target of 45 % (subsidiaries) or 50 % (for those who are also members of the Board of Directors of VHV Holding) of the fixed salary. The cap on this variable remuneration is 100 % of the fixed salary. A significant portion (at least 30 %) of the variable remuneration is withheld and paid out over a period of three years. The Supervisory Board is also permitted to grant an additional bonus to recognise special performance or results.

For executive employees, the share of variable remuneration is 25 %. The same applies for the responsible persons in key functions. However, a significant portion (at least 30 %) of the variable remuneration is also withheld for these persons and paid out over a period of three years.

The variable and fixed components are defined so as to ensure that the relevant persons are not too dependent on the variable remuneration. Profit sharing is tied to the achievement of the company goals of the VHV Group that are relevant for the Board of Directors, executive employees and employees, with individual performance factors also being taken into account. The compliance with a minimum capital requirement and the equity performance are among the factors for evaluating target achievement as the basis for variable remuneration.

RISK MANAGEMENT PROCESS

Risk management for the VHV Group is intended in particular to ensure the appropriate risk-bearing capacity defined as part of the risk strategy and, accordingly, the long-term viability of the VHV Group and its companies. The main objectives of risk management are to:

- ensure compliance with regulatory and legal requirements,
- establish a consistent risk culture within the VHV Group,
- support and safeguard the business strategy by securing an appropriate capital base in accordance with the risk strategy,
- ensure that obligations to customers can be met at all times,
- establish transparency on all material risks and ensuring appropriate risk management,
- providing a comprehensive risk management system that is closely aligned with the VHV Group's business activities and includes methods and models for the quantification, overarching analysis and management of risks.

Risk management within the VHV Group and its companies is based on the following risk policy principles for the fundamental attitude toward and handling of risks:

1. Binding force

All companies must implement and comply with the VHV Group's risk strategy and the requirements of this Group policy.

2. Risk-taking

Taking acceptable risks in line with business strategies is part of the business models and therefore positive.

3. Integration

Risk management is integrated into all business areas and activities.

4. Proportionality

Decisions are made on the basis of a professional weighing of opportunities and risks.

5. Risk responsibility

A risk owner is assigned to each material risk.

6. Long-term financial orientation

Risk management measures are to be monitored and aligned with a long-term financial perspective.

7. Realism

Risk assessment must be based on realistic assumptions.

8. Prioritisation

Risk management focuses on the material risks.

9. Transparency

Risk management aims to create transparency.

10. Timeliness

Risk positions are reviewed on a regular basis. Risk-relevant ad hoc circumstances are to be reported immediately.

11. Consideration of human and cultural factors

Risk management within the VHV Group as an internationally operating insurance group takes human and cultural factors into account.

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The VHV Group defines risk as the possibility of deviating from an express or implied target. The deviations that could have negative effects on the earnings and results of operations are of the most interest. Sustainability risks are defined as events or conditions in the environmental, social or corporate governance areas which, if they occur, could have a significant negative impact on the net assets, financial position and results of operations as well as the reputation of the VHV Group. Sustainability risks can be divided into physical risks with regard to individual extreme weather events and long-term changes in climatic and ecological conditions, and transition risks in connection with the transition to a low-carbon economy. Sustainability risks do not constitute a new risk category, but they can have a significant impact on the known risk categories and contribute as a factor to the materiality of these risk categories.

Therefore, the objective of sustainability risk management in the VHV Group is to deal intensively and comprehensively with the modes of action and impacts of sustainability risks on known risk categories, without restricting the focus on purely financial impacts on the assets and liabilities side. Sustainability risks are thus integrated into the existing risk identification, management and controlling processes.

Operational implementation is carried out by integrating sustainability risk management into the existing group policies or documents for the VHV-specific documentation of the required written risk management guidelines under Solvency II. The chosen approach clearly defines tasks, responsibilities and the time frame for identifying, assessing, managing, monitoring and reporting sustainability risks within the risk management system.

Risk assessment refers to all methods and processes that serve to measure and assess identified risks. Operational, strategic and reputation risks are evaluated in the semi-annual risk assessment via an expert assessment of the risk officers using the probability of occurrence and the potential economic loss as criteria. In addition to this quantitative assessment, there is an opinion in accordance with qualitative criteria (appropriateness and reputation). Appropriate procedures are used to aggregate the overall solvency needs for operational risks. Findings from the regular review of the ICS are also taken into account when assessing operational risks. The model calculations of the standard formula provided for the quantitative assessment of the risks under Solvency II and the determination of eligible own funds are conducted both on an annual basis as at 31 December and on a quarterly basis. To determine the overall solvency needs annually, company-specific circumstances are included in the risk models. The underlying assumptions of the standard formula and risks not shown in the standard formula are assessed for their appropriateness for the insurance companies of the VHV Group.

Materiality concept

Materiality thresholds are needed for risk classification and enable management to focus on the risks with potentially material effects and monitor them more closely. When assessing materiality, a distinction is made between solvency assessments and risks outside the solvency assessment. Applicability depends on whether the relevant risks are covered by capital, or whether they can be controlled via capital. The specific quantitative thresholds are defined for the yearly updates to the risk strategy and approved by the Board of Directors.

Compared with the previous reporting period, the procedure for reviewing the assessment of materiality is unchanged.



Own risk and solvency assessment (ORSA)

The company's own risk and solvency assessment (ORSA) is an essential component of the governance system for insurance companies. It refers to all the procedures and methods for identifying, assessing, controlling and monitoring the current and future risk profile and the implications it may have for equity.

Within the ORSA processes, a comprehensive picture of the risk situation and solvency of the VHV Group and the insurance companies must be identified and reported to the Board of Directors so that it can account for this situation in its decision.

The process for identifying and assessing risks is operationalised through the semi-annual risk assessment, within which all risks are to be approved by the responsible member of the Board of Directors. The findings of the risk assessment are presented in the ORSA report, which is also made available to the Risk Committees of the Supervisory Board. In addition, the findings of the risk assessment as at 30 June and 31 December are presented to the Risk Committee. Appropriate controls are integrated into the implemented ICS.

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In addition to the statutory capital requirements, the specific overall solvency requirements must also be determined. The assumptions that underlie the legal capital requirements must be reviewed for appropriateness on the basis of the company's own risk profile. In the event of significant deviations, additional analyses and any resulting changes must be performed in order to assess the individual overall solvency requirements. The effects of extreme events on solvency must also be projected using stress tests. On the basis of a five-year company forecast, the compliance with the equity requirements/solvency requirements must be reviewed.

Climate stress tests

To account for the increasing relevance of sustainability risks, in the year under review climate stress tests as at 31 December 2022 were performed and analysed. These tests are intended to predict

the resilience of the VHV Group to physical and transitory risks in various climate scenarios. The impacts of different scenarios on the VHV Group's coverage ratio are analysed. Both physical risks and transitory risks (in the case of market risk) are taken into account in the stress tests conducted. In addition, the transitory risks are analysed qualitatively and allocated to the strategic risks.

Publications from the following initiatives were consulted in addition to the regulatory requirements when performing the climate stress tests:

- Network for Greening the Financial System (NGFS)
- UN Principles for Responsible Investment (UN PRI)
- UNEP FI Principles for Sustainable Insurance (PSI)
- Task Force on Climate-related Financial Disclosures (TCFD)



To determine the underwriting risk exposure in relation to physical sustainability risks, an inventory analysis was conducted with the underwriting departments of VHV Allgemeine when the methodology was being developed and the findings were prepared in the form of a heat map. The selection of risks considered in the inventory analysis was deductively based on the "PSI Guideline Underwriting environmental, social and governance risks in nonlife insurance business (2021)" and the "Remarks from the findings report of the Damage Insurance Committee of the German Actuarial Association (2021)".

To determine the underwriting risk exposure related to physical sustainability risks, an inventory analysis was also carried out during the development of the methodology with the underwriting departments of HL and the findings were prepared in the form of a heat map.

Besides the physical risks, the underwriting inventory analysis also deals with the transitory risks and assigns them to the strategic risk category. These include:

- Political and regulatory risks:

Political risks include measures that prevent activities with adverse effects on climate change or which support adaptation to climate change. These include a carbon tax or the promotion of energy-efficient solutions, the promotion of water-efficient measures or support for sustainable land use practices. The associated risks depend on the type and timing of the political change.

The regulatory risk arises from an increasing regulatory framework in the sustainability context and a subsequent wave of lawsuits due to insufficient organisational adaptations to climate change and inadequate disclosure of significant financial risks. Regulatory risks are also rising as a result of an increase in losses and damage caused by climate change.

- Technology risk:
Technological improvements and innovations which contribute to a transition to a low-carbon, energy-efficient economy can have a significant impact on competitiveness and products and by extension demand (including technology such as renewable energy, battery capacity, energy efficiency and carbon storage). Outdated technologies and systems may be replaced by new forms of technology, leading to risks arising from this disruptive process.
- Market risk (change in the market environment):
Demand behaviour is changing due to increasing consideration of climate-related risks.

Regulators are increasingly referring to the NGFS as a possible starting point for climate scenarios. The current NGFS Phase III scenarios comprise six different scenarios. Four of these are used as a basis of the climate scenarios determined in the VHV Group. As a result, the following scenarios, which are named according to the associated temperature rise by 2100, are considered:

1.5°C (based on the NGFS scenario "Divergent Net Zero")

In this scenario, net carbon dioxide emissions will be zero by 2050. The transition is disorganised and its costs are especially heavy on consumers. Energy supply and industry are less affected. Technologies for CO₂ extraction are utilised to a modest degree. This results in a probability of at least 50 % of limiting global warming to below 1.5°C by 2100. This scenario has the lowest physical risks, but relatively high transitory risks.

2°C (based on the NGFS scenario "Below 2°C")

Stricter laws are steadily introduced from now on. This corresponds to an orderly transition. Technologies for CO₂ extraction are utilised to a limited degree. Net carbon emissions are zero by 2070. This results in a probability of 67 % of limiting global warming to below 2°C by 2100. This scenario has relatively low physical and transitory risks.

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2°C (based on the NGFS scenario "Delayed Transition")

In the delayed transition scenario, no new regulations or laws are brought in until 2030 and the economic recovery after the COVID-19 pandemic is based on fossil fuels. This means that carbon dioxide emissions are not reduced until this year. Technologies for CO₂ removal are hardly used, driving up CO₂ prices. After 2030, the transition takes place at an accelerated rate and carbon dioxide emissions plunge. This results in a probability of 67 % of limiting global warming to below 2°C by 2100. This scenario has both high physical risks and high transitory risks.

3°C (based on the NGFS scenario "Current Policies")

No further laws and directives are brought in to protect the climate, but the existing ones remain in place. As a result, carbon dioxide emissions continue to rise and increase physical risk. Non-reversible changes are also possible. This scenario describes a "hot house world". This scenario has the lowest transitory risks, but relatively high physical risks.



The GDV released a second version of its "Climate Change Scenarios in ORSA" paper in March 2023, describing additional approaches to implementing regulatory requirements. This paper supports the assumptions of the VHV climate stress tests. It also provides possible parameterisations for the refinement and design of climate stress tests. The climate stress test scenarios are determined for the ORSA model and the standard formula.

Besides the stress scenarios, a geographical analysis of the active and passive inventory will be conducted in the reporting year. This is done especially to prepare for regional stress tests in the next few years.

Each scenario looked at the effects on the following risk categories:

- Non-technical risk: Hail and flooding stress tests were performed for the climate scenarios.
- Technical risk: Annual modifications to biometric principles (mortality, disability, dread disease and reactivation) were used for the climate scenarios.
- Market risk: To compute the market risk, the transitory and physical risks were modelled for each climate scenario and quantified using "climate costs" at individual equity level.
- Strategic risk

The impacts of the climate stress tests performed were not material for the VHV Group as at 31 December 2022. Excess cover for the solvency capital requirements remained at an elevated level in all scenarios. Based on current knowledge, no adjustments to the business model are therefore necessary.

INTERNAL CONTROL SYSTEM

The VHV Group has drawn up a binding group policy that defines the standard requirements for the internal control system. The ICS of the VHV Group consists of all the internal requirements, organisational measures and controls.

All public reports and regulatory reports are validated and approved by the Boards of Management of the individual companies or on behalf of the Group by the Board of Directors of VHV Holding/ VHV a. G. Furthermore, all reports of the key functions under Solvency II are submitted to the Risk Committee of the Supervisory Board.

The departments involved have control processes for updates to each report. These implemented processes also apply to sustainability reporting.

Sustainability reporting includes not only regulatory reports (disclosure regulation and non-financial statement) but also topic and event-related reporting to the Board of Directors and Supervisory Board, as well as the respective committees.

The ICS of the VHV Group consists of all the internal requirements, organisational measures and controls. The objectives are:

- effectiveness and efficiency of business operations
- complying with laws and ordinances
- protecting assets – in particular against deliberate damage from within as well as from outside asset
- the adequacy, completeness and accuracy of internal and external reporting – in particular financial reporting and reporting to supervisory authorities

The ICS includes controls pertaining to the VHV Group, the individual companies, material business processes and monitoring of the primary IT systems.

Risk assessment refers to all methods and processes that serve to measure and assess identified risks. "The evaluation is carried out in the semi-annual risk assessment via an expert assessment of the risk officers using the probability of occurrence and the potential economic loss as criteria. In addition to this quantitative assessment, there is an opinion in accordance with qualitative criteria (appropriateness and reputation).

The risk owners of the organisational units are in charge of evaluating and documenting the material business processes. "Key controls" are defined from a risk standpoint on the basis of standard materiality criteria.

The ICS is systematically reviewed and evaluated across the Group at least once a year according to a standardised procedure on the basis of a control process (ICS control process). The results of ICS control processes are reported by the IRCF to the Board of Directors and the Risk Committee of the Supervisory Board at least once a year.

Concerning sustainability reporting, there are potential risks with regard to the completeness and integrity of the data, the availability of information and the timing of its availability. These risks will be taken into account and mitigated by the VHV Group's implemented ICS through the allocation of appropriate controls.

The findings of the risk assessment and insurance portfolio analysis and internal controls are incorporated into the annual control process for reviewing and evaluating the ICS.

Sustainability risks are an explicit part of the regular reporting to the Board of Directors and Supervisory Board and are also part of the risk management processes. Reporting on the company's own risk and solvency assessment takes place on a regular basis and on an ad hoc basis. In addition to quarterly reporting as part of the model calculations of the standard formula, standard reporting takes place in particular via the annual ORSA report and during the year via the monthly limit reports. The ORSA report is approved by the Board of Directors and made available to the members of the Risk Committees of the Supervisory Boards and the supervisory authority. Ad hoc risk analyses are also prepared where necessary. In addition, the results of risk analyses relevant to the decision and on an ad hoc basis are reported to the Board of Directors.

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COMPLIANCE MANAGEMENT SYSTEM

The Compliance Management System group policy defines guidelines for the compliance area. It provides a framework for designing a CMS for the insurance companies of the VHV Group and outlines the responsibilities for the design and monitoring of the CMS.

The aim of this compliance management system is to ensure adherence to these requirements, thereby avoiding the risk of material financial loss, of liability claims and other legal issues, as well as loss of reputation for the VHV Group, its employees and executive bodies. These risks concern, in particular, civil or criminal charges against employees or executive bodies of the VHV Group as well as claims for compensation, criminal charges or financial penalties against the VHV Group itself.

In addition to the Chief Compliance Officer who has primary responsibility, the compliance function includes additional employees, company officers and their staff. As an executive employee, the Chief Compliance Officer reports directly to the Board of Directors member in charge of compliance. The employees in the compliance function who are responsible for supervisory law, as well as anti-trust, marketing and insurance contract law, report directly to the Chief Compliance Officer. The compliance function is assisted by local compliance coordinators who are employed by other departments.

The four core tasks of the compliance function are: the advisory task, the risk control task, the monitoring task and early warning task. Once a year, the compliance function must submit a written compliance report to the Board of Directors. In the event of any significant findings, such as serious legal violations, the compliance function must present an ad hoc report to the Board of Directors in order to notify it immediately. The report must include suggestions for the remedial measures to be taken.

Within its advisory role, the compliance function consults with the Board of Directors about adherence to the applicable laws, ordinances and regulatory requirements that apply to insurance operations. The compliance function identifies and evaluates the compliance risks (risk control task).

Based on the risk analysis, the compliance function prepares a compliance plan that takes account of all relevant business areas. The monitoring activities of the compliance function are based on this compliance plan. The compliance function monitors compliance with the laws, regulations and regulatory requirements applicable to the operation of the insurance business (monitoring task).

Among its monitoring task is the verification that suitable, effective internal procedures are in place to support compliance with the external requirements.

In relation to its early warning tasks, the compliance function observes and assesses the potential effects of changes in legislation and notifies management as soon as possible about the consequence of any such changes. Therefore, it must keep a close watch on and analyse developments in, regulatory and general conditions. The early warning function is covered by regular monitoring of the legal conditions. Periodically, the compliance function publishes newsletters regarding the main topic areas. The most important legal amendments, particularly those that would involve a great deal of complexity for the entire business organisation, are presented to the Board of Directors for the VHV Group companies affected.

ACTUARIAL FUNCTION

The actuarial function is one of the four key functions under Solvency II. It is primarily in charge of validation in an actuarial context for the insurance companies of VHV a. G. Specifically, this function must review the company's financial position, in particular to determine whether it can fulfil the obligations under its insurance contracts at any time and for the long term and whether the company has sufficient funds. It is also a quality assurance tool, as it

provides for expert actuarial advice. The function is also required to provide information directly to management. The main activities of the actuarial function include the coordination and validation of the calculation of technical provisions for the solvency statement of insurance companies, or the balance sheet according to national accounting standards for institutions for occupational retirement provision, the issuing of an assessment on the underwriting of technical risks and the reinsurance strategy as well as a contribution to risk management.

The actuarial function must also ensure compliance with the underwriting reserves at all times and provide its opinion to Risk Management.

CAPITAL MANAGEMENT

Capital management at the VHV Group is intended to ensure adequate capital resources defined in the risk strategy to meet capital requirements on a permanent basis. In addition to the amount of own funds, particular attention must be paid to their quality in order to cover the statutory minimum capital requirements and solvency capital requirements as well as the company's own overall solvency requirements, both as of the respective reporting date and in a forward-looking manner over the planning horizon.

The results from the capital management process are applied to company planning and the further ORSA steps, etc. Capital management is also intended to ensure that the capital requirements are met for rating purposes.

SANCTIONS AND EMBARGOES

The companies of the VHV Group are required to comply with the sanction and embargo rules of the European Union and the Federal Republic of Germany. This includes, but is not limited to, identifying customers or potential customers as well as payment beneficiaries that are subject to personal sanctions. Personal sanctions are restrictions that apply directly to individuals, institutions or

organisations, regardless of where they are located. Embargoes by the EU to combat terrorism are one example. For persons subject to these measures, there may be restrictions on the movement of capital and payment transactions, for instance, including a ban on providing economic resources to them (prohibition of provision and performance).

The existence of sanction prevention measures is also expected by a growing number of business partners, such as reinsurance and insurance brokers, before entering into a business relationship with the VHV Group. An absence of such measures could compromise the negotiating position or mean lost business relationships.

Because the VHV Group is an international insurance company, it would likely be subject to US sanction regulations as well. For this reason, precautions must be taken to adequately minimise any subsequent risks. The reach of these measures is limited; any measures taken cannot violate the boycott regulations of the European Union or the Federal Republic of Germany.

INTERNAL AUDIT

Internal Audit is designed to provide independent, objective audit and consulting services (that are reasonable in scope) in order to create value and improve the business processes of the VHV Group companies. This in turn is meant to increase and safeguard the value of the organisation with risk-oriented and objective audits, consultations and insight. Internal Audit assists the organisation in reaching its goals by using a systematic, strategic approach to evaluate (and to help improve) the effectiveness of risk management, controls, management and monitoring processes.

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BUSINESS PRACTICES

When it comes to business practices, the corporate culture plays a key role in the VHV Group's success. Identifying and combating corruption, accepting and granting benefits and invitations within customer and business partner relationships and avoiding conflicts of interest, are included in the Code of Conduct.

POLICIES TO GOVERN BUSINESS PRACTICES

Employee conduct affects the quality of the products and services of the VHV Group and thus its success. The VHV Group's Code of Conduct provide a precise definition of proper business practices, complemented by group and company policies on data protection, money laundering and terrorism financing.

The VHV Group considers misconduct in business to be a violation of obligations under the employment contract. In the event of violations, the anti-money laundering and financial crime unit and other contact persons within the compliance function are available for expert advice.

Employees are also encouraged to report suspected or confirmed violations anonymously using the IT-based whistleblower system.

The IT-supported whistleblower system is made available to employees and external third parties for submitting information via the internal and external websites of the VHV companies.

The main subject areas of the whistleblower system are:

- Fraud, embezzlement, theft, document fraud,
- Active and passive bribery and bribery of public officials,
- Money laundering, terrorism financing, financial sanctions and embargoes,
- Violations of supervisory laws (VAG – Insurance Supervisory Act, KWG – Banking Act, WpHG – Securities Act, etc.),
- Violations of fair competition laws and antitrust laws as well as
- Violations of marketing and sales laws.

Appropriate precautions are taken to safeguard confidential communication between the reporting centres and the whistleblower. At the whistleblower's request, this can also be carried out anonymously.

The operation of the whistleblower system and the handling of reports and person making the report is governed by procedures. This includes regulations on the confidentiality of reports, on the protection of whistleblowers and on the protection of the independence of reporting centres. They also govern the prohibition of retaliation against the whistleblower and the prohibition of obstructing or attempting to obstruct reports or the communication following a report between the whistleblower and the reporting centre.

The VHV Group is subject to the requirements of the Whistleblower Protection Act, which transposes Directive 2019/1937 into national law. In the reporting year, the processes and content of the existing whistleblower system were adapted to bring them into line with the requirements of the Whistleblower Protection Act. This included expanding the reasons for reporting and the designation of additional reporting centres.

To foster a culture of conduct that benefits our business, the VHV Group has defined its own company values, as set forth in the Code of Conduct.

The Board of Directors is required to monitor the actions of employees in the VHV Group in an appropriate manner. When it comes to responsible business practices, the VHV Group makes no distinction between direct business activities or activities in the direct value chain.

The CMS is also in place and is intended to enforce the corporate culture.

MANAGEMENT OF RELATIONSHIPS WITH SUPPLIERS

The VHV Group has defined the following purchasing principles in the company's purchasing policy:

Fairness and transparency

The VHV Group's purchasing department makes its purchasing decisions exclusively on the basis of objective and comprehensible criteria while expressly ensuring equal opportunities between suppliers and service providers. Part of being successful at purchasing is not only achieving the best price, but the direct combination of the most favourable price with best performance and the lowest possible environmental impact.

Supplier development

The VHV Group needs efficient, effective and innovative suppliers of goods and services. The Group works with these suppliers in an open, fair and long-term partnership. The VHV Group supports its partners in further developing their expertise and respects them as independent entrepreneurs. Decisions are made in accordance with the principle of economic efficiency, and sustainability, i.e. a key factor for us is the combination of economic, ecological and social factors while maintaining the same qualifications and quality.

Ethics

The VHV Group commits itself and its suppliers to combat fraud in all its forms.

Risk management

When conducting its tasks the purchasing department explicitly considers procurement risks.

The VHV Group has not defined an explicit strategy to prevent payment delays to its suppliers. In the context of the implemented digital invoice processing, payments are systematically made with digital representation rules and digital invoice approval to support timely payment.

Code of Conduct for Suppliers and Business Partners of the VHV Group

Additionally, the VHV Group has implemented a Code of Conduct for Suppliers and Business Partners to establish requirements based on legal regulations such as LkSG and international standards such as the Principles of the United Nations Global Compact. The Code of Conduct therefore defines requirements for social and ecological responsibilities, as well as ethical business behaviour.

Both the VHV Group and its business partners are committed to setting up a systematic risk management system to identify and rectify any breaches of the mentioned requirements.

Violations and the measures taken against them by business partners must be promptly reported to the VHV Group. The business partners of the VHV Group also agree that compliance with the Code of Conduct by the VHV Group will be verified through self-assessment questionnaires and risk-based audits at production sites. The audits usually take place once a year but can also be carried out more frequently for specific reasons with appropriate advance notice. If a violation of the Code of Conduct is identified during an audit, the relevant business partner will promptly receive a notification from the VHV Group, setting a deadline for rectifying the violation based on its severity.

