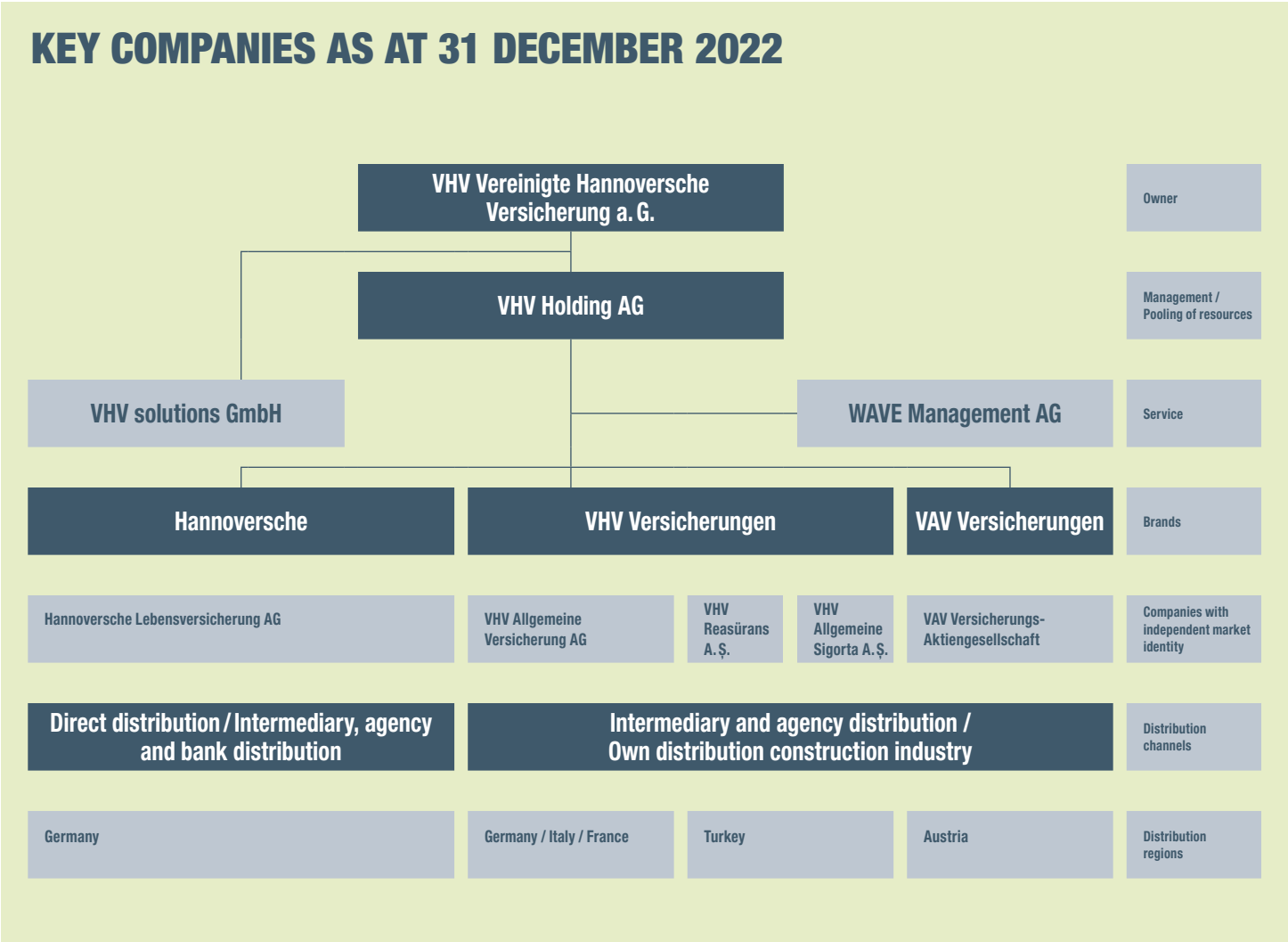


# ANNUAL REPORT 2022

# GROUP STRUCTURE

## KEY COMPANIES AS AT 31 DECEMBER 2022



# ANNUAL REPORT 2022



**VHV GROUP**

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

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
CMS	Compliance-Management-System
CRO	Chief Risk Officer
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
EC	Extended coverage
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)
EstG	Income Tax Act
EU	European Union
Eucon GmbH	Eucon GmbH, Münster
EUR'000	Thousand euros
e.V.	eingetragener Verein (registered association)
Fed	Federal Reserve System

**LIST OF ABBREVIATIONS**

<b>FMA</b>	Austrian Financial Market Authority, Vienna
<b>GDP</b>	Gross domestic product
<b>GDV</b>	Gesamtverband der Deutschen Versicherungswirtschaft e.V. (German Insurance Association), Berlin
<b>GmbH</b>	Gesellschaft mit beschränkter Haftung (limited liability company)
<b>HDB</b>	Hauptverband der Deutschen Bauindustrie e.V. (German Construction Industry Federation), Berlin
<b>HGB</b>	German Commercial Code
<b>HL</b>	Hannoversche Lebensversicherung AG, Hanover
<b>HRB</b>	Commercial register section B
<b>HUR</b>	Liability and accident annuities
<b>IBR</b>	Internal investment guidelines
<b>ICS</b>	Internal control system
<b>IDD</b>	Insurance Distribution Directive
<b>IDW</b>	Institut der Wirtschaftsprüfer (Institute of Public Auditors in Germany)
<b>IE</b>	Infrastructure equity
<b>InterEurope AG</b>	InterEurope AG European Law Service, Düsseldorf
<b>InterEurope Beteiligung</b>	InterEurope Beteiligung GmbH, Hanover
<b>IRCF</b>	Independent risk controlling function
<b>IT</b>	Information technology
<b>KfW</b>	Kreditanstalt für Wiederaufbau, Frankfurt am Main
<b>MGA</b>	Managing General Agent
<b>OHM</b>	Occupational health management programme
<b>ORSA</b>	Own Risk and Solvency Assessment
<b>PE</b>	Private equity
<b>Pensionskasse</b>	Pensionskasse der VHV-Versicherungen, Hanover
<b>PLC</b>	Property, liability and casualty insurance
<b>R.C. Décennale</b>	Responsabilité Civile Décennale
<b>RechVersV</b>	Ordinance on accounting by insurance companies (German Insurance Companies Accounts Regulations)
<b>RfB</b>	Reserves for premium refunds

## LIST OF ABBREVIATIONS

<b>S.r.l.</b>	Società a responsabilità limitata
<b>S&amp;P</b>	Standard & Poor's
<b>SICAV</b>	Société d'investissement à capital variable
<b>SIF</b>	Specialised Investment Fund
<b>SMEs</b>	Small and medium-sized enterprises
<b>SWRV</b>	Austrian Equalisation Reserve Regulation
<b>US</b>	United States
<b>USA</b>	United States of America
<b>USD</b>	US dollar
<b>VAG</b>	Act on the supervision of insurance companies (Insurance Supervisory Act)
<b>VAV</b>	VAV Versicherungs-Aktiengesellschaft, Vienna/Austria
<b>VHV a.G.</b>	VHV Vereinigte Hannoversche Versicherung a.G., Hanover
<b>VHV Allgemeine</b>	VHV Allgemeine Versicherung AG, Hanover
<b>VHV Assurance France</b>	VHV Assurance France, Paris/France
<b>VHV digital development</b>	VHV digital development GmbH, Hanover
<b>VHV digital services</b>	VHV digital services AG, Hanover
<b>VHV Group</b>	VHV Vereinigte Hannoversche Versicherung a.G./Group, Hanover
<b>VHV Holding</b>	VHV Holding AG, Hanover
<b>VHV Re</b>	VHV Reasürans A.Ş., Istanbul/Turkey
<b>VHV Sigorta</b>	VHV Allgemeine Sigorta A.Ş., Istanbul/Turkey
<b>VHV solutions</b>	VHV solutions GmbH, Hanover
<b>VMF</b>	Actuarial Function
<b>VVG</b>	Act on insurance contracts (Insurance Contract Act)
<b>VVH</b>	VVH Versicherungsvermittlung Hannover GmbH, Hanover
<b>WAVE</b>	WAVE Management AG, Hanover
<b>ZDB</b>	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 expenses 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.

### 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.

\*) 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.

# GLOSSARY

## 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 financial 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.

## 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 financial 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 financial 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.

# GLOSSARY

## 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.

### **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 HANNOVERSICHE

### VERSICHERUNG a. G.

As the Group parent company, VHV a.G. hereby presents the consolidated financial statements and the Group management report dated 31 December 2022.

#### 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 think and act strategically over the long term and not to focus its entrepreneurial activities on short-term shareholder value.

Through a constant process of improvement, the VHV Group aims to operate more flexibly and in a more customer-focused manner on the market than the competition. The Group is characterised by modern structures, 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 submarkets. **VHV Holding** controls the Group's strategic development and direction and monitors the progress of the operating units.

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.

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.

Germany's first direct insurer, **HL**, has been on the market as a specialist for insurance policies, provisions and assets since 1875. 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.

**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.

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

**VHV Re** primarily conducts facultative reinsurance business in Turkey.

**VHV solutions**, the Group's central service company, bundles all the processes of contract processing and claims handling, especially for VHV Allgemeine, as well as responsibility for all aspects of information technology. At an organisational level, steps are being taken to spin off information technology from VHV solutions and centralise it at the newly founded **VHV digital development** during the course of 2023. This allows the VHV Group to design these processes more efficiently.

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

The **Eucon Group** helps companies in the automotive, insurance and real estate industries to digitalise their processes, use data to generate value and realise 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<sup>\*)</sup>

##### 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<sup>\*)</sup>

#### AVIATION INSURANCE<sup>\*)</sup>

<sup>\*)</sup> Only in insurance transactions assumed in reinsurance coverage

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

<b>2. In life insurance:</b>
<b>INDIVIDUAL CAPITAL INSURANCE</b>
Term insurance with fixed sum insured
Partner term insurance with fixed sum insured
Term insurance with decreasing sum insured
Term insurance with redemption plan
Funeral expenses insurance
<b>INDIVIDUAL ANNUITY INSURANCE</b>
Immediately commencing and deferred annuity insurance
Immediately commencing and deferred basic annuity in accordance with section 10 Article 1 no. 2 b of the Income Tax Act
Annuity insurance as private pension plan according to AltZertG
<b>GROUP INSURANCE</b>
Group term insurance with fixed sum insured
Deferred group annuity insurance
<b>FUND-LINKED ANNUITY INSURANCE AS INDIVIDUAL INSURANCE</b>
Deferred fund-linked annuity insurance with guaranteed protection in case of death
<b>CAPITALISATION TRANSACTIONS</b>
Investment for one year
Payment plan
<b>INSURANCE FOR INCOME GUARANTEES</b>
Occupational disability insurance for payment of an annuity at the time the occupational disability occurs
Work incapacity insurance for payment of an annuity at the time the work incapacity occurs
<b>SUPPLEMENTARY INSURANCE</b>
Supplementary accident insurance for capital benefit in the case of death by accident
Supplementary occupational disability insurance for exemption from premium payment at the time the occupational disability occurs
Supplementary insurance for survivors' annuity in the case of death of the primary insured person

# CONSOLIDATED MANAGEMENT REPORT

## REPORT ON ECONOMIC POSITION

### Macroeconomic trends

The world economy was faced with historically high inflation and declining growth in 2022. The Russian invasion of Ukraine put further pressure on supply chains that were already strained. A significant reduction in gas deliveries from Russia led to rising prices for all energy sources, while food and various other goods also became considerably more expensive.

Government aid programmes helped to curb some of the negative consequences. The lifting of most of the COVID-19 restrictions in the euro area over the course of the year also had a positive impact on economic development. Despite this, growth in global GDP slowed to 3.1 % in 2022 after 5.9 % in the previous year. GDP in the USA increased by 1.8 % in 2022, while euro area GDP rose by 1.9 %. At 1.9 %, economic growth in Germany in 2022 was slower than in France (2.6 %), Italy (3.9 %) and Spain (5.5 %). The Turkish economy benefited from the fact that the central bank continued to pursue an extremely expansionary policy, although currency depreciation and high inflation weighed on the country's performance. The two leading Asian economies, Japan and China, saw GDP growth of 1.7 % and 3.0 % respectively in 2022.

Inflation leapt to historically high levels in 2022. The euro area reported an inflation rate of 8.4 % for the year as a whole, while average inflation in Germany was 7.9 %. Prices saw similar development in France (+6 %), Italy (+8.7 %) and Spain (+5.7 %). The US inflation rate increased to 8.7 %.

The core inflation rate in the euro area – not including energy and food – amounted to 5.2 % at the end of the year.

### Capital markets

Many central banks responded to the dramatic rise in inflation by tightening their monetary policy. The ECB raised its key interest rate for the euro area by a total of 250 basis points in several steps over the course of the year. As a result, 10-year German government bonds saw volatile yield growth from –0.18 % to 2.57 %. The interest rate rises had a more pronounced impact on bonds with shorter terms to maturity. Two-year German government bond yields increased from –0.62 % to 2.76 % over the course of the year, resulting in yield curve inversion. The yield on 10-year US bonds ranged between 1.51 % and

4.33 %. At the end of the year, the yield on 10-year US bonds was 3.88 %, 236 basis points higher than one year previously.

The global stock markets saw volatile development and closed the year with negative performance, although they succeeded in clawing back some of the losses that reached as high as –25 % during the course of 2022. The DAX fell by 12.4 %, while the EuroStoxx50 declined by 11.7 %. The Dow Jones Industrial fell by 8.8 %, while the S&P 500 ended the year down 19.4 %.

The euro depreciated against the US dollar over the course of the year, starting the year at USD 1.14 and ending it at USD 1.07 having briefly fallen below parity.

### Insurance sector environment

According to the projection published by the German Insurance Association (GDV) as at November, premium growth of 4.0 % and a decrease in business-year claims expenditure of 5.6 % can be expected in direct property-casualty insurance transactions in Germany in the 2022 financial year.

The combined ratio will be around 95 % for the 2022 financial year and thus lower than in the previous year.

In motor vehicle insurance, the GDV forecasts moderate growth in premium revenues of 1.0 % and an increase in business-year claims expenditure of 7.6 %. The significant increase in expenses for insurance claims is attributable to the liability and fully comprehensive insurance segment (motor vehicle liability insurance: +12.0 %, fully comprehensive insurance: +4.0 %, partially comprehensive insurance: –12.5 %). According to the GDV, it is the result of a substantial rise in the claim average for 2022 on the back of high inflation, the continued dynamic growth in motor vehicle spare part prices, and bottlenecks affecting workshops and hire cars in particular. Assuming that the settlement result declines slightly due to increased reserves for existing losses and that the expense ratio remains unchanged, the GDV forecasts that motor vehicle insurance as a whole would see a technical result of around EUR –200 million (previous year: around EUR 1.5 billion) and a combined ratio of 101 % (previous year: 94.8 %).

In property insurance and general liability insurance, the GDV is forecasting a substantial increase in premium revenues of 7.6 % and 3.5 % respectively, while premium revenues in general accident insurance

are expected to rise by 0.5 % as the number of insurance contracts decreases. Following the record year for natural hazards in 2021 and with the impact of major fire claims being below-average, expenses for insurance claims in property insurance are expected to decline significantly by 25.7 % in 2022. Accordingly, the GDV is forecasting a considerable improvement in the combined ratio to around 98 % (previous year: 129.0 %).

In loan, surety and fidelity insurance, a substantially higher combined ratio of around 70 % is forecast in 2022 (previous year: 55.7 %) despite the 9.5 % increase in premium revenues. According to the GDV, this is due to the expiry of support measures in the form of the guarantee coverage at federal government level, which led to a pronounced increase in expenses for insurance claims (+45.0 %).

As a special insurer of the construction industry, VHV Allgemeine has a keen interest in the economic situation and development of the construction industry. According to their statistical forecast from December, the German construction industry and German construction trades are assuming growth in sales of 9.0 % in 2022, although this is set to be accompanied by an above-average increase of 15.4 % in the price of construction services over the course of the year. In residential construction, sales are expected to increase by 9.6 % overall in 2022. Compared with the previous year, sales are expected to increase by 9.5 % in commercial construction and by 7.7 % in public sector construction.

According to preliminary figures published by the GDV in January 2023, gross premiums written in life insurance declined in the 2022 financial year. A downward trend in contracts is emerging compared with the level in 2022, whereas regular premiums for one year increased slightly.

Gross premiums written declined by 7.0 % compared with 2021 to EUR 92.7 billion, of which EUR 64.3 billion related to regular premiums (+0.8 %) and EUR 28.5 billion to one-off premiums (–20.8 %). The number of new insurance contracts fell by 10.8 % year-on-year to 4.3 million. The regular premiums for one year for these new contracts fell by 2.7 % to EUR 6.2 billion. One-off premiums paid declined by 21.2 % to EUR 28.0 billion.

The number of eligible new Riester contracts fell by 59.9 % compared with 2022 to a total of 0.1 million contracts. The regular premiums for all new Riester pensions totalled EUR 0.3 billion (–42.1 %). The vast

majority of the Riester contracts (88.1 %) were concluded as individual hybrid insurance policies with guarantees, a further 8.1 % were concluded as traditional individual insurance policies, and only 0.1 % were concluded as wholly fund-linked individual annuity insurance policies.

0.1 million basic annuities were newly concluded in 2022 (+15.7 %). Despite the relatively low number of contracts (around 45,000), capitalisation transactions (including tontine policies) again made a significant contribution of EUR 5.9 billion (or 21.0 %) to insurers' new one-off premiums.

In terms of the annual premium equivalent, annuity insurance generated 69.4 % of the total new business of life insurers (previous year: 71.2 %).

### Group performance

- Consolidated net income down significantly year-on-year and below expectations
- In property-casualty insurance, VHV Allgemeine saw growth in existing contracts that was slightly above the market average accompanied by premium growth that was slightly below the market average taking into account the composition of its portfolio, whereas VAV recorded contract and premium growth that was well above the market level
- In life insurance, contract numbers and regular premiums declined year-on-year due to new term life insurance business that was lower than forecast and down on the previous year. Growth in existing contracts above the market average and regular premiums up slightly on the previous year
- The net interest return on investments was higher than anticipated. Interest rate developments meant that hidden reserves were considerably lower than forecast
- Development of digitalisation projects largely in line with expectations with the exception of the goDIGITAL.KOMPOSIT Release 2 project

The Group reported consolidated net income for the year of EUR 177.0 million (previous year: EUR 289.8 million). This meant that the company's financial resources were also strengthened further in the interests of our policy holders.

# CONSOLIDATED MANAGEMENT REPORT

In property-casualty insurance business, a technical result for own account of EUR 141.4 million (previous year: EUR 238.8 million) was achieved. The decrease was primarily due to the result generated by VHV Allgemeine.

The increase in the number of insurance contracts and the growth in premiums at VHV Allgemeine accompanied by largely stable average premiums was in line with our expectations. The operating result declined as expected.

VAV exceeded expectations in terms of growth. Premiums earned increased significantly in 2022. The combined ratio improved considerably compared with the previous year. However, the absence of major claims led to a substantial reduction in the reinsurance coverage concluded, meaning that the net combined ratio remained largely unchanged year-on-year. The operating result increased significantly due to the reversal of the equalisation reserve.

The financial year for VHV Re was characterised by slight premium growth in line with the previous year's expectations.

The life insurance business closed with a technical result of EUR 90.1 million (previous year: EUR 77.1 million). The increase in the technical result is primarily attributable to the improved result of HL. In total, the technical result for own account was EUR 231.5 million (previous year: EUR 315.9 million).