In general, all violations of the code of conduct must be promptly rectified. If a violation cannot be rectified within the foreseeable future, it must be reported immediately by the business partner to the VHV Group in order to potentially develop a joint concept with a schedule for rectifying or minimising the violation.

If a violation cannot be rectified or a business partner fails to rectify a violation by a defined deadline, the VHV Group may terminate the business relationship with the respective business partner and terminate all contracts.

CHAPTER 5: FOLLOW THE GUIDELINES

ANTI-CORRUPTION/ANTI-BRIBERY MEASURES

There is a special reporting and approval process for accepting gifts, benefits and invitations in order to combat and avoid corruption and bribery in the VHV Group. All gifts, benefits and invitations worth EUR 40 or more must be approved by a manager and reported to the anti-money laundering and financial crime unit.

The granting of gifts, benefits and invitations by employees of the VHV Group to third parties is regulated in the Code of Conduct of the VHV Group. Gifts, benefits and invitations to public officials are generally prohibited. There are also regulations, for example, for managing conflicts of interest that may arise from dealing with matters related to individuals in one's own family or circle of acquaintances.

In the event of suspected corruption, employees can contact the unit either directly, or by using the fraud reporting process or whistleblower system. If the suspicions are valid, the unit will forward the report to the fraud investigator for further review. As part of Internal Audit, the fraud investigator is obliged to be independent.

The whistleblower system is accessible to external third parties for relevant reports through the websites of the companies in the VHV Group.

Based on the questions received in cases of uncertainty, among other things, employees are mindful of the topic.

ANTI-FRAUD MANAGEMENT SYSTEM

An anti-fraud management system is used to reduce the probability of occurrence of fraud using methods of prevention and detection. It also provides for effective, efficient measures to limit any damage that was incurred by fraud that was identified in an investigation.

The anti-fraud management system is part of the general compliance management system. It covers the topics of consulting, early warning function, training and control as they relate to fraud. In other words, it further specifies the provisions of the compliance management system.

ANTI-MONEY LAUNDERING SYSTEM

The VHV Group must protect itself comprehensively from violations relating to money laundering and terrorism financing. This includes, but is not limited to, creating and maintaining suitable control and protection systems for transactions and customers.

Failure to comply with regulatory requirements in the respective home country of the Group company for an anti-money laundering system may mean high financial and administrative penalties for the VHV Group, its executive bodies and employees. There is also a risk of damage to the Group's reputation.

The extent of the measures to be taken are in accordance with the requirements of Section 9, GWG (German Anti-Money Laundering Act).

FAIR COMPETITION PRACTICES

The VHV Group is firmly committed to maintaining proper business practices with customers and business partners. The central aspect here is also the encounter in the competitive environment and operating within it. The fundamental idea is centrally incorporated and recorded in the Code of Conduct of the VHV Group.

The only way to enhance the VHV Group's market position is to outperform the competition in terms of service. For this reason, all VHV Group companies must pursue their business objectives by lawful, ethical means with fair methods of competition in accordance with the law.

This includes following the provisions of fair competition and anti-trust laws: no agreements on prices or terms with competitors, no sharing of information with competitors that is relevant to competition and no submission of sham offers.

All potential conflicts with business partners and customers must be avoided to the fullest extent possible or handled with the appropriate expedience and fairness. All precautions are intended to provide the best possible service to the insurance customers.

The compliance management system is designed to ensure compliance with the Code of Conduct. This includes all its regulations, including monitoring conduct towards business partners as well as customers.



ANTI-CORRUPTION AND ANTI-BRIBERY TRAINING

The VHV Group is firmly dedicated to complying with the anti-corruption and anti-bribery measures. For this reason, new recruits complete the anti-fraud management training course, which also covers corruption-related issues. Besides a case study to raise general awareness, the training also covers reporting obligations in the event of bribery attempts, the gift acceptance process, the duty to report transactions with related parties, and the prohibition of proprietary trading. The course includes a self-test to assess knowledge acquired.

In order to communicate updates proactively and refresh the lessons learned, the training is mandatory every two years for employees of the VHV Group regardless of their function or risk. Participation in the training is monitored via an automatic escalation process. At the end of defined periods, reminder e-mails are sent to employees who have not yet fulfilled their training obligations. At another escalation level, a notification is also sent to the relevant manager.

The training applies to all female and male employees, so that the percentage of risk-bearing functions covered by training programmes is 100 %.

Under the awareness policy, the employees of the VHV Group are obliged to acknowledge the work instructions.

The Board of Directors and the Supervisory Board of VHV a. G. are trained in terms of professional qualifications and reliability.

Generally speaking, there are potential risks for employees in all the main areas (applications, service, purchasing, marketing, facility management, investments, HR, etc.), meaning anywhere that providers are hired, payments are made, or applications are reviewed for approval.

CHAPTER 5: FOLLOW THE GUIDELINES

CORRUPTION AND BRIBERY CASES IN THE PERIOD UNDER REVIEW

There were no known cases of corruption or bribery at the VHV Group in the reporting period. In addition to employees, this also includes business partners. If a case does occur in spite of our efforts toward proper business practices, the VHV Group's financial crime unit will launch an investigation immediately.

VIOLATION OF FAIR COMPETITION PRACTICES IN THE PERIOD UNDER REVIEW

There were no known cases of anti-competitive behaviour at the VHV Group in the reporting period. For more information on anti-trust law, see the compliance management system policy. The compliance newsletter provides regular updates on antitrust law.

BENEFICIAL OWNERS

As the parent of the VHV Group, VHV a. G. holds a direct or indirect stake of the affiliates. The Federal Financial Supervisory Authority (BaFin) is the supervisory authority in charge. For the current financial year, EY GmbH & Co. KG was appointed as the financial statement auditors for the consolidated financial statements and individual financial statements of the main Group companies. The VHV Group companies' ownership structure does not include natural persons with 25 % or more of the capital stock or voting rights. Therefore, the members of the executive management are fictitious beneficial owners.

POLITICAL INFLUENCE AND LOBBYING ACTIVITIES

The VHV Group is a member of the following associations and organisations, among others:

- unisonSteadfast AG
- Berufsbildungswerk der Versicherungswirtschaft in Hannover BWV e. V.
- Förderverein der Deutschen Maklerakademie (DMA) e. V.
- Institut der Norddeutschen Wirtschaft e. V.
- Leibniz-Universität Hannover
- Hannover Marketing & Tourismus GmbH
- Zentralverband des Deutschen Baugewerbes e. V.
- Stiftung Ordnungspolitik
- InsurLab Germany e. V.
- V.E.R.S. German Sustainability Network
- Baden-Badener Unternehmer Gespräche e. V.
- RKW Rationalisierungs- und Innovationszentrum der Deutschen Wirtschaft e. V.
- Bauwirtschaft Baden-Württemberg e. V.
- DAV Deutsche Aktuarvereinigung e. V.
- Wirtschaftsrat der CDU e. V.
- Institut der Norddeutschen Wirtschaft e. V.
- Versicherungsombudsmann e. V.
- Deutschland baut! e. V.
- Hannover Center of Finance and Insurance e. V.
- BaFin
- GDV
- Versicherungsforen Leipzig GmbH
- United Europe e. V.

PAYMENT PRACTICES

As an insurance company, the VHV Group has further cash flows to service providers and suppliers in addition to cash flows from investments and the underwriting area (including brokers and claims payments).

There are no standard payment terms for payments to service providers and suppliers.

There are no pending legal proceedings for late payments.

The VHV Group did not use a representative sample to calculate the average days to pay invoices.

PRIVACY AT THE WORKPLACE

The VHV Group operates an information security management system. It is continuously in the planning, implementation, evaluation and optimisation phase. The VHV Group pursues the following principles:

- **Principle 1: Information security as an integral part**

Information security is strategically positioned in VHV group and is seen as an indispensable part of the overall corporate policy.

- **Principle 2: Compliance with legal and regulatory requirements**

All legal and regulatory requirements for the VHV group have been identified and are continuously checked. Requirements contained in this document or in downstream regulations must be observed and deviations must be documented. Compliance with security requirements is regularly assessed for implementation within VHV group and service providers.

- **Principle 3: Protection of information**

The protection goals of confidentiality, integrity, authenticity and availability of information are considering the state of the art as well as the risk profile of the companies.

- **Principle 4: Protection of personal data**

Effective technical and organisational measures are used to protect personal data (e.g. of customers, partners, employees and service providers) from improper processing.

- **Principle 5: Ensure traceability**

The traceability of activities relevant to information security is an indispensable requirement, both from legal requirements and from VHV group's own interests. It must be possible to clearly identify the person responsible for an activity at any time.

- **Principle 6: Standards and rules**

Adherence to the standards and regulations relevant to the companies of VHV group ensures the most complete possible identification and treatment of all security risks in business processes and gives a good structure for internal and external audits.

- **Principle 7: Protection against attacks**

All processes are protected against failure and are protected from compromise by attacks.

- **Principle 8: Ensure information security in contractual relationships**

Contractual agreements must be used to provide the necessary transparency of all agreed services and the external and internal service providers who are responsible for them, as well as to ensure the compliance with information security requirements.

- **Principle 9: Guarantee of operation**

Regardless of which parts of the operation take place within the VHV Group itself and which parts are outsourced to an external service provider, secure and regulated business operations are ensured.

- **Principle 10: Consideration of economic efficiency aspects**

The security measures must be determined on a risk basis and be economically justifiable in relation to the loss that can be caused by an incident

CHAPTER 6: FOSTER AND ENGAGE

THE VHV STIFTUNG

As an insurance company, the VHV Group firmly believes in helping others together. In 2014, it started an independent foundation for the long-term promotion of education, integration, cultural and research projects, with a focus on Hanover. The foundation is responsible for the social commitment that the VHV Group demonstrates.

Legal form and goals of the foundation

VHV Stiftung is a legal foundation under civil law, domiciled in Hanover. In accordance with its articles of association, it promotes projects in the areas of art and culture, research, training, education, vocational programmes and charity work. Most of these projects are in the Hanover region.

Grants by the VHV Stiftung

The VHV Stiftung fulfils its purpose in particular through its support for projects including exhibits, scientific seminars, events and lectures, grants for schools and their educational activities, as well as funding for scholarships and competitions. This may also include support for other corporations that also have tax advantages, or corporations under public law that engage in projects with tax advantages.

The foundation's assets

The foundation's basic assets are maintained and invested in an appropriate manner in accordance with the articles of association. The foundation uses income from the basic assets and from donations to sponsor its projects. All funds are to be used only for the purposes set forth in the articles of association. Following an endowment from the VHV Group of EUR 10 million in January 2023, the basic assets amount to EUR 80 million.

Charitable highlights in 2023

In the year under review, the foundation's projects focused on assistance for Ukrainian women and children who were forced to flee as a result of Russia's attacks. Support included accommodation and partial catering for 73 mothers and children. The aid also included placement of the children in pre-schools, schools and sports clubs, as well as help with navigating official agencies, German lessons for the mothers and optional music classes for children. The originally planned care for one year has been extended until the start of the summer holidays to help the children with the move and possibly changing schools.

In the year under review, the foundation continued to support the research projects of Hannover Medical School, which will run for multiple years, along with an additional project.

The foundation's capital growth and the higher income generated as a result allowed for additional support in the areas of art and culture. In terms of number of projects and amount donated, the year under review outperformed the prior year. The projects covered many different genres of visual and performing arts, music and literature.

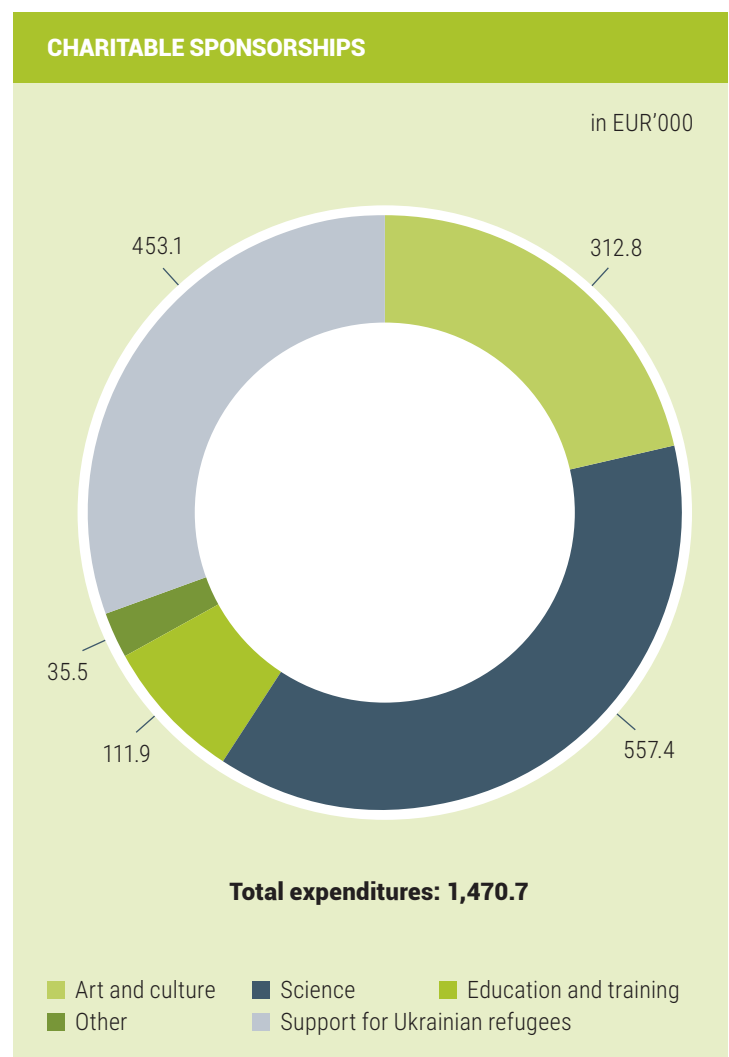
The funding volume was also increased in the education and training funding category. The focus here remained as it has in previous years on outreach for disadvantaged children and youths with programmes for integration, German language courses, daycare after school and during the holidays.

Scholarships for various disciplines also remain a focal point.

Presently, the charitable partnerships that the VHV Stiftung generally funds for multiple years are all from the areas of art and culture, training and education.

There are also a few smaller projects being sponsored.

The expenses for the foundation's operations were as follows in 2023:



CHAPTER 6: FOSTER AND ENGAGE

EXAMPLES OF CURRENT SPONSORSHIPS

The list below show examples of sponsorship projects from 2021–2023. It is representative of the five focal areas and reflects our commitment to the Hanover region.

In many cases, the VHV Foundation decides in favour of providing continuous support over several years. However, a commitment can also be given to temporary individual projects such as art exhibitions.



SCIENCE AND RESEARCH

This segment includes two research projects at MHH medical school in Hanover.

Development of a US11 biopharmaceutical for local suppression of the immune response following an organ transplant

A project to develop new strategies for preventing rejection and the development of new medications for therapy following organ transplants to suppress the immune reaction that is triggered by the tissue transplanted.

Bioartificial vascular implants

A project for creating ("growing") clinically relevant, large-scale 3D tissue in order to "repair" damaged tissue or replace it as far as possible without causing an immune response.



TRAINING, EDUCATION AND VOCATIONAL PROGRAMMES

IFF for highly gifted musicians (sponsorship partner)

The IFF at the hmtmh (college of music, theatre and media) in Hanover offers an annual summer academy for young, highly gifted musicians that we sponsor as a partner.

Stifterverband für die deutsche Wissenschaft

Pupils and young people should be taught digital skills in their day-to-day schooling. For this purpose, the Stifterverband created its "school in the digital world" project to give schools the opportunity. The neighbouring school of the VHV is taking part in this two-year sponsorship project.

VHV Sport Campus (sponsorship partner)

In cooperation with the Diakonisches Werk, full-day pupils at the Brüder-Grimm primary school can take part in a sports programme that is aimed at promoting social skills for pupils in team sports.

Musical school support

The Käthe-Kollwitz-Gymnasium in Hanover received a grant to purchase a new concert grand piano. The grammar school attaches great importance to promoting music; the old grand piano was not longer fit for purpose and had to be replaced.

CHARITABLE PROJECTS

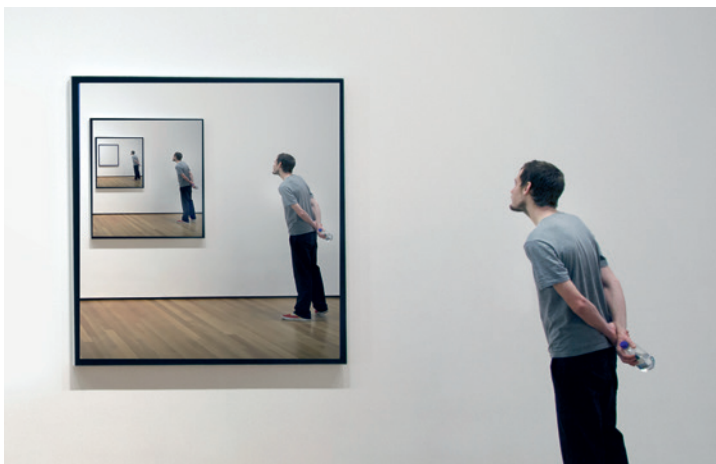
Support for Ukrainian refugees

Following Russia's attack on the Ukraine, 31 flats have been let to accommodate female Ukrainian refugees and their children. Up to July 2023, the programme assisted 73 mothers and children. The children were placed at schools if eligible. Their mothers attended German courses each week. Two days a week, the refugees had meals in the VHV canteen.

Diakonisches Werk, Hanover

Diakonisches Werk, Hanover provides meals to those in need in the winter months. Warm meals are served every day, primarily to unhoused and economically disadvantaged people.

CHAPTER 6: FOSTER AND ENGAGE



ART

Kestner Gesellschaft (sponsorship partner)

Sponsorship of the exhibitions of El Lissitzky and Samson Young.

Wilhelm Busch Museum

Funding for the purchase of works by the artist Volker Kriegel.

Verein der Freunde des Sprengel Museums, Hanover

Sponsorship of the exhibition Ocular Witness: "Pig Awareness".

CULTURE

Girls' choir of Hanover (sponsorship partner)

The girls' choir of Hanover receives an annual grant under this partnership. The funds are used for vocal training and the choirs' scheduled appearances.

Boys' choir of Hanover (sponsorship partner)

The boys' choir of Hanover receives an annual grant under this partnership. The funds are used for vocal training and the choirs' scheduled appearances.

Förderverein Kinderzirkus Giovanni (sponsorship partner)

This organisation and children's circus receives an annual grant for the annual children's literature festival, "Salto Wortale".



Literary salon, University of Hanover (sponsorship partner)

Under this sponsorship, the salon receives an annual donation for its series entitled "In Zukunft".

Forum Agostino Steffani (sponsorship partner)

This sponsorship helps to fund the annual musical festival week in honour of Agostini Steffani's works.

KunstFestSpiele Herrenhausen

Funding for annual festival

NDR Radio Philharmonic Orchestra

Sponsorship of a free open-air concert behind Hanover town hall

CHAPTER 7: FACTS AND FIGURES

G. TAXONOMY-RELATED INFORMATION

Background of the EU Taxonomy Regulation

The EU Taxonomy Regulation is a measure under the EU's "Sustainable Finance" plan to classify economic activities as environmentally sustainable. It was set forth in the 2020/852 EU (Taxonomy Regulation) with the aim of promoting investments in "green" business. The Regulation provides a uniform definition of "environmentally sustainable activity".

It is based on the following six EU environmental goals:

1. Climate change mitigation
2. Climate change adaptation
3. Sustainable use and protection of water and marine resources
4. Transition to a circular economy
5. Pollution prevention and control
6. Protection and restoration of biodiversity and ecosystems

The EU publishes a catalogue of sustainable economic activities pursuant to the EU Taxonomy Regulation for each of these environmental objectives. Economic activities were selected from sectors that are most important for achieving the environmental goals. That also means that economic activities belonging to these sectors, which have not been listed to date, will not automatically be classified as unsustainable under EU Taxonomy.

When it comes to classifying an economic activity as "environmentally sustainable" for the purposes of the EU Taxonomy Regulation, a distinction is made between taxonomy-eligible and taxonomy-aligned. Taxonomy-eligible describes the fundamental ability of an economic activity to be taxonomy-aligned, i.e. ecologically sustainable in terms of the EU Taxonomy Regulation. It does not state whether an activity is environmentally sustainable. However, it is a prerequisite for classification as taxonomy-aligned (or non-aligned).

For reporting year 2023, all six climate goals are generally relevant for taxonomy eligibility. In the 2023 financial year, reporting on taxonomy alignment is only required for environmental objectives 1 and 2. The amendments to the legal act on Article 8 of the Taxonomy Regulation as part of Delegated Regulation 2023/2486, which came into force on 21 November 2023, stipulate that the first-time application of reporting on taxonomy eligibility with regard to environmental objectives 3 to 6 is already mandatory from the 2023 financial year. However, a transitional phase has been granted for environmental objectives 3 to 6 and the activities included for the first time with regard to their taxonomy eligibility under Delegated Regulation 2023/2486. This means that financial undertakings must disclose information on taxonomy eligibility for environmental objectives 3 to 6 in the 2024 reporting year. However, this information has not yet been reported by the real economy and is therefore not available for evaluation by financial undertakings such as the VHV Group.

Economic activities are considered "environmentally sustainable" or taxonomy-aligned if they meet the criteria set out in the EU Taxonomy Regulation. These include both making a significant contribution to the realisation of one or more environmental objectives and that there is no significant impairment of one or more other environmental objectives, which is assessed on the basis of the technical assessment criteria. Compliance with the specified minimum level of protection must also be ensured.

Taxonomy key data of the VHV Group

For the VHV Group, investments and insurance business are relevant for the implementation of the EU Taxonomy Regulation. In the 2023 reporting year, the shares of taxonomy-aligned economic activities with regard to the environmental goals of climate protection and climate change adaptation must now be disclosed for the first time.

The Taxonomy Regulation currently limits the scope of investments that can be considered taxonomy-eligible and taxonomy-aligned to undertakings which are required to publish non-financial information in accordance with Art. 19a or 29a of Directive 2013/34/EU (Non-Financial Reporting Directive, NFRD) and furthermore to real estate and real estate loans that can be considered taxonomy-eligible and potentially taxonomy-aligned. Therefore, the VHV Group, as an investor, only considers the economic activities of undertakings covered by the NFRD for taxonomy reporting.

The investment key performance indicators include all direct and indirect investments, including investments in funds, participating interest, loans, mortgages, tangible fixed assets and, where applicable, intangible assets (excluding goodwill). The key performance indicators are calculated in relation to the total investments less government bonds, investments in central banks and supranational issuers. These are not included in either the numerator or the denominator of the KPI. This also applies to sovereign green bonds.

Investments for which no or only uncertain information is available are not classified as taxonomy-eligible or taxonomy-aligned and are therefore not included in the numerator. For this reason and due to the partial overlapping of the key performance indicators, the sum of the individual ratios below does not equal 100 %.

The first key performance indicator shows the ratio of taxonomy-aligned investments to total investments. Additional information is also produced by subdividing the denominator and numerator. In the denominator, the assets are essentially divided into categories such as the share of derivatives, other counterparties, and assets. In the context of dividing the denominator – in financial and non-financial undertakings – the proportion of undertakings not subject to the NFRD is overall must be shown, as well as the proportion of non-EU undertakings and therefore not subject to the NFRD. The next KPIs indicate what proportion of the VHV portfolio is subject to the NFRD obligation and what proportion of the investments is not taxonomy-eligible or is taxonomy-eligible but not taxonomy-aligned. In addition, the presentation of the investment key performance indicators without the share of fund-linked life insurance policies reveals their impact on the key performance indicators.

The numerator includes the taxonomy-aligned investments. Additional information is also disclosed here with regard to the proportion of financial and non-financial undertakings, the impact of fund-linked life insurance policies and investments in other counterparties and assets.

In addition, information on taxonomy-aligned economic activities in the area of nuclear energy and fossil gas must be published by the investment entities (issuers) for the first time in the 2023 financial year in accordance with Supplementary Delegated Regulation 2022/1214.

CHAPTER 7: FACTS AND FIGURES

TAXONOMY-ALIGNED INVESTMENTS

<p>The weighted average value of all the investments of insurance or reinsurance undertakings that are directed at funding, or are associated with Taxonomy-aligned economic activities relative to the value of total assets covered by the KPI, with following weights for investments in undertakings per below:</p> <p>Turnover-based: 0.7 % CapEx-based 0.9 %</p>	<p>The weighted average value of all the investments of insurance or reinsurance undertakings that are directed at funding, or are associated with Taxonomy-aligned economic activities, with following weights for investments in undertakings per below:</p> <p>Turnover-based: EUR 105.4 million CapEx-based: EUR 147.3 million</p>
<p>The percentage of assets covered by the KPI relative to total investments of insurance or reinsurance undertakings (total AuM). Excluding investments in sovereign entities. Coverage ratio: 4,1 %</p>	<p>The monetary value of assets covered by the KPI. Excluding investments in sovereign entities. Coverage: EUR 651.4 million</p>
ADDITIONAL, COMPLEMENTARY DISCLOSURES: BREAKDOWN OF DENOMINATOR OF THE KPI	
<p>The percentage of derivatives in relation to total assets covered by the KPI: 0,0 %</p>	<p>The value in monetary amounts of derivatives: EUR 0.9 million</p>
<p>The proportion of exposures to financial and non-financial undertakings not subject to Articles 19a and 29a of Directive 2013/34/EU over total assets covered by the KPI:</p> <p>For non-financial undertakings: 10.2 % For financial undertakings: 28.1 %</p>	<p>Value of exposures to financial and non-financial undertakings not subject to Articles 19a and 29a of Directive 2013/34/EU:</p> <p>For non-financial undertakings: EUR 1,606.9 million For financial undertakings: EUR 4,435.8 million</p>
<p>The proportion of exposures to financial and non-financial undertakings from non-EU countries not subject to Articles 19a and 29a of Directive 2013/34/EU over total assets covered by the KPI:</p> <p>For non-financial undertakings: 7.3 % For financial undertakings: 7.4 %</p>	<p>Value of exposures to financial and non-financial undertakings from non-EU countries not subject to Articles 19a and 29a of Directive 2013/34/EU:</p> <p>For non-financial undertakings: EUR 1,156.6 million For financial undertakings: EUR 1,173.1 million</p>
<p>The proportion of exposures to financial and non-financial undertakings subject to Articles 19a and 29a of Directive 2013/34/EU over total assets covered by the KPI:</p> <p>For non-financial undertakings: 7.1 % For financial undertakings: 22.3 %</p>	<p>Value of exposures to financial and non-financial undertakings subject to Articles 19a and 29a of Directive 2013/34/EU:</p> <p>For non-financial undertakings: EUR 1,123.0 million For financial undertakings: EUR 3,512.0 million</p>
<p>The proportion of exposures to other counterparties and assets over total assets covered by the KPI: 21.0 %</p>	<p>Value of exposures to other counterparties and assets: EUR 3,304.3 million</p>
<p>The proportion of the insurance or reinsurance undertaking's investments other than investments held in respect of life insurance contracts where the investment risk is borne by the policy holders: 97.9 %</p>	<p>Value of insurance or reinsurance undertaking's investments other than investments held in respect of life insurance contracts where the investment risk is borne by the policy holders: EUR 15,437.0 million</p>
<p>The value of all the investments that are funding economic activities that are not Taxonomy-eligible relative to the value of total assets covered by the KPI: 4.6 % CapEx-based 6.6 %</p>	<p>Value of all the investments that are funding economic activities that are not Taxonomy-eligible:</p> <p>Turnover-based: EUR 730.4 million CapEx-based: EUR 1,035.8 million</p>
<p>The value of all the investments that are funding Taxonomy-eligible economic activities, but not Taxonomy-aligned relative to the value of total assets covered by the KPI: Turnover-based: 15.0 % CapEx-based 15.0 %</p>	<p>Value of all the investments that are funding Taxonomy-eligible economic activities, but not Taxonomy-aligned:</p> <p>Turnover-based: EUR 2,371.8 million CapEx-based: EUR 2,370.8 million</p>

ADDITIONAL, COMPLEMENTARY DISCLOSURES: BREAKDOWN OF NUMERATOR OF THE KPI

<p>The proportion of Taxonomy-aligned exposures to financial and non-financial undertakings subject to Articles 19a and 29a of Directive 2013/34/EU over total assets covered by the KPI:</p> <p>For non-financial undertakings:</p> <p>Turnover-based: 0.7 %</p> <p>CapEx-based: 0.9 %</p> <p>For financial undertakings:</p> <p>Turnover-based: 0.0 %</p> <p>CapEx-based: 0.0 %</p>	<p>Value of Taxonomy-aligned exposures to financial and non-financial undertakings subject to Articles 19a and 29a of Directive 2013/34/EU:</p> <p>For non-financial undertakings:</p> <p>Turnover-based: EUR 105.3 million</p> <p>CapEx-based: EUR 146.3 million</p> <p>For financial undertakings:</p> <p>Turnover-based: EUR 0.1 million</p> <p>CapEx-based: EUR 1.0 million</p>
<p>The proportion of the insurance or reinsurance undertaking's investments other than investments held in respect of life insurance contracts where the investment risk is borne by the policy holders, that are directed at funding, or are associated with, Taxonomy-aligned:</p> <p>Turnover-based: 0.7 %</p> <p>CapEx-based: 0.9 %</p>	<p>Value of insurance or reinsurance undertaking's investments other than investments held in respect of life insurance contracts where the investment risk is borne by the policy holders, that are directed at funding, or are associated with, Taxonomy-aligned:</p> <p>Turnover-based: EUR 105.4 million</p> <p>CapEx-based: EUR 147.3 million</p>
<p>The proportion of Taxonomy-aligned exposures to other counterparties and assets over total assets covered by the KPI:</p> <p>Turnover-based: 0.0 %</p> <p>CapEx-based: 0.0 %</p>	<p>Value of Taxonomy-aligned exposures to other counterparties over total assets covered by the KPI:</p> <p>Turnover-based: EUR 0.0 million</p> <p>CapEx-based: EUR 0.0 million</p>

BREAKDOWN OF THE NUMERATOR OF THE KPI PER ENVIRONMENTAL OBJECTIVE**Taxonomy-aligned activities – provided 'do-not-significant-harm'(DNSH) and social safeguards positive assessment:**

1. Climate change mitigation	Turnover: 0.4 % CapEx: 0.6 %	Transitional activities: A % (sales; CapEx) 0.0 % 0.0 % Enabling activities: B % (sales; CapEx) 0.1 % 0.2 %
2. Climate change adaptation	Turnover: 0.0 % CapEx: 0.0 %	Enabling activities: B % (sales; CapEx) 0.0 % 0.0 %
3. The sustainable use and protection of water and marine resources	Turnover: % CapEx: %	Enabling activities: B % (Turnover; CapEx)
4. The transition to a circular economy	Turnover: % CapEx: %	Enabling activities: B % (Turnover; CapEx)
5. Pollution prevention and control	Turnover: % CapEx: %	Enabling activities: B % (Turnover; CapEx)
6. The protection and restoration of biodiversity and ecosystems	Turnover: % CapEx: %	Enabling activities: B % (Turnover; CapEx)

⁹⁾ According to the wording of Delegated Regulation 2021/2178, this KPI should relate to investments which are aimed at or linked to the funding of taxonomy-aligned economic activities. Since this is a KPI that is intended to break down the denominator, this addition is not applicable in our view.

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TURNOVER-BASED		
Template 1 Nuclear and fossil gas related activities		
Row	Nuclear energy related activities	
1.	The undertaking carries out, funds or has exposures to research, development, demonstration and deployment of innovative electricity generation facilities that produce energy from nuclear processes with minimal waste from the fuel cycle.	No
2.	The undertaking carries out, funds or has exposures to construction and safe operation of new nuclear installations to produce electricity or process heat, including for the purposes of district heating or industrial processes such as hydrogen production, as well as their safety upgrades, using best available technologies.	Yes
3.	The undertaking carries out, funds or has exposures to safe operation of existing nuclear installations that produce electricity or process heat, including for the purposes of district heating or industrial processes such as hydrogen production from nuclear energy, as well as their safety upgrades.	Yes
Fossil gas related activities		
4.	The undertaking carries out, funds or has exposures to construction or operation of electricity generation facilities that produce electricity using fossil gaseous fuels.	Yes
5.	The undertaking carries out, funds or has exposures to construction, refurbishment, and operation of combined heat/cool and power generation facilities using fossil gaseous fuels.	Yes
6.	The undertaking carries out, funds or has exposures to construction, refurbishment and operation of heat generation facilities that produce heat/cool using fossil gaseous fuels.	Yes

TEMPLATE 2 TAXONOMY-ALIGNED ECONOMIC ACTIVITIES (DENOMINATOR)

Row	Economic activities	Amount and proportion (the information is to be presented in monetary amounts and as percentages)					
		CCM + CCA		Climate change mitigation (CCM)		Climate change adaptation (CCA)	
		Amount in EUR million	%	Amount in EUR million	%	Amount in EUR million	%
1.	Amount and proportion of taxonomy-aligned economic activity referred to in Section 4.26 of Annexes I and II to Delegated Regulation 2021/2139 in the denominator of the applicable KPI	0.0	0.0	0.0	0.0	0.0	0.0
2.	Amount and proportion of taxonomy-aligned economic activity referred to in Section 4.27 of Annexes I and II to Delegated Regulation 2021/2139 in the denominator of the applicable KPI	0.1	0.0	0.1	0.0	0.0	0.0
3.	Amount and proportion of taxonomy-aligned economic activity referred to in Section 4.28 of Annexes I and II to Delegated Regulation 2021/2139 in the denominator of the applicable KPI	11.9	0.1	11.9	0.1	0.0	0.0
4.	Amount and proportion of taxonomy-aligned economic activity referred to in Section 4.29 of Annexes I and II to Delegated Regulation 2021/2139 in the denominator of the applicable KPI	0.0	0.0	0.0	0.0	0.0	0.0
5.	Amount and proportion of taxonomy-aligned economic activity referred to in Section 4.30 of Annexes I and II to Delegated Regulation 2021/2139 in the denominator of the applicable KPI.	0.0	0.0	0.0	0.0	0.0	0.0
6.	Amount and proportion of taxonomy-aligned economic activity referred to in Section 4.31 of Annexes I and II to Delegated Regulation 2021/2139 in the denominator of the applicable KPI.	0.0	0.0	0.0	0.0	0.0	0.0
7.	Amount and proportion of other taxonomy-aligned economic activities not referred to in rows 1 to 6 above in the denominator of the applicable KPI	93.4	0.6	57.1	0.4	0.2	0.0
8.	Total applicable KPI	105.4	0.7	69.1	0.4	0.2	0.0

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TEMPLATE 3 TAXONOMY-ALIGNED ECONOMIC ACTIVITIES (NUMERATOR):

Row	Economic activities	Amount and proportion (the information is to be presented in monetary amounts and as percentages)					
		CCM + CCA		Climate change mitigation (CCM)		Climate change adaptation (CCA)	
		Amount in EUR million	%	Amount in EUR million	%	Amount in EUR million	%
1.	Amount and proportion of taxonomy-aligned economic activity referred to in Section 4.26 of Annexes I and II to Delegated Regulation 2021/2139 in the numerator of the applicable KPI	0.0	0.0	0.0	0.0	0.0	0.0
2.	Amount and proportion of taxonomy-aligned economic activity referred to in Section 4.27 of Annexes I and II to Delegated Regulation 2021/2139 in the numerator of the applicable KPI	0.1	0.1	0.1	0.1	0.0	0.0
3.	Amount and proportion of taxonomy-aligned economic activity referred to in Section 4.28 of Annexes I and II to Delegated Regulation 2021/2139 in the numerator of the applicable KPI	11.9	11.3	11.9	11.3	0.0	0.0
4.	Amount and proportion of taxonomy-aligned economic activity referred to in Section 4.29 of Annexes I and II to Delegated Regulation 2021/2139 in the numerator of the applicable KPI	0.0	0.0	0.0	0.0	0.0	0.0
5.	Amount and proportion of taxonomy-aligned economic activity referred to in Section 4.30 of Annexes I and II to Delegated Regulation 2021/2139 in the numerator of the applicable KPI	0.0	0.0	0.0	0.0	0.0	0.0
6.	Amount and proportion of taxonomy-aligned economic activity referred to in Section 4.31 of Annexes I and II to Delegated Regulation 2021/2139 in the numerator of the applicable KPI	0.0	0.0	0.0	0.0	0.0	0.0
7.	Amount and proportion of other taxonomy-aligned economic activities not referred to in rows 1 to 6 above in the numerator of the applicable KPI	93.4	88.6	57.1	54.2	0.2	0.2
8.	Total amount and proportion of taxonomy-aligned economic activities in the numerator of the applicable KPI	105.4	100.0	69.1	65.6	0.2	0.2

TEMPLATE 4 TAXONOMY-ELIGIBLE BUT NOT TAXONOMY-ALIGNED ECONOMIC ACTIVITIES

Row	Economic activities	Amount and proportion (the information is to be presented in monetary amounts and as percentages)					
		CCM + CCA		Climate change mitigation (CCM)		Climate change adaptation (CCA)	
		Amount in EUR million	%	Amount in EUR million	%	Amount in EUR million	%
1.	Amount and proportion of taxonomy-eligible but not taxonomy-aligned economic activity referred to in Section 4.26 of Annexes I and II to Delegated Regulation 2021/2139 in the denominator of the applicable KPI	0.0	0.0	0.0	0.0	0.0	0.0
2.	Amount and proportion of taxonomy-eligible but not taxonomy-aligned economic activity referred to in Section 4.27 of Annexes I and II to Delegated Regulation 2021/2139 in the denominator of the applicable KPI	0.0	0.0	0.0	0.0	0.0	0.0
3.	Amount and proportion of taxonomy-eligible but not taxonomy-aligned economic activity referred to in Section 4.28 of Annexes I and II to Delegated Regulation 2021/2139 in the denominator of the applicable KPI	0.0	0.0	0.0	0.0	0.0	0.0
4.	Amount and proportion of taxonomy-eligible but not taxonomy-aligned economic activity referred to in Section 4.29 of Annexes I and II to Delegated Regulation 2021/2139 in the denominator of the applicable KPI	12.9	0.1	12.4	0.1	0.0	0.0
5.	Amount and proportion of taxonomy-eligible but not taxonomy-aligned economic activity referred to in Section 4.30 of Annexes I and II to Delegated Regulation 2021/2139 in the denominator of the applicable KPI	12.4	0.1	12.3	0.1	0.0	0.0
6.	Amount and proportion of taxonomy-eligible but not taxonomy-aligned economic activity referred to in Section 4.31 of Annexes I and II to Delegated Regulation 2021/2139 in the denominator of the applicable KPI	0.9	0.0	0.9	0.0	0.0	0.0
7.	Amount and proportion of other taxonomy-eligible but not taxonomy-aligned economic activities not referred to in rows 1 to 6 above in the denominator of the applicable KPI	2,345.6	14.9	3.4	0.0	0.0	0.0
8.	Total amount and proportion of taxonomy-eligible but not taxonomy-aligned economic activities in the denominator of the applicable KPI	2,371.8	15.0	29.0	0.2	0.0	0.0

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TEMPLATE 5 TAXONOMY NON-ELIGIBLE ECONOMIC ACTIVITIES

Row	Economic activities	Amount in EUR million	Percentage
1.	Amount and proportion of economic activity referred to in row 1 of Template 1 that is taxonomy-non-eligible in accordance with Section 4.26 of Annexes I and II to Delegated Regulation 2021/2139 in the denominator of the applicable KPI	0.0	0.0
2.	Amount and proportion of economic activity referred to in row 2 of Template 1 that is taxonomy-non-eligible in accordance with Section 4.27 of Annexes I and II to Delegated Regulation 2021/2139 in the denominator of the applicable KPI	0.0	0.0
3.	Amount and proportion of economic activity referred to in row 3 of Template 1 that is taxonomy-non-eligible in accordance with Section 4.28 of Annexes I and II to Delegated Regulation 2021/2139 in the denominator of the applicable KPI	1.2	0.0
4.	Amount and proportion of economic activity referred to in row 4 of Template 1 that is taxonomy-non-eligible in accordance with Section 4.29 of Annexes I and II to Delegated Regulation 2021/2139 in the denominator of the applicable KPI	0.1	0.0
5.	Amount and proportion of economic activity referred to in row 5 of Template 1 that is taxonomy-non-eligible in accordance with Section 4.30 of Annexes I and II to Delegated Regulation 2021/2139 in the denominator of the applicable KPI	0.0	0.0
6.	Amount and proportion of economic activity referred to in row 6 of Template 1 that is taxonomy-non-eligible in accordance with Section 4.31 of Annexes I and II to Delegated Regulation 2021/2139 in the denominator of the applicable KPI	0.0	0.0
7.	Amount and proportion of other taxonomy-non-eligible economic activities not referred to in rows 1 to 6 above in the denominator of the applicable KPI	729.1	4.6
8.	Total amount and proportion of taxonomy-non-eligible economic activities in the denominator of the applicable KPI	730.4	4.6

CAPEX-BASED		
Template 1 Nuclear and fossil gas related activities		
Row	Nuclear energy related activities	
1.	The undertaking carries out, funds or has exposures to research, development, demonstration and deployment of innovative electricity generation facilities that produce energy from nuclear processes with minimal waste from the fuel cycle.	No
2.	The undertaking carries out, funds or has exposures to construction and safe operation of new nuclear installations to produce electricity or process heat, including for the purposes of district heating or industrial processes such as hydrogen production, as well as their safety upgrades, using best available technologies.	Yes
3.	The undertaking carries out, funds or has exposures to safe operation of existing nuclear installations that produce electricity or process heat, including for the purposes of district heating or industrial processes such as hydrogen production from nuclear energy, as well as their safety upgrades.	Yes
Fossil gas related activities		
4.	The undertaking carries out, funds or has exposures to construction or operation of electricity generation facilities that produce electricity using fossil gaseous fuels.	Yes
5.	The undertaking carries out, funds or has exposures to construction, refurbishment, and operation of combined heat/cool and power generation facilities using fossil gaseous fuels.	Yes
6.	The undertaking carries out, funds or has exposures to construction, refurbishment and operation of heat generation facilities that produce heat/cool using fossil gaseous fuels.	Yes

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TEMPLATE 2 TAXONOMY-ALIGNED ECONOMIC ACTIVITIES (DENOMINATOR)

Row	Economic activities	Amount and proportion (the information is to be presented in monetary amounts and as percentages)					
		CCM + CCA		Climate change mitigation (CCM)		Climate change adaptation (CCA)	
		Amount in EUR million	%	Amount in EUR million	%	Amount in EUR million	%
1.	Amount and proportion of taxonomy-aligned economic activity referred to in Section 4.26 of Annexes I and II to Delegated Regulation 2021/2139 in the denominator of the applicable KPI	0.0	0.0	0.0	0.0	0.0	0.0
2.	Amount and proportion of taxonomy-aligned economic activity referred to in Section 4.27 of Annexes I and II to Delegated Regulation 2021/2139 in the denominator of the applicable KPI	0.7	0.0	0.7	0.0	0.0	0.0
3.	Amount and proportion of taxonomy-aligned economic activity referred to in Section 4.28 of Annexes I and II to Delegated Regulation 2021/2139 in the denominator of the applicable KPI	7.4	0.0	7.4	0.0	0.0	0.0
4.	Amount and proportion of taxonomy-aligned economic activity referred to in Section 4.29 of Annexes I and II to Delegated Regulation 2021/2139 in the denominator of the applicable KPI	0.0	0.0	0.0	0.0	0.0	0.0
5.	Amount and proportion of taxonomy-aligned economic activity referred to in Section 4.30 of Annexes I and II to Delegated Regulation 2021/2139 in the denominator of the applicable KPI	0.0	0.0	0.0	0.0	0.0	0.0
6.	Amount and proportion of taxonomy-aligned economic activity referred to in Section 4.31 of Annexes I and II to Delegated Regulation 2021/2139 in the denominator of the applicable KPI	0.0	0.0	0.0	0.0	0.0	0.0
7.	Amount and proportion of other taxonomy-aligned economic activities not referred to in rows 1 to 6 above in the denominator of the applicable KPI	139.2	0.9	85.0	0.5	0.3	0.0
8.	Total applicable KPI	147.3	0.9	93.1	0.6	0.3	0.0

TEMPLATE 3 TAXONOMY-ALIGNED ECONOMIC ACTIVITIES (NUMERATOR)

Row	Economic activities	Amount and proportion (the information is to be presented in monetary amounts and as percentages)					
		CCM + CCA		Climate change mitigation (CCM)		Climate change adaptation (CCA)	
		Amount in EUR million	%	Amount in EUR million	%	Amount in EUR million	%
1.	Amount and proportion of taxonomy-aligned economic activity referred to in Section 4.26 of Annexes I and II to Delegated Regulation 2021/2139 in the numerator of the applicable KPI	0.0	0.0	0.0	0.0	0.0	0.0
2.	Amount and proportion of taxonomy-aligned economic activity referred to in Section 4.27 of Annexes I and II to Delegated Regulation 2021/2139 in the numerator of the applicable KPI	0.7	0.5	0.7	0.5	0.0	0.0
3.	Amount and proportion of taxonomy-aligned economic activity referred to in Section 4.28 of Annexes I and II to Delegated Regulation 2021/2139 in the numerator of the applicable KPI	7.4	5.0	7.4	5.0	0.0	0.0
4.	Amount and proportion of taxonomy-aligned economic activity referred to in Section 4.29 of Annexes I and II to Delegated Regulation 2021/2139 in the numerator of the applicable KPI	0.0	0.0	0.0	0.0	0.0	0.0
5.	Amount and proportion of taxonomy-aligned economic activity referred to in Section 4.30 of Annexes I and II to Delegated Regulation 2021/2139 in the numerator of the applicable KPI	0.0	0.0	0.0	0.0	0.0	0.0
6.	Amount and proportion of taxonomy-aligned economic activity referred to in Section 4.31 of Annexes I and II to Delegated Regulation 2021/2139 in the numerator of the applicable KPI	0.0	0.0	0.0	0.0	0.0	0.0
7.	Amount and proportion of other taxonomy-aligned economic activities not referred to in rows 1 to 6 above in the numerator of the applicable KPI	139.2	94.5	85.0	57.7	0.3	0.2
8.	Total amount and proportion of taxonomy-aligned economic activities in the numerator of the applicable KPI	147.3	100.0	93.1	63.2	0.3	0.2

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TEMPLATE 4 TAXONOMY-ELIGIBLE BUT NOT TAXONOMY-ALIGNED ECONOMIC ACTIVITIES

Row	Economic activities	Amount and proportion (the information is to be presented in monetary amounts and as percentages)					
		CCM + CCA		Climate change mitigation (CCM)		Climate change adaptation (CCA)	
		Amount in EUR million	%	Amount in EUR million	%	Amount in EUR million	%
1.	Amount and proportion of taxonomy-eligible but not taxonomy-aligned economic activity referred to in Section 4.26 of Annexes I and II to Delegated Regulation 2021/2139 in the denominator of the applicable KPI	0.0	0.0	0.0	0.0	0.0	0.0
2.	Amount and proportion of taxonomy-eligible but not taxonomy-aligned economic activity referred to in Section 4.27 of Annexes I and II to Delegated Regulation 2021/2139 in the denominator of the applicable KPI	0.0	0.0	0.0	0.0	0.0	0.0
3.	Amount and proportion of taxonomy-eligible but not taxonomy-aligned economic activity referred to in Section 4.28 of Annexes I and II to Delegated Regulation 2021/2139 in the denominator of the applicable KPI	0.0	0.0	0.0	0.0	0.0	0.0
4.	Amount and proportion of taxonomy-eligible but not taxonomy-aligned economic activity referred to in Section 4.29 of Annexes I and II to Delegated Regulation 2021/2139 in the denominator of the applicable KPI	7.7	0.0	7.6	0.0	0.0	0.0
5.	Amount and proportion of taxonomy-eligible but not taxonomy-aligned economic activity referred to in Section 4.30 of Annexes I and II to Delegated Regulation 2021/2139 in the denominator of the applicable KPI	12.1	0.1	12.1	0.1	0.0	0.0
6.	Amount and proportion of taxonomy-eligible but not taxonomy-aligned economic activity referred to in Section 4.31 of Annexes I and II to Delegated Regulation 2021/2139 in the denominator of the applicable KPI	1.3	0.0	1.3	0.0	0.0	0.0
7.	Amount and proportion of other taxonomy-eligible but not taxonomy-aligned economic activities not referred to in rows 1 to 6 above in the denominator of the applicable KPI	2,349.6	14.9	6.8	0.0	0.0	0.0
8.	Total amount and proportion of taxonomy-eligible but not taxonomy-aligned economic activities in the denominator of the applicable KPI	2,370.8	15.0	27.8	0.2	0.0	0.0

TEMPLATE 5 TAXONOMY NON-ELIGIBLE ECONOMIC ACTIVITIES

Row	Economic activities	Amount in EUR million	Percentage
1.	Amount and proportion of economic activity referred to in row 1 of Template 1 that is taxonomy-non-eligible in accordance with Section 4.26 of Annexes I and II to Delegated Regulation 2021/2139 in the denominator of the applicable KPI	0.0	0.0
2.	Amount and proportion of economic activity referred to in row 2 of Template 1 that is taxonomy-non-eligible in accordance with Section 4.27 of Annexes I and II to Delegated Regulation 2021/2139 in the denominator of the applicable KPI	4.9	0.0
3.	Amount and proportion of economic activity referred to in row 3 of Template 1 that is taxonomy-non-eligible in accordance with Section 4.28 of Annexes I and II to Delegated Regulation 2021/2139 in the denominator of the applicable KPI	0.6	0.0
4.	Amount and proportion of economic activity referred to in row 4 of Template 1 that is taxonomy-non-eligible in accordance with Section 4.29 of Annexes I and II to Delegated Regulation 2021/2139 in the denominator of the applicable KPI	0.1	0.0
5.	Amount and proportion of economic activity referred to in row 5 of Template 1 that is taxonomy-non-eligible in accordance with Section 4.30 of Annexes I and II to Delegated Regulation 2021/2139 in the denominator of the applicable KPI	0.4	0.0
6.	Amount and proportion of economic activity referred to in row 6 of Template 1 that is taxonomy-non-eligible in accordance with Section 4.31 of Annexes I and II to Delegated Regulation 2021/2139 in the denominator of the applicable KPI	0.0	0.0
7.	Amount and proportion of other taxonomy-non-eligible economic activities not referred to in rows 1 to 6 above in the denominator of the applicable KPI	1,029.9	6.5
8.	Total amount and proportion of taxonomy-non-eligible economic activities in the denominator of the applicable KPI	1,035.8	6.6

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The investments are listed at their carrying amount. Total assets less government bonds, investments in central banks and supranational issuers in the 2023 reporting year amounted to EUR 15,763.9 million. Total assets include the sum of investments, fixed tangible assets and intangible assets excluding investments in governments, central banks and supranational issuers. The item total investments relates to the designation total assets.