## PORTFOLIO DEVELOPMENT FOR DIRECT-WRITTEN INSURANCE TRANSACTIONS

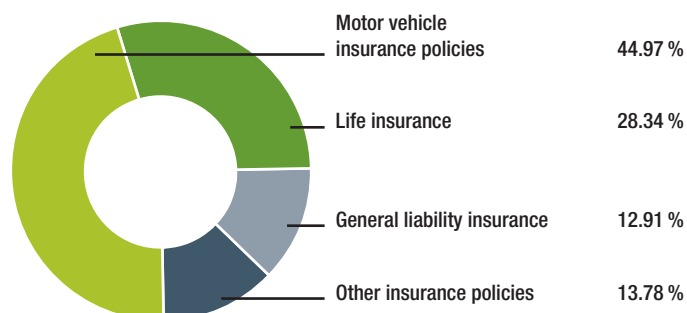
	NUMBER OF CONTRACTS			PREMIUMS EARNED		
	31.12.2022 Number	31.12.2021 Number	Change	2022 EUR'000	2021 EUR'000	Change
Accident insurance	586,364	517,554	13.3 %	58,927	52,899	11.4 %
Liability insurance	1,712,081	1,695,490	1.0 %	465,187	434,168	7.1 %
Motor vehicle liability insurance	3,628,927	3,615,970	0.4 %	953,057	952,668	0.1 %
Other motor vehicle insurance	2,892,388	2,853,893	1.3 %	650,368	639,023	1.8 %
Fire and property insurance	1,086,568	1,029,837	5.5 %	265,166	223,816	18.5 %
of which:						
Associated household contents insurance	491,349	489,937	0.3 %	51,938	50,481	2.9 %
Associated residential building insurance	151,350	131,743	14.9 %	63,925	54,536	17.2 %
Other property insurance	386,702	354,322	9.1 %	116,324	98,744	17.8 %
of which: Technical insurance	97,315	81,245	19.8 %	76,602	62,745	22.1 %
Loan and surety insurance	63,957	61,211	4.5 %	111,526	104,989	6.2 %
Legal expenses insurance	36,960	35,003	5.6 %	4,610	4,182	10.2 %
Transportation service insurance	1,383,380	1,359,811	1.7 %	14,079	13,543	4.0 %
Other insurance	77,928	65,600	18.8 %	14,073	10,457	34.6 %
<b>Total property-casualty</b>	<b>11,468,553</b>	<b>11,234,369</b>	<b>2.1 %</b>	<b>2,536,993</b>	<b>2,435,745</b>	<b>4.2 %</b>
<b>Total life insurance</b>	<b>1,113,935</b>	<b>1,095,779</b>	<b>1.7 %</b>	<b>1,054,609</b>	<b>1,059,393</b>	<b>-0.5 %</b>
<b>Total for the VHV Group</b>	<b>12,582,488</b>	<b>12,330,148</b>	<b>2.0 %</b>	<b>3,591,602</b>	<b>3,495,138</b>	<b>2.8 %</b>

# CONSOLIDATED MANAGEMENT REPORT

## RESULTS OF OPERATIONS

Gross premiums earned for the Group amounted to a total of EUR 3,720.8 million (previous year: EUR 3,616.0 million).

**PREMIUMS EARNED**  
(share in %)



Gross premiums earned were generated in the amount of EUR 3,591.6 million (previous year: EUR 3,495.1 million) in direct-written insurance transactions and EUR 129.2 million (previous year: EUR 120.9 million) in insurance transactions assumed in reinsurance coverage. Including the reinsurance premiums ceded of EUR 156.9 million (previous year: EUR 131.7 million), the premiums for own account amounted to EUR 3,563.9 million (previous year: EUR 3,484.3 million). This corresponded to a retention ratio of 95.8 % (previous year: 96.4 %).

Expenses for the Group's insurance operations amounted to 18.2 % of gross premiums earned (previous year: 17.6 %).

The net result from investments amounted to EUR 560.2 million (previous year: EUR 537.8 million), resulting in net interest of 3.2 % (previous year: 3.1 %). Current average interest increased to 3.1 % (previous year: 2.9 %).

Current income from investments increased by 7.7 % to EUR 571.6 million (previous year: EUR 530.4 million). This was due to income from miscellaneous investments, which was up significantly on the previous year at EUR 262.5 million (previous year: EUR 123.0 million).

Gains from the divestiture of investments increased in comparison with the previous year, from EUR 35.5 million to EUR 39.5 million.

At EUR 2.0 million, losses from the divestiture of investments were EUR 0.3 million higher than in the previous year.

Appreciation declined by EUR 9.8 million to EUR 4.5 million, while write-downs increased by EUR 8.5 million to EUR 25.5 million.

Write-downs in the amount of EUR 1,260.9 million (previous year: EUR 8.9 million) were avoided due to the valuation of investment assets and bearer bonds with a total carrying amount of EUR 10,953.1 million (previous year: EUR 9,114.7 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 2,666.2 million (previous year: EUR 2,556.6 million). Of this figure, EUR 2,537.0 million related to direct-written insurance transactions (previous year: EUR 2,435.7 million) and EUR 129.2 million to transactions assumed in reinsurance coverage (previous year: EUR 120.9 million).

Net premiums earned for own account for the overall business increased by 3.4 % year-on-year to EUR 2,516.2 million (previous year: EUR 2,432.3 million).

The business-year claims ratio in direct-written insurance transactions increased from 80.3 % in the previous year to 83.7 % in the financial year. Although we anticipated an increase in expenses for insurance claims, the extent of this development was higher than expected due to the sharp rise in inflation. Accordingly, the increase in the business-year claims ratio was attributable to higher average claims. This meant that the reported claims ratio in direct-written insurance transactions rose from 68.2 % in the previous year to 74.6 % in the financial year.

In the financial year, the operating costs ratio of direct-written insurance transactions increased from 21.5 % in the previous year to 21.8 %. This was due in part to the higher level of management expenses.

Taking into account the increase in the business-year claims ratio and the lower settlement result compared with the previous year, the combined ratio in direct-written insurance transactions increased from 89.7 % in the previous year to 96.4 % in the financial year.

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 13.3 % to 586,364 (previous year: 517,554). In addition, the positive premium growth of previous years continued thanks to competitive products and a product-oriented acceptance policy. Premiums earned increased by 11.4 % (previous year: 7.9 %) to EUR 58.9 million (previous year: EUR 52.9 million), thereby meeting our expectations.

Expenditure for business-year claims increased by 10.7 %. This is due to the higher number of claims (25.3 %). The business-year claims ratio improved by 0.2 percentage points to 62.9 % (previous year: 63.1 %). Taking into account the positive settlement result at below the prior-year level and the higher operating costs ratio, the combined ratio amounted to 84.8 % (previous year: 76.8 %).

Following an addition to the equalisation reserve of EUR 885 thousand (previous year: withdrawal of EUR 21 thousand), a technical result for own account of EUR 7.5 million (previous year: EUR 12.1 million) was recorded.

#### **General liability insurance**

The number of contracts for general liability insurance increased by 1.0 %, from 1,695,490 in the previous year to 1,712,081 in the financial year.

Premiums earned were again increased by a total of 7.1 % (previous year: 7.7 %) to EUR 465.2 million (previous year: EUR 434.2 million), which was in line with our forecasts. This was due to rising sales, wage and fee totals and targeted portfolio-related measures.

At 7.4 %, the increase in expenditure for business-year claims was slightly more pronounced than the growth in premiums. This is due to the higher number of claims (7.1 %). As a result, the business-year claims ratio deteriorated by 0.2 percentage points to 72.9 % (previous year: 72.7 %). Taking into account the slight increase in the settlement result compared with the previous year and the slightly higher operating costs ratio, the combined ratio amounted to 97.5 % (previous year: 97.0 %).

Following an allocation to the equalisation reserve in the amount of EUR 21.0 million (previous year: EUR 41.9 million), a technical result for own account of EUR 0.7 million (previous year: EUR –34.1 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 1.4 % year-on-year, from 8,120,252 to 8,235,663.

Premiums earned increased by 0.8 % (previous year: 2.2 %), from EUR 1,611.1 million to EUR 1,623.9 million. This meant that average premiums in the main motor vehicle insurance segments decreased slightly year-on-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 0.4 % (previous year: 2.6 %) from 3,615,970 to 3,628,927.

Premiums earned increased by 0.1 % (previous year: 1.9 %), from EUR 952.7 million in the previous year to EUR 953.1 million in the financial year.

Expenditure for business-year claims increased by 10.3 % year-on-year. Average claims expenditure increased by 4.7 % year-on-year (previous year: 2.0 %). Accordingly, the business-year claims ratio rose by 8.0 percentage points to 86.1 % (previous year: 78.1 %). Taking into account a positive settlement result at below the previous year's level

# CONSOLIDATED MANAGEMENT REPORT

and a global discount on the individual claims reserves (reduction of the claims ratio by 2.8 percentage points), the combined ratio amounted to 89.8 % (previous year: 78.2 %).

After a withdrawal from the equalisation reserve of EUR 40.1 million (previous year: EUR 21.7 million), the technical result for own account amounted to EUR 130.8 million (previous year: EUR 235.9 million).

## Other motor vehicle insurance

In other motor vehicle insurance, the number of contracts increased by 1.3 %, from 2,853,893 in the previous year to 2,892,388 in the year under review.

The premium growth continued with a rise in premiums earned of 1.8 % (previous year: 2.4 %) to EUR 650.4 million (previous year: EUR 639.0 million). 2.5 % of the increase related to full motor vehicle insurance and –3.1 % to partial motor vehicle insurance.

Expenditure for business-year claims increased by 7.4 % year-on-year. Accordingly, the business-year claims ratio deteriorated by 5.2 percentage points to 99.8 % (previous year: 94.6 %). Taking into account the positive settlement result at below the prior-year level and the near-constant operating costs ratio, the combined ratio amounted to 114.0 % (previous year: 105.4 %).

As a result of the above developments and a withdrawal from the equalisation reserve of EUR 81.7 million (previous year: addition of EUR 1.3 million), the technical result for own account amounted to EUR –15.9 million (previous year: EUR 15.0 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 6.0 %, from 326,912 in the previous year to 346,554 in the year under review. Premiums earned rose by 29.7 % (previous year: 18.9 %). This was due in particular to growth in fire

insurance (64.4 %), which exceeded our expectations and was attributable to strong demand in France in particular.

Expenditure for business-year claims increased by 16.5 % compared with the previous year. This was due to the higher number of medium-sized losses in fire insurance. The business-year claims ratio amounted to 111.6 % (previous year: 124.2 %). Taking into account the positive settlement result compared with the previous year and the lower operating costs ratio, the combined ratio amounted to 130.3 % (previous year: 143.3 %).

Following an addition to the equalisation reserve of EUR 1.6 million (previous year: withdrawal of EUR 2.6 million), a technical result for own account of EUR –20.1 million (previous year: EUR –11.3 million) was recorded.

## Associated household contents insurance

The number of contracts for associated household contents insurance increased by 0.3 % year-on-year to 491,349 (previous year: 489,937). Premiums earned again increased by 2.9 % (previous year: 2.4 %), from EUR 50.5 million to EUR 51.9 million, thereby meeting our expectations.

Expenditure for business-year claims decreased by 18.9 % year-on-year. This is due in particular to the lower level of expenses for natural hazards compared with the previous year. Accordingly, the business-year claims ratio declined by 12.0 percentage points to 44.8 % (previous year: 56.8 %). With a positive settlement result at below the prior-year level and a slight deterioration in the operating costs ratio, the combined ratio amounted to 78.0 % (previous year: 87.2 %).

Following a withdrawal from the equalisation reserve of EUR 3.3 million (previous year: EUR 3.6 million), a technical result for own account of EUR 12.3 million (previous year: EUR 11.9 million) was recorded.

## Associated residential building insurance

The number of contracts for associated residential building insurance increased by 14.9 %, from 131,743 in the previous year to 151,350 in the year under review.

The premium growth of previous years continued with a rise in premiums earned of 17.2 % (previous year: 4.1 %) from EUR 54.5 million

in the previous year to EUR 63.9 million during the financial year. In addition to premium adjustments, this was due to business growth in connection with the acquisition of VHV Sigorta. This development exceeded our expectations.

Expenditure for business-year claims decreased by 12.2 % year-on-year. This is due in particular to the lower level of expenses for natural hazards compared with the previous year. As a result, the business-year claims ratio improved by 22.1 percentage points to 66.6 % (previous year: 88.7 %). Taking into account the positive settlement result at below the prior-year level and the improved operating costs ratio, the combined ratio amounted to 92.6 % (previous year: 112.5 %).

Following an allocation to the equalisation reserve in the amount of EUR 2.1 million (previous year: EUR 5.4 million), a technical result for own account of EUR –1.4 million (previous year: EUR –6.5 million) was recorded.

### Technical insurance

The positive development in technical insurance policies was continued in the 2022 financial year, with insurance contract numbers increasing by 19.8 % to 97,315 (previous year: 81,245). Premiums earned increased by 22.1 % (previous year: 13.6 %) to EUR 76.6 million, which exceeded our expectations.

At 11.3 %, the increase in expenditure for business-year claims was less pronounced than the growth in premiums. Accordingly, the business-year claims ratio improved to 70.1 % (previous year: 76.7 %). Taking into account the positive settlement result at below the prior-year level and the slight improvement in the operating costs ratio, the combined ratio amounted to 90.1 % (previous year: 89.5 %).

Following a withdrawal from the equalisation reserve of EUR 2.7 million (previous year: addition of EUR 2.2 million), the remaining technical result amounted to EUR 7.3 million (previous year: EUR 6.0 million).

### Loan and surety insurance

In loan and surety insurance, the number of insurance contracts increased by 4.5 % to 63,957 (previous year: 61,211). The premium growth continued with a rise in premiums earned of 6.2 % (previous year: 4.4 %) to EUR 111.5 million (previous year: EUR 105.0 million). This was in line with our expectations.

The liability under the surety bonds issued during the financial year increased by 14.9 % to EUR 3,213.0 million. The business-year claims ratio rose by 7.2 percentage points to 46.2 % (previous year: 39.0 %) as a result of higher average claims. Taking into account the positive settlement result at below the prior-year level and the near-constant operating costs ratio, the combined ratio amounted to 46.1 % (previous year: 36.0 %).

Following an allocation to the equalisation reserve in the amount of EUR 8.6 million (previous year: EUR 6.8 million), a total technical result for own account totalling EUR 50.6 million (previous year: EUR 60.0 million) was recorded.

### Transportation service insurance

The number of contracts increased by 1.7 % year-on-year to 1,383,380 (previous year: 1,359,811). The premium growth continued with a rise in premiums earned of 4.0 % (previous year: 5.8 %), from EUR 13.5 million in the previous year to EUR 14.1 million in the financial year.

Expenditure for business-year claims decreased by 0.6 % year-on-year. As a result, the business-year claims ratio improved by 2.6 percentage points to 56.5 % (previous year: 59.1 %). With a positive settlement result at below the prior-year level and an increase in the operating costs ratio, the combined ratio amounted to 69.5 % (previous year: 66.6 %).

Taking account of an allocation to the equalisation reserve of EUR 1.5 million (previous year: EUR 2.7 million), the technical result for own account amounted to EUR 2.7 million (previous year: EUR 1.7 million).

### Other insurance

Transportation insurance, business interruption insurance, other indemnity insurance and legal expenses insurance are included here in summary form.

In the insurance segments considered, premiums earned increased by 30.0 % (previous year: 8.7 %) from EUR 14.6 million in the previous year to EUR 19.0 million in the financial year. This development was attributable to various insurance segments.

# CONSOLIDATED MANAGEMENT REPORT

Expenditure for business-year claims increased compared with the previous year. The business-year claims ratio amounted to 87.0 % (previous year: 99.7 %). Taking into account the positive settlement result and the lower operating costs ratio, the combined ratio amounted to 111.5 % (previous year: 115.2 %).

Following an allocation to the equalisation reserve in the amount of EUR 2.6 million (previous year: EUR 4.0 million), the technical result for own account amounted to EUR –3.5 million (previous year: EUR –3.0 million).

## Insurance transactions assumed in reinsurance coverage

In insurance transactions assumed in reinsurance coverage, which are carried out in the accident, liability, vehicle, fire and property, legal protection, life, air travel, transportation and technical insurance classes, there was a technical result for own account of EUR –24.8 million (previous year: EUR –12.4 million). The lower figure compared with the previous year was mainly attributable to higher claims expenditure and other technical expenses.

## PERFORMANCE IN LIFE INSURANCE TRANSACTIONS

The number of new insurance contracts amounted to 79,230 (previous year: 82,259). 66.3 % or 52,531 of these contracts relate to individual term life insurance (previous year: 56,566).

Overall, new business premiums declined slightly from EUR 308.2 million in 2021 to EUR 292.9 million in 2022. EUR 57.7 million of this was attributable to regular premiums and EUR 235.2 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 51.2 million.

Measured in terms of the sum insured, the insurance portfolio grew by 6.2 % to EUR 134.1 billion (previous year: EUR 126.2 billion).

Total new contracts of EUR 14,896.2 million insured (previous year: EUR 14,194.5 million) were partially offset by disposals in the amount of EUR 7,036.6 million insured (previous year: EUR 6,478.6 million).

Premature disposal by repurchasing, conversion to non-premium contracts and other premature disposal amounted to a sum insured of EUR 1,823.8 million (previous year: EUR 1,579.6 million).

Measured in terms of the regular premium, the insurance portfolio increased slightly by 0.5 %, from EUR 795.8 million to EUR 799.6 million. Contrary to the trend on the market, the insurance portfolio increased by 18,156 contracts from 1,095,779 contracts to 1,113,935 contracts.

Gross premiums written declined slightly by 0.5 %, from EUR 1,052.7 million to EUR 1,047.3 million. At EUR 796.0 million, the majority of gross premiums related to regular premiums received (previous year: EUR 789.5 million). Premiums from one-off payments of EUR 251.3 million (previous year: EUR 263.2 million) include premiums from capitalisation transactions of EUR 184.0 million (previous year: EUR 168.8 million).

This meant that gross premiums earned declined slightly year-on-year and were slightly below our expectations from the previous year.

At 2.5 %, the cancellation ratio based on the average regular premium was higher than in the previous year (2.0 %) but remained substantially lower than the sector-wide average of 4.36 % in 2022.

Payouts to policy holders for insurance benefits and profit shares declined from EUR 1,355.3 million to EUR 1,345.5 million in the financial year. Of this figure, EUR 946.5 million was attributable to insurance benefits and EUR 399.0 to profit shares. HL reduced its technical reserves and liabilities for future payments to policy holders by EUR 213.8 million to EUR 10,056.6 million in the financial year.

Unadjusted earnings after taxes amounted to EUR 420.3 million (previous year: EUR 340.6 million). Of this amount, HL allocated EUR 187.7 million (previous year: EUR 126.6 million) to the reserve for premium refunds and EUR 188.3 million (previous year: EUR 184.1 million) was distributed as a direct deposit. EUR 44.3 million was attributable to net income (previous year: EUR 30.0 million). Unadjusted earnings after taxes were well in excess of the level recorded in previous years. This development was driven by reversals of the additional interest rate reserve of EUR 79.6 million (previous year: allocations of EUR 26.9 million).

## PERFORMANCE IN VHV SOLUTIONS

Business performance was characterised by an increase in productivity in the area of contracts, claims and cross-divisional functions, resulting in a further improvement in overall productivity. Despite collective wage increases, unit costs in operations decreased slightly on the whole. In input and output management, the digital transformation of communication channels took a big step forward with the enhancement of the broker and customer portals and the launch of a customer portal app and the digital claims card. Above-average claims inflation meant that average claim payments increased to a greater extent than forecast in almost all segments in the 2022 financial year. Various controlling measures in claims processing helped to prevent further cost increases as a result of claims inflation. Generally speaking, the quality parameters in the back-office areas of contracts and claims developed as planned. The introduction of the new inventory management system as part of the goDIGITAL projects had a considerable impact on the processing situation in the personal motor vehicle segment. In the 2022 financial year, activities in the areas of IT and contracts again focused on the “goDIGITAL” programme as the basis for future digitalisation initiatives within the VHV Group. IT activities also focused on the expansion of IT security and the updating and implementation of the digitalisation strategy. Activities in the area of digital transformation concentrated on the implementation of the Workspace project (introduction of modern work environments with a focus on strengthening mobile work) and support for various aspects of the digitalisation strategy.

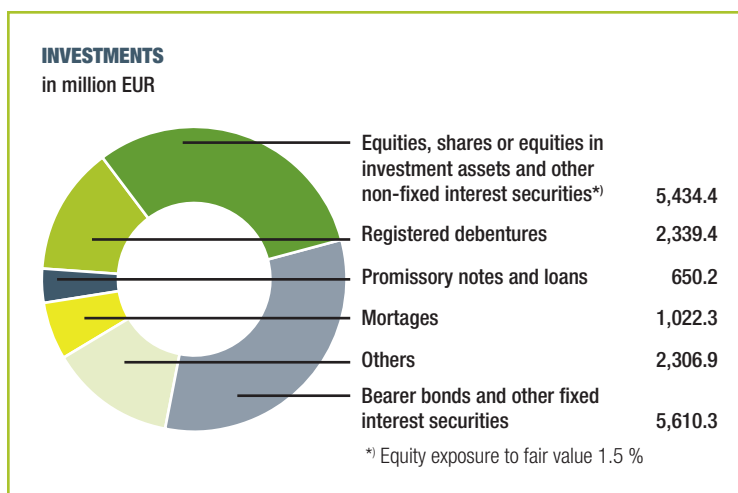
The most important quality parameters from a customer perspective, such as availability by phone, developed positively in the majority of insurance segments with the exception of personal motor vehicle insurance. The launch of the “goDIGITAL” system meant the quality parameters in the personal motor vehicle segment declined compared with the previous year. Thanks in particular to technical improvements, almost all system response times were better than the respective targets. In addition, the majority of the targets agreed with the insurance companies in the service level agreements were achieved.