Derivatives are not included in the numerator of the key performance indicators and only included in the denominator.

The term other counterparties and assets includes items that do not relate to undertakings, i.e. intangible assets (excluding goodwill), fixed intangible assets, loans to private individuals and real estate.

The disclosures on taxonomy-aligned exposures for the 2023 reporting year include real estate, mortgage loans, mortgage bonds and investments in undertakings which engage in taxonomy-compliant aligned activities. The information on whether the underlying economic activities of investments in undertakings and Pfandbriefs were taxonomy-eligible was obtained primarily from an external data provider. For the illiquid assets (e.g. participating interests, private equity, and private debt) which were not provided by the external data provider, the information was collected through independent research in the form of questionnaires. Only information that was reported for investments in NFRD-mandatory undertakings was used here. Key performance indicators for financial undertakings are generally not available, as they are reporting taxonomy-aligned key performance indicators for the first time for the 2023 financial year.

Mortgages are classified as taxonomy-eligible, as in the previous year. For the assessment of taxonomy alignment, a separate assessment of the relevant economic activity "acquisition and ownership of buildings" was conducted using the technical assessment criteria. The assessment of a significant contribution to the environmental objective of "climate protection" was not finalised due to the lack of consistently available data, particularly energy performance certificates. Mortgages are therefore recognised as not taxonomy-aligned. Work is being conducted to expand the

database, particularly in relation to new business. Investments in real estate funds are also considered to be taxonomy-eligible. To determine taxonomy eligibility, a review was conducted to individual property level. As with mortgages, a separate assessment of the relevant economic activity "acquisition and ownership of buildings" was conducted. The assessment of a significant contribution to the environmental objective of "climate protection" was based on the energy performance certificates was carried out. The assessment of a non-significant harming of the environmental objective "climate change adaptation" was conducted on the basis of the MSCI ESG Real Estate module and the GIS-ImmoRisk Naturgefahren tool from the Federal Institute for Research on Building, Urban Affairs and Spatial Development. Due to a lack of data, it was not possible to confirm the existence of adaptation solutions for the buildings assessed. As a result, the properties were categorised as not taxonomy-aligned. Investments in funds and unit-linked contracts are also classified as taxonomy-eligible. A review is also conducted here to evaluate taxonomy alignment. The VHV Group has classified fixed tangible assets and intangible assets as non-taxonomy-aligned.

Data from an external data provider was used to determine the share of total investments^{*)} of those investments in undertakings that are not required to publish a non-financial statement under EU law. In the case of investments not covered by the external data provider, the information was researched independently. Only information that was reported for investments in NFRD-mandatory investments was used here too. The latest available published information was consulted for this purpose.

Quality assurance was performed on the third-party provider's data by the VHV Group. The proportion of investments in governments, central banks and supranational issuers was determined in the same way as the classification in the solvency balance sheet with the exception of instruments with government or state guarantees. Investments with government or state guarantees were classified as taxonomy-eligible or non-taxonomy-eligible in accordance with the economic activity performed, if there was an obligation to prepare a non-financial statement for the investment vehicle.

^{*)} Less investments in governments, central banks and supranational issuers

TAXONOMY-ALIGNED INSURANCE BUSINESS

Economic activities	Substantial contribution to climate change adaptation			Do no significant harm (DNSH)					
	Absolute premiums, year T	Proportion of premiums, year T	Proportion of premiums, year T-1	Climate change mitigation	Water and marine resources	Circular economy	Pollution	Bio-diversity and ecosystems	Minimum safeguards
	in million EUR	%	%	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N
A.1. Non-life insurance and reinsurance underwriting Taxonomy-aligned activities (environmentally sustainable)	1.1	0.0	n.a.	Y	Y	Y	Y	Y	Y
A.1.1. Of which reinsured	0.0	0.0	n.a.	Y	Y	Y	Y	Y	Y
A.1.2. Of which stemming from reinsurance activity	0.0	0.0	n.a.	Y	Y	Y	Y	Y	Y
A.1.2.1. Of which reinsured (retrocession)	0.0	0.0	n.a.	Y	Y	Y	Y	Y	Y
A.2. Non-life insurance and reinsurance underwriting Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities)	92.3	3.1	n.a.						
B. Non-life insurance and reinsurance underwriting Taxonomy-non-eligible activities	2,843.8	96.8	n.a.						
Total (A.1 + A.2 + B)	2,937.3	100.0	n.a.						

CHAPTER 7: FACTS AND FIGURES

The calculation of the proportion of gross premiums written in non-life insurance included the gross premiums written under HGB of the entire VHV Group. As this is a Group view, intragroup transactions were consolidated.

The VHV Group's taxonomy-eligible business segments are other motor vehicle insurance, marine, aviation and transportation insurance as well as fire and other property insurance. To identify the taxonomy-eligible business segments, the insurance conditions relating to the coverage of climate-related risks were analysed. In previous years, the total gross premiums written by the taxonomy-eligible business segments were reported. The VHV Group derives from the DRAFT COMMISSION NOTICE^{*)} published by the European Commission on 21 December 2023 that only the proportion attributable to climate-related risks is to be disclosed when reporting both the taxonomy-eligible and the taxonomy-aligned portions of the premiums written. The VHV Group's taxonomy-eligible premiums shown consist of the climate-related portions of the gross premiums of the taxonomy-eligible business segments where a separation of these was possible. In contrast, the non-taxonomy-eligible proportions include the remaining premium shares of the taxonomy-eligible business segments and the premiums of the occupational disability insurance, motor vehicle liability insurance, assistance cover, general liability insurance, loan and surety insurance, legal expenses insurance and various insurance policies covering financial losses. Due to the high proportion of motor vehicle liability, general liability and loan and surety insurance in VHV Allgemeine's portfolio and also due to the separation of the climate-related proportion of the premiums of the taxonomy-eligible business areas, the taxonomy-eligible share is low at 3.1 %.

Under EU taxonomy, non-life (re)insurance activities can only make a significant contribution to the environmental objective of "climate change adaptation". For this, five technical evaluation criteria must be met:

- Leadership in modelling and pricing of climate risks,
- Product design,
- Innovative insurance coverage solutions,
- Data sharing and
- High level of service in post-disaster situation.

For taxonomy alignment, the do no significant harm criterion, i.e. the non-harming of other environmental objectives, and the safeguarding of minimum social protection must also be ensured.

The taxonomy-aligned gross premiums written of EUR 1.1 million with a proportion of 0.0 % consists of a proportion of the household contents insurance for private customers of VHV Allgemeine. This proportion was determined using individual contract information and meets all technical evaluation criteria. A climate-related proportion of the contributions was also separated here. As this is a non-commercial business, the do no significant harm criterion is met. Compliance with the minimum social protection of policy holders in non-commercial business is also ensured. The VHV Group itself meets minimum social standards via the VHV Code of Conduct as well as a legal/compliance department, anti-fraud management system, internal audit department and data protection officer (see also Chapter 5: Follow the guidelines). The reinsured proportion of the taxonomy-aligned gross premiums written was calculated in proportion to the total reinsurance premium for household contents insurance.

INCLUSION IN THE BUSINESS STRATEGY

With regard to investments, the VHV Group is not currently seeking a minimum ratio in ecologically sustainable investments within the definition of the Taxonomy Regulation.

In the insurance business, the VHV Group is looking into the possibility of launching further products that are environmentally sustainable within the definition of the Taxonomy Regulation. A minimum ratio is not currently being sought.

^{*)} DRAFT COMMISSION NOTICE on the interpretation and implementation of certain legal provisions of the Disclosures Delegated Act under Article 8 of the EU Taxonomy Regulation on the reporting of Taxonomy-eligible and Taxonomy-aligned economic activities and assets

HEADCOUNT

KEY FIGURES

Headcount by country	3,375 Total	3,375 DE	
Number of permanent employees	3,024	1,595 Male	1,429 Female
Number of temporary employees	351	196 Male	155 Female
Headcount, FTEs	2,669	1,655 Male	1,014 Female
Headcount, PTEs	706	136 Male	570 Female
Share of employees in performance and career evaluations	65.7 %		
Avg. hours of further training per employee	29.4 Total	28.3 Male	30.5 Female
Number of deaths due to workplace accidents	0		
Absences due to workplace/commuting accidents	0.02 %		
Absences due to occupational disease, etc.	195.9		
Percentage of employees > 48 hours/week	0.0 %		
Percentage of employees under parental leave, MuSchu & BeschV.	4.8 %	3.1 % Male	6.6 % Female
Continued employment after parental leave, MuSchu & BeschV.	98.5 %	100.0 % Male	97.5 % Female

The information relates to the following companies: VHV Vereinigte Hannoversche Versicherung a. G., VHV Allgemeine Versicherung AG, VHV Holding AG, VHV digital development GmbH, Hannoversche Lebensversicherung AG, VHV solutions GmbH, WAVE Management AG, digital broking GmbH, Hannoversche Consult GmbH, Hannoversche Direktvertriebs-GmbH, VHV digital services AG, VVH Versicherungsvermittlung Hannover GmbH, VHV Dienstleistungen GmbH, VHV International SE and VHV Stiftung.

**CONSOLIDATED BALANCE SHEET
AS AT 31 DECEMBER 2023
CONSOLIDATED INCOME STATEMENT FOR THE
PERIOD FROM 1 JANUARY TO 31 DECEMBER 2023
CASH FLOW STATEMENT
STATEMENT OF CHANGES IN EQUITY**

CONSOLIDATED BALANCE SHEET AS AT 31 DECEMBER 2023
VHV VEREINIGTE HANNOVERSCHE VERSICHERUNG a. G.

Assets	EUR	EUR	EUR	31. 12. 2023 EUR	31. 12. 2022 EUR
A. Intangible assets					
I. Purchased concessions, industrial and similar rights and assets and licenses in such rights and assets			136,914,234		134,101,005
II. Goodwill			88,522,122		85,076,099
III. Advance payments			15,821,484		21,613,235
				241,257,840	240,790,339
B. Investments					
I. Real properties, rights equivalent to real property and buildings, including buildings on third-party real properties			111,959,483		101,977,175
II. Investments in affiliated and associated companies					
1. Shares in affiliated companies		36,960,656			29,253,969
2. Participating interests in associated companies		60,666,243			58,173,025
4. Other participating interests		65,721,234			65,818,441
5. Loans to associated companies		3,030,000			30,000
			166,378,133		153,275,435
III. Other investments					
1. Equities, shares or equities in investment assets and other non-fixed interest securities		5,620,581,420			5,434,443,482
2. Bearer bonds and other securities with fixed interest rates		5,304,835,765			5,610,316,778
3. Mortgage, land charge and annuity charge receivables		1,047,469,752			1,022,289,626
4. Other loans					
a) Registered debentures	2,260,596,534				2,339,418,564
b) Promissory notes and loans	625,989,617				650,205,771
c) Loans and advance payments on insurance policies	8,080,571				9,125,330
d) Miscellaneous loans	7,800,073				8,463,274
		2,902,466,794			3,007,212,939
5. Bank deposits		34,803,996			37,683,734
6. Miscellaneous investments		2,203,720,755			1,996,326,459
			17,113,878,481		17,108,273,019
				17,392,216,098	17,363,525,629
C Investments for the account and risk of holders of life insurance policies				327,053,699	167,665,223
D. Receivables					
I. Accounts receivable from direct-written insurance transactions with:					
1. Insurance policy holders		130,024,290			95,402,531
2. Insurance agents		11,083,968			380,069
			141,108,259		95,782,600
II. Settlement receivables from reinsurance business			89,729,496		65,768,619
thereof from associated companies: EUR 2,202,014 (previous year: EUR 7,679,923)					
III. Other receivables			167,041,101		145,981,511
thereof from affiliated companies: EUR 76,914 (previous year: EUR 43,855)				397,878,855	307,532,730
thereof from associated companies: EUR 466,368 (previous year: EUR 629,227)					
E. Other assets					
I. Tangible fixed assets and inventories			27,418,137		23,588,895
II. Bank balances, cheques and cash on hand			220,970,777		378,829,047
III. Miscellaneous assets			39,108,364		38,747,298
				287,497,278	441,165,240
F. Accruals and prepaid expenses					
I. Accrued interest and rent			96,245,298		101,533,360
II. Other prepaid expenses			30,980,640		36,332,114
				127,225,937	137,865,474
G. Deferred tax assets				366,992,924	376,403,015
TOTAL ASSETS				19,140,122,631	19,034,947,649

CONSOLIDATED BALANCE SHEET AS AT 31 DECEMBER 2023
VHV VEREINIGTE HANNOVERSCHE VERSICHERUNG a. G.

Liabilities and shareholders' equity	EUR	EUR	31. 12. 2023 EUR	31. 12. 2022 EUR
A. Equity				
I. Retained earnings				
1. Loss reserve in accordance with section 193 of the Insurance Supervision Act (VAG)	70,656,847			70,656,847
2. Other retained earnings	2,635,149,809			2,420,650,600
		2,705,806,656		2,491,307,447
II. Difference in equity from currency translation		-26,979,373		-11,423,840
III. Non-controlling interests		13,009,832		11,597,265
			2,691,837,115	2,491,480,872
B. Technical reserves				
I. Unearned premiums				
1. Gross	377,970,033			335,970,048
2. Less: Reinsurance ceded	26,682,058			23,394,703
		351,287,975		312,575,345
II. Actuarial reserve				
1. Gross	8,502,519,674			8,906,084,287
2. Less: Reinsurance ceded	4,675,180			5,409,798
		8,497,844,494		8,900,674,489
III. Reserve for insurance claims not yet processed				
1. Gross	4,431,306,584			4,167,156,485
2. Less: Reinsurance ceded	395,535,052			331,156,358
		4,035,771,533		3,836,000,127
IV. Reserve for performance-related and non-performance-related premium refunds – gross		706,287,249		711,649,251
V. Claim equalisation reserve and similar reserves		885,027,179		967,805,537
VI. Other technical reserves				
1. Gross	316,153,941			279,532,139
2. Less: Reinsurance ceded	1,611,349			7,134,932
		314,542,592		272,397,207
			14,790,761,021	15,001,101,957
C. Technical reserves for life insurance policies, to the extent that the investment risk is borne by the policy holder				
I. Actuarial reserve – gross			327,053,699	167,665,223
D. Other reserves				
I. Reserves for pensions and similar liabilities		175,316,700		163,517,548
II. Tax reserves		50,810,520		39,354,200
III. Other reserves		195,143,997		194,595,598
			421,271,217	397,467,346
E. Funds held under reinsurance transactions ceded			17,039,401	17,215,135
F. Other liabilities				
I. Accounts payable from direct-written insurance transactions with:				
1. Insurance policy holders	540,778,428			587,019,851
2. Insurance agents	14,030,596			16,794,857
		554,809,024		603,814,708
II. Accounts receivable from reinsurance transactions		68,603,084		22,037,015
thereof due to associated companies: EUR 998 (previous year: EUR 592)				
III. Liabilities to banks		86,235,765		52,467,522
IV. Miscellaneous liabilities		176,229,516		275,410,098
thereof due to affiliated companies: EUR 0 (previous year: EUR 7,810,416)			885,877,389	953,729,342
thereof due to associated companies: EUR 431,446 (previous year: EUR 520,726)				
thereof from taxes of: EUR 23,432,448 (previous year: EUR 25,932,151)				
thereof for social security: EUR 486,741 (previous year: EUR 380,056)				
G. Deferred income			6,282,790	6,287,774
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY			19,140,122,631	19,034,947,649

CONSOLIDATED INCOME STATEMENT FOR THE PERIOD FROM 1 JANUARY TO 31 DECEMBER 2023
VHV VEREINIGTE HANNOVERSCHE VERSICHERUNG a. G.

Item	EUR	EUR	2023 EUR	2022 EUR
I. TECHNICAL ACCOUNT FOR PROPERTY-CASUALTY INSURANCE TRANSACTIONS				
1. Net premiums earned for own account				
a) Gross premiums written	2,937,297,604			2,691,173,586
b) Reinsurance premiums ceded	<u>-188,848,614</u>			<u>-149,335,161</u>
		2,748,448,990		2,541,838,425
c) Change in gross unearned premiums	-41,915,465			-25,010,535
d) Change of reinsurers' share in gross unearned premiums	<u>7,089,022</u>			<u>-662,823</u>
		<u>-34,826,443</u>		<u>-25,673,358</u>
			2,713,622,547	2,516,165,067
2. Technical interest income for own account			831,922	194,306
3. Other technical earnings for own account			3,042,415	2,799,139
4. Expenses for insurance claims for own account				
a) Payments for insurance claims				
aa) Gross	-2,063,511,609			-1,746,057,581
bb) Share for reinsurers	<u>132,573,051</u>			<u>108,541,907</u>
		-1,930,938,558		-1,637,515,674
b) Change in reserve for insurance claims not yet processed				
aa) Gross	-261,671,587			-242,346,784
bb) Share for reinsurers	<u>102,942,739</u>			<u>15,386,453</u>
		<u>-158,728,847</u>		<u>-226,960,331</u>
			-2,089,667,406	-1,864,476,005
5. Change in other net technical reserves			2,816,450	-8,388,126
6. Expenses for performance-related and non-performance-related premium refund for own account			-6,900,318	-6,254,908
7. Expenses for insurance operations for own account				
a) Gross expenses for underwriting		-662,773,967		-595,797,358
b) Less: commissions and shares of profit received from insurance transactions ceded for reinsurance		<u>30,504,410</u>		<u>27,949,498</u>
			-632,269,557	-567,847,860
8. Other technical expenses for own account			-5,711,068	-4,525,215
9. Subtotal			-14,235,015	67,666,399
10. Change in equalisation reserve and similar reserves			82,477,105	73,766,246
11. Technical result for own account in Property-Casualty insurance transactions			68,242,090	141,432,644

CONSOLIDATED INCOME STATEMENT FOR THE PERIOD FROM 1 JANUARY TO 31 DECEMBER 2023
VHV VEREINIGTE HANNOVERSCHE VERSICHERUNG a. G.

Item	EUR	EUR	2023 EUR	2022 EUR
II. TECHNICAL ACCOUNT FOR LIFE INSURANCE TRANSACTIONS				
1. Net premiums earned for own account				
a) Gross premiums written	1,036,600,320			1,047,290,021
b) Reinsurance premiums ceded	-7,399,018			-6,916,073
		1,029,201,302		1,040,373,947
c) Change in gross unearned premiums		8,201,290		7,318,563
			1,037,402,592	1,047,692,511
2. Premiums from the gross reserve for premium redemption				
3. Income from investments				
a) Income from participating interests		187,168		1,499,620
thereof from affiliated companies: EUR 187,168 (previous year: EUR 977,465)				
b) Income from miscellaneous investments				
aa) Income from real properties, rights equivalent to real property and buildings, including buildings on third-party real properties	7,253,154			7,253,154
bb) Income from miscellaneous investments	328,743,919			349,682,314
		335,997,072		356,935,468
c) Income from appreciation		710,726		2,724,300
d) Gains from the divestiture of investments		8,499,264		24,898,419
			345,394,230	386,057,807
4. Unrealised gains on investments				
5. Other technical earnings for own account				
6. Expenses for insurance claims for own account				
a) Payments for insurance claims				
aa) Gross	-1,014,091,821			-951,315,008
bb) Share for reinsurers	1,487,251			2,006,793
		-1,012,604,570		-949,308,215
b) Change in reserve for insurance claims not yet processed				
aa) Gross	-6,089,986			-12,369,374
bb) Share for reinsurers	855,029			-260,597
		-5,234,957		-12,629,971
			-1,017,839,527	-961,938,186
7. Change in other net technical reserves				
a) Actuarial reserve				
aa) Gross		244,176,137		212,456,097
bb) Share for reinsurers		-734,618		682,015
			243,441,519	213,138,113
8. Expenses for performance-related premium refunds for own account				
9. Expenses for insurance operations for own account				
a) Transaction expenses	-81,978,066			-71,471,388
b) Management expenses	-12,416,322			-11,564,353
		-94,394,388		-83,035,741
c) Less: commissions and shares of profit received from insurance transactions ceded for reinsurance		3,963,045		3,358,492
			-90,431,343	-79,677,248
10. Expenses for investments				
a) Expenses for management of investments, interest expense and other expenses for investments		-13,728,279		-15,920,437
b) Depreciation on investments		-13,692,163		-13,300,843
c) Losses from the divestiture of investments		-33,197,357		-1,667,104
			-60,617,799	-30,888,384
11. Unrealised losses on investments				
12. Other technical expenses for own account				
			-253,472	-29,767,976
			-250,805,846	-275,790,622
13. Technical result for own account in life insurance transactions				
			97,530,132	90,069,090

CONSOLIDATED INCOME STATEMENT FOR THE PERIOD FROM 1 JANUARY TO 31 DECEMBER 2023
VHV VEREINIGTE HANNOVERSCHE VERSICHERUNG a. G.