## 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 fell slightly by 0.1 % to EUR 17,363.5 million in the financial year (previous year: EUR 17,377.0 million).



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 8,617.6 million (previous year: EUR 9,125.0 million) or 49.6 %.

This was followed by investment assets, which accounted for 31.3 % of the total investment portfolio and a carrying amount of EUR 5,434.4 million (previous year: EUR 5,024.0 million).

Newly approved mortgage, land charge and annuity charge receivables amounted to EUR 89.5 million in the 2022 financial year (previous year: EUR 62.9 million). With disposals falling to EUR 97.8 million (previous year: EUR 104.9 million), non-current assets declined to EUR 1,022.3 million (previous year: EUR 1,030.6 million) and accounted for 5.9 % of the total investment portfolio.

As in the previous year, equity exposure at fair value amounted to 1.5 % at the reporting date. The equities were held exclusively in the fund portfolio.

# CONSOLIDATED MANAGEMENT REPORT

As at 31 December 2022, the Group reported a PE/IE portfolio with a carrying amount of EUR 2,004.2 million (previous year: EUR 1,886.4 million). As a proportion of total investments, the PE/IE share was approximately 11.5 % (previous year: 10.9 %) overall.

In the area of real estate investments, selective additional purchases and sales were made in 2022. As at 31 December 2022, the Group cumulatively held real estate investment units with a carrying amount of EUR 1,207.1 million (previous year: EUR 1,166.1 million). This corresponded to 7.0 % of the total investment portfolio (previous year: 6.7 %).

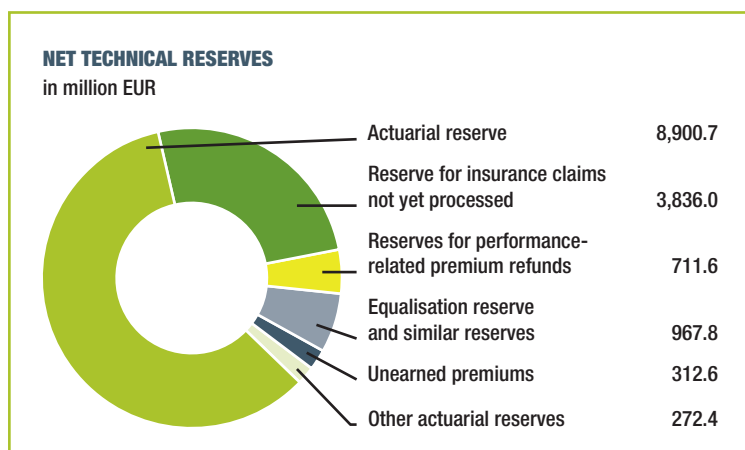
## Funds for indemnification

The Group's funds for indemnification increased by 1.5 % and consist of:

FUNDS FOR INDEMNIFICATION		
	2022 EUR million	2021 EUR million
Equity	2,491.3	2,316.7
Net technical reserves	15,001.1	14,909.7
<b>Funds for indemnification for own account</b>	<b>17,492.4</b>	<b>17,226.4</b>

## Net technical reserves

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



At 59.3 % (previous year: 61.0 %), the majority of net technical reserves relate to the actuarial reserve.

Of the actuarial reserves reported, the majority (41.1 %; previous year: 42.5 %) relate to individual capital insurance policies of the VHV Group's life insurance company. Group insurance policies account for a share of 22.4 % of the total actuarial reserve (previous year: 22.2 %), followed by individual annuity insurance policies with a share of 21.4 % (previous year: 22.7 %). To fulfil future interest obligations, the actuarial reserve includes an additional interest rate reserve of EUR 883.7 million (previous year: EUR 963.4 million).

## FINANCIAL POSITION

### Liquidity

The financial and liquidity situation and changes in cash flows are affected by insurance and investment transactions.

Active liquidity management is carried out to satisfy ongoing obligations. As a result, it is ensured that we can meet our payment obligations at any time both in the previous financial year and in the future.

Premiums received and repayments from investments are considered for this purpose, which are compared with ongoing insurance benefits, reinvestment in investments and ongoing payments resulting from insurance operations.

ITEM		
	2022 EUR'000	2021 EUR'000
Cash flow from operating activities	222,706	75,581
Cash flow from investment activities	-75,162	-116,476
Cash flow from financing activities	36,009	3,758
<b>Change in cash and cash equivalents</b>	<b>183,553</b>	<b>-37,137</b>
Change in cash equivalents due to exchange rate movements, changes in the scope of consolidation and measurement	6,398	9,398
Cash at the beginning of the period	188,878	216,617
<b>Cash at the end of the period</b>	<b>378,829</b>	<b>188,878</b>

Cash flow from operating activity, which is determined in accordance with the indirect method, includes in particular incoming and outgoing payments from actuarial practice and other investments.

In the past financial year, outgoing payments exceeded incoming payments from other investments.

Cash flow from investment activity is mainly determined by payments and receipts from investments for fund-linked annuity insurance, participating interests, tangible fixed assets and intangible assets.

Cash flow from financing activity includes loans taken out with KfW, which are passed through to final borrowers in the mortgage loan business, and short-term loans from banks.

Please see the cash flow statement on page 123 for additional details.

### Investments

In the 2022 financial year, the VHV Group primarily made financial investments with a particular focus on miscellaneous investments, investment assets, bearer bonds and other securities with fixed interest rates. Gross new investment amounted to EUR 1,361.5 million, corresponding to 7.8 % 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 2022, 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.

In 2022, HL received the top rating “excellent A++” from the customer-focused Cologne-based rating agency ASSEKURATA for the eleventh 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 an “excellent” mark in 2022.

## HUMAN RESOURCES REPORT

The COVID-19 pandemic also continued to pose considerable challenges for the VHV Group in the 2022 financial year. To successfully overcome these challenges, the VHV Group continued a special working group reporting directly to the Board of Directors with responsibility for monitoring the development of the pandemic and developing and coordinating measures. The members of the working group included employees from risk management, the human resources department, information technology, corporate communication and facility management as well as representatives of the employee bodies. This organisational structure allowed the majority of employees to be given the option of working remotely as a means of protecting their health, with other measures (including a hygiene concept, distancing rules, mandatory face coverings and the provision thereof, testing) being implemented at short notice as the pandemic progressed. In 2022, the VHV Group also offered booster vaccines to its employees and their family members.

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).

The VHV Group had an average of 3,973 employees in the financial year (previous year: 3,633 employees). The recruitment of significant numbers of new employees in certain areas (e.g. IT) and reductions in the number of employees working in other functions (e.g. administrative tasks) contributed to this development. The increase in gross premiums earned (+2.9 %) and the number of contracts (+2.0 %) achieved in 2022 combined with a simultaneous improvement in key parameters relating to processing quality demonstrated that our staff also further increased their productivity in 2022.

Human resources activities in the 2022 financial year focused on advising employees on strategic change processes (e.g. the transition to a new work approach at the VHV Group and digitalisation projects such as the introduction of new inventory management systems), further developing executive qualification, and ongoing specialised and methodological qualification of employees.

# CONSOLIDATED MANAGEMENT REPORT

The sickness rate increased to 4.7 % in the financial year but continues to be lower than the comparative figure for the insurance market (around 5.2 %). Together with the low employee resignation rate of 3.8 %, this is evidence of a good working environment with high employee satisfaction.

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 2022. 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<sup>\*)</sup>

	2022	2021
Average number of employees for the year <sup>*)</sup>	3,973	3,633
Number of employees at end of year <sup>*)</sup>	4,033	3,678
Average number of office-based employees <sup>*)</sup>	3,739	3,398
Average age of employees (years)	42.2	41.0
Average length of employment with the company (years)	14.5	14.7
Proportion of university graduates (%)	32.0	28.2

<sup>\*)</sup> Not including apprentices, including temporary employees.

Incl. VHV Allgemeine Sigorta & InterEurope AG European Law Service from 2022 onwards.

## 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. This was particularly successful in the commercial insurance segments and in accident insurance. Among other things, this was achieved through the expansion of VHV Assurance France, a special insurer for the construction industry. In its role as a special insurer for this industry, the VHV Group benefited from the strong order books among construction companies, which resulted in year-on-year sales growth in 2022 despite the deterioration in conditions for the industry due to rising construction, financing and living costs. Positive factors included the continued upturn in employment and rising wage and fee totals, which form the basis for assessing premiums.

Life insurance saw a slight year-on-year reduction in new business that was below the market average in terms of the number of life insurance contracts, largely as a result of lower demand for term life insurance. By contrast, new business in disability insurance was successfully expanded.

HL's cancellation ratio in fund-linked annuity insurance policies increased in the past financial year due to the uncertainty affecting the capital markets but was still well below the market average in 2022. The management expense ratio is also likely to have been below-average compared with the market. HL generated unadjusted earnings after taxes that were well in excess of the prior-year level, largely due to reversals of the additional interest rate reserve.

The net result from investments amounted to EUR 560.2 million in the past financial year (previous year: EUR 537.8 million). Contrary to expectations of a downturn, net interest increased slightly compared with the previous year.

Consolidated net income was down significantly on 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.

Despite the consequences of the COVID-19 pandemic and, in particular, the war in Ukraine, the Board of Directors can look back on a successful financial year on the whole.

## OPPORTUNITY AND RISK REPORT

### RISK REPORT

The financial year was dominated by the continued consequences of the COVID-19 pandemic and the war in Ukraine. The resulting upturn in energy prices and supply chain problems led to historically high levels of inflation in Germany and the euro area accompanied by a slowdown in economic growth. The ECB responded by significantly tightening its monetary policy and raising interest rates several times. The capital markets were extremely volatile as a result.

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 2022.

Based on the information currently available, there are no risks that could jeopardise the VHV Group's existence as a going concern. The war in Ukraine and the ongoing pandemic (including the end of China's zero-COVID policy) mean that the information on the risk situation is subject to uncertainty.

### 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 primary goals of risk management are to:

- consistently establish the 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 2022.

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.

# CONSOLIDATED MANAGEMENT REPORT

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 Compliance Function include the advisory role, the early warning role, the risk controlling role and the monitoring for the reduction of legal risk. 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 subject only to instructions of the Board of Directors. 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.

**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 ap-

ply 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 determined mandatory standardised requirements in the Group's policy for the internal control system. The Group's policy is available to all employees. The ICS of the VHV Group consists of all of the internal requirements, organisational measures and controls.

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).

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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 process 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 explicitly 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 reviews these regularly. 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 2013 to 2022.

CLAIMS RATIO PROPERTY-CASUALTY									
2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
79.1	73.8	68.9	71.3	71.6	71.5	70.7	65.9	65.4	74.1

**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 the previous year and the year under review, 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 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

2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
4.5	4.6	7.0	6.3	7.0	7.0	8.2	5.9	9.1	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 (especially Turkey) 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 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 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.

The macroeconomic situation in Germany and the euro area was dominated by the ongoing consequences of the COVID-19 pandemic and the Ukraine war. The resulting upturn in energy prices and supply chain problems led to historically high levels of inflation in Germany accompanied by a slowdown in economic growth. The strained economic situation already led to a rise in the number of insolvencies from the third quarter of 2022 onwards. The German federal government introduced extensive packages aimed at relieving the burden on companies and consumers, including the “economic defence shield”. This means there is a risk in loan and surety insurance that the actual number of insolvencies is higher than the number of cases being reported because the corresponding claims are reported only at a later date. To reflect this risk, an additional provision for unknown late claims was recognised at the reporting date.

#### 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

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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 actively 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 in 2022 resulted in hidden liabilities at 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 <sup>*)</sup>	Change in market value of investments sensitive to equity price	
Decrease of 20 %	EUR	–52 million
Market value on 31.12.2022	EUR	261 million

<sup>\*)</sup> 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	–858 million
Change of –1 percentage point	EUR	937 million
Market value on 31.12.2022	EUR	11,469 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, 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 2022. The increase in the interest rate in 2022 means that most of the interest obligations are fully funded and the first 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.

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

The **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.

The **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. However, the development of the pandemic and its long-term impact will continue to be observed critically.

Even in analysed situations with extremely high mortality rates, there are no risks that might jeopardise the VHV Group's existence as a going concern.

### 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 assess-

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ment 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	8,599
of which debentures	2,612
of which bank bonds	2,436
of which corporates	2,036
of which loans and treasury bonds	1,515
Mortgages	1,022
Loans and advance payments on insurance policies	9
<b>Total</b>	<b>9,630</b>

## SHARES OF RATING CLASSES IN % (CARRYING AMOUNTS)

	AAA	AA	A	BBB	<BBB	NR <sup>*)</sup>
Fixed-interest securities	53.2	21.1	11.4	2.4	0.2	1.0
Mortgages	–	–	–	–	–	10.6
Loans and advance payments on insurance policies	–	–	0.1	–	–	–
<b>Total</b>	<b>53.2</b>	<b>21.1</b>	<b>11.5</b>	<b>2.4</b>	<b>0.2</b>	<b>11.6</b>

<sup>\*)</sup> 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 39.7 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 65.8 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 2022 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 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 warn-

ing 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

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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 “goDIGITAL” digitalisation programme was continued with ongoing high priority in the reporting year. The introduction of a new inventory management system for personal motor vehicle insurance represented an important milestone in the area of property-casualty insurance. All new business in this segment is now processed using the new system landscape. In the area of life insurance, new business in traditional annuity insurance was switched to the new system landscape and existing term life insurance contracts were migrated. 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 (e. g. the COVID-19 pandemic). 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.

Economic performance in Germany and the euro area is currently dominated by the ongoing consequences of the COVID-19 pandemic and the war in Ukraine, which are being accompanied by high levels of inflation, rising energy prices and supply chain disruption. In light of these developments and rising key interest rates, Germany and the euro area are expected to see an economic slowdown in the coming year. In addition, a further escalation of the Taiwan conflict would likely adversely affect the economic environment in Germany and the euro

area. Against this backdrop, it is expected that the German market for real estate financing will contract and the new business volume for term life insurance – in parallel – 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.

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. Improved benefits in occupational disability insurance are also opening up a new growth area for the VHV Group. 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 in late 2021 with a view to bundling and further expanding activities in this business segment. 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 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,

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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 2022, 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 2023.

## 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. The dynamic development of the pandemic and the war in Ukraine means the remarks on opportunities are subject to uncertainty.

## Property-casualty insurance

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.

The Turkish subsidiary VHV Re is developing according to plan overall and has further potential for growth. The Turkish construction sector is a promising business segment within a challenging market economy and offers the opportunity to use VHV Allgemeine's know-how as a special insurer for the construction industry. This is assisted by the market acceptance of a local Turkish reinsurer with a German parent company. VHV completed its entry into the primary insurance market in Turkey with the acquisition of VHV Allgemeine Sigorta. This allows synergies to be leveraged directly.

Additional opportunities could arise from the continued expansion of foreign activities. The selective development of core competencies 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.

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.

Consistent implementation of risk differentiation in all segments of personal and corporate business will result in additional opportunities on the Austrian market. To achieve the strategic target of above-average growth in the non-motor vehicle segments, the broker base is also to be expanded and the offering for small and medium-sized enterprises emphasised. Our sales success is also to be supported by retaining the agreed levels of service with quick processing times, raising awareness through television and radio advertising and increasing the degree of automation involved in processing business, among other factors.

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 to insure against biometric risks have increasingly gained in importance, as they are largely independent of the capital market environment and have a positive effect on solvency requirements under Solvency II. As one of the leading providers of term life insurance, we see insuring employees against disability as a growth area.

## Investments

In response to rising interest rates in 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 (specialist expertise in the insurance companies VHV Allgemeine and HL, process and IT expertise in the back office of VHV solutions, investment expertise at WAVE, cross-divisional functions at VHV Holding), 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.

The VHV Group has structured its activities in insurance-related areas with the formation of VHV digital services AG. In addition to acquiring Eucon and the InterEurope Group, VHV digital services AG 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

The outlook for 2023 is muted. High inflation, a global economic slowdown and geopolitical uncertainty remain the dominant topics. In addition to these factors, the development of the economy and the capital markets will be influenced by monetary and fiscal policy in particular. Economists believe a further slowdown in global economic growth to be probable. There is a risk of a recession in the USA and Germany.

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However, this could be milder than initially feared, not least since the threat of a gas shortage has receded thanks to the savings made, the comparatively warm winter and the improvement in the supply situation. China's decision to abandon its restrictive zero-COVID policy could have a renewed dampening effect on world trade in the short term as production is disrupted by employee illness, but the impact on economic activity is expected to be positive in the medium term.

Inflation is expected to fall in 2023, including as a result of the base effect, but will remain well above the ECB's target of 2.0 % in Germany and the euro area as a whole. The sustained robust employment market and the resulting high wage agreements could mean that core inflation remains high.

The ECB and the Federal Reserve are expected to continue to pursue a restrictive policy in 2023 with the aim of combating inflation. The ECB is expected to implement more pronounced rate rises than the Fed in 2023. The central banks will also initiate measures to reduce the size of their balance sheets. The ECB is expected to gradually scale back its balance sheet from as early as March onwards by no longer fully reinvesting cash from maturing bonds and interest payments under its bond purchase programmes. This is likely to lead to lower demand for European government and corporate bonds and Pfandbrief covered bonds. At the same time, yields could be supported by the debt instruments issued by countries such as Germany and Italy as they seek to realise the planned high level of new net indebtedness. If the economic downturn is more pronounced than expected, interest-bearing securities from issuers with poorer credit ratings could be particularly hard hit by an increase in risk premiums.

In the expected scenario of increased yield levels, economic slowdown and high inflation, the stock markets are likely to be subject to a high degree of volatility.

## Property-casualty insurance

According to the ZDB, residential construction – hitherto a pillar of the construction industry – is experiencing a downturn on the back of the recent reduction in the number of building permits and sustained cost increases. This development is being partially offset by demand for renovation. Sales are set to decline by 5.1 % to EUR 57.6 billion in 2023.

Sales in commercial construction are also expected to fall in 2023, to EUR 55.3 billion (–0.8 %). The ZDB expects commercial civil engineering to be supported by investments by Deutsche Bahn, the expansion of the broadband network and the conversion of the energy infrastructure. However, demand in the important sector of commercial building construction remains ambivalent, with recent order development reflecting the uncertain overall economic outlook.

Public sector construction is expected to grow by 0.8 % to EUR 41.7 billion in 2023 on the back of assumed price inflation of 5.5 %. As municipalities are limiting their construction investments in the face of increased expenditure on human resources and social expenditure, the investment volume is forecast to remain unchanged year-on-year at best. At a federal level, the investment line is expected to remain stable in nominal terms.

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.

The investment strategy is set to remain unchanged in 2023. Therefore, investments will continue to focus on annuity investments. A slight increase in real estate, private equity and infrastructure investments is also planned. Equity allocations are actively aligned to market conditions and implemented in line with total-return investment approaches. For 2023, VHV Allgemeine 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 2022.

In motor vehicle insurance, the VHV Group has been focused on increasing its income for many years. This strategy was continued in 2022 and will also be decisive for the coming years. In addition to a further focusing of the risk selection and restructuring in commercial business, 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 decline following an allocation to the equalisation reserve.

Liability business for business customers will also be influenced by intensive price and performance competition in 2023. 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 154.6 billion in 2023 (–2.1 %). Accordingly, premium revenues are expected to decline in 2023. 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 further development of the war in Ukraine could have a significant impact on the construction industry, thereby negatively affecting the VHV Group's business development.

In the segment of personal liability insurance, slightly negative development in terms of the number of contracts and premiums is anticipated in 2023.

Accident insurance is expected to see moderate premium growth once again in 2023. Product and tariff revisions from 2021 in private accident insurance are expected to continue to provide sustained impetus for new business and portfolio development in 2023.

With guarantee business expanding, the number of contracts and premiums in the technical insurance segment is expected to increase to a greater extent than in the previous year.

In loan and surety insurance, premium revenues and the number of contracts are set to increase in 2023. The good economic situation in recent years could be impacted by the consequences of the Ukraine war. The number of forecast insolvencies is expected to increase in 2023.

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.

Thanks to the combined efforts of the company's employees, the Board of Directors of VAV is confident that the company's profitable growth will continue in 2023 and that it will enjoy further stable development accompanied by continuous growth in market share despite the difficult macroeconomic environment.

In 2022, the Turkish insurance market was impacted by one of the biggest loss events in its history. This prompted the majority of market participants to take more stringent measures with regard to risk acceptance and the calculation of premiums. In tandem with the regional expansion, the Board of Directors of VHV Re expects this to have a positive effect on growth and income in 2023.

The Board of Directors of VHV Sigorta expects the change in business focus (fewer large customers, more SME customers) and the general hardening of the market to have a positive impact in 2023. VHV Sigorta will focus on construction insurance, the commercial/industry segment and new products for private customers while also expanding its sales channels.