Item	EUR	EUR	EUR	2023 EUR	2022 EUR
III. NON-TECHNICAL ACCOUNT					
1. Technical result for own account					
a) in property-casualty insurance transactions			68,242,090		141,432,644
b) in life insurance transactions			97,530,132		90,069,090
				165,772,222	231,501,734
2. Income from investments, unless listed under II.3.					
a) Income from associated companies		6,343,091			13,432,269
thereof from affiliated companies: EUR 172,657 (previous year: EUR 405,943)					
b) Income from participating interests		7,644,207			5,635,936
thereof from affiliated companies: EUR 93,854 (previous year: EUR 488,732)					
c) Income from miscellaneous investments					
thereof from affiliated companies: EUR 0 (previous year: EUR 1,117)					
aa) Income from real properties, rights equivalent to real property and buildings, including buildings on third-party real properties	799,284				573,897
bb) Income from miscellaneous investments	228,865,391				193,545,444
		229,664,675			194,119,341
d) Income from appreciation		1,255,431			1,817,854
e) Gains from the divestiture of investments		23,832,910			14,634,682
f) Income from profit transfer agreements		194,716			205,519
			268,935,030		229,845,601
3. Expenses for investments, unless listed under II.10.					
a) Expenses in respect of associated companies		-1,592,445			-5,220,753
thereof in respect of affiliated companies: EUR -2,217,475 (previous year: EUR -4,182,081)					
b) Expenses for management of investments, interest expense and other expenses for investments		-11,441,371			-12,261,021
c) Depreciation on investments		-9,300,400			-6,988,381
d) Losses from the divestiture of investments		-897,049			-360,029
			-23,231,265		-24,830,184
			245,703,766		205,015,417
4. Technical interest income					
			-1,080,901		-450,951
				244,622,865	204,564,466
5. Other income					
			138,606,362		111,479,857
6. Other expenses					
			-245,357,064		-286,601,775
				-106,750,702	-175,121,919
7. Operating result					
				303,644,385	260,944,281
8. Taxes on income and earnings					
			-91,183,424		-82,922,922
including: Income from deferred taxes: EUR -9,493,829 (previous year: EUR 5,988,430)					
9. Other taxes					
			-1,296,903		-972,456
				-92,480,327	-83,895,378
10. Consolidated net profit					
				211,164,057	177,048,903
11. Non-controlling interests					
				3,335,151	5,087,003
12. Withdrawals from other retained earnings					
a) from other retained earnings				500,000	0
13. Allocations to retained earnings					
a) to the loss reserve in accordance with section 193 of the Insurance Supervision Act (VAG)				0	-562,116
b) to other retained earnings				-214,999,209	-181,573,790
14. CONSOLIDATED NET INCOME					
				0	0

CASH FLOW STATEMENT
VHV VEREINIGTE HANNOVERSCHE VERSICHERUNG a. G./GROUP

Item	2023 EUR'000	2022 EUR'000
Net profit (consolidated net profit)	211,164	177,049
Change in technical reserves – net	-50,952	79,236
Change in deposit accounts receivable and accounts payable, as well as invoice accounts receivable and accounts payable	22,429	19,479
Change in other accounts receivable and accounts payable	-210,306	-99,219
Change in investments that are not attributable to investment activities	-47,463	-16,516
Change in other balance sheet items that are not attributable to investment or financing activities	-4,521	54,749
Other non-cash expenses and income, as well as adjustments to net profit	34,886	114,880
Gain/loss from the divestiture of investments, tangible fixed assets and intangible assets	-6,375	-37,511
Income tax expense/income	91,183	82,923
Income tax payments	-73,893	-152,364
Cash flow from operating activities	-33,848	222,706
Receipts from the sale of consolidated companies and other business entities	–	2,109
Payments resulting from the acquisition of consolidated companies and other business entities	-11,609	-35,678
Receipts from the sale of capital investments for fund-linked annuity insurance	8,910	6,258
Payments resulting from the acquisition of capital investments for fund-linked annuity insurance	-145,200	-24,534
Other receipts from the divestiture of tangible fixed assets and intangible assets	2,110	25
Other payments resulting from additions of tangible fixed assets and intangible assets	-24,843	-23,342
Cash flow from investment activities	-170,632	-75,162
Receipts and payments from other financing activities	33,768	36,009
Cash flow from financing activities	33,768	36,009
Change in cash and cash equivalents	-170,712	183,553
Change in cash equivalents due to exchange rate movements, changes in the scope of consolidation and measurement	12,854	6,398
Cash at the beginning of the period	378,829	188,878
Cash at the end of the period	220,971	378,829

Cash is equal to the balance sheet item "bank balances, cheques and cash on hand".

STATEMENT OF CHANGES IN EQUITY
VHV VEREINIGTE HANNOVERSCHE VERSICHERUNG a. G./GROUP

EQUITY CAPITAL OF PARENT COMPANY					
	Retained earnings			Difference in equity from currency translation	Total
	Loss reserve in accordance with section 193 VAG EUR'000	other retained earnings EUR'000	Total EUR'000	EUR'000	EUR'000
Status on 31.12.2021	70,095	2,239,077	2,309,172	-6,944	2,302,228
Currency translation	–	–	–	-4,480	-4,480
Other changes	–	–	–	–	–
Consolidated net profit	562	181,574	182,136	–	182,136
Status on 31.12.2022	70,657	2,420,651	2,491,308	-11,424	2,479,884
Currency translation	–	–	–	-15,556	-15,556
Other changes	–	–	–	–	–
Consolidated net profit	–	214,499	214,499	–	214,499
Status on 31.12.2023	70,657	2,635,150	2,705,807	-26,979	2,678,828

	NON-CONTROLLING INTERESTS			GROUP EQUITY	
	Share before difference in equity from currency translation and net profit for the year EUR'000	Difference in equity from currency translation attributable to non-controlling interests EUR'000	Gains/losses attributable to non-controlling interests EUR'000	Total EUR'000	Total EUR'000
Status on 31.12.2021	15,906	26	-1,475	14,457	2,316,685
Currency translation	–	29	–	29	-4,451
Other changes	2,198	–	–	2,198	2,198
Consolidated net profit	–	–	-5,087	-5,087	177,049
Status on 31.12.2022	18,105	55	-6,562	11,597	2,491,481
Contributions to capital reserves	890	–	–	890	890
Currency translation	–	-2	–	-2	-15,558
Other changes	–	–	–	–	–
Changes to the consolidation group	3,860	–	–	3,860	3,860
Consolidated net profit	–	–	-3,335	-3,335	211,164
Status on 31.12.2023	22,855	53	-9,897	13,010	2,691,837

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENT VHV VEREINIGTE HANNOVERSCHER VERSICHERUNG a. G.

GENERAL DISCLOSURES

The registered office of VHV Vereinigte Hannoversche Versicherung a. G. is in Hanover. The company is entered in the commercial register of the Local Court of Hanover under the number HRB 3387.

The consolidated financial statements and the consolidated management report for the 2023 financial year were prepared in accordance with the provisions of the HGB, the AktG, the VAG and the RechVersV in the versions applicable at the balance sheet closing date. The consolidated financial statements are disclosed in the electronic Bundesanzeiger (Federal Gazette).

As items are rounded, this can result in rounding differences.

The consolidated balance sheet closing date is 31 December 2023.

CONSOLIDATION GROUP

In addition to VHV Vereinigte Hannoversche Versicherung a. G., Hanover, as the ultimate parent company, the consolidated financial statements include 24 subsidiaries (previous year: 22) including two special purpose entities. One change in 2023 arose from the acquisition of 100.0 % of the shares in a shelf company in the legal form of an SE, which, after the acquisition, was renamed VHV International; and secondly, the acquisition of a foreign subsidiary.

The inclusion of the special purpose entities results from section 290 (2) no. 4 HGB, as the Group bears the majority of the risks and opportunities of these special purpose entities from an economic perspective.

The interests held in five (previous year: four) associated companies are measured using the equity method.

25 (previous year: 22) subsidiaries were not fully consolidated in line with section 296 (2) HGB. Taken as a whole, the companies do not have a significant influence on the net assets, financial position and results of operations of the VHV Group.

In accordance with section 311 (2) HGB, one associated company was not measured using the equity method and was reported in other participating interests for reasons of intelligibility and clarity.

The full listing of share ownership is reported separately in the notes.

CONSOLIDATION PRINCIPLES

In the consolidated financial statements, capital consolidation takes place according to the revaluation method pursuant to section 301 (1) HGB.

Under this method, the investment carrying amount is offset against the revalued equity (fair value of asset and liability items) of the acquired subsidiary at the date of acquisition. Any remaining difference after offsetting is to be disclosed in the consolidated balance sheet, as "Goodwill" if it arises under assets and as "Difference from capital consolidation" according to the equity method if it arises under liabilities and shareholders' equity. Goodwill is subject to scheduled amortisation over the subsequent years.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENT

The difference from the capital consolidation must be reversed through profit or loss, if the charges anticipated when the subsidiary was acquired have occurred or it is definite on the balance sheet closing date that a gain has been realised.

Any capital consolidation performed according to the book value method before 31 December 2009 remains unchanged pursuant to section 66 (3) sentence 4 of the Introductory Act to the German Commercial Code (EGHGB).

Investments in associated companies are measured using the equity method. Shares must be measured at the carrying amount at the date of acquisition in the consolidated balance sheet, supplemented by the changes in equity attributable to the Group postacquisition. Profit distributions attributable to the shares must be deducted from them. The difference between the carrying amount and the pro rata equity of the associated company at acquisition must be allocated to the company's individual assets and liabilities, if their fair value is higher or lower and continued in subsequent years. Any goodwill remaining thereafter is also subject to scheduled amortisation over subsequent years.

The equity value must be checked for impairment at each Group reporting date. If the equity value exceeds the fair value, an impairment loss is recognised. If the reason for the impairment loss no longer applies, the equity value must be written up.

The valuations performed using the equity method before 31 December 2009, under which the difference between the carrying amount and the pro rata share of the associated company's equity is offset against retained earnings on acquisition, remain unchanged pursuant to section 66 (3) sentence 4 EGHGB.

Accounts receivable and accounts payable, expenses and income and intercompany profits between the consolidated companies were eliminated.

The share of the Group in the annual earnings generated by subsidiaries after the initial consolidation was included in the retained earnings and/or removed from this item.

In the consolidated financial statements, the option was utilised pursuant to section 300 (2) HGB to exercise balance sheet options anew, meaning that pursuant to section 308 (1) HGB a uniform valuation was performed in the Group.

In accordance with section 294 (2) HGB, comparability of consecutive consolidated financial statements in the face of material changes to the consolidation group is accommodated by verbal explanation and additional disclosures in the notes.

ACCOUNTING, VALUATION AND CALCULATION METHODS

The assets and liabilities included in the consolidated financial statements, as well as the expenses and income of the companies included, were valued uniformly pursuant to section 308 (1) HGB.

Balance sheet items and carrying amounts based on special requirements for foreign insurance companies were included without change pursuant to section 300 (2) and section 308 (2) HGB. The asset and liability items of the balance sheet of annual financial statements in a foreign currency were translated at the middle spot exchange rate on the balance sheet closing date, with the exception of equity, which was translated at the historical rate. The income statement items were translated at average rates in accordance with section 308a sentence 2 HGB. The ECB euro reference rate for the 2023 financial year is applied as the average rate.

ASSETS

Intangible assets were valued at acquisition cost reduced by scheduled straight-line amortisation in line with their normal useful lives or, if lower, at their fair value at the reporting date. Advance payments were recognised at their nominal value.

Real properties, rights equivalent to real property and buildings were valued at acquisition or production cost less scheduled depreciation.

Investments in affiliated and associated companies were valued at the lower of acquisition cost or fair value as at the balance sheet closing date. The participating interests in two subsidiaries that are not fully consolidated as well as in four associated companies were accounted for in the amount of the pro rata equity without any adjustment to the Group's standard valuation methods according to the book value method or lower fair value.

Shares in investment assets, bearer bonds and other securities with fixed interest rates classified as non-current assets are those destined to serve business operations over the long term and were reported at amortised cost. Based on the provisions of section 341b (2) HGB in conjunction with section 253 (3) sentence 5 HGB (moderate lower of cost or market principle) applicable to non-current assets, depreciation was recognised on securities in the case of an anticipated long-term reduction in value. In the case of bearer bonds classified as non-current assets, any differences between the acquisition cost and the amount repayable using the effective interest rate method are amortised in line with section 341c (3) HGB.

In the case of a hidden liability at the reporting date, securities were assumed to be permanently impaired if default was considered to be likely based on the creditworthiness of the issuer. The impairment of investment fund shares was assessed on the basis of the assets held in the respective fund (look-through approach).

Investment assets and **bearer bonds** assigned to current assets were valued at the lower of amortised cost or current market value on the balance sheet closing date, in accordance with the strict lower of cost or market principle.

Mortgage, land charge and annuity charge receivables were valued at the lower of acquisition cost or fair value as at the balance sheet closing date.

Registered debentures were recognised in the balance sheet at their nominal value. Zero-coupon registered debentures were recognised in the balance sheet at acquisition cost while taking into account addition of interest.

Promissory notes and loans were measured at acquisition cost plus or minus the cumulative amortisation of a difference between the acquisition cost and the amount repayable using the effective interest rate method in accordance with section 341c HGB.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENT

Loans and advance payments on insurance policies were recognised in the balance sheet at nominal value less repayments made.

The **miscellaneous loans** were valued at the lower of acquisition cost or fair value as at the balance sheet closing date.

Bank deposits were recognised at nominal value.

Miscellaneous investments were recognised at amortised cost.

The increase in value rule according to section 253 (5) HGB has been complied with for all investments.

Investments for the account and risk of holders of life insurance policies were recognised at fair value in accordance with section 341d HGB in conjunction with section 56 RechVersV.

Accounts receivable from direct-written insurance transactions were recognised in the balance sheet at nominal value less value adjustments for latent default risk.

Settlement receivables from reinsurance business were calculated on the basis of the reinsurance contracts and valued at nominal value.

Other receivables were recognised in the balance sheet at nominal value less value adjustments for latent default risk.

Tangible fixed assets were valued at acquisition cost reduced by scheduled straight-line depreciation in line with their normal useful lives. For assets of low value with an acquisition cost of more than EUR 250 but less than EUR 1,000, the acquisition costs were recognised in a collective item, then written off at 20 % in the year of acquisition and in each of the four following financial years. At VAV, assets of low value were written off in full in their year of acquisition.

Inventories were recognised in the balance sheet at acquisition cost less a valuation discount. An inventory count was made on 31 December 2023. At VAV, inventories were valued partially using fixed values and partially at cost price.

Bank balances, cheques and cash on hand and **miscellaneous assets** were valued at nominal value.

The accrued interest and rents reported under **accruals and prepaid expenses** were shown at nominal value. These amounts relate to 2023, but were not yet due as at 31 December.

The agios on registered debentures included in **other prepaid expenses** were deferred and allocated on a straight-line basis over the term. In addition, other expenses prior to the balance sheet closing date was recognised as deferred expenses if it represents expenses for a certain period after the balance sheet closing date.

In contrast to the treatment in the separate balance sheets of the companies included in the consolidated financial statements, **deferred tax assets** at German companies were recognised for temporary differences between the consolidated balance sheet and the tax balance sheets of the companies included in the consolidated financial statements. The option under section 274 (1) HGB was exercised in that the net amount from deferred tax assets and liabilities was recognised on the balance sheet. In addition, all deferred taxes were grouped together in accordance with the option under section 306 HGB. The respective individual tax rate was used in calculating the future tax burdens and tax benefits. Tax rates of between 23.00 % and 30.82 % were applied for companies outside Germany, while tax rates of between 31.93 % and 32.63 % were applied for companies in Germany. An average Group tax rate of 32.39 % was applied for consolidation matters.

LIABILITIES AND SHAREHOLDERS' EQUITY

Unearned premiums for direct-written insurance transactions in property-casualty insurance were calculated on a pro rata temporis basis in all insurance segments. The unearned premiums in surety insurance were determined in accordance with the average remaining term of the surety bonds or calculated pro rata temporis for each premium per surety bond. With respect to the construction warranty and Décennale insurance, the unearned premiums were calculated in accordance with the liability duration of the product. The shares for reinsurers corresponded to the quotas ceded for reinsurance. 85.0 % of commissions from gross premiums and 92.5 % of commissions from reinsurer shares were recognised as portions of revenue not eligible for being carried forward. At VAV, 10 % and 15 % of unearned premiums are recognised as portions of revenue not eligible for being carried forward in motor vehicle liability insurance and in the other insurance segments respectively. The unearned premiums for insurance transactions assumed in reinsurance coverage were calculated pro rata temporis and the shares for reinsurers were recognised in line with their contractual share. 92.5 % of the commissions were recognised as shares not eligible for being carried forward. This figure was 80 % at VHV Re and 75 % at VHV Sigorta. In the case of Val Piave, 50 % of the acquisition commissions were recognised as non-transferable shares.

For life insurance business, **unearned premiums** were calculated individually for each insurance contract, with the technical commencement of the contracts used as a basis for the calculation. When determining the portions of premiums eligible for being carried forward, the letter of the Federal Ministry of Finance dated 30 April 1974 was adhered to.

The **actuarial reserve** in life insurance according to Liabilities B.II. was calculated for the individual contracts using the prospective method, with explicit consideration of the Zillmer costs and implied consideration of other future costs. A management expense reserve is included in the actuarial reserve for insurance years that are exempt from the payment of premiums. Where the actuarial reserve calculated for a contract was lower than the contractually or legally guaranteed surrender value, the latter amount was recognised.

In the case of fund-linked annuity insurance (dynamic hybrids), where the guaranteed endowment benefit is partly secured through a guarantee fund, only the part of the actuarial reserve which was not already secured through the guarantee level of the guarantee fund was included in liability item B.II.

The following probability tables and actuarial interest rates were applied in calculating the actuarial reserve (without consideration of syndicated agreements under outside control):

Probability tables	Actuarial interest rates*)	Share of actuarial reserve
Capital and risk insurance and supplementary accidental-death, risk and term annuity insurance		
ADSt 1924/26 M	3.00 %	0.0 %
St 1967 M	3.00 %	0.4 %
St 1986 M/F	3.50 %	8.6 %
HL-Tafel 1994 M/F	4.00 %	38.0 %
HL-Tafel 2000 T M/F	3.25 %	5.6 %
DAV 1994 T M/F	2.75 %	0.1 %
DAV 1994 T M/F mod. NR/R	2.75 %	0.0 %
HL-Tafel 2000 T M/F	2.75 %	2.6 %
HL-Tafel 2000 T mod. NR/R M/F	2.75 %	0.3 %
DAV 1994 T M/F	2.25 %	0.0 %
DAV 1994 T M/F mod.	2.25 %	0.0 %
DAV 1994 T M/F mod. NR/R	2.25 %	0.0 %
HL-Tafel 2000 T M/F	2.25 %	0.4 %
HL-Tafel 2000 T mod. NR/R M/F	2.25 %	0.9 %
HL-Tafel 2008 T NR/R (mod., diff.) M/F	2.25 %	1.7 %
HL-Tafel 2011 T M/F	1.75 %	0.1 %
HL-Tafel 2011 T NR/R (mod.) M/F	1.75 %	0.7 %
HL-Tafel 2012 T Unisex	1.75 %	0.1 %
HL-Tafel 2012 T/TP/FT Unisex NR/R (mod.)	1.75 %	1.2 %
DAV 2008 T mod. Unisex	1.25 %	0.0 %
HL-Tafel 2012 T Unisex	1.25 %	0.1 %
HL-Tafel 2012 T/TP/FT Unisex NR/R (mod., diff.)	1.25 %	0.9 %
DAV 2008 T mod. Unisex	0.90 %	0.5 %
HL-Tafel 2016 T Unisex	0.90 %	0.1 %
HL-Tafel 2016 T/TP Unisex N10/N/R (mod., diff.)	0.90 %	1.7 %
HL-Tafel 2018 T Unisex N10/N/R (mod., diff.)	0.90 %	1.3 %
HL-Tafel 2021 T Unisex N10/N/R (mod., diff.)	0.90 %	0.2 %
DAV 2008 T mod. Unisex	0.25 %	0.1 %
HL-Tafel 2022 T Unisex N10/N/R (mod., diff.)	0.25 %	0.2 %

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Annuity insurance, fund-linked annuity insurance and private pension plans in accordance with AltZertG		
Interpolation of DAV 2004 R-B and R-B20 M/F	3.00 %	0.3 %
Interpolation of DAV 2004 R-B and R-B20 M/F	3.50 %	1.2 %
Interpolation of DAV 2004 R-B and R-B20 M/F	4.00 %	2.3 %
Interpolation of DAV 2004 R-B and R-B20 M/F	3.25 %	1.2 %
DAV 2004 R M/F	2.75 %	1.3 %
DAV 2004 R Unisex	2.75 %	0.9 %
Interpolation of DAV 2004 R-B and R-B20 M/F	2.75 %	1.0 %
DAV 2004 R M/F	2.25 %	6.9 %
DAV 2004 R Unisex	2.25 %	1.1 %
DAV 2004 R M/F	1.75 %	1.2 %
DAV 2004 R Unisex	1.75 %	2.8 %
DAV 2004 R Unisex	1.25 %	1.8 %
Interpolation of DAV 2004 R-B and R-B20 M/F	1.00 %	0.0 %
DAV 2004 R Unisex	0.90 %	3.8 %
DAV 2004 R Unisex	0.50 %	0.7 %
Interpolation of DAV 2004 R-B and R-B20 M/F	0.50 %	0.0 %
DAV 2004 R Unisex	0.25 %	0.7 %
DAV 2004 R M/F	0.00 %	0.0 %
DAV 2004 R Unisex	0.00 %	0.0 %
Interpolation of DAV 2004 R-B and R-B20 M/F	0.00 %	0.0 %
(Supplementary) occupational disability insurance and (supplementary) work incapacity insurance		
St 1967 M, DAV 1997 I M/F mod.	3.00 %	0.0 %
HL Tafel 1994 M/F, mod. Verbandstafel 1990 M/F	4.00 %	0.3 %
HL-Tafel 2000 T M/F, HL-Tafel 2000 I M/F	3.25 %	0.3 %
DAV 1994 T M/F, DAV 1997 I mod. M/F	2.75 %	0.0 %
DAV 1994 T M/F, DAV 1998 E M/F	2.75 %	0.0 %
HL-Tafel 2000 T M/F, DAV 1997 I mod. M/F	2.75 %	0.1 %
HL-Tafel 2000 T M/F, HL-Tafel 2004 I M/F	2.75 %	0.1 %
DAV 1994 T M/F, DAV 1997 I mod. M/F	2.25 %	0.0 %
HL-Tafel 2000 T M/F, DAV 1997 I mod. M/F	2.25 %	0.7 %
HL-Tafel 2000 T M/F, HL-Tafel 2004 I M/F	2.25 %	0.0 %
DAV 2008 T M/F, DAV 1997 I mod. M/F	1.75 %	0.0 %
DAV 2008 T Unisex, DAV 1997 I mod. Unisex	1.75 %	0.0 %
HL-Tafel 2011 T M/F, DAV 1997 I mod. M/F	1.75 %	0.2 %

HL-Tafel 2011 T M/F, DAV 1998 E M/F	1.75 %	0.0 %
HL-Tafel 2012 T Unisex, HL-Tafel 2012 E Unisex	1.75 %	0.0 %
HL-Tafel 2012 T Unisex, HL-Tafel 2012 I Unisex	1.75 %	0.2 %
DAV 2008 T Unisex, DAV 1997 I mod. Unisex	1.25 %	0.0 %
HL-Tafel 2012 T Unisex, HL-Tafel 2012 E Unisex	1.25 %	0.0 %
HL-Tafel 2012 T Unisex, HL-Tafel 2012 I Unisex	1.25 %	0.1 %
HL-Tafel 2016 T Unisex, HL-Tafel 2012 E Unisex	0.90 %	0.0 %
HL-Tafel 2016 T Unisex, HL-Tafel 2012 I Unisex	0.90 %	0.0 %
HL-Tafel 2016 T Unisex, HL-Tafel 2017 E Unisex	0.90 %	0.0 %
HL-Tafel 2016 T Unisex, HL-Tafel 2017 I Unisex	0.90 %	0.3 %
HL-Tafel 2018 T Unisex, HL-Tafel 2019 I Unisex	0.90 %	0.1 %
HL-Tafel 2016 T Unisex, HL-Tafel 2017 E Unisex	0.25 %	0.0 %
HL-Tafel 2016 T Unisex, HL-Tafel 2017 I Unisex	0.25 %	0.0 %
HL-Tafel 2018 T Unisex, HL-Tafel 2022 I Unisex	0.25 %	0.0 %
HL-Tafel 2018 T Unisex, HL-Tafel 202203 I Unisex	0.25 %	0.0 %
Capitalisation transactions		
None	2.00 %	0.0 %
None	1.75 %	0.0 %
None	1.25 %	0.0 %
None	0.25 %	1.4 %

*) For new contracts with actuarial interest rates of between 1.75 % and 4.00 %, a reference interest rate of 1.57 % was applied as a basis for the next 15 years in accordance with section 341f (2) HGB in conjunction with section 5 (3) and (4) DeckRV. The same approach was applied for contracts in the existing portfolio.