All in all, VHV Allgemeine expects to see positive portfolio and premium growth in the coming years. Expenses for insurance claims are expected to increase further in 2023, especially as a result of inflation. With a planned higher level of contracts in 2023 and an associated moderate increase in premiums received, 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 competitive position in the future, too. Following a decline in results in 2022 accompanied by growth of 2.8 % in gross premiums earned in direct-written business, VHV Allgemeine expects results to improve in 2023 following a withdrawal from the equalisation reserve.

In the 2022 financial year, the “go.DIGITAL.KOMPOSIT” digitalisation programme focused on the launch of the revised personal motor vehicle contract system. In addition to IT applications and the relevant processes, the transformation resulting from the introduction of the new systems is having a particular impact on the people who work with the revised systems, i.e. the affected employees at VHV and the independent brokers who work with VHV. As expected, this challenge in terms of change is considerable and is being closely accompanied by corresponding change management and various safeguards. Year-end business in personal motor vehicle insurance ran on the new system for the first time in 2022. In 2023, the focus will be on processing year-end business in the new system environment and migrating existing personal motor vehicle contracts from the old system to the new system. Preparations are also being made for the conversion of the motor vehicle commercial contract system and the PLC private contract and claim system.

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## Life insurance

The economic challenges resulting from the Ukraine war are expected to remain in place in 2023. In the event of a recession, household purchasing power in Germany would decline further, with a corresponding impact on life insurance business. To be able to meet future interest obligations in the low interest rate environment in previous years, life insurers created reserves in the form of the additional interest rate reserve (AIRR) from 2011 onwards. The AIRR therefore constituted a forward-looking reinforcement of our reserves. The introduction of the corridor method in 2018 attenuated both the creation and the later reversal of the AIRR. As a result, fewer valuation reserves had to be recognised to finance the creation of the AIRR throughout the sector in the short term, which ultimately also benefited policy holders in the form of surplus allocations. Based on the level of interest rates in 2022, HL recognised a significant reversal of the AIRR for the first time and at a higher level than the industry as a whole. Because of the targeted duration management and the low proportion of annuity insurance in the portfolio compared with the market as a whole, HL believes it is competitively positioned in the market environment. Further significant reversals of the AIRR are expected in the coming years. The effects of substantial rises and falls in interest rates continue to be constantly reviewed at HL 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 future too.

In investments, an investment in long-term instruments with good credit ratings (investment grade) is planned for 2023. HL is anticipating a slight decline in the carrying amount of investments in 2023. Based on the investment structure, it is assumed that the net interest return on investments will be below the level of 2022.

In 2023, 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. HL considers itself to be competitively positioned on the market with innovative products, such as the Plus components for various products, the Exclusive component for term life insurance, and needs-based products insuring against occupational disability and incapacity, and due to its high marketing and service quality. 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 difficult economic situation could have a further impact on the course of business in the coming year. For example, a reduction in the new business volume is possible.

The state pension will remain under pressure in 2023, 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. HL is accommodating the tendency of certain customer groups to prefer short-term or medium-term investments with corresponding offerings. This product strategy has already proved its worth in recent years.

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.

All in all, HL expects premium revenues to be essentially unchanged in the coming year. Unadjusted earnings after taxes are expected to decline slightly in 2023 compared with 2022.

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 operates mainly as the VHV Group's Group asset management company and also offers selected asset management services for institutional third parties.

For 2023, the operating result is expected to decline slightly without taking account of performance-based remuneration.

Changes to the business purpose of VHV solutions are planned in the 2023 financial year. At an organisational level, steps are being taken to spin off information technology from VHV solutions and centralise it at the newly founded VHV digital development GmbH during the course of 2023. The strategy pursued in recent years to increase productivity and reduce the operating costs ratio while improving and stabilising the quality parameters with regard to contracts as well as claim averages in the area of claims is to be continued again in the 2023 financial year. In this respect, the implementation of measures to realise automation potential is just as important as the continuous review of the processes and the organisational structure in the individual operations with a view to sustainably lowering costs. The continuation of the IT roadmap in the areas of contracts and claims also means there is a focus on the “goDIGITAL” project and the related new processes in administration and for sales partners. With regard to claims, a sustainable reduction in the average claims expenditure and a continuous increase in processing quality are important criteria. The digitalisation of input and output processes will continue unabated in 2023. The difficulties in planning for demand, i.e. customer demand, as well as internal operating and technical resources due to the COVID-19 pandemic, high inflation and the Ukraine war is being countered by utilising all flexibility options in operating business in order to ensure operating service readiness and cost efficiency.

At VHV solutions, which combines the contract and claims activities of the VHV Group companies, a key objective for the 2023 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 see sustained positive development. The spin-off of IT will significantly reduce sales revenues as well as the corresponding expenses, leading to slightly lower net income.

VHV Holding will continue to manage the planned major projects in the coming year. In future, the focus will remain on the continuation of the “goDIGITAL” digitalisation programme. IT will also continue to expand IT security and support the implementation and expansion of foreign business through the establishment of the IT infrastructure. As part of the new digitalisation strategy, it will focus on the implementation of specific measures (including the use of cloud technologies).

VHV Holding expects to see significantly higher sales revenues and other operating expenses in 2023. Earnings before taxes are expected to increase significantly, largely as a result of the higher profit transfer from VHV Allgemeine.

Based on the aforementioned forecasts for the individual areas of activity, the VHV Group is anticipating a slight increase in consolidated net income in 2023.

### **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, 13 March 2023

## **THE BOARD OF DIRECTORS**

Voigt	Bickhoff	Hilbert
Dr Reddemann	Schneider	Stark



# **ANNUAL REPORT 2022 NON-FINANCIAL STATEMENT OF THE VHV GROUP**

# NON-FINANCIAL STATEMENT<sup>1</sup>

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. For this reason, the VHV Group conducts business with a dedicated focus on the sustainability aspect: It takes account of ecological and social matters for management and governance decisions and in every other area of the VHV Group.



<sup>1</sup> 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 highly performing insurance association and investor that takes the long view. Accordingly, 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.

#### **b) Strategy and business model:**

The VHV Group as a whole follows a general strategy that applies to all its companies but is complemented by additional key issues (including digitalization, IT, investments, sustainability). The general strategy is the starting point for the strategies of each company depending on their business segments. A target agreement system is used to translate strategic requirements into five-year plans with quantifiable objectives, thereby ensuring consistent, strategic management of the Group and the individual companies.

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.

Through a constant process of improvement, the VHV Group aims to operate more flexibly and in a more customer-focused manner on the market than the competition. The 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 Group is rooted in the idea of helping people and companies calculate their risks. The firm foundation of the VHV Group is a stable 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 fair partnership with our 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.

For more information about the business strategy and model, see the chapters regarding each business area (especially Chapters 1 and 2). The same is true for potential opportunities. For details about how the company handles sustainability risks, please see the information about the stress tests in Chapter 5.

#### **c) 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.

Customers and sales partners alike can monitor the sustainability efforts of the VHV Group, thanks to transparent reporting on our social and environmental responsibilities.

The VHV Group already takes account of the requirements of the Corporate Sustainability Reporting Directive (CSRD), which will become obligatory in 2024. In so doing, our customers and partners now have the desired transparency.

The primary elements of the new report are retrospective information along with future outlooks (qualitative and quantitative) for topics relating to the environmental, social responsibility and governance. We publish additional information about the activities, products and business relationships of the VHV Group.

This non-financial statement was prepared in accordance with the requirements of Sections 289c et seq. and Section 315c HGB (German Commercial Code). It represents the non-financial statement of the parent company VHV a.G. and the group non-financial statement of the VHV Group.

# 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 developed its own sustainability strategy in 2021. 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 FRAMEWORK

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

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

## THE THREE PILLARS OF ESG

The sustainability strategy revolves around the three ESG criteria for sustainable business. These three criteria reflect the broad range of factors behind the topic of sustainability as we know it today, ranging from equal employment opportunities to product development to 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

### 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.

## INVOLVEMENT IN SUSTAINABILITY INITIATIVES

The VHV Group has joined numerous prominent 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.



### PRINCIPLES FOR SUSTAINABLE INSURANCE

The PSI supports the sustainable transformation of the insurance industry based on four principles. As a member, the VHV Group also follows these principles.



### 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.



### ÖKOPROFIT

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



### GERMAN SUSTAINABILITY NETWORK

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



### 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.

# 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 creates products to serve a sustainable, cohesive society. Many customers and sales partners are looking to do their part toward a bright future for all and we help them in their journey.

### 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 more than offset the direct emissions as at 31 December 2021, fleet management in 2022 and the energy it purchased in 2022. Furthermore, the VHV Group has more than offset its indirect emissions from paper and water use, waste, business trips and hire cars in 2022.

### 05 Follow the guidelines

From legal requirements to the VHV Code of Conduct and the procedures of the VHV Group, we are 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 Foundation 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 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 non-financial reporting. For this report, the VHV Group referred to the consultation drafts of the ESRS published in April 2022.

The VHV Group has decided to break these sub-topics down even further, which will enable it to perform a more detailed analysis of the sustainability activities and obtain a more reliable basis for disclosing these activities in the reports. 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 FOLLOWING SUSTAINABILITY ISSUES WERE RATED FOR THE VHV GROUP AS A RESULT OF THE MATERIALITY ASSESSMENT:

ENVIRONMENTAL	SOCIAL	GOVERNANCE
Energy (E1)	Working conditions (S1)	The role of management, executive and supervisory bodies (G1)
Climate protection/emissions (E1)	Equal rights/anti-discrimination (S1)	Risk management (G1)
Climate change adaptation (E1)	Other employment-related rights (S1)	Control systems (G1)
	Consumers/end users (S4)	Management and quality of the relationships to business partners (G2)
		Compliance and transparency (G2)
		Political and social involvement (G2)

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

### Impact materiality

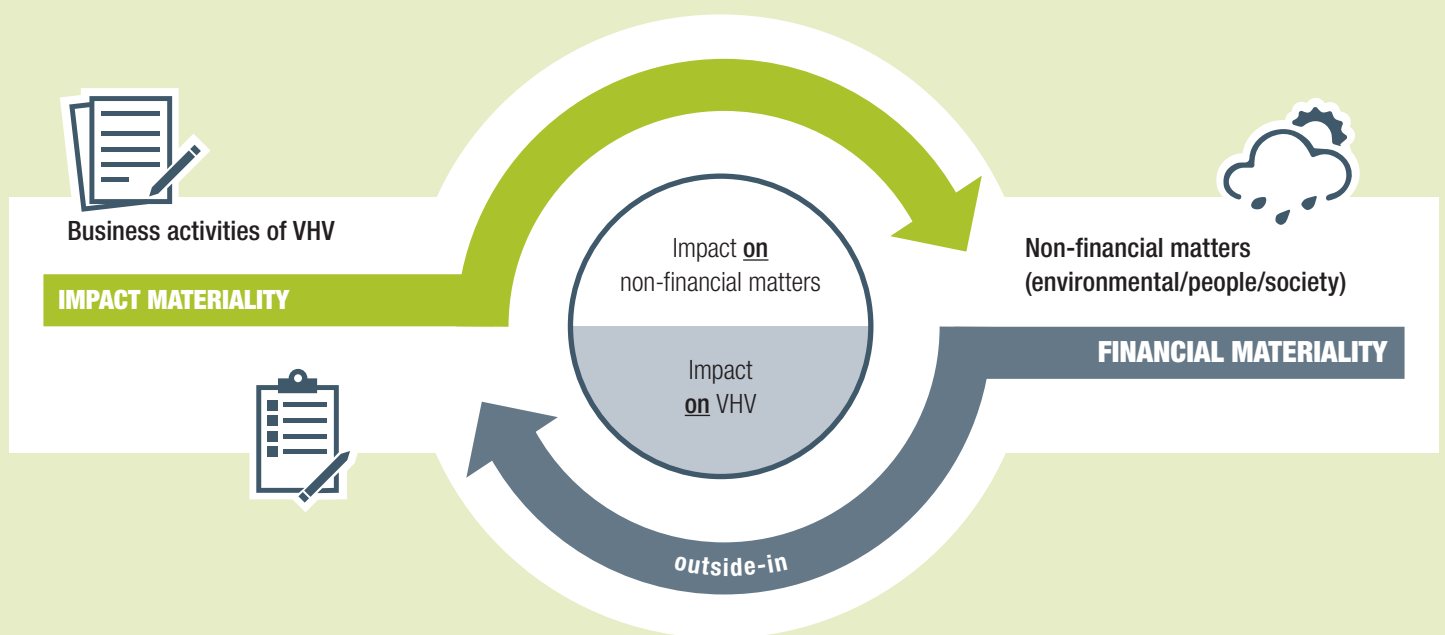
For the evaluation of the material impact regarding sub-topics of sustainability, an analysis was performed as to which business activities of the VHV Group had a substantial impact on external, non-financial matters. Thus, the impact relates to the activities, products and/or services of the VHV Group. 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 income situation 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



# 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 clients 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 adaptation to climate change, energy efficiency, resource conservation, affordable housing, digitalization and a state-of-the-art infrastructure are the main challenges to the construction industry of tomorrow. More and more clients 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 a wide 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, geothermal energy and biogas facilities. These are all risk insurance policies for damage to the policyholder's property, which cover their own risk. At the same time, the quick and professional resolution of the damage helps to prevent or reduce the potential negative downstream environmental effects.



**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 high-performance 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 are an innovative technology comprised of telecommunications and informatics, and can be used to record data about one's driving habits. 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 substantial insurance coverage against natural hazards.**

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. 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 foundation 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 ensures 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 to 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 is ensured that all requirements under supervisory and regulatory laws were adhered to during product development. The product approval process also ensures 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 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,

- ensuring 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,
- verifying 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.

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 client are taken into account during the investment process and are monitored through risk management.

### 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. Transparent reporting above and beyond regulatory requirements 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 has signed 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.

### 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.

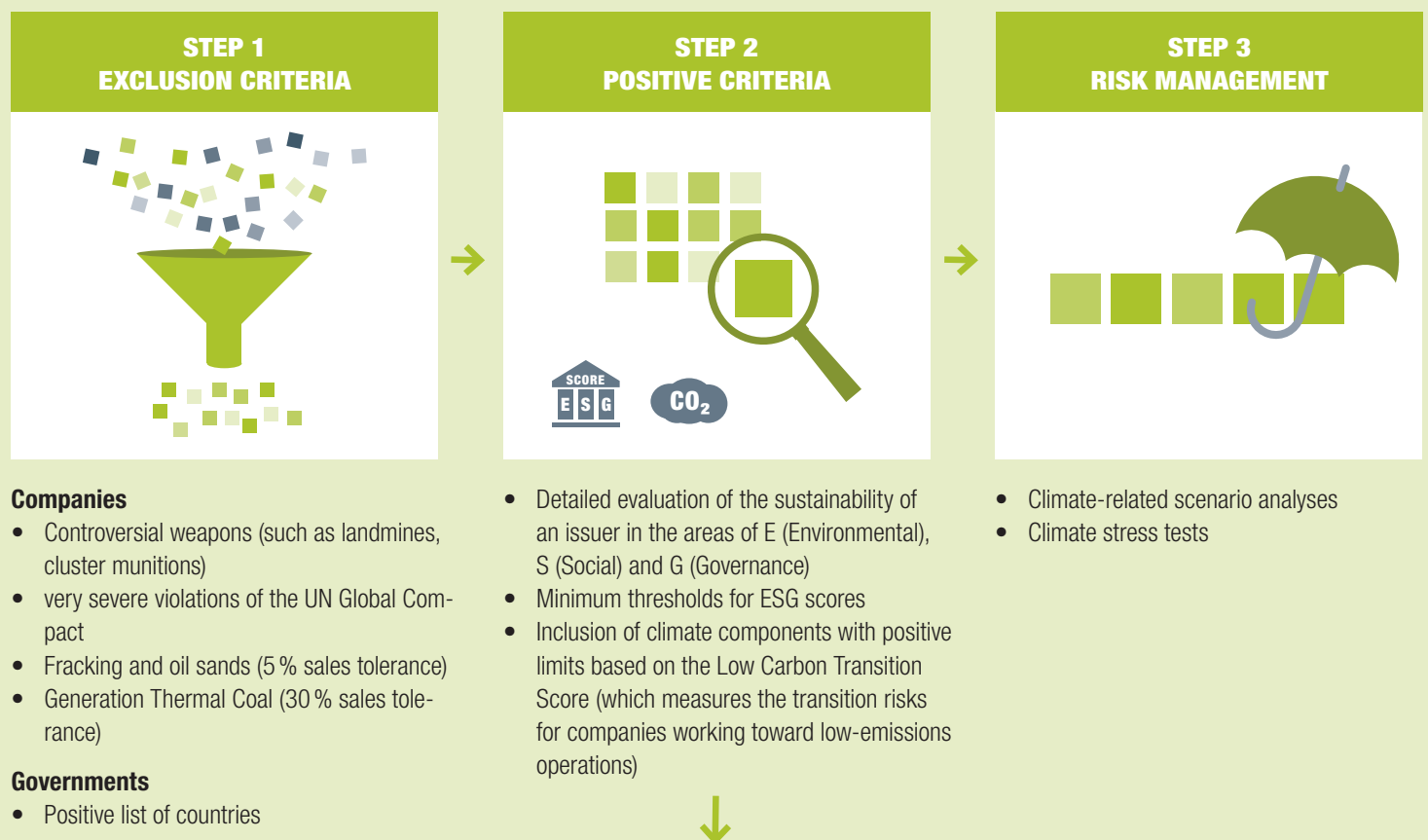


## VHV'S ESG INVESTMENT STRATEGY

### ESG integration

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

## ACCOUNTING FOR ESG CRITERIA IN THE INVESTMENT PROCESS



# CHAPTER 2: INVEST RESPONSIBLY

## Exclusion criteria

Exclusion criteria have been defined to reduce risks to the portfolio and avoid new investments 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 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.

## EXCLUSION CRITERIA

### ESG EXCLUSION CRITERIA OF VHV FOR COMPANIES

#### EXCLUSION BASED ON BUSINESS ACTIVITY

##### Categorically excluded:

##### Controversial weapons



##### Excluded from significant sales:

##### Coal-fired Generation Thermal Goal

(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**

CONTROVERSIAL



GLOBAL  
STANDARDS

### 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 leading 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.

## POSITIVE CRITERIA

Environmental



Governance



Social



Climate



### 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.

# CHAPTER 2: INVEST RESPONSIBLY

## 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. There are stricter ESG rules for individual products, such as the WAVE Total Return ESG. This is 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. Investments meeting the strict 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, call money 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 helps to achieve the greatest possible coverage and 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, with retroactive effect as at 31 December 2021. 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

We actively support the physical, mental and social health of all employees. We provide an attractive working environment, from an integrative, non-discriminatory team culture to flexitime policies. Employees interested in improving their health can choose from a wide range of options, from bicycle pools to smoking cessation courses.

### Five values on the path to sustainability

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.

Among the most fundamental measures is the Code of Conduct of the VHV Group. We work together in the company and our employees act on the basis of five central values. These are:



## goDIGITAL.WORKSPACE

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

The goDIGITAL.WORKSPACE project is the VHV Group's response not only 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 these times of demographic change and a highly competitive labour market, employers must offer attractive conditions in order to find and retain employees for the long term. More than ever, personal freedom, flexible working hours, remote work and attractive on-site workplaces are in demand. goDIGITAL.WORKSPACE is intended to create workplaces of this kind. The VHV Group began to implement these options even prior to the COVID-19 pandemic.

### 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
- Rollout of a new office concept using the "activity-based working" principle

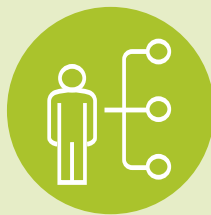
## CORE ELEMENTS OF THE WORKSPACE CONCEPT



**Mobile  
working**



**Flexible  
working hours**

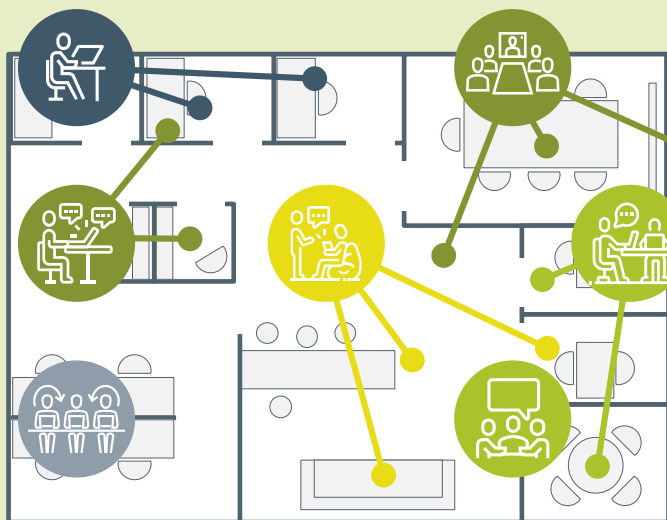


**New  
space concept**

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 work" 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**

### Role model for a new office space concept: Activity-based working

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

We distinguish 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 **worksites** are created.

However, 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 optimises space utilisation and helps with more conscientious handling of space as a resource.**

## 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 will still receive any important information from their manager, including with regard to special and/or technical updates. Company-wide meetings and events will also be communicated to them in advance.

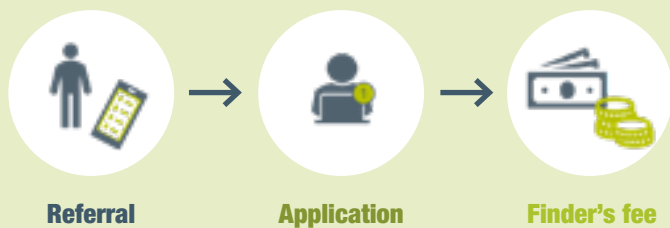
## Nursery

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 feeds renewable electricity into the public grid. 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.

### 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.

### 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.

# CHAPTER 3: OFFER THE BEST EMPLOYMENT OPPORTUNITIES

## 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. Executive management addresses the commissions as soon as possible to engage in dialogue, especially for decisions or changes that have a direct impact on the employees.

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 must 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

### Key figures on headcount

In the 2022 financial year, the employment statistics for companies in the consolidated financial statements were:

<b>Total:</b>	<b>3,973 employees (previous year: 3,633)</b>
<b>In Germany</b>	<b>3,686 (previous year: 3,403)</b>
<b>Outside Germany:</b>	<b>287 (previous year: 230)</b>
<b>Trainees:</b>	<b>63 (previous year: 66)</b>

As at 31 December 2022, there were 4,033 employees (previous year: 3,678). This increase was due to such factors as the creation of numerous new positions in certain areas (such as IT).

For more key figures, see Chapter 7.

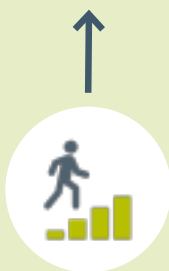
### Management development

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.

### MANAGEMENT DEVELOPMENT



**Management orientation**



**Management trainee programme**



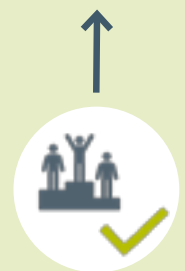
**New managers**



**Project managers**



**Professional leadership**



**Assessment Centre**

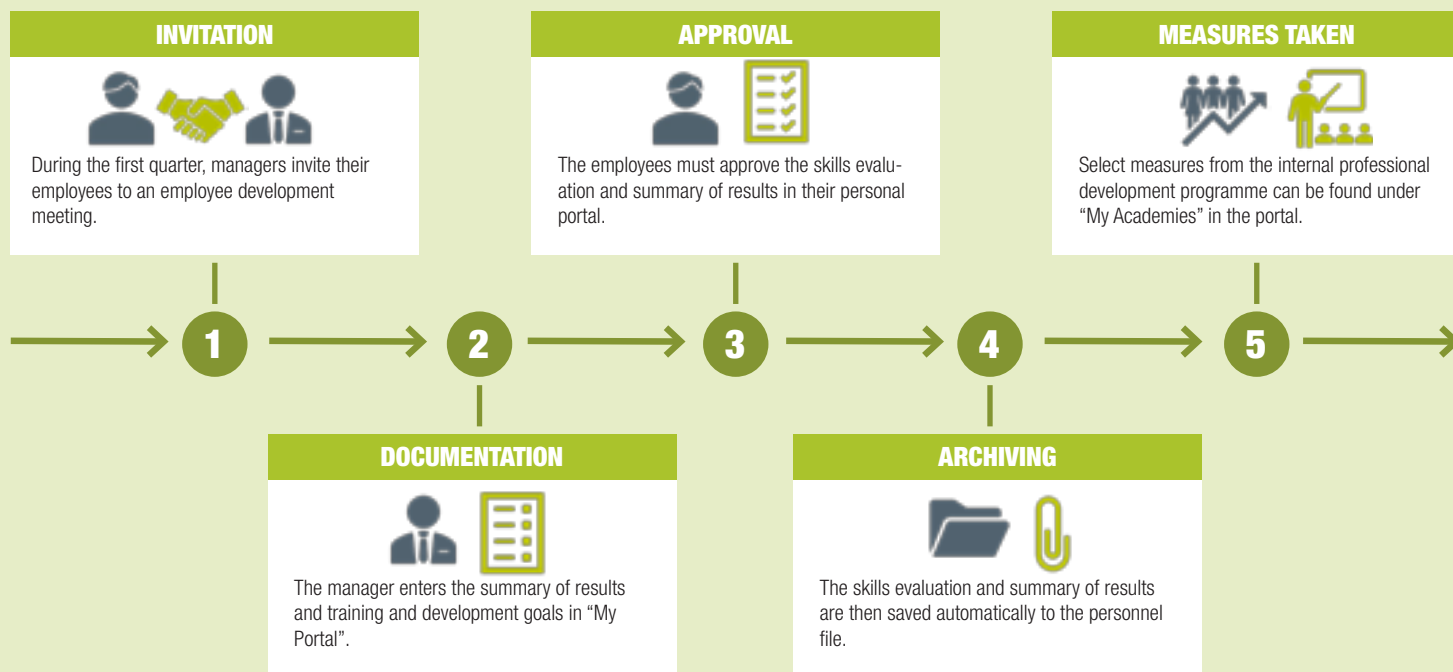
# CHAPTER 3: OFFER THE BEST EMPLOYMENT OPPORTUNITIES

## 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 2022, employees completed an average of 3.9 days of further training.**

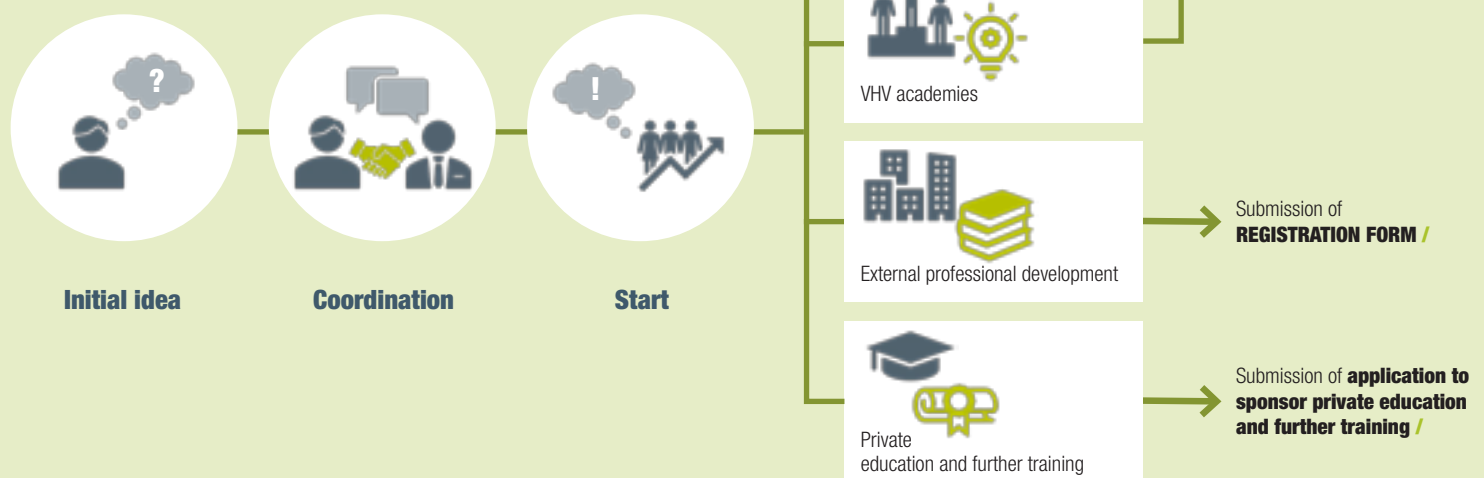
In addition to the further training that is offered in-house, the VHV Group provides financial support for the private training and continuing education of its employees.

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 29.6 hours (male: 33.2 hours; female: 25.9 hours).

**For more key figures, see Chapter 7.**

## PROFESSIONAL DEVELOPMENT OPPORTUNITIES



# 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.

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 2022 was 4.7 %, which is below market average** (approx. 5.2 %, Source: AGV, turnover and absenteeism statistics, as at: 2022).

## 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**.

<b>Basic supervision</b>	accounted for 100 hours of occupational medicine and 685 hours of safety activities
--------------------------	-------------------------------------------------------------------------------------

<b>Company-specific supervision</b>	accounted for 17 hours of occupational medicine 23 hours of safety activities
-------------------------------------	----------------------------------------------------------------------------------

Thirteen hours have been 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 2022 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, 2022

Of the eight accident reports received in Germany, six were "commuting accidents" (pedestrian, biking, or vehicle accidents on public thoroughfares). One accident occurred during a company sports event and another due to a fall on company premises.

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 0.04 %. The number of days absent due to these occupational accidents was 341.5 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 66.7 %.

**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 30 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 4.3 % 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.

**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 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 ISO 14001-certifiable environmental management system as an additional tool and frame of reference in 2022.

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 ensures 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 toward the continuous improvement of the company's environmental practices.

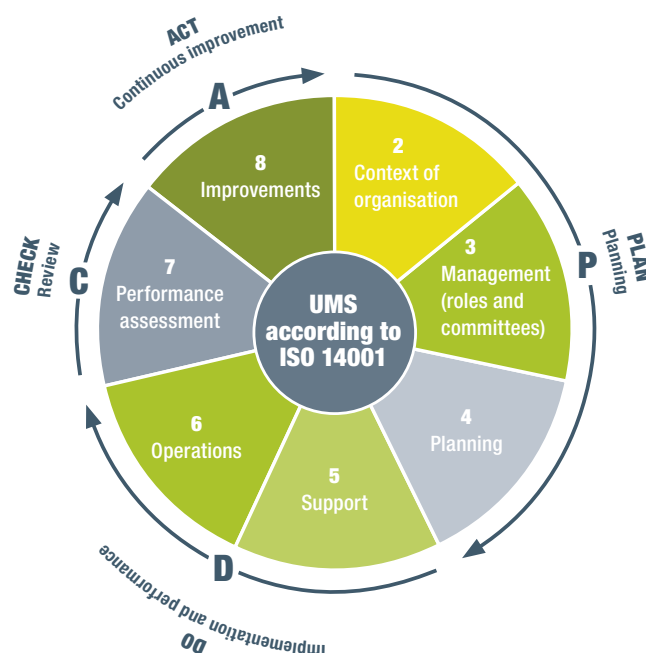
To meet its obligations, the VHV Group defines targets for its environmental management system, which are measured with certain key figures. The VHV Group undertakes to protect the environment by taking the appropriate actions at its locations to reduce or avoid a negative impact on the VHV Group's environmental 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. In 2022, the VHV Group already more than offset 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.

## THE ENVIRONMENTAL MANAGEMENT SYSTEM

The environmental management system has been designed on the basis of 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 solutions GmbH
- WAVE Management AG
- Pensionskasse der VHV Versicherungen



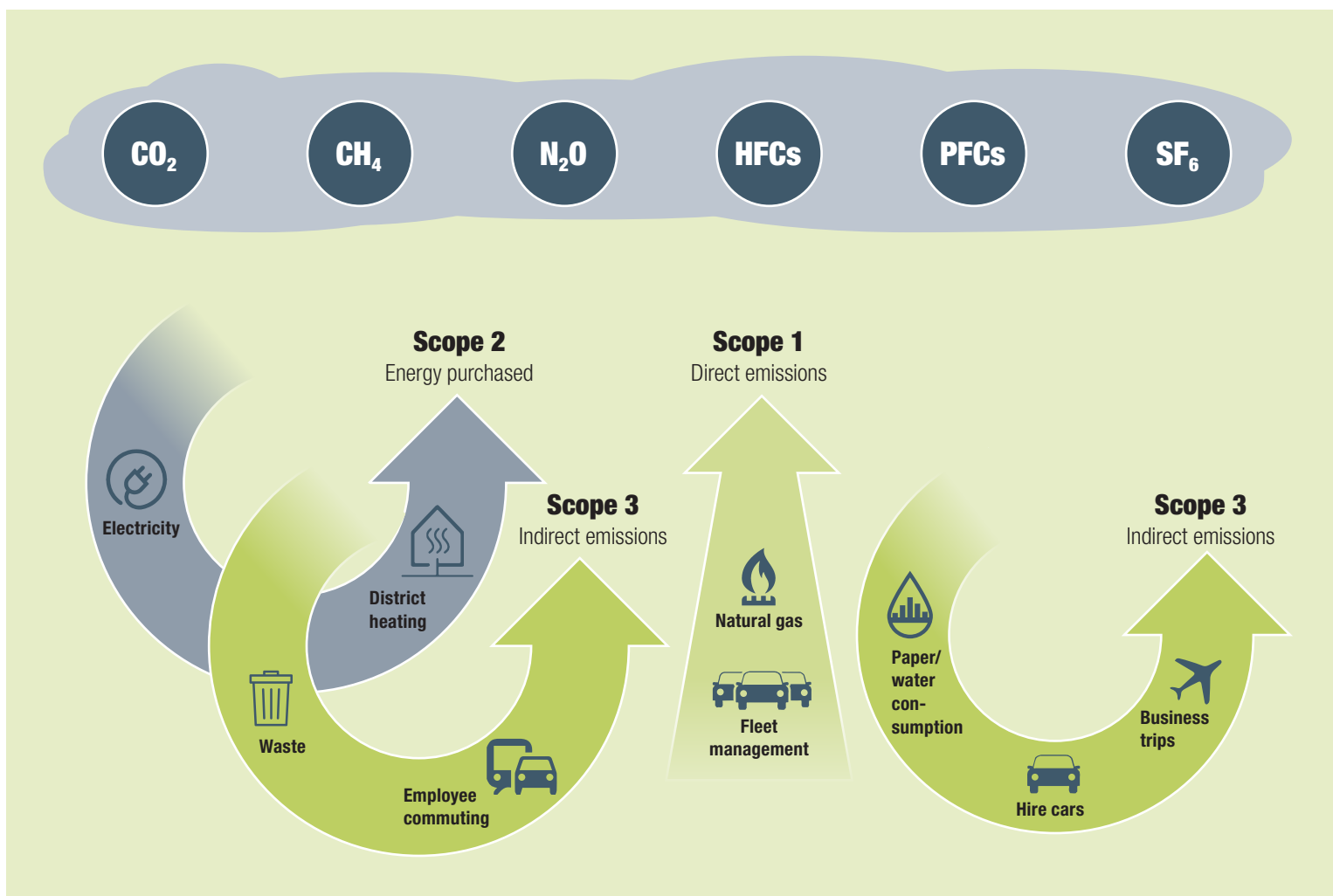
## CARBON FOOTPRINT OF THE VHV GROUP BY SCOPE

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).



# 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.

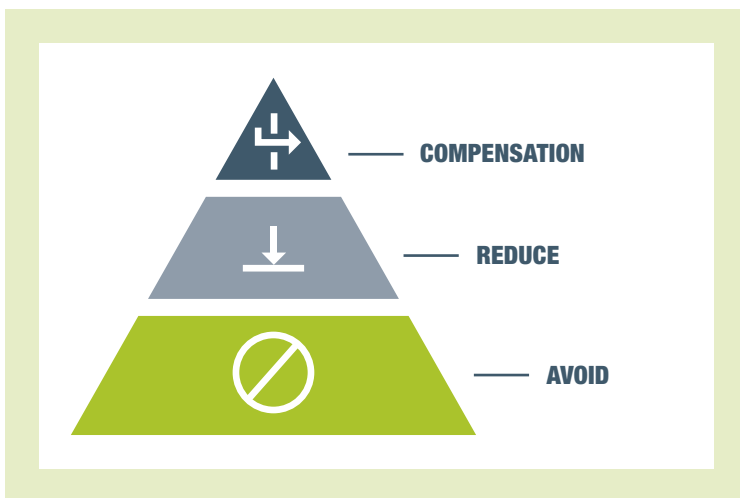
CARBON EMISSIONS In t CO <sub>2</sub> eq	CHANGE FROM PREVIOUS YEAR	2021	2020
<b>TOTAL CARBON EMISSIONS</b>	+31 %	3,054	2,328
<b>SCOPE 1</b>	−12 %	1,500	1695
Gas and fuel oil consumption	−1 %	123	124
Fleet management (leasing) <sup>1</sup>	−12 %	1377	1570
<b>SCOPE 2</b>	+7 %	583	543
Electricity	−9 %	37	40
Heat consumption	+9 %	546	503
<b>SCOPE 3</b>	N/A	971	90
Paper usage	−2 %	1	1
Water consumption	+6 %	9	8
Waste	−11 %	5	5
Business trips (air travel)	−17 %	32	38
Business trips (air travel)	−54 %	14	30
Employee commuting <sup>2</sup>	N/A	903	N/A
Hire cars	+7 %	9	8

<sup>1</sup> Following the change in fuel card provider, fleet management has already been offset in full as at March 2022. In 2022, the VHV Group offset the emissions from fleet management that were incurred until the change.

<sup>2</sup> Employee commutes were first tracked in 2021.



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 CARBON EMISSIONS

Compensation is part of an overall 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 CO<sub>2</sub>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 compensation other carbon emissions.

### **Standards**

Compliance with established standards such as the “Verified Carbon Standard (VCS)” and the “Gold Standard”.

With this aim in mind, the VHV Group more than compensation the direct emissions as at 31 December 2021, fleet management in 2022 and the energy it purchased in 2022. Furthermore, the VHV Group has more than compensation its indirect emissions from paper and water use, waste, business trips and hire cars in 2022.

# CHAPTER 4: IMPLEMENT CLIMATE-FRIENDLY OPERATIONS

## REDUCTION MEASURES

### ELECTRICITY USE



#### Measures adopted to date:

<b>2011</b>	Photovoltaic system at the DGNB gold-certified daycare centre in Hanover
<b>2015/2016</b>	Management buildings in Hanover, Berlin and Munich converted to “green” power
<b>2019</b>	All office lighting automatically switched off at 9:00 p.m.
<b>2020</b>	Data centre converted to “green” power
<b>2022</b>	Purchase of “green” power only

#### Planned measures

- Avoid “stand by” setting in electrical equipment
- Optimise operation times of the indoor ventilation system by adapting them to the building's business hours
- Convert workstation lighting to LED and other use of energy saving devices
- Check the lighting in the branch offices

### GAS AND HEAT USE



#### Measures adopted to date:

<b>2007</b>	New construction of management building at the Hanover headquarters. Use of geothermal field combined with a heat pump to cover some 25 % of the heating and cooling energy required with regenerative power
<b>2011</b>	Low demand for heating at the DGNB gold-certified daycare centre in Hanover
<b>2016/2017</b>	Optimisation of geothermal system in the management building in Hanover; extended hours of use thanks to simultaneous heating and cooling

#### Planned measures

- Employee education on ways to cut energy use
- Check heating systems in the branches
- Further potential savings can be achieved by reducing the space we lease (including by way of the space concept explained in Chapter 3).

## PAPER AND WATER USE



### Measures adopted to date:

- 2014** Two-sided printing introduced  
First energy audit under DIN EN 16247

### Planned measures

- Information to employees regarding paper use
- Rainwater for irrigation of exterior grounds (Hanover)
- Installation of Perlator aerators to save water

## WASTE



### Measures adopted to date:

- 2012** Optimisation of waste disposal – strict separation of reusable packaging and compostable organic and residual waste
- 2018** Reduction of waste generated by disposable cups – the disposable cups have been all but eliminated
- 2021** Elimination of brown bags – introduction of reusable plates and bowls

### Planned measures

- Educate employees on the mindful use of resources
- 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 2017, 2019 and 2021, the VHV Group was able to uphold the standards developed and the continuous development process. This, in turn, was the basis for introducing the ISO 14001 environmental management system (eligible for certification) in 2022.

# 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 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 with its provisions on gifts, meals, travel and entertainment are more detailed than German law.

The Code of Conduct are 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 are 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 have 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.

### **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 2022 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
- Actuarial function
- Compliance management system and function
- Tax compliance management system
- Prevention of money laundering/combating 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.

Board of Directors committees and Supervisory Board commission received detailed reports on the outcome. 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 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.

Special qualifications and personal integrity of the persons assigned to these roles are needed for the executive positions and roles listed below.