The company's own HL table 1994 was developed from the mortality table St 1986, for which the probabilities of death are reduced based on the company's own experience. The company's own HL table 2000 T was developed from the population table 1986, for which the probabilities of death are reduced based on the company's own experience. The company's own HL tables 2008 T and 2011 T were developed from the DAV table 2008 T, for which the probabilities of death are reduced based on the company's own experience. The company's own HL tables 2012 T, 2012 TP, 2012 FT, 2016 T, 2016 TP, 2018 T, 2021 T and 2022 T were developed from the DAV table 2008 T, for which the probabilities of death and gender mix ratio are recognised in accordance with the company's own experience, which is occupation specific for the HL tables from 2018 onwards.

The company's own HL tables 2000 I, 2004 I and 2012 I were developed from the table DAV 1997 I, for which the probabilities of disability are reduced based on the company's own experience. The HL tables 2017 I, 2019 I, 2022 I, 202203 I and 2023 I are based on occupation-specific individual probabilities of disability. The HL table 2012 E was developed from the DAV table 1998 E; HL table 2017 E is based on individual probabilities of disability.

The unisex tables are gender-neutral bases of calculation derived from the corresponding gendered tables in accordance with the guidance provided by DAV.

The actuarial reserves were zillmerised as follows:

Tariffs	Zillmerisation rate	Reference value
Endowment insurance from 1960 to 1987	0.50 %	Sum insured
Group insurance from 1975 to 1987	0.50 %	Sum insured
Wealth accumulation insurance from 1970 to 1989	0.50 %	Sum insured
Annuity insurance until 1990	5.00 %	Annuity
VHV individual insurance policies to 2014	4.00 %	Total premiums
VHV individual insurance from 2015	2.50 %	Total premiums
VHV Group insurance policies to 2016	2.00 %	Total premiums
VHV Group insurance from 2017 to 2020	1.50 %	Total premiums
VHV Group insurance for major customers to 2016	1.00 %	Total premiums
Occupational disability insurance as of 07/2020	2.50 %	Total premiums
Risk insurance from 09/2023	2.50 %	Total premiums

All other actuarial reserves were not zillmerised. Zillmerised actuarial reserves make up 3.1 % of the total actuarial reserve.

Additional amounts were added to the actuarial reserve to adjust it to updated bases of calculation in accordance with the principles published by BaFin, DAV and the legislator.

Studies of mortality for annuity insurance policies have shown that the security margins and trend projections presented in the DAV mortality table 1994 R no longer correspond to actuarial

security requirements. In order to maintain an adequate level of security, the actuarial reserve for each individual annuity insurance policy was calculated in the 2023 financial year so that it corresponds at least to the value between the calculation on the basis of DAV 2004 R-B and DAV 2004 R-B20 linearly interpolated by nineteen twentieths, in accordance with the DAV guideline dated 9 June 2004 "Surplus allocation and reserves for annuity insurance policies in the portfolio".

An additional interest rate reserve was created for the 2023 financial year in accordance with section 341f (2) HGB in conjunction with section 5 of the German Actuarial Reserve Ordinance (DeckRV). For the new portfolio, this is based on a reference interest rate of 1.57 % (previous year: 1.57 %), which results from anticipated income in accordance with section 5 (3) DeckRV. In accordance with relevant BaFin publications, company-specific, conservative cancellation probabilities and, in the case of term life policies, a conservative reduction in the biometric calculation basis were considered. A comparative calculation with the calculation bases of the addition to the interest reserves of the year before the first-time application of company-specific cancellation probabilities and the reduction in the biometric calculation basis was also carried out on the basis of the current contract status, and the maximum of the results of both calculations was recognised. The determination rules for the additional interest rate reserve in the new portfolio in accordance with DeckRV were also adopted for the existing portfolio, but without a reduction in the biometric calculation basis.

The **actuarial reserve for fund-linked annuity insurance policies** was determined according to Liabilities C.I., whereby the investment risk is borne by the policy holder, as the fair value of the share units available for the individual contract on the balance sheet closing date.

The **reserve for insurance claims not yet processed for direct-written insurance transactions** in property-casualty insurance was determined individually for each claim with the necessary commercial care. A discount was recognised on the claims reserve in motor vehicle liability insurance, taking actual claim payments in the past into account. Furthermore, internal calculations and analyses were used to examine whether the gross reserves for insurance claims not yet processed including discounts are sufficient in the motor vehicle liability insurance segment. VHV Re and VHV Sigorta recognised discounts in general liability insurance with the necessary

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENT

commercial care and in line with the locally defined discount rate. The reserve for expected late claims was calculated on the basis of the requirements for subsequently reported late claims. The accounts receivable from recourse claims, salvages and sharing agreements were carefully determined on the basis of anticipated receipts, and deducted from the reserve for insurance claims not yet processed. The calculation of the annuity actuarial reserve was carried out individually for each annuity according to actuarial principles on the basis of section 341f and section 341g HGB and the statutory ordinance issued for section 88 (3) Insurance Supervisory Act (VAG). The calculation was based on the DAV 2006 HUR Frauen und Männer mortality table. The annuity reserve was calculated using a uniform actuarial interest rate of 0.9 % for years of claim incidence up to and including 2021 and an actuarial interest rate of 0.25 % for 2022 as the year of claim incidence. The shares for reinsurers were determined on the basis of the existing reinsurance contracts.

The **reserve for insurance claims not yet processed for life insurance** contains the probable benefits for the insurance claims reported but not yet paid out at the date of the portfolio statement. The benefits were calculated individually for each insurance contract. For expected late claims, a reserve was created with regard to the estimated need for subsequently reported late claims.

The reserve for insurance claims not yet processed for insurance transactions assumed in reinsurance coverage was created in accordance with the specifications from the initial insurers taking into account reasonable surcharges. The shares for reinsurers were calculated on the basis of the existing reinsurance contracts.

In property-casualty insurance, the reserve for claims settlement expenses was calculated using actuarial methods reflecting the segment-specific settlement processes according to cause. At VAV, the calculation was based on section 12 (7) of the FMA Regulation on Accounting by Insurance and Reinsurance Undertakings, BGBl. II No. 316/2015 of 21 October 2015, in the amended version of 5 August 2021, BGBl. II No. 353/2021.

In life insurance, the reserve for claims settlement expenses was calculated in accordance with the letter of the Federal Ministry of Finance dated 2 February 1973.

In life insurance, the **reserve for premium refunds** was recognised in accordance with the articles of association and provisions stipulated in the business plan. The final surplus fund from the existing portfolio includes final payments that are 100 % financed, as well as accrued final bonus entitlements that are calculated in accordance with the prospective method without discount. The final surplus fund from the new portfolio includes final bonuses that are calculated individually for each contract on the basis of the achievable final bonus rate and the balance achieved from annual bonuses at the balance sheet closing date without discount. Within the final basic participation, a reserve was formed for the declared basic participation in the valuation reserves in the same way as for the final surplus shares.

Sums were added to and removed from the **reserve for premium refunds** in direct-written insurance transactions for property-casualty insurance according to contractual agreements.

The **equalisation reserve** was recognised in accordance with the annex to section 29 RechVersV. For the surety segment, the claims ratios from the tables published in the annual reports of BaFin or the previous Federal Supervisory Authority for the Insurance Industry were stated for past years. For the motor vehicle segment, BaFin gave permission for insurance transactions assumed in reinsurance coverage to be recognised using appropriate other claims ratios for past years rather than its own claims ratios, resulting in a significantly lower addition to the equalisation reserve. At VAV, the equalisation reserve was formed in accordance with the FMA Regulation on Forming an Equalisation Reserve in Property-Casualty Insurance by Insurance and Reinsurance Undertakings (SWRV 2016), BGBl. II No. 315/2015 of 21 October 2015, in the amended version of 16 November 2016, BGBl. II No. 324/2016. Deviating from the provisions of SWRV 2016, the FMA decreed by way of a notice dated 21 July 2020 that the equalisation reserve should be calculated without including the quota share reinsurance contracts in the period from 2004 to 2019. This covered the accident, liability, motor vehicle liability, comprehensive motor vehicle, storm, water mains, household, construction and transport segments. At VHV Re and VHV Sigorta, the equalisation reserve was recognised in accordance with the provisions of the Technical Reserves Regulation of 10 November 2021. The equalisation reserve was calculated as 12 % of the net earthquake and loan premiums for the respective year. At Val Piave, the equalisation reserve for natural disaster risks was formed in accordance with Ministerial Decree no. 705 of 19 November 1996.

The cancellation reserve for peril cessation and reduction included in **other technical reserves** was calculated using the cancellation rates established on the basis of a representative sample from the individual insurance branches, in relation to premium revenues. The reserve for aid for road accident victims was formed according to the requirement of the registered association "Verkehrspferhilfe e. V.". The reserve for unused premiums from dormant motor vehicle insurance policies was created individually. At VAV, a reserve for terrorism risks was formed in accordance with its share of the terrorism pool. The share for reinsurers was calculated on the basis of the existing reinsurance contracts. A reserve for replenishment premiums still to be paid was formed in accordance with the contractual agreement in the reinsurance contract for claims caused by natural hazards.

The **reserve** for onerous contracts for insurance transactions assumed in reinsurance coverage was recognised in line with the specifications from the initial insurers.

The **latent reserves for premium refunds** for life insurance transactions accounted for under other technical reserves are calculated from valuation differences between the accounting carrying amounts at Group level and the accounting book values from the separate financial statements as well as from the inclusion of a special purpose entity, which must be allocated to life insurance. They are valued at a reserve for premium refunds ratio (after taxes) of 93.9 % (previous year: 92.7 %) on all valuation differences.

The **reserves for pensions** were measured according to the projected unit credit method in conjunction with section 253 (1) sentence 2 HGB. They were discounted by the average interest rate of the last ten years with an assumed remaining term of 15 years in accordance with section 253 (2) sentence 2 HGB in the amount of 1.83 % (previous year: 1.79 %).

For the other actuarial parameters (mortality tables, salary and pension trends), country-specific values for Germany and Austria were used in the valuation.

In Germany, the pension obligations were calculated on the basis of the 2018G mortality tables by Prof Klaus Heubeck, taking into account the influencing factors of salary growth of 3.00 % (previous year: 2.50 %) and pension growth of 2.50 % (previous year: 2.00 %).

In Austria, the pension obligations were measured on the basis of the AVÖ (Austrian Actuarial Association) 2018-P Employees generation tables with salary adjustments of 3.25 % (previous year: 3.25 %) for employees and 2.75 % (previous year: 2.75 %) for members of the Board of Directors and adjustments to the current pension entitlements of 2.25 % (previous year: 2.25 %). To factor in the higher salary adjustments expected due to the hyperinflationary environment, a 4.00 % higher salary adjustment was assumed for employees in 2024 and a 2.00 % higher salary adjustment in 2025 than the long-term trend, as well as a total adjustment of 3.00 % for current pension entitlements in 2024. No fluctuation discounts were deducted for the calculation of pension obligations.

Where pension benefits were reinsured by insurance policies covering pension liabilities, the reinsured portion of the pension reserve was measured at the amortised cost of the corresponding claim against insurance policies covering pension liabilities in accordance with the IDW Accounting Practice Statement concerning the measurement under commercial law of reserves for post-employment benefit obligations arising from reinsured direct pension commitments (IDW RH FAB 1.021).

Nettable assets that fulfil the requirements of section 246 (2) sentence 2 HGB (assets from insurance policies covering pension liabilities) were offset against the associated benefit obligations.

VAV's reserves for severance pay, which are included in the item reserves for pensions and similar liabilities, were also measured according to the projected unit credit method using the AVÖ (Austrian Actuarial Association) 2018-P Employees generation tables, with an average interest rate for the last ten years of 1.83 % (previous year: 1.79 %) assuming a remaining term of 15 years and salary adjustments of 3.25 % for employees (previous year: 3.25 %) and 2.75 % for members of the Board of Directors (previous year: 2.75 %). To factor in the higher salary adjustments expected due to the hyperinflationary environment, a 4.00 % higher salary adjustment than the long-term trend was assumed for employees in 2024 and a 2.00 % higher salary adjustment in 2025. No fluctuation discounts were deducted for the calculation of provisions for severance pay.

The **tax reserves** and **other reserves** were recognised at the necessary settlement amount on the basis of reasonable business judgement. Reserves with a remaining term of more than one year

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENT

were adjusted for future price and cost increases and discounted to the balance sheet closing date at the average interest rates of the last seven years published by the Bundesbank on 30 November 2023. The reserves for anniversary benefits were calculated according to the projected unit credit method using the 2018 G mortality tables by Prof Klaus Heubeck and applying an actuarial interest rate of 1.75 % (previous year: 1.45 %), salary growth of 3.00 % (previous year: 2.50 %) and a turnover rate of 3.25 % (previous year: 3.00 %). They were discounted using the average interest rate for the last seven years published by the Bundesbank and assuming a remaining term across the board of 15 years for the obligations. The partial retirement obligations were established in accordance with the projected unit credit method using the 2018 G mortality tables by Prof Klaus Heubeck. These reserves were discounted individually for each obligation at the average interest rates of the last seven years published by the Bundesbank on 30 September 2023. The investment certificates held to collateralise the partial retirement reserves were measured at fair value and offset against the reserves for partial retirement pursuant to section 246 (2) sentence 2 HGB in conjunction with section 253 (1) sentence 4 HGB. The current market values of investment funds resulted from the redemption price on the balance sheet closing date.

The **funds held under reinsurance transactions ceded** were determined in property-casualty insurance using the basis of calculation for the reinsurance contracts.

The **funds held under reinsurance transactions ceded in life insurance** correspond to the disability reserve deposited by the reinsurer on a pro rata basis for benefits under occupational disability and work incapacity insurance policies and in addition, in the case of contracts of the former VHV Leben, the claims reserve deposited by the reinsurer. There are no deposit accounts receivable for other forms of insurance, as the reinsurance transactions ceded are accounted for on a risk premium basis.

The **other liabilities** were shown at their settlement amount.

The discounts on registered debentures included in **deferred income** were deferred and allocated over the term. In addition, other income prior to the balance sheet closing date was recognised as deferred income if it represents income for a certain period after the balance sheet closing date.

DELAYED DISCLOSURES

The actuarial reserve of a part of the syndicated agreements under external management in life insurance amounting to EUR 37.7 million (previous year: EUR 38.4 million) was recognised with a delay of one year, as no invoice was yet available from the lead manager as at the reporting date.

In direct-written insurance transactions for property-casualty insurance, premiums totalling EUR 4,498 thousand were recognised in the reporting year with a delay due to claims being reported at a later date (previous year: EUR 2,801 thousand). In addition, premiums of EUR 93,580 thousand (previous year: EUR 4,580 thousand) in property-casualty insurance transactions assumed in reinsurance coverage, for which information from the initial insurer was available up to 30 September 2023, were recognised with a delay.

CURRENCY TRANSLATION

Items in foreign currency were translated using the exchange rate on the respective acquisition date or on the balance sheet closing date if this resulted in a lower carrying amount.

Income and expenses were translated using the exchange rate on initial recognition. Currency translation gains are included in the gains on disposal.

CALCULATION OF CURRENT MARKET VALUE

The current market values of the properties contained in the portfolio in the financial year were calculated according to the present value of future cash flow method as at 31 December 2023.

The current market values of shares in affiliated and associated companies and participations were calculated according to the present value of future cash flow method or the respective carrying amount or pro rata equity was applied as the current market value. For PE/IE investments, the net asset value was applied as the current market value.

The current market values of listed fixed-interest securities and non-fixed-interest securities were based on the market price on the balance sheet closing date. The current market values of investment funds resulted from the redemption price on the balance sheet closing date.

Mortgage, land charge and annuity charge receivables were valued using a system-supported yield curve evaluation method, taking into account cancellation rights in accordance with the German Civil Code (BGB) and special rights of redemption.

Registered debentures and promissory note loans were valued using a system-supported yield curve evaluation method. In this method, the securities were allocated to yield curves in line with the risk with typical market risk premiums. The yield curves were allocated and differentiated based on securities classes, rating categories and differentiation between first priority and subordinated securities. Any possible cancellation rights were valued explicitly. Fixed-interest securities for which no market price could be determined on the balance sheet closing date were valued according to the same procedure.

Miscellaneous loans were valued on the basis of issuer notifications.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENT

ASSETS

RE A., B.I. AND B.II. INTANGIBLE ASSETS AND INVESTMENTS

The development of these asset items is shown in the table below.

RE A., B.I. AND B.II. DEVELOPMENT OF ASSET ITEMS

DEVELOPMENT IN FINANCIAL YEAR 2023		
	Carrying amounts Previous year EUR'000	Changes to the consolidation group EUR'000
A. INTANGIBLE ASSETS		
I. Purchased concessions, industrial and similar rights and assets and licenses in such rights and assets	134,101	5,560
II. Goodwill	85,076	20,593
III. Advance payments	21,613	0
Total A.	240,790	26,153
B. INVESTMENTS		
I. Real properties, rights equivalent to real property and buildings, including buildings on third-party real properties	101,977	13,437
II. Investments in affiliated and associated companies		
1. Shares in affiliated companies	29,254	0
2. Loans to affiliated companies	0	0
3. Participating interests in associated companies	58,173	0
4. Other participating interests	65,818	1
5. Loans to associated companies	30	0
Total B.II.	153,275	1
Total	496,043	39,591

RE A.I. PURCHASED CONCESSIONS, INDUSTRIAL AND SIMILAR RIGHTS AND ASSETS AND LICENSES IN SUCH RIGHTS AND ASSETS

The increase of EUR 5.6 million due to the change in the consolidation group was due solely to the first-time consolidation of Assicuratrice Val Piave S.p.A.

Additions	Reclassifications	Disposals	Appreciation	Write-downs	Currency translation differences	Carrying amounts
EUR'000	EUR'000	EUR'000	EUR'000	EUR'000	EUR'000	Financial year
EUR'000	EUR'000	EUR'000	EUR'000	EUR'000	EUR'000	EUR'000
9,664	10,112	-143	0	-16,654	-5,725	136,914
0	0	0	0	-15,862	-1,285	88,522
4,693	-10,112	-373	0	0	0	15,821
14,357	0	-516	0	-32,516	-7,011	241,258
1,436	0	0	339	-5,230	0	111,959
10,369	0	0	173	-2,813	-22	36,961
0	0	0	0	0	0	0
1,000	0	0	3,355	-1,895	33	60,666
240	0	0	0	-338	0	65,721
3,000	0	0	0	0	0	3,030
14,609	0	0	3,528	-5,047	11	166,378
30,402	0	-516	3,867	-42,793	-6,999	519,595

RE A.II. GOODWILL

The first-time consolidation of Assicuratrice Val Piave S.p.A. resulted in goodwill of EUR 20.6 million that will be amortised over the expected useful life of ten years. Accordingly, scheduled amortisation of EUR 1.0 million was recognised in the financial year.

The goodwill of the consolidated companies of the Eucon Group of EUR 46.8 million, the InterEurope Group of EUR 20.3 million and VHV Allgemeine Sigorta of EUR 1.9 million was also recognised under this item. This goodwill was amortised as scheduled in the financial year and totalled EUR 14.8 million.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENT

RE B.I. REAL PROPERTIES, RIGHTS EQUIVALENT TO REAL PROPERTY AND BUILDINGS, INCLUDING BUILDINGS ON THIRD-PARTY REAL PROPERTIES

As a result of the first-time consolidation of Assicuratrice Val Piave S.p.A., the real properties item increased by EUR 13.3 million as at the balance sheet closing date. The balance sheet value of the real properties and buildings primarily used internally by affiliates in the context of their activities amounted to EUR 99.8 million (previous year: EUR 100.9 million). Val Piave accounted for EUR 2.5 million of this amount.

RE B.II.1. SHARES IN AFFILIATED COMPANIES

This item relates to 25 companies that were not included in the consolidation group due to subordinate importance (section 296 (2) HGB), of which two were measured using the equity method.

RE B.II.3. PARTICIPATING INTERESTS IN ASSOCIATED COMPANIES

The equity method in accordance with section 312 (1) HGB was used in the case of five associated companies. The difference between the carrying amount and the pro rata equity of these associated companies amounted to EUR 0.6 million after an impairment loss of EUR 0.4 million on the carrying amount. The difference included goodwill of EUR 0.7 million for one company.

RE B.II.4. OTHER PARTICIPATING INTERESTS

For reasons of intelligibility and clarity, one participating interest not measured using the equity method was reported in other participating interests.

RE B.III.1. EQUITIES, SHARES OR EQUITIES IN INVESTMENT ASSETS AND OTHER NON-FIXED INTEREST SECURITIES

	31.12.2023 EUR million	31.12.2022 EUR million
Investment assets		
of which non-current assets	5,540.9	5,359.1
of which current assets	79.6	75.4
Total	5,620.6	5,434.4

Write-downs of EUR 125.2 million were avoided due to measurement using the moderate lower of cost or market principle.

RE B.III.2. BEARER BONDS AND OTHER SECURITIES WITH FIXED INTEREST RATES

	31.12.2023 EUR million	31.12.2022 EUR million
Bearer bonds		
of which non-current assets	5,232.5	5,594.0
of which current assets	72.3	16.3
Total	5,304.8	5,610.3

As a result of the first-time consolidation of Assicuratrice Val Piave S.p.A., the bearer bonds item increased by EUR 81.8 million as at the balance sheet closing date. Write-downs of EUR 668.6 million were avoided in the VHV Group due to measurement using the moderate lower of cost or market principle.

RE B.III.6. MISCELLANEOUS INVESTMENTS

This item relates solely to investments in private and infrastructure equity.

RE C. INVESTMENTS FOR THE ACCOUNT AND RISK OF HOLDERS OF LIFE INSURANCE POLICIES

Investments for the account and risk of insurance policy holders totalled EUR 327.1 million (previous year: EUR 167.7 million).

RE F.II. OTHER PREPAID EXPENSES

Other prepaid expenses mainly included agios for registered debentures in the amount of EUR 13.9 million (previous year: EUR 17.0 million) and advance payments for maintenance contracts of EUR 13.2 million (previous year: EUR 15.9 million).

RE G. DEFERRED TAX ASSETS

Future tax benefits (deferred tax assets) primarily resulted from differences between the commercial balance sheet and the tax balance sheet relating to investments, technical reserves and reserves for pensions.

In accordance with the option under section 274 (1) HGB in conjunction with section 306 HGB, future tax burdens and tax benefits were offset against one another under deferred tax assets, with a surplus of assets being reported.

DISCLOSURE PURSUANT TO SECTION 314 (1) NO. 10 HGB

	Carrying amount EUR million	Fair value EUR million
Equities, shares or equities in investment assets and other non-fixed interest securities	2,267.0	2,141.8
Bearer bonds and other securities with fixed interest rates	4,562.6	3,893.9
Mortgage, land charge and annuity charge receivables	1,007.4	846.2
Other loans	427.8	351.5
Miscellaneous investments	165.4	147.8
Total	8,430.1	7,381.2

Due to the creditworthiness of the issuers or the degree of collateralisation, the losses in value in securities were not considered permanent.

DISCLOSURE PURSUANT TO SECTION 314 (1) NO. 12 GERMAN COMMERCIAL CODE

EUR 327.1 million (previous year: EUR 167.7 million) in investment funds for the account and risk of holders of life insurance policies and EUR 0.1 million (previous year: EUR 0.3 million) in investment certificates held to collateralise the partial retirement reserves were measured at fair value. The current market values of investment funds resulted from the redemption price on the balance sheet closing date.

DISCLOSURE PURSUANT TO SECTION 314 (1) NO. 18 HGB

The table below provides detailed information on the investment funds in which the VHV Group holds more than 10 % of the units issued.