# 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

### MEMBERS ELECTED BY THE MEMBERS' MEETING:

#### Dr Peter Lütke-Bornefeld

Chairman

Chairman of the Board of Directors (retired), General Reinsurance AG, Cologne

Chairman of the Board of MLP SE, Wiesloch

#### Fritz-Klaus Lange, lawyer

Vice Chairman

Chairman of the Board of Directors (retired),

Gegenbauer Holding SE & Co. KG, Berlin;

Chairman of the Board of Directors (retired) of

RGM Facility Management GmbH, Berlin/Dortmund;

Member of the Supervisory Board, Gegenbauer Holding SE & Co. KG, Berlin;

Chairman of the Supervisory Board of RGM Facility Management GmbH,

Berlin/Dortmund

#### Uwe H. Reuter

Vice Chairman

Chairman of the Board of Directors (retired),

VHV a.G. and VHV Holding AG, Hanover;

Chairman of the Management Board of PATRIZIA SE, Augsburg

#### Dr Thomas Birtel

Chairman of the Management Board (retired), STRABAG SE, Vienna/Austria;

Chairman of the Supervisory Board, STRABAG AG, Cologne;

Chairman of the Supervisory Board of Ed. Züblin AG, Stuttgart

#### Thomas Bürkle

Chairman of the Supervisory Board (retired), NORD/ LB

Norddeutsche Landesbank Girozentrale, Hanover

#### Sarah Rössler

Former member of the Board of Directors of

HUK-COBURG Versicherungsgruppe;

Member of the Supervisory Board of MLP SE, Wiesloch

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 executive 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 2022 financial year, the members' meeting voted in one woman and five men. The 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 individual VHV companies 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.

#### **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 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/International  
Hanover

###### **Ulrich Schneider**

Born 1964  
Investments  
Hanover

###### **Sebastian Stark**

Born 1980  
Finance and Risk Management  
Hanover

###### **Arndt Bickhoff**

Born 1968  
IT  
Hamburg

# CHAPTER 5: FOLLOW THE GUIDELINES

All members of the Board of Directors were male in the 2022 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 schedule of responsibilities 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. The attendance rate at the Board of Directors meetings for the VHV Group companies is some 80 %. In other words, a total of 59 of the 77 meetings had full attendance.

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.

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.

## 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.



#### 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.

# CHAPTER 5: FOLLOW THE GUIDELINES



## 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. The company has defined a target of 0.0 % for the Supervisory Board and the Board of Directors. In the year under review, Sarah Rössler was

appointed to the Supervisory Board. As a result, the target for the Supervisory Board has now been raised to 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 33 %, 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
- working 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 for 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.

# CHAPTER 5: FOLLOW THE GUIDELINES

## 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.

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 are 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 promote steady and effective risk management and do 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.

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.

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.

In the last few financial years, variable remuneration was well above the targets, as the earnings were well above the forecast and the market development. 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.



# CHAPTER 5: FOLLOW THE GUIDELINES

## RISK MANAGEMENT PROCESSES

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.

Risk management for the VHV Group is intended in particular to ensure the appropriate risk-bearing capacity 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 adequate capital base in accordance with the risk strategy,
- ensuring that obligations to customers can be met at all times,
- establishing 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.

### 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.

### 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.

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 2021 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. 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)

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.

The effects of the climate stress tests performed were not material for the VHV Group as at 31 December 2021.

# CHAPTER 5: FOLLOW THE GUIDELINES

## 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 specialist departments involved have control processes for updates to each report.

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.

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.

## COMPLIANCE MANAGEMENT SYSTEM

The Compliance Management System group policy defines guidelines for the compliance area. It provides a framework for appropriately 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 specialist 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 plan includes the compliance function's monitoring activities, i. e. regarding adherence to the applicable laws, ordinances and regulatory requirements that apply to insurance operations (monitoring task).

## CHAPTER 5: FOLLOW THE GUIDELINES

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 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.

# CHAPTER 5: FOLLOW THE GUIDELINES

## 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, particularly in such cases as:

- 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.

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.

In future, specific legal clauses relating to the conduct of business partners in the supply chain will be adopted in line with the Germany Supply Chain Act (LkSG). Under the company purchasing policy, requirements for economic, environmental and social factors have already been defined with regard to supplier relationships.

The CMS is also in place to enforce the corporate culture.

## ANTI-CORRUPTION/ANTI-BRIBERY MEASURES

There is a special reporting and approval process for 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.



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 from management.

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.

### **MONEY LAUNDERING PREVENTION**

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. Its conduct as regards competitors is also a priority, as stated 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 antitrust 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.

There were no incidents of unfair competition practices at the VHV Group in the year under review.

The CMS ensures that the Code of Conduct are not violated, including all its provisions such as monitoring the conduct with business partners and customers.

# CHAPTER 5: FOLLOW THE GUIDELINES

## REPORTING CHANNELS

- Fraud cases are reported to the anti-money laundering/financial crime unit.
- Reporting channels:
  - direct report by an employee
  - report via supervisor
  - report via whistleblower system of the VHV Group
- plausibility check (including the initial suspicion) and submission to Internal Audit/Fraud Investigator if needed

## INVESTIGATION OF FACTS

- The facts behind the potential fraud and the legal opinion are clarified by Internal Audit/Fraud Investigator (unless the matter relates to employment law).
- Involvement of experts such as Compliance etc. if necessary
- Internal Audit/Fraud Investigator notifies the department head or Board of Directors member in charge.

## EVALUATION

- Investigations related to employment law and recommendations are handled exclusively by Human Resources.
- The recommended procedure is forwarded to the department head/Board of Directors member in charge.

## DECISION

- The manager will decide on the action to be taken. If the manager proceeds differently from the recommendation from Human Resources, he or she must document the reasons.
- Severe violations and degrees of fault require an urgent response
- Involvement of the department head in cases of employee termination

## 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, all new hires must undergo anti-fraud management training. In order to communicate updates proactively and refresh the lessons learned, the training is mandatory every two years for all employees of the VHV Group. Under the awareness policy, the employees of the VHV Group are obliged to acknowledge the work instructions.

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.

## CORRUPTION AND BRIBERY CASES IN THE PERIOD UNDER REVIEW

There were no cases of corruption or bribery at the VHV Group in the reporting period. If a case does occur in spite of our best 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 violations of fair competition laws at the VHV Group in the reporting period. For more information on antitrust 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, Ernst & Young GmbH WPG 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.

## PRIVACY AT THE WORKPLACE

The VHV Group operates an information security management system. It is continuously in the planning, implementation, evaluation and optimisation phase. There are ten basic principles in the system:

- **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 guaranteed.

- **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

There were no data breaches involving employee data that had to be reported in the 2022 financial year.

# CHAPTER 6: FOSTER AND ENGAGE

## THE VHV STIFTUNG

As a leading 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 assets are maintained and invested in an appropriate manner. The foundation uses income from the fund 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 a donation from the VHV Group of EUR 20 million in 2022, the fund's assets now total some EUR 70 million. In January 2023, the VHV Stiftung received another donation from VHV Allgemeine in the amount of EUR 10 million.

### Charitable highlights in 2022

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. In March, a special donation by the VHV Group for EUR 1 million was used for accommodations and meals for 73 mothers and their 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. This special donation helped to care for and assist the Ukrainian guests as described above for a year.

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 two new projects.

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 nearly all facts of visual and performing arts, music and literature.

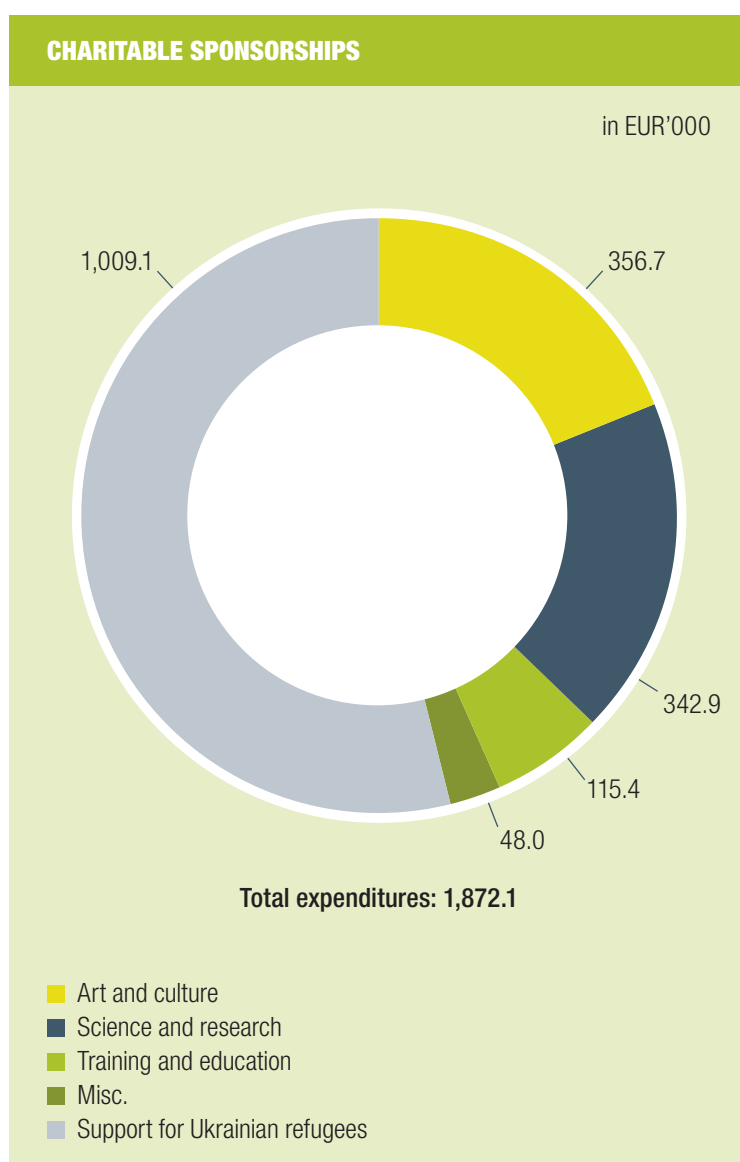
In the area of training and education, the focus remained as it has in previous years on outreach for disadvantaged children and youths with programmes for integration, German language courses, daycare after school and during the holidays, remedial courses, etc.

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 2022:



# CHAPTER 6: FOSTER AND ENGAGE

## EXAMPLES OF CURRENT SPONSORSHIPS

The list below shows 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 Stiftung provides a regular grant for multiple years, but it does occasionally fund temporary projects such as art exhibits.



## 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**

In cooperation with the Diakonisches Werk, full-day pupils at the Brüder-Grimm school can take part in a sports programme that is aimed at promoting social skills for pupils in team sports.



## 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. Since 2022, the programme has assisted 73 mothers and children. The children were placed at schools if eligible. Their mothers attend German courses each week. Two days a week, the refugees have 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 exhibits by Paula Rego in 2022, Camille Henrot in 2021 and Nicolas Party in 2021.

### **Wilhelm Busch Museum**

Sponsorship of exhibit by Tatjana Hauptmann in 2022

### **Verein der Freunde des Sprengel Museums, Hanover**

Sponsorship of a dance event for young people "Sprengel Young Circle – Sprengel tanzt"



## 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

**Hanover State Opera**

Funding for the video streaming project “Opera Vision”.

# CHAPTER 7: FACTS AND FIGURES

## 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. In the 2022 reporting year, two environmental objectives (climate change mitigation and climate change adaptation) are relevant for reporting. The remaining four are likely to gain relevance starting in the 2023 reporting year.

As regards the selection of economic activities, the most important criteria for reaching environmental targets have been defined. However, this means that the activities which have not been listed to date are not considered to be non-sustainable per se.

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. It does not state whether an activity is environmentally sustainable. However, it is a prerequisite for subsequent classification as taxonomy-aligned (or non-aligned).

Economic activities are to be classified as "environmentally sustainable" or taxonomy-aligned if they meet certain criteria. Therefore, an evaluation is made as to whether the criteria in the EU Taxonomy Regulation have been met.

## 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.

As in the previous year, only the amounts of taxonomy-eligible and non-eligible economic activities were to be disclosed in 2022. Entities are also required to disclose the proportion of their investments in central governments, central banks, supranational issuers and undertakings that are not subject to an obligation to publish non-financial information as well as their investments in derivatives.

At present, there is no information regarding taxonomy-eligibility for nuclear/gas activities by the investment vehicles (issuers).

## Taxonomy-eligible investments

### DISCLOSURES IN ACCORDANCE WITH ARTICLE 8 OF THE TAXONOMY REGULATION<sup>1</sup>

	Percentage in total investments minus government bonds	Absolute amounts in EUR million
Taxonomy-eligible exposures		
• Turnover	3.7 % <sup>3</sup>	560
• Capex	26.3 %	3,996
Taxonomy-non-eligible risk positions		
• Turnover	5.5 % <sup>3</sup>	838
• Capex	10.9 %	1,652
Exposures to central governments, central banks and supranational issuers <sup>2</sup>	12.5 %	2,175
Derivatives	0.1 %	14
undertakings that are not obliged to publish non-financial information	35.2 %	5,352

<sup>1</sup> Regulation (EU) 2020/852

<sup>2</sup> Percentage in total investments including government bonds

<sup>3</sup> Investments in real estate and banks are accounted for only in the capex rate.

The investment figures include all direct and indirect investments, including those in funds, participations, loans and mortgages. The investment figures are computed relative to the total investments minus government bonds (total assets in the previous year). The total investments minus government bonds in the year under review were EUR 15,188 million.

The information on taxonomy-eligible risk positions for 2022 include real estate and mortgage loans, as in the previous year. However, in contrast to the previous year, these risk positions also include investments in companies that engage in taxonomy-eligible economic activities, because no information was available on this for the previous year. The information on whether the underlying economic activities were taxonomy-eligible was obtained primarily from a third-party data provider. We conducted our own research for cases that were not covered by these providers. We used only information reported by the investment vehicles. This means that investments for which no information was available (in some cases, for instance, private equity), were not classified as taxonomy-eligible nor as non-eligible and thus are not included in any of the figures listed above. This is why the total percentage in the above table is less than 100 %.

For the key figures from finance companies, the taxonomy-eligible resp. non-eligible assets were allocated to investments. The taxonomy-eligible and non-eligible premiums from insurance companies were allocated to turnover.

# CHAPTER 7:

## FACTS AND FIGURES

The investments are listed at bookvalue. The calculation of the proportion in total assets, minus government bonds, of investments in undertakings that are not subject to an obligation to publish a non-financial statement under EU law, minus government bonds, was based on data from third-party data providers. Similarly to the process for determining taxonomy-eligibility, for cases not covered by third-party data providers we conducted our own research. We used only information reported by the investment vehicles. 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 eligible in accordance with the economic activity performed, if there was an obligation to prepare a non-financial statement for the investment vehicle.

### Taxonomy-eligible insurance business:

#### DISCLOSURES IN ACCORDANCE WITH ARTICLE 8 OF THE TAXONOMY REGULATION<sup>1</sup>

	Proportion of gross premiums written in non-life insurance	Gross premiums written in non-life insurance in EUR million
Taxonomy-eligible	37.0 % <sup>2</sup>	996.6
Non-eligible	63.0 %	1,694.6

<sup>1</sup> Regulation (EU) 2020/852

<sup>2</sup> The interpretation of taxonomy-eligibility for motor vehicle liability insurance is heterogeneous on the market. The VHV Group does not classify them as taxonomy-eligible. Taxonomy-eligibility including motor vehicle liability insurance would be 74.0 %.

The calculation of the proportion of gross premiums written in non-life insurance included the gross premiums written of the entire VHV Group. As this is a Group view, intragroup transactions were consolidated.

The taxonomy-eligible proportion comprises the gross premiums of the other motor vehicle insurance, marine, air travel and transportation and fire and other property insurance business segments. To identify the taxonomy-eligible business segments, the insurance conditions relating to the coverage of climate-related risks were analysed. By contrast, the taxonomy non-eligible proportion primarily comprises the gross premiums of the accident insurance, motor vehicle liability insurance, assistance cover, general liability insurance, loan and surety insurance and legal expenses insurance business segments, as well as miscellaneous financial losses due to the lack of a direct connection with climate risks.

### Inclusion in the business strategy

In the life insurance business, the VHV Group analyses the introduction of "green" products or product components and, in the property and casualty business, the introduction of products that are environmentally sustainable under the Taxonomy Regulation.

## ENVIRONMENTAL FIGURES

### Energy consumption within the organisation:

ENERGY CONSUMPTION (IN KWH)	2021
<b>Energy consumption from non-renewable sources</b>	
District heating	6,474,597
Natural gas	398,326
Fuel oil	73,918
Electricity	153,487
<b>Energy consumption from renewable sources</b>	
"Green" power	7,571,717
Geothermal	1,374,823

### Carbon emissions within the organisation:

ENVIRONMENTAL FIGURES	2021
<b>Total CARBON emissions(in t CO<sub>2</sub> eq)</b>	<b>3,054</b>
<b>Scope 1</b>	<b>1,500</b>
Gas and fuel oil consumption	123
Fleet management (leasing) <sup>1</sup>	1,377
<b>Scope 2</b>	<b>583</b>
Electricity	37
Heat consumption	546
<b>Scope 3</b>	<b>971</b>
Paper usage	1
Water consumption	9
Waste	5
Business trips (air travel)	32
Business trips (rail)	14
Employee commuting <sup>2</sup>	903
Hire cars	9

<sup>1</sup> Following the change in fuel card provider, fleet management has already been offset in full as at March 2022. In 2022, the VHV Group offset the emissions from fleet management that were incurred until the change.

<sup>2</sup> Employee commutes were first tracked in 2021.

The following sources and data from the following statements (including overhead cost statements) are used to determine carbon emissions:

SOURCE OF EMISSIONS	DATA BASIS
<b>Gas and fuel oil consumption</b>	<ul style="list-style-type: none"> <li>Gas consumption of property</li> <li>Fuel oil consumption of property</li> <li>Reference values for emissions</li> </ul>
<b>Power and heat consumption</b>	<ul style="list-style-type: none"> <li>Power consumption of the property</li> <li>District heating consumption for the property</li> <li>Reference values for emissions</li> </ul>
<b>Paper usage Water consumption Waste</b>	<ul style="list-style-type: none"> <li>Paper use of the property</li> <li>Water consumption of the property</li> <li>Waste</li> <li>Reference values for emissions</li> </ul>
<b>Business trips (air travel) Business trips (rail)</b>	<ul style="list-style-type: none"> <li>Carbon emissions report from the travel agency</li> <li>A distinction is made among short, medium and long-haul flights</li> </ul>
<b>Fleet management, hire cars</b>	<ul style="list-style-type: none"> <li>Report on carbon emissions from the hire car provider</li> <li>Based on the fuel card statements (diesel/petrol)</li> </ul>
<b>Employee commuting</b>	<ul style="list-style-type: none"> <li>Employee distance from worksite</li> <li>Average number of days in the office</li> <li>Inclusion of bicycles and public transportation</li> <li>Vehicle/motorcycle</li> </ul>

# CHAPTER 7: FACTS AND FIGURES

## HEADCOUNT

### KEY FIGURES

Headcount by country	3,268 Total	3,268 DE	
Number of permanent employees	2,932	1,551 Male	1,381 Female
Number of temporary employees	336	184 Male	152 Female
Headcount, FTEs	2,600	1,623 Male	977 Female
Headcount, PTEs	668	112 Male	556 Female
Share of employees in performance and career evaluations	77.6 %		
Avg. hours of further training per employee	29.6 Total	33.2 Male	25.9 Female
Number of deaths due to workplace accidents	0		
Absences due to workplace/commuting accidents	0.04 %		
Absences due to occupational disease, etc.	341.5		
Percentage of employees > 48 hours/week	0.0 %		
Percentage of employees under parental leave, MuSchu & BeschV.	4.7 %	3.1 % Male	6.5 % Female
Continued employment after parental leave, MuSchu & BeschV.	96.9 %	100.0 % Male	95.0 % Female

This information pertains to the German companies of the VHV Group.

# **VHV VEREINIGTE HANNOVERSICHE VERSICHERUNG a. G.**

**CONSOLIDATED BALANCE SHEET  
AS AT 31 DECEMBER 2022  
CONSOLIDATED INCOME STATEMENT FOR THE  
PERIOD FROM 1 JANUARY TO 31 DECEMBER 2022  
CASH FLOW STATEMENT  
STATEMENT OF CHANGES IN EQUITY**

## CONSOLIDATED BALANCE SHEET AS AT 31 DECEMBER 2022

### VHV VEREINIGTE HANNOVERSCHER VERSICHERUNG a. G.

Assets	EUR	EUR	EUR	31. 12. 2022 EUR	31. 12. 2021 EUR
<b>A. Intangible assets</b>					
I. Purchased concessions, industrial and similar rights and assets and licenses in such rights and assets			134,101,005		123,147,035
II. Goodwill			85,076,099		84,140,034
III. Advance payments			21,613,235		1,329,740
				240,790,339	208,616,809
<b>B. Investments</b>					
I. Real properties, rights equivalent to real property and buildings, including buildings on third-party real properties			101,977,175		105,823,670
II. Investments in affiliated and associated companies					
1. Shares in affiliated companies		29,253,969			94,146,513
2. Loans to affiliated companies		0			9,481,109
3. Participating interests in associated companies		58,173,025			43,014,353
4. Other participating interests		65,818,441			67,171,652
5. Loans to associated companies		30,000			30,000
			153,275,435		213,843,628
III. Other investments					
1. Equities, shares or equities in investment assets and other non-fixed interest securities		5,434,443,482			5,023,984,355
2. Bearer bonds and other securities with fixed interest rates		5,610,316,778			5,835,297,562
3. Mortgage, land charge and annuity charge receivables		1,022,289,626			1,030,662,931
4. Other loans					
a) Registered debentures	2,339,418,564				2,499,992,049
b) Promissory notes and loans	650,205,771				761,951,465
c) Loans and advance payments on insurance policies	9,125,330				10,082,589
d) Miscellaneous loans	8,463,274				8,194,499
		3,007,212,939			3,280,220,603
5. Bank deposits		37,683,734			12,203,974
6. Miscellaneous investments		1,996,326,459			1,874,958,362
			17,108,273,019		17,057,327,787
				17,363,525,629	17,376,995,085
<b>C. Investments for the account and risk of holders of life insurance policies</b>				167,665,223	179,812,689
<b>D. Receivables</b>					
I. Accounts receivable from direct-written insurance transactions with:					
1. Insurance policy holders		95,402,531			64,346,478
2. Insurance agents		380,069			4,920,436
			95,782,600		69,266,914
II. Settlement receivables from reinsurance business			65,768,619		71,705,729
thereof from associated companies: EUR 7,679,923 (previous year: EUR 7,993,861)					
III. Other receivables			145,981,511		44,913,703
thereof from affiliated companies: EUR 43,855 (previous year: EUR 629,461)				307,532,730	185,886,346
thereof from associated companies: EUR 629,227 (previous year: EUR 516,583)					
<b>E. Other assets</b>					
I. Tangible fixed assets and inventories			23,588,895		15,631,219
II. Bank balances, cheques and cash on hand			378,829,047		188,878,369
III. Miscellaneous assets			38,747,298		42,922,733
				441,165,240	247,432,322
<b>F. Prepaid expenses</b>					
I. Accrued interest and rent			101,533,360		110,997,206
II. Other prepaid expenses			36,332,114		37,172,998
				137,865,474	148,170,203
<b>G. Deferred tax assets</b>				376,403,015	379,034,062
<b>H. Excess of plan assets over post-employment benefit liability</b>				0	3,382,292
<b>TOTAL ASSETS</b>				<b>19,034,947,649</b>	<b>18,729,329,808</b>

## CONSOLIDATED BALANCE SHEET AS AT 31 DECEMBER 2022

### VHV VEREINIGTE HANNOVERSCHES VERSICHERUNG a. G.

Liabilities and shareholders' equity	EUR	EUR	31. 12. 2022 EUR	31. 12. 2021 EUR
<b>A. Equity</b>				
<b>I. Retained earnings</b>				
1. Loss reserve in accordance with section 193 of the Insurance Supervision Act (VAG)	70,656,847			70,094,731
2. Other retained earnings	2,420,650,600			2,239,076,810
		2,491,307,447		2,309,171,541
<b>II. Difference in equity from currency translation</b>		-11,423,840		-6,943,678
<b>III. Non-controlling interests</b>		11,597,265		14,457,067
			2,491,480,872	2,316,684,930
<b>B. Technical reserves</b>				
<b>I. Unearned premiums</b>				
1. Gross	335,970,048			303,137,054
2. Less: Reinsurance ceded	23,394,703			11,116,325
		312,575,345		292,020,729
<b>II. Actuarial reserve</b>				
1. Gross	8,906,084,287			9,106,392,918
2. Less: Reinsurance ceded	5,409,798			4,727,782
		8,900,674,489		9,101,665,135
<b>III. Reserve for insurance claims not yet processed</b>				
1. Gross	4,167,156,485			3,892,077,399
2. Less: Reinsurance ceded	331,156,358			295,727,112
		3,836,000,127		3,596,350,287
<b>IV. Reserve for performance-related and non-performance-related premium refunds – gross</b>		711,649,251		689,506,512
<b>V. Claim equalisation reserve and similar reserves</b>		967,805,537		1,040,640,405
<b>VI. Other technical reserves</b>				
1. Gross	279,532,139			190,560,568
2. Less: Reinsurance ceded	7,134,932			1,024,865
		272,397,207		189,535,704
			15,001,101,957	14,909,718,771
<b>C. Technical reserves for life insurance policies, to the extent that the investment risk is borne by the policy holder</b>				
<b>I. Actuarial reserve – gross</b>			167,665,223	179,812,689
<b>D. Other reserves</b>				
<b>I. Reserves for pensions and similar liabilities</b>		163,517,548		151,313,993
<b>II. Tax reserves</b>		39,354,200		61,900,849
<b>III. Other reserves</b>		194,595,598		173,156,121
			397,467,346	386,370,963
<b>E. Funds held under reinsurance transactions ceded</b>			17,215,135	14,072,491
<b>F. Other liabilities</b>				
<b>I. Accounts payable from direct-written insurance transactions with:</b>				
1. Insurance policy holders	587,019,851			632,923,781
2. Insurance agents	16,794,857			11,552,568
		603,814,708		644,476,349
<b>II. Accounts receivable from reinsurance transactions</b>		22,037,015		11,637,907
thereof due to associated companies: EUR 592 (previous year: EUR 1,091,669)				
<b>III. Liabilities to banks</b>		52,467,522		16,458,127
<b>IV. Miscellaneous liabilities</b>		275,410,098		244,365,369
thereof due to affiliated companies: EUR 7,810,416 (previous year: EUR 246,872)			953,729,342	916,937,751
thereof due to associated companies: EUR 520,726 (previous year: EUR 713,503)				
thereof from taxes of: EUR 25,932,151 (previous year: EUR 27,592,259)				
thereof for social security: EUR 380,056 (previous year: EUR 365,157)				
<b>G. Deferred income</b>			6,287,774	5,732,212
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>			<b>19,034,947,649</b>	<b>18,729,329,808</b>

**CONSOLIDATED INCOME STATEMENT FOR THE PERIOD FROM 1 JANUARY TO 31 DECEMBER 2022**  
**VHV VEREINIGTE HANNOVERSCHES VERSICHERUNG a. G.**

Item	EUR	EUR	2022 EUR	2021 EUR
<b>I. TECHNICAL ACCOUNT FOR PROPERTY-CASUALTY INSURANCE TRANSACTIONS</b>				
<b>1. Net premiums earned for own account</b>				
a) Gross premiums written	2,691,173,586			2,574,652,710
b) Reinsurance premiums ceded	<u>-149,335,161</u>			<u>-123,622,197</u>
		2,541,838,425		2,451,030,513
c) Change in gross unearned premiums	-25,010,535			-18,001,294
d) Change of reinsurers' share in gross unearned premiums	<u>-662,823</u>			<u>-754,395</u>
		<u>-25,673,358</u>		<u>-18,755,690</u>
			2,516,165,067	2,432,274,824
<b>2. Technical interest income for own account</b>			194,306	252,992
<b>3. Other technical earnings for own account</b>			2,799,139	3,451,497
<b>4. Expenses for insurance claims for own account</b>				
a) Payments for insurance claims				
aa) Gross	-1,746,057,581			-1,556,642,155
bb) Share for reinsurers	<u>108,541,907</u>			<u>101,645,010</u>
		-1,637,515,674		-1,454,997,145
b) Change in reserve for insurance claims not yet processed				
aa) Gross	-242,346,784			-186,825,660
bb) Share for reinsurers	<u>15,386,453</u>			<u>50,954,956</u>
		<u>-226,960,331</u>		<u>-135,870,704</u>
			-1,864,476,005	-1,590,867,849
<b>5. Change in other net technical reserves</b>			-8,388,126	-7,282,754
<b>6. Expenses for performance-related and non-performance-related premium refund for own account</b>			-6,254,908	-7,929,253
<b>7. Expenses for insurance operations for own account</b>				
a) Gross expenses for underwriting	-595,797,358			-561,722,534
b) Less: commissions and shares of profit received from insurance transactions ceded for reinsurance	<u>27,949,498</u>			<u>26,315,849</u>
			-567,847,860	-535,406,685
<b>8. Other technical expenses for own account</b>			-4,525,215	-4,023,934
<b>9. Subtotal</b>			<b>67,666,399</b>	<b>290,468,838</b>
<b>10. Change in equalisation reserve and similar reserves</b>			73,766,246	-51,642,333
<b>11. Technical result for own account in Property-Casualty insurance transactions</b>			<b>141,432,644</b>	<b>238,826,505</b>

# **CONSOLIDATED INCOME STATEMENT FOR THE PERIOD FROM 1 JANUARY TO 31 DECEMBER 2022** **VHV VEREINIGTE HANNOVERSCHE VERSICHERUNG a. G.**

Item	EUR	EUR	2022 EUR	2021 EUR
<b>II. TECHNICAL ACCOUNT FOR LIFE INSURANCE TRANSACTIONS</b>				
<b>1. Net premiums earned for own account</b>				
a) Gross premiums written	1,047,290,021			1,052,668,614
b) Reinsurance premiums ceded	–6,916,073			–7,321,217
		1,040,373,947		1,045,347,397
c) Change in gross unearned premiums		7,318,563		6,724,275
			1,047,692,511	1,052,071,672
<b>2. Premiums from the gross reserve for premium redemption</b>			5,671,474	5,514,636
<b>3. Income from investments</b>				
a) Income from participating interests		1,499,620		1,773,031
thereof from affiliated companies: EUR 977,465 (previous year: EUR 1,773,031)				
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	349,682,314			327,797,464
		356,935,468		335,050,618
c) Income from appreciation		2,724,300		6,296,630
d) Gains from the divestiture of investments		24,898,419		25,005,650
			386,057,807	368,125,929
<b>4. Unrealised gains on investments</b>			44,881	22,665,209
<b>5. Other technical earnings for own account</b>			3,264,422	2,947,081
<b>6. Expenses for insurance claims for own account</b>				
a) Payments for insurance claims				
aa) Gross	–951,315,008			–954,666,436
bb) Share for reinsurers	2,006,793			3,221,641
		–949,308,215		–951,444,795
b) Change in reserve for insurance claims not yet processed				
aa) Gross	–12,369,374			–18,472,847
bb) Share for reinsurers	–260,597			–460,187
		–12,629,971		–18,933,034
			–961,938,186	–970,377,829
<b>7. Change in other net technical reserves</b>				
a) Actuarial reserve				
aa) Gross		212,456,097		32,460,282
bb) Share for reinsurers		682,015		1,544,648
			213,138,113	34,004,930
<b>8. Expenses for performance-related premium refunds for own account</b>			–187,737,701	–126,564,082
<b>9. Expenses for insurance operations for own account</b>				
a) Transaction expenses	–71,471,388			–65,498,223
b) Management expenses	–11,564,353			–10,870,735
		–83,035,741		–76,368,958
c) Less: commissions and shares of profit received from insurance transactions ceded for reinsurance		3,358,492		3,025,815
			–79,677,248	–73,343,144
<b>10. Expenses for investments</b>				
a) Expenses for management of investments, interest expense and other expenses for investments		–15,920,437		–15,072,496
b) Depreciation on investments		–13,300,843		–8,806,179
c) Losses from the divestiture of investments		–1,667,104		–1,020,825
			–30,888,384	–24,899,500
<b>11. Unrealised losses on investments</b>			–29,767,976	–697,897
<b>12. Other technical expenses for own account</b>			–275,790,622	–212,379,766
<b>13. Technical result for own account in life insurance transactions</b>			90,069,090	77,067,239

**CONSOLIDATED INCOME STATEMENT FOR THE PERIOD FROM 1 JANUARY TO 31 DECEMBER 2022**  
**VHV VEREINIGTE HANNOVERSCHE VERSICHERUNG a. G.**

Item	EUR	EUR	EUR	2022 EUR	2021 EUR
<b>III. NON-TECHNICAL ACCOUNT</b>					
<b>1. Technical result for own account</b>					
a) in property-casualty insurance transactions			141,432,644		238,826,505
b) in life insurance transactions			90,069,090		77,067,239
				231,501,734	315,893,744
<b>2. Income from investments, unless listed under II.3.</b>					
a) Income from associated companies		13,432,269			3,941,336
thereof from affiliated companies: EUR 405,943 (previous year: EUR 1,343,128)					
b) Income from participating interests		5,635,936			78,678,305
thereof from affiliated companies: EUR 488,732 (previous year: EUR 71,147,475)					
c) Income from miscellaneous investments					
thereof from affiliated companies: EUR 1,117 (previous year: EUR 82,435)					
aa) Income from real properties, rights equivalent to real property and buildings, including buildings on third-party real properties	573,897				571,511
bb) Income from miscellaneous investments	193,545,444				111,708,776
		194,119,341			112,280,287
d) Income from appreciation		1,817,854			6,708,790
e) Gains from the divestiture of investments		14,634,682			10,523,444
f) Income from profit transfer agreements		205,519			3,255
			229,845,601		212,135,418
<b>3. Expenses for investments, unless listed under II.10.</b>					
a) Expenses in respect of associated companies		-5,220,753			-2,170,226
thereof in respect of affiliated companies: EUR -4,182,081 (previous year: EUR -2,170,226)					
b) Expenses for management of investments, interest expense and other expenses for investments		-12,261,021			-8,656,736
c) Depreciation on investments		-6,988,381			-6,022,042
d) Losses from the divestiture of investments		-360,029			-715,266
			-24,830,184		-17,564,270
			205,015,417		194,571,148
<b>4. Technical interest income</b>			-450,951		-452,875
				204,564,466	194,118,273
<b>5. Other income</b>			111,479,857		85,839,963
<b>6. Other expenses</b>			-286,601,775		-214,131,091
				-175,121,919	-128,291,128
<b>7. Operating result</b>				<b>260,944,281</b>	<b>381,720,890</b>
<b>8. Taxes on income and earnings</b>			-82,922,922		-91,243,493
including: Income from deferred taxes: EUR 6,134,344 (previous year: EUR 31,316,038)					
<b>9. Other taxes</b>			-972,456		-647,448
				-83,895,378	-91,890,942
<b>10. Consolidated net profit</b>				<b>177,048,903</b>	<b>289,829,948</b>
<b>11. Non-controlling interests</b>				5,087,003	1,475,223
<b>12. Allocations to retained earnings</b>					
a) to the loss reserve in accordance with section 193 of the Insurance Supervision Act (VAG)				-562,116	0
b) to other retained earnings				-181,573,790	-291,305,171
<b>13. CONSOLIDATED NET INCOME</b>				<b>0</b>	<b>0</b>

## CASH FLOW STATEMENT

### VHV VEREINIGTE HANNOVERSCHES VERSICHERUNG a. G./GROUP

Item	2022 EUR'000	2021 EUR'000
<b>Net profit (consolidated net profit)</b>	<b>177,049</b>	<b>289,830</b>
Change in technical reserves – net	79,236	159,452
Change in deposit accounts receivable and accounts payable, as well as invoice accounts receivable and accounts payable	19,479	–27,700
Change in other accounts receivable and accounts payable	–99,219	–6,905
Change in investments that are not attributable to investment activities	–16,516	–243,533
Change in other balance sheet items that are not attributable to investment or financing activities	54,749	–55,062
Other non-cash expenses and income, as well as adjustments to net profit	114,880	–1,222
Gain/loss from the divestiture of investments, tangible fixed assets and intangible assets	–37,511	–33,800
Income tax expense/income	82,923	91,243
Income tax payments	–152,364	–96,722
<b>Cash flow from operating activities</b>	<b>222,706</b>	<b>75,581</b>
Receipts from the sale of consolidated companies and other business entities	2,109	21,335
Payments resulting from the acquisition of consolidated companies and other business entities	–35,678	–98,446
Receipts from the sale of capital investments for fund-linked annuity insurance	6,258	6,071
Payments resulting from the acquisition of capital investments for fund-linked annuity insurance	–24,534	–23,136
Other receipts from the divestiture of tangible fixed assets and intangible assets	25	307
Other payments resulting from additions of tangible fixed assets and intangible assets	–23,342	–22,607
<b>Cash flow from investment activities</b>	<b>–75,162</b>	<b>–116,476</b>
Receipts and payments from other financing activities	36,009	3,758
<b>Cash flow from financing activities</b>	<b>36,009</b>	<b>3,758</b>
<b>Change in cash and cash equivalents</b>	<b>183,553</b>	<b>–37,137</b>
<b>Change in cash equivalents due to exchange rate movements, changes in the scope of consolidation and measurement</b>	<b>6,398</b>	<b>9,398</b>
Cash at the beginning of the period	188,878	216,617
Cash at the end of the period	378,829	188,878

Cash is equal to the balance sheet item “bank balances, cheques and cash on hand”.

# STATEMENT OF CHANGES IN EQUITY

## VHV VEREINIGTE HANNOVERSCHER 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
<b>Status on 31.12.2020</b>	<b>70,095</b>	<b>1,947,948</b>	<b>2,018,043</b>	<b>-1,705</b>	<b>2,016,338</b>
Currency translation	–	–	–	-5,239	-5,239
Other changes	–	-176	-176	–	-176
Consolidated net profit	–	291,305	291,305	–	291,305
<b>Status on 31.12.2021</b>	<b>70,095</b>	<b>2,239,077</b>	<b>2,309,172</b>	<b>-6,944</b>	<b>2,302,228</b>
Currency translation	–	–	–	-4,480	-4,480
Other changes	–	–	–	–	–
Consolidated net profit	562	181,574	182,136	–	182,136
<b>Status on 31.12.2022</b>	<b>70,657</b>	<b>2,420,651</b>	<b>2,491,308</b>	<b>-11,424</b>	<b>2,479,884</b>

	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
<b>Status on 31.12.2020</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>2,016,338</b>
Currency translation	–	26	–	26	-5,213
Other changes	15,906	–	–	15,906	15,730
Consolidated net profit	–	–	-1,475	-1,475	289,830
<b>Status on 31.12.2021</b>	<b>15,906</b>	<b>26</b>	<b>-1,475</b>	<b>14,457</b>	<b>2,316,685</b>
Currency translation	–	29	–	29	-4,451
Other changes	2,198	–	–	2,198	2,198
Consolidated net profit	–	–	-5,087	-5,087	177,049
<b>Status on 31.12.2022</b>	<b>18,105</b>	<b>55</b>	<b>-6,562</b>	<b>11,597</b>	<b>2,491,481</b>



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENT

## VHV VEREINIGTE HANNOVERSCHES 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 Group management report for the 2022 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 2022.

#### CONSOLIDATION GROUP

In addition to VHV Vereinigte Hannoversche Versicherung a. G., Hanover, as the ultimate parent company, the consolidated financial statements include 22 subsidiaries (previous year: 18) including two special purpose entities. There was a change in 2022 as a result of the first-time consolidation of three subsidiaries that were acquired in 2021 but that were not consolidated in the previous year. Two of these subsidiaries were merged in the reporting year. Further changes in the reporting year resulted from the formation of a subsidiary in Germany and the acquisition of a subsidiary outside Germany.

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 four (previous year: three) associated companies are measured using the equity method. Another associated company that was newly formed in the reporting year was recognised at cost in accordance with section 312 (6) HGB due to the unavailability of annual financial statements.

22 (previous year: 21) 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. Another associated company that was not measured using the equity method and reported in other participating interests in the previous year was liquidated in the year under review.

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 book value 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 off-setting 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.

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 capital attributable to the Group post-acquisition. Profit distributions attributable to the shares must be deducted from them. The difference between the carrying amount and the pro rata equity capital 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.

#### **RESTATEMENT OF PRIOR-PERIOD AMOUNTS**

For the first time, income and expenses relating to valuations using the equity method were reported separately in the consolidated income statement items "Income from associated companies" and "Expenses in respect of associated companies" in the non-technical account. In the previous year, a "thereof" item was shown under "Income from participating interests".

The prior-period amounts shown in the consolidated income statement have been restated accordingly. The prior-period amount for income from associated companies is EUR 3.9 million, consisting of reclassifications from income from participating interests (EUR 2.6 million) and income from appreciation (EUR 1.3 million). The prior-period amount for expenses in respect of associated companies is EUR 2.2 million, consisting entirely of reclassifications from depreciation on investments.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENT

## ACCOUNTING, VALUATION AND CALCULATION METHODS

As a matter of principle, 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 2022 financial year is applied as the average rate.

### ASSETS

As a matter of principle, **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 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 impaired if default was considered to be likely based on the creditworthiness of the counterparty. 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.

The increase in value rule according to section 253 (5) HGB has been complied with.

**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.

**Loans and advance payments on insurance policies** were recognised in the balance sheet at nominal value less repayments made.