Type of fund/ investment objective	Fair value EUR million	Hidden reserves EUR million	Hidden liabilities EUR million	Distribution in 2023 EUR million
Property funds	1,748.0	386.9	–	56.1
Mixed funds	4,109.4	10.5	–125.2	52.2

The return of units in the real estate fund can be postponed if there are extraordinary circumstances that make postponement appear necessary taking account of the investors' interests. In the case of the other funds, repurchase of the units can also be postponed if there are extraordinary circumstances or an insufficient liquidity situation.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENT

LIABILITIES AND SHAREHOLDERS' EQUITY

RE A.I.2. OTHER RETAINED EARNINGS

The change in other retained earnings consists of the net profit for the year, the capital offsets as well as other consolidation entries made in the Group.

D.I. RESERVES FOR PENSIONS AND SIMILAR LIABILITIES

In accordance with section 246 (2) sentence 2 HGB, the assets from pledged insurance policies covering pension liabilities of EUR 84.1 million (previous year: EUR 83.4 million) (fair value) were offset against the settlement amount of the associated pension reserves before netting of EUR 243.6 million (previous year: EUR 231.1 million). The fair value of the offset insurance policies covering pension liabilities also corresponds to their acquisition cost. The income from insurance policies covering pension liabilities was offset with interest expense from pension obligations in the income statement. The amount offset was EUR 1.5 million (previous year: EUR 1.8 million). The fair value of the insurance policies covering pension liabilities is calculated from the technical reserve including surplus credit.

The difference between the valuation of the reserve for pensions at the ten-year average interest rate and at the seven-year average interest rate according to section 253 (6) sentence 1 HGB is EUR 2.6 million (previous year: EUR 10.8 million). There is a payout block in this amount in accordance with section 253 (6) sentence 2 HGB.

RE D.III. OTHER RESERVES

Reserves for partial retirement were reported net of the investment certificates held to collateralise them.

An insurance contract covering pension liabilities with a carrying amount of less than EUR 0.1 million on 31 December 2023 (previous year: EUR 0.1 million) and a payment obligation with a carrying amount of below EUR 0.1 million on 31 December 2023 (previous year: EUR 0.1 million) to a former employee with a guaranteed term until 1 February 2025 were recognised as a valuation unit (micro-hedge) securing an interest obligation of 2.0 % p.a. The effectiveness of the hedge was determined using the critical term-match method. As all value-determining factors match between the insurance policy covering pension liabilities and the payment obligation, the valuation unit is effective (perfect micro hedge). In connection with the valuation unit, other assets were netted against other reserves in the volume shown above.

RE F. OTHER LIABILITIES

As at the balance sheet closing date, there were other liabilities with a residual term of more than five years amounting to EUR 165.6 million (previous year: EUR 183.8 million).

RE F. III. LIABILITIES TO BANKS

Liabilities to banks are secured in the amount of EUR 41.5 million (previous year: EUR 36.5 million) through the pledging of shares and the assignment of receivables as security.

RE G. DEFERRED INCOME

This balance sheet item primarily includes discounts on registered debentures in the amount of EUR 2.1 million (previous year: EUR 2.3 million), advance payments received in the amount of EUR 1.4 million (previous year: EUR 1.6 million), deferrals for service contracts in the amount of EUR 2.9 million (previous year: EUR 2.4 million) and advance interest payments of less than EUR 0.2 million (previous year: less than EUR 0.1 million).

	31.12.2023 EUR million	31.12.2022 EUR million
Settlement amount from partial retirement obligations	0.6	1.3
Acquisition costs of investment certificates	0.1	0.3
Difference in comparison to fair value	0.0	0.0
Fair value of investment certificates	0.1	0.3
Provision from partial retirement obligations	0.5	1.1

CONSOLIDATED INCOME STATEMENT

RE I.1.a) AND II.1.a) BOOKED GROSS INCOME

	Property-casualty insurance transactions EUR million	Life insurance transactions EUR million	Total EUR million
Direct-written insurance transactions	2,779.5	1,036.6	3,816.1
Insurance transactions assumed in reinsurance coverage	157.8	–	157.8
Total	2,937.3	1,036.6	3,973.9

Of the gross premiums written for direct-written insurance transactions, EUR 3,468.5 million (previous year: EUR 3,366.7 million) related to Germany and EUR 347.6 million (previous year: EUR 237.8 million) to foreign countries (primarily member states of the EU).

RE I.2. TECHNICAL INTEREST INCOME FOR OWN ACCOUNT

Technical interest income was calculated using a standardised actuarial interest rate of 0.9 % for pension obligations incurred up to 2021 and 0.25 % for pension obligations incurred from 2022. The share for reinsurers was deducted from that.

RE I.4.a) EXPENSES FOR INSURANCE CLAIMS FOR OWN ACCOUNT

A run-off gain was generated in the financial year in the amount of 11.5 % (previous year: 10.3 %) of the net premiums earned. This primarily resulted from motor vehicle insurance.

RE I.7. EXPENSES FOR INSURANCE OPERATIONS FOR OWN ACCOUNT

Transaction expenses in the amount of EUR 468,2 million (previous year: EUR 416.4 million) and management expenses amounting to EUR million (previous year: EUR 179.4 million) are included in this item.

RE II.10.b) DEPRECIATION ON INVESTMENTS

Depreciation on investments classified as non-current assets included extraordinary depreciation pursuant to section 253 (3) sentence 5 HGB (moderate lower of cost or market principle) in the amount of EUR 8.7 million (previous year: EUR 8.0 million). EUR 8.1 million (previous year: EUR 7.0 million) of this was attributable to private equity and infrastructure investments. Shares in affiliated companies were amortised by EUR 0.4 million. Participations were written down by EUR 0.2 million.

RE III.3.c) DEPRECIATION ON INVESTMENTS

Depreciation on investments classified as non-current assets included extraordinary depreciation pursuant to section 277 (3) HGB in conjunction with section 253 (3) sentence 5 HGB (moderate lower of cost or market principle) in the amount of EUR 8.8 million (previous year: EUR 6.1 million). Of this figure, EUR 8.5 million related to private equity and infrastructure investments (previous year: EUR 5.4 million) and EUR 0.2 million (previous year: EUR 0.5 million) to shares in affiliated companies. Amortisation on participating interests amounted to EUR 0.1 million (previous year: EUR 0.2 million).

RE III.5. OTHER INCOME

Other income contains income from currency translation of EUR 22.9 million (previous year: EUR 13.2 million).

RE III.6. OTHER EXPENSES

Other expenses included scheduled goodwill amortisation of EUR 15.8 million. The item also contains the interest component included in the allocation to the pension, partial retirement and anniversary reserve in the amount of EUR 5.9 million (previous year: EUR 6.7 million) and expenses from the allocation of interest to other long-term reserves in the amount of EUR 0.1 million (previous year: EUR 0.1 million). Interest and similar expenses are reduced by interest to be offset from nettable assets in the amount of EUR 1.5 million (previous year: EUR 1.8 million). Expenses from currency translation in the amount of EUR 9.5 million (previous year: EUR 6.8 million) are included.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENT

ADDITIONAL INFORMATION

SUPERVISORY BOARD

Dr Achim Kann

Honorary Chairman
Chairman of the Board of Directors (retired),
GLOBALE Rückversicherungs AG, Cologne;
Chairman of the Board of Directors (retired),
Frankona Rückversicherungs-AG, Munich

Dr Peter Lütke-Bornefeld (from 5 October 2023)

Honorary Chairman
Chairman of the Board of Directors (retired), General Reinsurance AG,
Cologne

MEMBERS ELECTED BY THE MEMBERS' MEETING:**Uwe H. Reuter**

Chairman (from 5 July 2023),
Deputy Chairman (until 5 July 2023)
Chairman of the Board of Directors (retired),
VHV a. G. and VHV Holding AG, Hanover;
Chairman of the Board of Directors, PATRIZIA SE, Augsburg

Fritz-Klaus Lange, lawyer

Deputy Chairman
Chairman of the Board of Directors (retired),
Gegenbauer Holding SE & Co. KG, Berlin;
Chairman of the Board of Directors (retired),
RGM Facility Management GmbH, Berlin/Dortmund

Dr Josef Adersberger (court-appointed from 9 March 2024)

Managing Director of QAware GmbH, Munich;
Advisory Board of TWIP Venture Studio GmbH & Co. KG, Munich

Dr Thomas Birtel

Chairman of the Board of Directors (retired), STRABAG SE,
Vienna/Austria;
Member of the Supervisory Board of Wienerberger AG, Vienna/Austria

Thomas Bürkle

Chairman of the Managing Board (retired), NORD/LB
Norddeutsche Landesbank Girozentrale, Hanover;
Senior Advisor Boston Consulting Group, Boston/USA

SUPERVISORY BOARD

Sarah Rössler

Former member of the Board of Directors of HUK-COBURG
Versicherungsgruppe;
Chairman of the Supervisory Board of MLP SE, Wiesloch;
Chairman of the Supervisory Board of MLP Banking AG, Wiesloch

Dr Peter Lütke-Bornefeld (until 5 July 2023)

Chairman
Chairman of the Board of Directors (retired), General Reinsurance AG,
Cologne

BOARD OF DIRECTORS

Thomas Voigt

Chairman
Hanover

Arndt Bickhoff

IT,
Hamburg

Frank Hilbert

Life Insurance
Hanover

Dr Sebastian Reddemann

Property-Casualty Insurance
Hanover

Ulrich Schneider

Investments,
Hanover

Sebastian Stark

Finance and Risk Management,
Hanover

LIST OF SHARE OWNERSHIP AS AT 31 DECEMBER 2023**COMPANIES INCLUDED IN THE CONSOLIDATED FINANCIAL STATEMENTS**

Name of the company	Domicile of the company		Equity interest
Group parent			
VHV Vereinigte Hannoversche Versicherung a. G.	Hanover	Germany	
Subsidiaries			
Assicuratrice Val Piave S.p.A.	Belluno	Italy	91.13 %
digital broking GmbH	Hanover	Germany	100.00 %
Eucon Digital GmbH	Münster	Germany	100.00 %
Eucon GmbH	Münster	Germany	90.00 %
Hannoversche Direktvertriebs-GmbH	Hanover	Germany	100.00 %
Hannoversche Lebensversicherung AG	Hanover	Germany	100.00 %
Hannoversche-Consult GmbH	Hanover	Germany	100.00 %
InterEurope AG European Law Service	Düsseldorf	Germany	100.00 %
InterEurope Beteiligung GmbH	Hanover	Germany	96.50 %
Pensionskasse der VHV-Versicherungen	Hanover	Germany	–
Securess Versicherungsmakler GmbH	Essen	Germany	100.00 %
VAV Versicherungs-Aktiengesellschaft	Vienna	Austria	100.00 %
VHV Allgemeine Sigorta A.S.	Istanbul	Turkey	100.00 %
VHV Allgemeine Versicherung AG	Hanover	Germany	100.00 %
VHV Dienstleistungen GmbH	Hanover	Germany	100.00 %
VHV digital development GmbH	Hanover	Germany	100.00 %
VHV digital services AG	Hanover	Germany	100.00 %
VHV Holding AG	Hanover	Germany	100.00 %
VHV International SE	Hanover	Germany	100.00 %
VHV Reasürans A.S.	Istanbul	Turkey	100.00 %
VHV solutions GmbH	Hanover	Germany	100.00 %
VVH Versicherungsvermittlung Hannover GmbH	Hanover	Germany	100.00 %
WAVE Private Equity SICAV-RAIF	Luxembourg	Luxembourg	100.00 %
WAVE Management AG	Hanover	Germany	100.00 %

The pension fund of VHV-Versicherungen and WAVE Private Equity SICAV-RAIF are fully consolidated as special purpose entities in accordance with section 290 (2) no. 4 HGB.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENT

SUBSIDIARIES NOT INCLUDED IN THE CONSOLIDATED FINANCIAL STATEMENTS DUE TO IMMATERIALITY OR UNDUE DELAYS

Name of the company	Domicile of the company		Equity interest
Adveq Opportunity II Zweite GmbH	Frankfurt am Main	Germany	51.72 %
Aftermarket Intelligence Consulting (Shanghai) Co., Ltd.	Shanghai	China	90.00 %
Aurelis Consulting Sp. z o.o.	Warsaw	Poland	60.00 %
Elvaston Capital Fund II GmbH & Co. KG	Berlin	Germany	89.60 %
Eucon Americas LLC	Atlanta	USA	100.00 %
Eucon Canada Ltd.	Toronto	Canada	100.00 %
Eucon LATAM S. de R.L. DE C.V.	Mexico City	Mexico	99.99 %
Ferrum Holding GmbH & Co. KG	Düsseldorf	Germany	86.87 %
Fieldwork Quality S.L.	Madrid	Spain	100.00 %
GiPA Argentina SA	Buenos Aires	Argentina	99.00 %
GiPA China Ltd.	Shanghai	China	100.00 %
GiPA dynamic SAS	Paris	France	70.76 %
GiPA GmbH	Langenfeld	Germany	100.00 %
GiPA Ibérica S.L.	Madrid	Spain	100.00 %
GiPA Italia S.r.l.	Milan	Italy	100.00 %
GiPA LLC*	Moscow	Russia	99.00 %
GiPA SAS	Paris	France	99.99 %
GiPA UK Ltd.	London	United Kingdom	100.00 %
Grupo Interprofesional de Productos Automóviles S.A. de C.V.	Naucalpan de Juárez	Mexico	90.00 %
Grupo Interprofissional de Produtos e Serviços Automotivos Gipa do Brasil Ltda.	Sao Caetano do Sul	Brazil	99.90 %
Hannover Holding NL N.V.	Amsterdam	Netherlands	100.00 %
IRS Quality SARL	Rennes	France	100.00 %
Ourui Automotive Consulting Services Co., Ltd.	Shanghai	China	95.00 %
Securess Mehrfachagentur GmbH	Essen	Germany	100.00 %
VHV Informatyka Sp. z o.o.	Warsaw	Poland	100.00 %

* The company is dormant and earmarked for liquidation.

JOINT VENTURES AND ASSOCIATED COMPANIES ACCOUNTED FOR AT EQUITY

Name of the company	Domicile of the company		Equity interest
Deutsche Rückversicherung Schweiz AG	Zurich	Switzerland	23.75 %
Hand schafft Wert GmbH	Münster	Germany	50.00 %
Neue Rechtsschutz-Versicherungsgesellschaft AG	Mannheim	Germany	34.02 %
Olimpia Managing General Agent S.r.l.	Rome	Italy	50.00 %
Trustlog GmbH	Hamburg	Germany	50.00 %

OTHER ASSOCIATED COMPANIES

Name of the company	Domicile of the company		Equity interest
Adveq Europe IV B Erste GmbH	Frankfurt am Main	Germany	37.88 %
Centrum Badań Marketingowych INDICATOR Sp. z o.o.	Warsaw	Poland	49.60 %

OTHER PARTICIPATIONS

Name of the company	Domicile of the company		Equity interest	Equity in EUR'000	Net profit for the year in EUR'000
Caruso GmbH	Ismaning	Germany	0.56 %	4,100	-1,048
Deutsche Makler Akademie (DMA) GmbH	Bayreuth	Germany	2.86 %	599	16
ESB GmbH	Coburg	Germany	18.32 %	343,951	26,282
EXTREMUS Versicherungs-Aktiengesellschaft	Cologne	Germany	1.00 %	61,746	-1,719
GDV Dienstleistungs-GmbH	Hamburg	Germany	1.91 %	30,866	1,213
Hannover Marketing und Tourismus GmbH	Hanover	Germany	1.53 %	863	51
KTI Kraftfahrzeugtechnisches Institut und Karosseriewerkstätte GmbH & Co. KG	Lohfelden	Germany	6.94 %	822	248
Protektor Lebensversicherungs-AG	Berlin	Germany	1.74 %	7,856	2
Roland Partner Beteiligungsverwaltung GmbH	Cologne	Germany	12.57 %	847	-7
Telebelluno S.r.l.	Belluno	Italy	0.10 %	2,320	294
"TopReport" Schadenbesichtigungs GmbH	Vienna	Austria	12.50 %	283	0
Ufficio Centrale Italiano di Assistenza Assicurativa Automobilisti in Circolazione Internazionale U.C.I. Soc.Cons.A.R.L.	Milan	Italy	0.04 %	1,793	199
VDG - Versicherungswirtschaftlicher Datendienst GmbH	Dortmund	Germany	8.55 %	1,164	135
VST Gesellschaft für Versicherungsstatistik mbH	Hanover	Germany	9.09 %	537	0

The figures relate to the most recent financial year for which annual financial statements are available.

Financial statements in foreign currency were translated to euro using the middle spot exchange rate on the reporting date.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENT

CONTINGENT LIABILITIES AND OTHER FINANCIAL OBLIGATIONS

The liabilities under surety bonds issued for loan and surety insurance amounted to EUR 13,632.5 million as at 31 December 2023 (previous year: EUR 12,528.7 million).

In accordance with sections 221 ff. of the VAG, HL is a member of the guarantee fund for life insurance companies. On the basis of the Guarantee Fund Financing Ordinance (Life), the guarantee fund levies annual contributions of a maximum of 0.2 % of the total net technical reserves, until guarantee assets of 1.0 % of total net technical reserves are created. As in the previous years, there are no future obligations arising from this for HL as the target amount has been reached.

The guarantee fund can also charge special premiums in the amount of an additional 1.0 % of the total net technical reserves; this corresponded to an obligation of EUR 7.7 million (previous year: EUR 8.5 million).

In addition, HL has undertaken to provide funds to the guarantee fund or alternatively to the company Protektor Lebensversicherungs-AG if the funds in the guarantee fund are not sufficient in the event of necessary restructuring. This obligation amounts to 1.0 % of the total net technical reserves, taking into account those premiums already paid to the guarantee fund at this time. Including the aforementioned payment obligations arising from the payment of premiums to the guarantee fund, the total obligation amounted to EUR 69.7 million as at 31 December 2023 (previous year: EUR 76.1 million).

VHV Allgemeine has issued a letter of comfort in favour of its wholly owned subsidiary VHV Re. This will ensure that VHV Re can fulfil its contractual obligations. In light of VHV Re's equity base and business development, we consider it extremely unlikely that the letter of comfort will be utilised as things stand.

This company is a member of the registered association "Verkehrssopferhilfe e. V."

Due to this membership, VHV Allgemeine is obligated to provide this association with the necessary resources to fulfil its purpose proportionate to its share in the premium revenues generated by the member companies from direct-written motor vehicle liability insurance transactions in the respective calendar year before last.

In the case of the pension benefits, insurance policies covering pension liabilities written for the purpose of safeguarding against insolvency were pledged in favour of beneficiaries in the amount of EUR 84.1 million (previous year: EUR 83.4 million). In the context of the statutory collateralisation of partial retirement obligations, investment fund shares with a carrying amount of EUR 0.1 million (previous year: EUR 0.3 million) were pledged in favour of employees. The risk of utilisation from the contingent liabilities listed above is considered extremely low on account of VHV Holding's good credit rating.

The payment obligations in connection with approved mortgage, land charge and annuity charge receivables amounted to EUR 40.0 million (previous year: EUR 91.8 million).

VHV Holding has a short put option for the acquisition of 3.5 % of the shares in InterEurope Beteiligung GmbH, Hanover (the legal successor of IE Finanzinvestment GmbH, Hanover), from LBL GmbH, Munich, which is subject to the condition precedent that one of the parties demands the transfer of the shares.

The Group's other financial obligations totalled a maximum of EUR 1,438.5 million (previous year: EUR 1,371.4 million) and are described below:

There were outstanding payment obligations from investments in the PE/IE segment and participating interests in the amount of EUR 1,263.6 million (previous year: EUR 1,255.4 million).

There were payment obligations for real estate amounting to EUR 68.3 million (previous year: EUR 0.1 million).

Investments in multitranches of EUR 50 million (previous year: EUR 50 million) did not give rise to any further put options from an issuer (previous year: EUR 50 million). The issuer exercised the put option for 2024 in the amount of TEUR 50 million in January 2024.

There were future payment obligations of EUR 56.6 million (previous year: EUR 66.0 million) arising from leases, license agreements, maintenance contracts and rental agreements, some of which were long-term in nature.

There are no other contingent liabilities that are not already apparent in the balance sheet and the notes/comments. Also, there are no further guarantees or obligations arising from bills of exchange.

ANNUAL AVERAGE NUMBER OF EMPLOYEES

The average number of employees of the companies included in the consolidated financial statements in the 2023 financial year was 4,244 (previous year: 3,973), of whom 3,908 (previous year: 3,686) were employed in Germany and 335 (previous year: 287) internationally. There were also 66 (previous year: 63) apprenticeship contracts in Germany on average for the year.

Consolidated personnel expenses amounted to EUR 367.3 million in 2023 (previous year: EUR 365.7 million). Of this figure, EUR 301.8 million was attributable to wages and salaries (previous year: EUR 302.9 million), EUR 46.7 million to social security costs (previous year: EUR 42.6 million) and EUR 18.8 million to pensions (previous year: EUR 20.2 million).

TOTAL REMUNERATION OF THE SUPERVISORY BOARD AND BOARD OF DIRECTORS

The total remuneration amounted to EUR 1.2 million for members of the Supervisory Board (previous year: EUR 1.7 million); EUR 7.3 million for members of the Board of Directors (previous year: EUR 9.0 million) and EUR 3.1 million for former members of the Board of Directors and/or their surviving dependants (previous year: EUR 3.0 million).

The pension reserve set aside for former members of the Board of Directors and their surviving dependants amounts to EUR 56.9 million as at the balance sheet closing date (previous year: EUR 44.4 million).

AUDITORS' FEES

The fees paid to the auditors of the consolidated financial statements in 2023 comprised

expenses for the audit of the annual financial statements in the amount of EUR 1.4 million (previous year: EUR 1.4 million), other attestation services in the amount of EUR 0.2 million (previous year: EUR 0.1 million) and other services of EUR 0.02 million (previous year: EUR 0.0 million).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENT

DISCLOSURE PURSUANT TO SECTION 285 (30) A HGB

Under the law for ensuring a global minimum taxation for corporate groups (Minimum Taxation Act – MinStG) of 21 December 2023 (Federal Law Gazette 2023 I No. 397), effective from 28 December 2023, the regulations principally apply for the first time to fiscal years beginning after 30 December 2023 (see section 101 MinStG).

As a multinational corporate group with a consolidated revenues of more than EUR 750 million, the VHV Group is therefore affected by the minimum taxation regulations: currently business units in at least 19 countries have been identified, of which 13 countries are likely to be considered potential GloBE participant states (see the following list). VHV Vereinigte Hannoversche Versicherung a. G. is the Group parent.

Number	Country	Initial application of Pillar 2
1	Germany	01.01.2024 (DMTT/IIR)/from 2025 UTPR
2	Italy	01.01.2024 (DMTT/IIR)/from 2025 UTPR
3	France	01.01.2024 (DMTT/IIR)/from 2025 UTPR
4	Austria	01.01.2024 (DMTT/IIR)/from 2025 UTPR
5	Turkey	N.A.
6	Luxembourg	01.01.2024 (DMTT/IIR)/from 2025 UTPR
7	Poland	Implementation deadline missed; to be observed whether implemented retroactively: 01/01/2024 (DMTT/IIR)/from 2025 UTPR
8	Belgium	01.01.2024 (DMTT/IIR)/from 2025 UTPR
9	Portugal	Implementation deadline missed; to be observed whether implemented retroactively: 01/01/2024 (DMTT/IIR)/from 2025 UTPR
10	Spain	Implementation deadline missed; draft law: 01.01.2024 (DMTT/IIR)/from 2025 UTPR
11	United Kingdom	01.01.2024 (DMTT/IIR)/from 2025 UTPR
12	Netherlands	01.01.2024 (DMTT)
13	China	N.A.
14	Canada	Planned (draft) 01.01.2024 (DMTT/IIR)/from 2025 UTPR (legislative procedure pending)
15	USA	N.A. (CAM-T)
16	Russia	N.A.
17	Mexico	Intention to implement IIR/UTPR
18	Argentina	N.A.
19	Brazil	N.A.

For the VHV Group, the regulations in Germany and abroad will only come into effect for financial years from 2024, so that there will be no impact on the actual tax expense for 2023. Under section 274 (3) HGB, differences arising from the application of the MinStG and comparable foreign laws cannot be taken into account when calculating deferred taxes.

It is currently assumed the VHV Group will significantly reduce compliance costs and potential tax burden at first by making extensive use of simplification rules ("safe harbours" pursuant to Sections 79 to 81 and 84 to 87 and 89 of the German Minimum Tax Act (MinStG)) and, where applicable, by utilising specific options. This assessment also applies in the event that the minimum taxation would already have been applicable in the 2023 financial year.

The VHV Group is gearing up its processes for the future utilisation of simplification regulations, examining potentially advantageous options, monitoring the legislative process and working on further implementation requirements (e.g. tax compliance, and installing a tax reporting tool).

Special considerations are likely to arise under the MinStG due to the categorisation of WAVE Private Equity SICAV-RAIF, Luxembourg, as a foreign investment entity. For example, this is likely to apply to the requirement for a separate calculation of the effective tax rate in accordance with section 72 MinStG and the examination of options in accordance with sections 73 and 74 MinStG with an impact on the fund's distribution policy. It is still unclear how the legislative process in Luxembourg for the introduction of a national supplementary tax will evolve. Events will be monitored by the VHV Group for any potential implementation requirements. This applies in particular with regard to the safe harbour for recognised national supplementary tax (section 81 MinStG).

REPORT ON EVENTS AFTER THE BALANCE SHEET CLOSING DATE

There were no significant events after the end of the 2023 financial year.

Hanover, 20 March 2024

THE BOARD OF DIRECTORS

Voigt	Bickhoff	Hilbert
Dr Reddemann	Schneider	Stark

INDEPENDENT AUDITOR'S REPORT

To VHV Vereinigte Hannoversche Versicherung a. G.

REPORT ON THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS AND OF THE GROUP MANAGEMENT REPORT

Opinions

We have audited the consolidated financial statements of VHV Vereinigte Hannoversche Versicherung a. G., Hanover, and its subsidiaries (the Group), which comprise the consolidated balance sheet as at 31 December 2023, the consolidated income statement, the consolidated cash flow statement and the consolidated statement of changes in equity for the financial year from 1 January 2023 to 31 December 2023, and notes to the consolidated financial statements, including a summary of significant accounting policies. In addition, we have audited the group management report of VHV Vereinigte Hannoversche Versicherung a. G. for the financial year from 1 January 2023 to 31 December 2023.

In accordance with the German legal requirements, we have not audited the content of the group non-financial statement contained in the "Non-financial statement" section of the group management report.

In our opinion, on the basis of the knowledge obtained in the audit,

- the accompanying consolidated financial statements comply, in all material respects, with the requirements of German commercial law applicable to insurance companies and give a true and fair view of the assets, liabilities and financial position of the Group as at 31 December 2023 and of its financial performance for the financial year from 1 January 2023 to 31 December 2023 in compliance with German legally required accounting principles, and
- the accompanying group management report as a whole provides an appropriate view of the Group's position. In all material respects, this group management report is consistent with the consolidated financial statements, complies with German legal requirements and appropriately presents the opportunities and risks of future development. Our opinion on the group management report does not cover the content of the group non-financial statement referred to above.

Pursuant to Sec. 322 (3) Sentence 1 HGB ["Handelsgesetzbuch": German Commercial Code], we declare that our audit has not led to any reservations relating to the legal compliance of the consolidated financial statements and of the group management report.

Basis for the opinions

We conducted our audit of the consolidated financial statements and of the group management report in accordance with Sec. 317 HGB and the EU Audit Regulation (No 537/2014, referred to subsequently as "EU Audit Regulation") and in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer [Institute of Public Auditors in Germany] (IDW). Our responsibilities under those requirements and principles are further described in the "Auditor's responsibilities for the audit of the consolidated financial statements and of the group management report" section of our auditor's report. We are independent of the group entities in accordance with the requirements of European law and German commercial and professional law, and we have fulfilled our other German professional responsibilities in accordance with these requirements. In addition, in accordance with Art. 10 (2) f) of the EU Audit Regulation, we declare that we have not provided non-audit services prohibited under Art. 5 (1) of the EU Audit Regulation. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinions on the consolidated financial statements and on the group management report.

Key audit matters in the audit of the consolidated financial statements

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the financial year from 1 January to 31 December 2023. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon; we do not provide a separate opinion on these matters.

Below, we describe what we consider to be the key audit matters:

DETERMINATION OF EXPECTED PERMANENT IMPAIRMENT OF OTHER INVESTMENTS CLASSIFIED AS NON-CURRENT ASSETS

Reasons why the matter was determined to be a key audit matter

Investments classified as non-current assets are written down to the lower net realisable value if impairment is expected to be permanent. The Board of Directors must exercise judgement to determine if and to what extent these investments are considered to be permanently impaired.

Significant hidden losses exist, in particular, with regard to shares in investment assets, bearer bonds and other loans recognised under other investments. In light of this, there is a risk for the consolidated financial statements that expected permanent impairment of the aforementioned investments is not identified or that judgement is not exercised appropriately and that the required write-downs to the lower realisable value are not made or not made in the right amount. We therefore consider the determination of expected permanent impairment of the investments classified as non-current assets to be a key audit matter.

Auditor's response

Taking the aforementioned risks into account, we essentially performed our audit of the determination of expected permanent impairment of investments classified as non-current assets as follows:

- We examined the processes implemented to determine expected permanent impairment and its amount. In this respect, we assessed whether the implemented processes were designed appropriately to identify, in compliance with the IDW's professional standards, expected permanent impairment and its amount and whether they were applied systematically.
- For shares in investment assets with hidden losses, in particular special annuity funds, we used a risk-based sample to determine that the required analysis at the level of the individual securities and the assessment of the permanence and amount of any potential impairment were appropriately performed and that any required impairment losses were recognised in the amount required in view of the expected permanent impairment.
- For investments with fixed interest rates and hidden losses, in particular bearer bonds, registered debentures and promissory note loans, we performed substantive audit procedures and assessed, on the basis of evaluations and analyses prepared by the company's executive directors, whether their evaluation of the non-permanence of any impairment was appropriate.
- In this respect, we examined whether any bad debts or significant deteriorations of credit ratings of issuers had arisen with regard to these investments. For this purpose, we assessed the appropriateness of the default risk estimates provided to us.
- In addition, we obtained further estimates from persons responsible for this matter regarding the credit ratings of issuers of these investments.

Our audit procedures did not lead to any reservations regarding the determination of expected permanent impairment for investments classified as non-current assets.

Reference to related disclosures:

The disclosures on the determination of expected permanent impairment of investments classified as non-current assets are included in the "Accounting, valuation and calculation methods" section of the notes to the consolidated financial statements.

VALUATION OF THE GROSS ACTUARIAL RESERVE

Reasons why the matter was determined to be a key audit matter

The gross actuarial reserve is predominantly calculated on the basis of the prospective method in accordance with Sec. 341f HGB and Sec. 25 RechVersV ["Versicherungsunternehmens-Rechnungslegungsverordnung": German Insurance Companies Accounts Regulations] (cash value of future benefits less cash value of future premiums). The gross actuarial reserve is calculated according to the tariff.

For the calculation of the gross actuarial reserve, requirements of German commercial law and supervisory law requirements as well as derived assumptions specific to the company are to be taken into account. These primarily include assumptions on biometrics (e.g., mortality/longevity, occupational disability), on the exercise of policy holder options (cancellation and lump sum options), on costs and on interest on insurance obligations. These are based firstly on the tariff calculation bases of the premium calculation and secondly on current calculation bases. The latter can arise from legal provisions, such as the reference interest rate in accordance with DeckRVV ["Deckungsrückstellungsverordnung": German Actuarial Reserve Ordinance] or from publications by the German Association of Actuaries (DAV), such as a more up-to-date mortality table for longevity risks. company-specific assumptions are also included, such as the probability of cancellation and lump sum options or biometric assumptions that deviate from the tables published by DAV.

In particular, insurance companies also have to consider interest rate obligations to policy holders when creating the gross actuarial reserve, unless the current or expected income from the company's assets is sufficient to cover these obligations ("additional interest rate reserves" or "interest rate increases"). These are reported as part of the gross actuarial reserve.

INDEPENDENT AUDITOR'S REPORT

When calculating the additional interest rate reserve and interest rate increases, the executive directors partially exercise the option of BaFin ["Bundesanstalt für Finanzdienstleistungsaufsicht": German Federal Financial Supervisory Authority] circular "Notes on calculation of the additional interest rate reserve for the new portfolio and allocation to interest rate increases for the old portfolio" from 5 October 2016 (VA 26-FR 3208-2015/0001). In this context, the Board of Directors recognises probabilities of cancellation and lump sum options, the determination of which involves judgement and estimation. In addition, biometric calculation bases with reduced security margins are used that are based on developments in the Group's portfolio observable over several years and that also include room for judgement.

Some of the sub-portfolios were migrated to a new portfolio management system in the reporting year. There is a risk here of insurance contracts and the related portfolio data being transferred incompletely or incorrectly.

We consider the valuation of the gross actuarial reserve to be a key audit matter because it accounts for a significant share of the balance sheet total and because of the judgement and estimates used to calculate the probabilities of cancellation and lump sum options for the additional interest rate reserve or interest rate increases and in the more up-to-date biometric calculation bases.

Auditor's response

Taking the aforementioned risks into account, we essentially performed the audit of the gross actuarial reserve as follows:

- We performed a walkthrough of the processes for calculating the actuarial reserve and assessed the design and operating effectiveness of the material controls in these processes. The tested controls ensure the complete and correct recognition of the insurance portfolio and its correct valuation.
- By reconciling the portfolio management systems with the general ledger, we checked whether the procedures ensure the completeness and correctness of the portfolio.

- We then analysed the actuarial reserve via a projection based on the sources of profit over the past years and the current portfolio development and compared this analysis with the values in the balance sheet. In addition, we examined the development of the actuarial reserve via key figures and time series analysis.
- Moreover, we recalculated the standard actuarial reserve and the additional interest rate reserve/interest rate increases for sub-portfolios or contracts selected on the basis of risk and compared the results to the calculations of the company's executive directors. To assess the traceability of the probabilities of cancellation and lump sum options as well as the more up-to-date company-specific biometric assumptions (relief) for the calculation of the additional interest rate reserve and interest rate increases, we evaluated the derivation on the basis of historical and current portfolio development, sources of profit and the Board of Directors' expectations of policy holders' future behaviour. In our assessment of the appropriateness of the calculation bases used, we also made particular use of the recommendations and publications of DAV and BaFin. In this context, we carried out a detailed review of the explanatory report and the appropriateness report of the company's assigned actuary and the results of the annual forecast calculation in accordance with BaFin requirements to determine whether all risks were accounted for in the valuation of the actuarial reserve with regard to the appropriateness of the calculation bases and the ability to satisfy insurance policies in the long term.
- We verified that the control and reconciliation procedures for data migration are appropriate and suitable for ensuring the complete and correct migration of the portfolio data.

We used in-house specialists with actuarial knowledge in our audit. Our audit procedures did not lead to any reservations regarding the valuation of the gross actuarial reserve.

Reference to related disclosures

The disclosures on the principles for the valuation of the gross actuarial reserve and the probabilities of cancellation and lump sum options and biometric assumptions contained therein are included in the "Accounting, valuation and calculation methods" section of the notes to the consolidated financial statements.

VALUATION OF THE GROSS RESERVE FOR PARTIAL LOSSES FOR INSURANCE CLAIMS NOT YET PROCESSED IN DIRECT-WRITTEN INSURANCE TRANSACTIONS

Reasons why the matter was determined to be a key audit matter

The gross reserve for insurance claims not yet processed in direct-written insurance transactions reported in the consolidated financial statements is primarily divided into gross reserves for partial losses for known claims and incurred but not reported (IBNR) claims, the valuation of which is guided by the provisions of Sec. 341g HGB.

The gross reserve for partial losses for known claims is valued individually per claim at the amount of the expected expenditure and is based on the knowledge and information as at the closing date and the history of similar claims.

The gross reserve for partial losses for IBNR claims is predominantly determined using actuarial procedures on the basis of historical data (claim numbers and claim averages), the current portfolio development and observations of claim reports in the financial year. The expected expenses for insurance claims for both reserves for partial losses are estimated in accordance with the principle of prudence under Sec. 341e (1) Sentence 1 HGB.

Due to the required estimates and assumptions, there are uncertainties in the valuation of the two gross reserves for partial losses and thus room for discretion. This particularly relates to the gross reserve for partial losses for known claims in the liability segments due to the relatively long settlement period and the gross reserve for partial losses for IBNR claims. There is therefore a risk that the gross reserve for insurance claims not yet processed as a whole and in the individual insurance segments (especially in the liability segments) is not sufficient. In addition, the gross reserve for insurance claims not yet processed makes up a relatively large share of the balance sheet total. This is therefore a key audit matter.

Due to the low degree of judgement, the key audit matter does not relate to the annuity reserves included in gross reserves for insurance claims not yet processed and reserves for loss adjustment expenses.

Auditor's response:

Taking the aforementioned risks into account, we essentially performed our audit of the gross reserve for partial losses for insurance claims not yet processed as follows:

- We examined the procedures for processing claims and calculating the gross reserve for insurance claims not yet processed by tracking the processing of individual claims from the claim report to recognition in the consolidated financial statements. In this regard, we tested and assessed the appropriateness and operating effectiveness of the material internal controls implemented within these processes to ensure measurement is carried out correctly.
- In addition, we assessed the underlying procedures and methods used in the valuation of the gross reserve for partial losses for known and IBNR claims to determine whether they are suitable for ensuring that the reserve is calculated in a sufficient amount. We also verified whether the inputs underlying the estimate were transparently derived and whether the resulting gross reserve for partial losses was transparently calculated.
- Furthermore, by way of a deliberately sample of individual known claims for various insurance segments (especially the liability segments) and types on the basis of the claim file, we mainly examined whether the respective reserves were sufficient at the balance sheet closing date given the information and knowledge available.
- With regard to whether the gross reserve for insurance claims not yet processed as a whole is sufficient, we carried out our own claim projections for the three largest insurance segments and types on the basis of mathematical-statistical methods. We compared our best estimate with the recognised gross reserve for insurance claims not yet processed.
- Furthermore, we assessed whether the gross reserves for partial losses for insurance claims not yet processed in previous years was sufficient according to current knowledge to cover the actual claims incurred and thus to obtain indications of the appropriateness of past estimates ("target/actual comparison").
- The subject of the audit of the calculation of the gross reserve for partial losses for IBNR claims was the transparent derivation of the parameters used by the company's executive directors to estimate the reserve for late claims in the financial year (especially the number of claims and average amount claimed).

INDEPENDENT AUDITOR'S REPORT

We used in-house specialists with actuarial knowledge in our audit.

Our audit procedures did not lead to any reservations regarding the valuation of the gross reserve for insurance claims not yet processed.

Reference to related disclosures:

The disclosures on the valuation of the gross reserve for partial losses for insurance claims not yet processed are included in the "Accounting, valuation and calculation methods" section of the notes to the consolidated financial statements.

Other information

The Supervisory Board is responsible for the report of the Supervisory Board. In all other respects, the executive directors are responsible for the other information. The other information comprises additional parts of the annual report of which we obtained a copy prior to issuing this auditor's report, in particular the Board of Directors' report on business performance in the preface to the annual report, the group structure presented before the preface to the annual report, the key performance indicators and the glossary as well as the report of the Supervisory Board, but not the consolidated financial statements, not the management report disclosures whose content is audited and not our auditor's report thereon.

Our opinions on the consolidated financial statements and on the group management report do not cover the other information, and consequently we do not express an opinion or any other form of assurance conclusion thereon.

In connection with our audit, our responsibility is to read the other information and, in so doing, to consider whether the other information

- is materially inconsistent with the consolidated financial statements, with the group management report or our knowledge obtained in the audit, or
- otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the executive directors and the Supervisory Board for the consolidated financial statements and the group management report

The executive directors are responsible for the preparation of consolidated financial statements that comply, in all material respects, with the requirements of German law commercial applicable to insurance companies, and that the consolidated financial statements give a true and fair view of the assets, liabilities, financial position and financial performance of the Group in compliance with German legally required accounting principles. In addition, the executive directors are responsible for such internal control as they have determined necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud (i.e., fraudulent financial reporting and misappropriation of assets) or error.

In preparing the consolidated financial statements, the executive directors are responsible for assessing the Group's ability to continue as a going concern. They also have the responsibility for disclosing, as applicable, matters related to going concern. In addition, they are responsible for financial reporting based on the going concern basis of accounting unless there is an intention to liquidate the Group or to cease operations, or there is no realistic alternative but to do so.

Furthermore, the executive directors are responsible for the preparation of the group management report that, as a whole, provides an appropriate view of the Group's position and is, in all material respects, consistent with the consolidated financial statements, complies with German legal requirements, and appropriately presents the opportunities and risks of future development. In addition, the executive directors are responsible for such arrangements and measures (systems) as they have considered necessary to enable the preparation of a group management report that is in accordance with the applicable German legal requirements, and to be able to provide sufficient appropriate evidence for the assertions in the group management report.

The Supervisory Board is responsible for overseeing the Group's financial reporting process for the preparation of the consolidated financial statements and of the group management report.

Auditor's responsibilities for the audit of the consolidated financial statements and of the group management report

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and whether the group management report as a whole provides an appropriate view of the Group's position and, in all material respects, is consistent with the consolidated financial statements and the knowledge obtained in the audit, complies with the German legal requirements and appropriately presents the opportunities and risks of future development, as well as to issue an auditor's report that includes our opinions on the consolidated financial statements and on the group management report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Sec. 317 HGB and the EU Audit Regulation and in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer (IDW) will always detect a material misstatement. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements and this group management report.

We exercise professional judgment and maintain professional scepticism throughout the audit. We also

- Identify and assess the risks of material misstatement of the consolidated financial statements and of the group management report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinions. The risk of not detecting a material misstatement resulting from fraud is higher than the risk of not detecting a material misstatement resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit of the consolidated financial statements and of arrangements and measures (systems) relevant to the audit of the group management report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of these systems.
- Evaluate the appropriateness of accounting policies used by the executive directors and the reasonableness of estimates made by the executive directors and related disclosures.
- Conclude on the appropriateness of the executive directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in the auditor's report to the related disclosures in the consolidated financial statements and in the group management report or, if such disclosures are inadequate, to modify our respective opinions. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to be able to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements present the underlying transactions and events in a manner that the consolidated financial statements give a true and fair view of the assets, liabilities, financial position and financial performance of the Group in compliance with the applicable German legal requirements.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express opinions on the consolidated financial statements and on the group management report. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinions.
- Evaluate the consistency of the group management report with the consolidated financial statements, its conformity with [German] law, and the view of the Group's position it provides.
- Perform audit procedures on the prospective information presented by the executive directors in the group management report. On the basis of sufficient appropriate audit evidence we evaluate, in particular, the significant assumptions used by the executive directors as a basis for the prospective information, and evaluate the proper derivation of the prospective information from these assumptions. We do not express a separate opinion on the prospective information and on the assumptions used as a basis. There is a substantial unavoidable risk that future events will differ materially from the prospective information.

INDEPENDENT AUDITOR'S REPORT

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with the relevant independence requirements, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence and where applicable, the related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter.

OTHER LEGAL AND REGULATORY REQUIREMENTS

Further information pursuant to Art. 10 of the EU Audit Regulation We were elected as group auditor by the General Meeting on 5 July 2023. The Supervisory Board engaged us by letter dated 31 August 2023. We have been the group auditor of VHV Vereinigte Hannoversche Versicherung a. G. without interruption since financial year 2018.

We declare that the opinions expressed in this auditor's report are consistent with the additional report to the audit committee pursuant to Art. 11 of the EU Audit Regulation (long-form audit report).

In addition to the financial statement audit, we have provided to group entities the following services that are not disclosed in the consolidated financial statements or in the group management report:

- Voluntary financial statement audits
- Review of compliance with regulatory requirements of a subsidiary
- Review of the non-financial statement
- Performing a market comparison of asset management fees
- Attestation services for statutory reports to third parties.

GERMAN PUBLIC AUDITOR RESPONSIBLE FOR THE ENGAGEMENT

The German Public Auditor responsible for the engagement is Matthias Zeitler.

Hanover, 27 March 2024

EY GMBH & CO. KG WIRTSCHAFTSPRÜFUNGSGESELLSCHAFT

Zeitler
Wirtschaftsprüfer
[German Public Auditor]

Offizier
Wirtschaftsprüfer
[German Public Auditor]

REPORT OF THE SUPERVISORY BOARD VHV VEREINIGTE HANNOVERSCHE VERSICHERUNG a. G. / GROUP

In the 2023 financial year, the Supervisory Board performed the tasks incumbent upon it by law and the articles of association, and monitored and advised the management of the company on an ongoing basis.

The Board of Directors reported to the Supervisory Board on a regular basis, promptly and comprehensively regarding performance, the position of the affiliates and of the participating interests, basic issues of company governance, corporate planning, the risk situation, and regarding the Group's intended business policy. The Chairman of the Supervisory Board was in constant contact with the Chairman of the Board of Directors, and was reported to continuously and immediately regarding all transactions of particular importance in the Group. He engaged in regular work discussions with the Chairman of the Board of Directors in the interests of a constant exchange of information and opinions between the Supervisory Board and the Board of Directors.

The Supervisory Board met four times during the last financial year. Key policy issues, individual issues, the strategies of the affiliates, the economic situation including the risk situation and risk management and the development of the project to modernise the IT application systems in the property-casualty, life and finance segments were the subject matter of these meetings.

MAJOR FOCAL ISSUES

Development of the Group

At the meetings, the Board of Directors reported on an ongoing basis on the performance of investments and the technical performance of the insurance companies and the performance of the other affiliated companies of VHV a. G. The developments in the major segments of property-casualty insurance transactions and in life insurance in Germany and abroad were explained by the Board of Directors, as was the development of the internal productivity and quality parameters. The meetings also discussed the considerations of the Board of Directors regarding merger, partnership and acquisition efforts.

Given the ongoing consequences of the geopolitical, demographic, technological and economic shifts which are having a major impact on the insurance industry, discussion were carried out on the possible effects on the VHV Group's business segments as a result.

Other key issues

- Honing the Group strategy for composite life and investments
- Internationalisation of the VHV Group – Deliberations on the Group structure
- Business performance of VHV International
- Impact of the earthquakes in Turkey
- Status of IT and digitalisation projects
- Strategic marketing and image of the VHV brands
- Reinsurance strategy and programme 2024
- Value performance of material participations and goodwill accounting
- IT cost forecast
- Key qualitative and quantitative points in corporate planning for 2024

WORK OF THE COMMITTEES

Of the committees formed by the members of the Supervisory Board, the IT/Digitalisation Committee met on three occasions while the Human Resources and Nomination Committee and the Risk and Audit Committee each met twice. The Supervisory Board was informed about the results of the meetings.

CHANGES TO THE SUPERVISORY BOARD

Dr Peter Lütke-Bornefeld stepped down as Chairman of the Supervisory Board on 5 July 2023. The Supervisory Board would like to thank Dr Lütke-Bornefeld for his many years of success in this capacity.

Dr Peter Lütke-Bornefeld was elected Honorary Chairman on 5 October 2023.

Mr Uwe H. Reuter was elected Chairman of the Supervisory Board on 5 July 2023. We wish Mr Uwe H. Reuter every success in his new role.

Dr Josef Adersberger was appointed to the Supervisory Board as an ordinary member with effect from 9 March 2024. We wish Dr Adersberger every success in his new role and look forward to working with him.

AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements and Group management report for the financial year from 1 January to 31 December 2023, including the accounting system, were audited by EY GmbH & Co. KG Wirtschaftsprüfungsgesellschaft and issued with an unrestricted audit opinion. The Audit Committee of the Supervisory Board of VHV a. G. discussed and reviewed the consolidated financial statements and the Group management report for 2023, including the non-financial statement, together with the Board of Directors and the auditor. No reservations were raised. The Committee reported the results to the Supervisory Board. The consolidated financial statements prepared by the Board of Directors for the year ended 31 December 2023 have been approved by the Supervisory Board.

Hanover, 17 April 2024

THE SUPERVISORY BOARD

Reuter
Chairman

Lange
Deputy Chairman

Dr Adersberger

Dr Birtel

Bürkle

Rössler

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