**Miscellaneous loans** were recognised at amortised cost.

**Bank deposits** were recognised at nominal value.

**Miscellaneous investments** were recognised at amortised cost.

**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 accounts receivable** 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 1/5 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 2022. At VAV, inventories were valued partially using fixed values and partially at cost price.

The accrued interest and rents reported under **prepaid expenses** were shown at nominal value. These amounts relate to 2022, 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 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 23.0 % and 25.0 % 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.

The **remaining assets** were recognised at nominal value.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENT

## 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. 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 78 % at VHV Re and 87 % at VHV Sigorta.

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 <sup>1)</sup>	Share of actuarial reserve
<b>Capital and risk insurance and supplementary accident, risk and term annuity insurance</b>		
ADSt 1924/26 M	3.00 %	0.0 %
St 1967 M	3.00 %	0.5 %
St 1986 M/F	3.50 %	9.8 %
HL-Tafel 1994 M/F	4.00 %	37.9 %
HL-Tafel 2000 T M/F	3.25 %	5.5 %
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 %	2.5 %
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 %	0.6 %
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 %	0.0 %
HL-Tafel 2012 T/TP/FT Unisex NR/R (mod., diff.)	1.25 %	0.9 %
DAV 2008 T mod. Unisex	0.90 %	0.4 %
HL-Tafel 2016 T Unisex	0.90 %	0.1 %
HL-Tafel 2016 T/TP Unisex N10/N/R (mod., diff.)	0.90 %	1.4 %
HL-Tafel 2018 T Unisex N10/N/R (mod., diff.)	0.90 %	1.0 %
HL-Tafel 2021 T Unisex N10/N/R (mod., diff.)	0.90 %	0.1 %
DAV 2008 T mod. Unisex	0.25 %	0.0 %
HL-Tafel 2022 T Unisex N10/N/R (mod., diff.)	0.25 %	0.1 %

<b>Annuity insurance, fund-linked annuity insurance and private pension plans in accordance with AltZertG</b>		
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 %	2.4 %
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 %	0.8 %
Interpolation of DAV 2004 R-B and R-B20 M/F	2.75 %	1.0 %
DAV 2004 R M/F	2.25 %	6.6 %
DAV 2004 R Unisex	2.25 %	1.0 %
DAV 2004 R M/F	1.75 %	1.1 %
DAV 2004 R Unisex	1.75 %	2.7 %
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 %	3.9 %
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 %	0.4 %
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 %
<b>(Supplementary) occupational disability insurance and (supplementary) work incapacity insurance</b>		
St 1967 M, DAV 1997 I M/F mod.	3.00 %	0.1 %
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 %	0.1 %

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 %	0.2 %
HL-Tafel 2018 T Unisex, HL-Tafel 2019 I Unisex	0.90 %	0.0 %
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 %
<b>Capitalisation transactions</b>		
None	2.00 %	0.0 %
None	1.75 %	0.0 %
None	1.25 %	0.0 %
None	0.50 %	0.7 %
None	0.25 %	2.2 %

\*) 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 T onwards.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENT

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 and 202203 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 for contracts concluded between 1960 and 1987 were zillmerised at 5 ‰ of the sum insured or at 5 % of the annuity. VHV tariffs in the portfolio included individual insurance policies with a zillmerisation rate of 4.0 % and 2.5 %, group insurance policies with a zillmerisation rate of 2.0 % and 1.5 % and group insurance policies for large customers with a zillmerisation rate of 1.0 % of the total premium. The actuarial reserves for occupational disability insurance policies from July 2020 are zillmerised at 2.5 % of the total premium. All other actuarial reserves were not zillmerised. Zillmerised actuarial reserves make up 3.0 % 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 financial year 2022 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 eighteen 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 2022 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 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 and resulted in a lower addition to the equalisation reserve as in the previous year. 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.

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 "Verkehrsoferhilfe 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 probable utilisation of unexpired insurance contracts.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENT

The latent reserves for premium refunds for life insurance transactions accounted for under other technical reserves are calculated from valuation differences between the accounting book values 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 92.7 % (previous year: 92.9 %) 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 1.79 % (previous year: 1.87 %).

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 2.50 % (previous year: 2.25 %) and pension growth of 2.00 % (previous year: 1.75 %).

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 claims of 2.25 % (previous year: 2.25 %).

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 1.79 % (previous year: 1.87 %) 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 %).

The **tax reserves** and **other reserves** were recognised at the necessary settlement amount on the basis of reasonable business judgment. Reserves with a remaining term of more than one year 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 31 December 2022. 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 1.45 % (previous year: 1.35 %), salary growth of 2.50 % (previous year: 2.25 %) and a turnover rate of 3.00 % (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 2022. 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.

## DELAYED DISCLOSURES

The actuarial reserve of a part of the syndicated agreements under external management in life insurance amounting to EUR 38.4 million (previous year: EUR 38.8 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 2,801 thousand were recognised in the reporting year with a delay due to claims being reported at a later date (previous year: EUR 3,039 thousand). In addition, premiums of EUR 4,580 thousand (previous year: EUR 94 thousand) in property-casualty insurance transactions assumed in reinsurance coverage, for which information from the initial insurer was available up to 30 September 2022, 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 2022.

The current market values of shares in affiliated companies and participations were calculated according to the present value of future cash flow method or the respective carrying amount or pro rata equity capital 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 2022

	Carrying amounts Previous year EUR'000	Changes to the consolidation group EUR'000
<b>A. INTANGIBLE ASSETS</b>		
I. Purchased concessions, industrial and similar rights and assets and licenses in such rights and assets	123,147	38,792
II. Goodwill	84,140	54,157
III. Advance payments	1,330	–
<b>Total A.</b>	<b>208,617</b>	<b>92,949</b>
<b>B. INVESTMENTS</b>		
I. Real properties, rights equivalent to real property and buildings, including buildings on third-party real properties	105,824	–
II. Investments in affiliated and associated companies		
1. Shares in affiliated companies	94,147	–60,608
2. Loans to affiliated companies	9,481	–9,481
3. Participating interests in associated companies	43,014	–
4. Other participating interests	67,172	–
5. Loans to associated companies	30	–
<b>Total B.II.</b>	<b>213,844</b>	<b>–70,089</b>
<b>Total</b>	<b>528,284</b>	<b>22,860</b>

### RECLASSIFICATIONS

In the financial year, EUR 21.1 million was reclassified from item A.I. “Purchased concessions, industrial and similar rights and assets and licenses in such rights and assets” to item A.III. “Advance payments”. The reclassification related to advance payments for services under a contract for work and services for the life insurance inventory management system that had not yet been accepted by VHV Holding at the reporting date.

### RE A.I. PURCHASED CONCESSIONS, INDUSTRIAL AND SIMILAR RIGHTS AND ASSETS AND LICENSES IN SUCH RIGHTS AND ASSETS

EUR 18.8 million of the increase in the reporting year was due to InterEurope AG being included in consolidation for the first time.

Additions	Reclassifications	Disposals	Appreciation	Write-downs	Currency translation differences	Carrying amounts Financial year
EUR'000	EUR'000	EUR'000	EUR'000	EUR'000	EUR'000	EUR'000
10,712	–20,186	3	–	18,371	12	134,101
2,500	–	–	–	55,735	14	85,076
97	20,186	–	–	–	–	21,613
<b>13,309</b>	<b>–</b>	<b>3</b>	<b>–</b>	<b>74,106</b>	<b>26</b>	<b>240,790</b>
1,535	–	–	–	5,382	–	101,977
1,489	–	1,436	406	5,034	290	29,254
–	–	–	–	–	–	–
3,055	–	–	11,625	1,039	1,517	58,173
–	–	807	19	565	–	65,818
–	–	–	–	–	–	30
<b>4,544</b>	<b>–</b>	<b>2,243</b>	<b>12,050</b>	<b>6,637</b>	<b>1,807</b>	<b>153,275</b>
<b>19,388</b>	<b>–</b>	<b>2,246</b>	<b>12,050</b>	<b>86,125</b>	<b>1,833</b>	<b>496,043</b>

## RE A.II. GOODWILL

The first-time consolidation of VHV Allgemeine Sigorta resulted in goodwill of EUR 3.6 million that will be amortised over the expected useful life of ten years. Accordingly, scheduled amortisation of EUR 0.2 million was recognised in the financial year.

The participating interest in InterEurope with its subsidiary InterEurope AG was also consolidated for the first time in the financial year. In the previous year, it was measured using the equity method in accordance with section 296 (1) no. 2 HGB. The goodwill arising at the acquisition date was recognised in the amount of EUR 50.5 million as at 1 January and will continue to be amortised over the useful life of five years that was defined on acquisition. In addition to scheduled amortisation of EUR 11.0 million, a write-down of EUR 11.4 million was recognised as at 31 December.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENT

The goodwill arising from the first-time consolidation of the Eucon Group with effect from 1 January 2021 continues to be amortised over the estimated run-off period of ten years. In addition to scheduled amortisation of EUR 9.5 million, a write-down of EUR 23.7 million was recognised in the financial year.

## RE B.I. REAL PROPERTIES, RIGHTS EQUIVALENT TO REAL PROPERTY AND BUILDINGS, INCLUDING BUILDINGS ON THIRD-PARTY REAL PROPERTIES

The balance sheet value of the real properties and buildings primarily used internally by affiliates in the context of their activities amounted to EUR 100.9 million (previous year: EUR 104.9 million).

### RE B.II.1. SHARES IN AFFILIATED COMPANIES

This item relates to 22 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 four associated companies. Another associated company that was newly formed in the reporting year was recognised at cost in accordance with section 312 (6) HGB due to the unavailability of annual financial statements. The difference between the carrying amount and the pro rata equity capital of these associated companies amounted to EUR 1.2 million, which included goodwill for a company in the amount of EUR 0.8 million.

### 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

	31.12.2022 EUR million	31.12.2021 EUR million
<b>Investment assets</b>		
of which non-current assets	5,359.1	3,307.3
of which current assets	75.4	1,716.7
<b>Total</b>	<b>5,434.4</b>	<b>5,024.0</b>

Shares in investment assets in the amount of EUR 1,885.6 million were reclassified from current assets to non-current assets in the financial year. Write-downs of EUR 103.3 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

	31.12.2022 EUR million	31.12.2021 EUR million
<b>Bearer bonds</b>		
of which non-current assets	5,594.0	5,807.4
of which current assets	16.3	27.9
<b>Total</b>	<b>5,610.3</b>	<b>5,835.3</b>

Bearer bonds in the amount of EUR 16.9 million were reclassified to non-current assets in the financial year. Write-downs of EUR 2.9 million were avoided 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 167.7 million (previous year: EUR 179.8 million).

**RE F.II. OTHER PREPAID EXPENSES**

Other prepaid expenses mainly included agios for registered debentures in the amount of EUR 17.0 million (previous year: EUR 20.1 million) and advance payments for maintenance contracts of EUR 15.9 million (previous year: EUR 14.5 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**

The table below shows the carrying amounts and current market values of the financial instruments whose carrying amounts are higher than their current market values.

	Carrying amount EUR million	Fair value EUR million
Equities, shares or equities in investment assets and other non-fixed interest securities	4,151.8	3,785.0
Bearer bonds and other securities with fixed interest rates	5,066.5	4,172.3
Mortgage, land charge and annuity charge receivables	985.6	796.3
Other loans	497.4	401.9
Miscellaneous investments	123.2	114.2
<b>Total</b>	<b>10,824.5</b>	<b>9,269.8</b>

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 HGB**

EUR 167.7 million (previous year: EUR 170.8 million) in investment funds for the account and risk of holders of life insurance policies and EUR 0.3 million (previous year: EUR 0.2 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 companies hold 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 2022 EUR million
Property funds	1,575.4	410.5	–	42.5
Mixed funds	3,856.0	–	–366.8	16.9

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.

### RE 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 83.4 million (previous year: EUR 77.8 million) (fair value) were offset against the settlement amount of the associated pension reserves of EUR 83.4 million (previous year: EUR 77.8 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 1.8 million (previous year: EUR 2.3 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 10.8 million (previous year: EUR 22.2 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 EUR 0.1 million on 31 December 2022 (previous year: EUR 0.1 million) and a payment obligation with a carrying amount of EUR 0.1 million on 31 December 2022 (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 183.8 million (previous year: EUR 202.0 million).

### RE F.III. LIABILITIES TO BANKS

Liabilities to banks are secured in the amount of EUR 36.5 million (previous year: EUR 0.0 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 2.3 million (previous year: EUR 2.6 million), advance payments received in the amount of EUR 1.6 million (previous year: EUR 1.7 million), deferrals for service contracts in the amount of EUR 2.4 million (previous year: EUR 1.6 million) and advance interest payments of less than EUR 0.1 million (previous year: less than EUR 0.1 million).

	31.12.2022 EUR million	31.12.2021 EUR million
<b>Settlement amount from partial retirement obligations</b>	<b>1.3</b>	<b>1.2</b>
Acquisition costs of investment certificates	0.3	0.2
Difference in comparison to fair value	0.0	0.0
<b>Fair value of investment certificates</b>	<b>0.3</b>	<b>0.2</b>
<b>Provision from partial retirement obligations</b>	<b>1.1</b>	<b>0.9</b>

## CONSOLIDATED INCOME STATEMENT

### RE I.1.a) AND II.1.a) GROSS PREMIUMS WRITTEN

	Property-casualty insurance transactions EUR million	Life insurance transactions EUR million	Total EUR million
Direct-written insurance transactions	2,557.3	1,047.3	3,604.6
Insurance transactions assumed in reinsurance coverage	133.9	—	133.9
<b>Total</b>	<b>2,691.2</b>	<b>1,047.3</b>	<b>3,738.5</b>

Of the gross premiums written for direct-written insurance transactions, EUR 3,366.7 million (previous year: EUR 3,330.3 million) relates to Germany and EUR 237.8 million (previous year: EUR 177.2 million) to foreign countries (primarily member states of the EU).

### RE I.2. TECHNICAL INTEREST INCOME FOR OWN ACCOUNT

As in the previous year, technical interest income was calculated using a uniform actuarial interest rate of 0.9%. 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 10.3% of the gross 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 416.4 million (previous year: EUR 388.1 million) and management expenses amounting to EUR 179.4 million (previous year: EUR 173.7 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 8.0 million (previous year: EUR 3.7 million). EUR 7.0 million (previous year: EUR 3.7 million) of this was attributable to private equity and infrastructure investments. There was no depreciation on shares in investment assets in the reporting year (previous year: less than EUR 0.1 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 6.1 million (previous year: EUR 7.8 million). Of this figure, EUR 5.4 million related to private equity and infrastructure investments (previous year: EUR 5.6 million) and EUR 0.5 million (previous year: EUR 2.2 million) to shares in affiliated companies. Depreciation on participating interests amounted to EUR 0.2 million (previous year: less than EUR 0.1 million).

### RE III.5. OTHER INCOME

Other income contains income from currency translation of EUR 13.2 million (previous year: EUR 13.8 million).

### RE III.6. OTHER EXPENSES

Other expenses include scheduled goodwill amortisation of EUR 20.7 million and write-downs of EUR 35.1 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 6.7 million (previous year: EUR 5.4 million) and expenses from the allocation of interest to other long-term reserves in the amount of EUR 0.1 million (previous year: EUR 0.2 million). Interest and similar expenses are reduced by interest to be offset from nettable assets in the amount of EUR 1.8 million (previous year: EUR 2.3 million). Expenses from currency translation in the amount of EUR 6.8 million (previous year: EUR 4.4 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

**MEMBERS ELECTED BY THE MEMBERS' MEETING:****Dr Peter Lütke-Bornefeld**

Chairman

Chairman of the Board of Directors (retired), General Reinsurance AG, Cologne;

Chairman of the Board of MLP SE, Wiesloch

**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;

Member of the Supervisory Board, Gegenbauer Holding SE & Co. KG, Berlin;  
Chairman of the Supervisory Board, RGM Facility Management GmbH, Berlin/Dortmund

**Uwe H. Reuter** (from 6 July 2022)

Deputy Chairman

Chairman of the Board of Directors (retired), VHV a.G. and VHV Holding AG, Hanover;

Chairman of the Management Board, PATRIZIA SE, Augsburg

**Dr Thomas Birtel**

Chairman of the Management Board (retired), STRABAG SE, Vienna/Austria;

Chairman of the Supervisory Board, STRABAG AG, Cologne;

Chairman of the Supervisory Board, Ed. Züblin AG, Stuttgart

**Thomas Bürkle**

Chairman of the Managing Board (retired), NORD/LB

Norddeutsche Landesbank Girozentrale, Hanover

**Sarah Rössler**

Former member of the Board of Directors of HUK-COBURG Versicherungsgruppe;

Member of the Supervisory Board of MLP SE, Wiesloch

### SUPERVISORY BOARD

**Robert Barese** MBA (until 6 July 2022)

Chairman of the Board of Directors (retired), LVM

Landwirtschaftlicher Versicherungsverein Münster a.G., Münster;

Chairman of the Supervisory Board, GuideCom AG, Münster

**Professor Gerd Geib** (until 6 July 2022)

Auditor, tax consultant,

Kerpen

### BOARD OF DIRECTORS

**Thomas Voigt**

Chairman (from 1 June 2022), Hanover

**Arndt Bickhoff** (from 1 July 2022)

IT, Hamburg

**Frank Hilbert**

Life insurance, Hanover

**Dr Sebastian Reddemann** (from 1 June 2022)

Property-casualty insurance/foreign business, Hanover

**Ulrich Schneider**

Investments, Hanover

**Sebastian Stark**

Finance and risk management, Hanover

**Uwe H. Reuter** (until 31 May 2022)

Chairman, Hanover

**Bernd Scharrer** (until 6 July 2022)

Operations/IT, Ottobrunn

### AUTHORISED REPRESENTATIVE

**Arndt Bickhoff** (until 30 June 2022)

IT, Hamburg

**LIST OF SHARE OWNERSHIP AS AT 31 DECEMBER 2022****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			
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 Reasürans A.S.	Istanbul	Turkey	100.00 %
VHV solutions GmbH	Hanover	Germany	100.00 %
VH Versicherungsvermittlung Hannover GmbH	Hanover	Germany	100.00 %
WAVE Private Equity SICAV-SIF	Luxembourg	Luxembourg	100.00 %
WAVE Management AG	Hanover	Germany	100.00 %

Pensionskasse der VHV-Versicherungen, which is classified as a special purpose entity, was fully consolidated 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 %
Elvaston Capital Fund II GmbH & Co. KG	Berlin	Germany	89.60 %
Eucon Americas LLC (formerly Eucon of North America, LLC)	Atlanta	USA	100.00 %
Eucon Canada Ltd.	Toronto	Canada	100.00 %
Ferrum Holding GmbH & Co. KG	Düsseldorf	Germany	86.87 %
Fieldwork Quality, LDA	Vila Nova de Gaia	Portugal	100.00 %
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	62.53 %
GiPA GmbH	Bensheim	Germany	100.00 %
GiPA Ibérica S.L. (formerly Grupo Interprofesional de Productos Automóviles 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 %
IRS Quality SARL	Rennes	France	100.00 %
Securess Mehrfachagentur GmbH	Essen	Germany	100.00 %
VHV Informatyka Sp. z o.o.	Warsaw	Poland	100.00 %

**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 %	5,148	–981
Deutsche Makler Akademie (DMA) GmbH	Bayreuth	Germany	2.86 %	582	33
ESB GmbH	Coburg	Germany	18.32 %	343,844	41,076
EXTREMUS Versicherungs-Aktiengesellschaft	Cologne	Germany	1.00 %	63,466	–754
GDV Dienstleistungs-GmbH	Hamburg	Germany	1.91 %	29,653	983
Hannover Marketing und Tourismus GmbH	Hanover	Germany	1.53 %	812	52
KTI Kraftfahrzeugtechnisches Institut und Karosseriewerkstätte GmbH & Co. KG	Lohfelden	Germany	6.94 %	737	37
Protektor Lebensversicherungs-AG	Berlin	Germany	1.74 %	7,854	2
Roland Partner Beteiligungsverwaltung GmbH	Cologne	Germany	12.57 %	854	–8
„TopReport“ Schadenbesichtigungs GmbH	Vienna	Austria	12.50 %	283	0
VDG – Versicherungswirtschaftlicher Datendienst GmbH	Dortmund	Germany	8.55 %	1,105	79
VST Gesellschaft für Versicherungsstatistik mbH	Hanover	Germany	9.09 %	507	–

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 12,528.7 million as at 31 December 2022 (previous year: EUR 11,547.6 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 8.5 million (previous year: EUR 8.0 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 76.1 million as at 31 December 2022 (previous year: EUR 71.8 million).

VHV Allgemeine issued a letter of comfort to its wholly owned subsidiary VHV Re, ensuring 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 "Verkehrshilfe 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 83.4 million (previous year: EUR 81.2 million). In the context of the statutory collateralisation of partial retirement obligations, investment fund shares with a carrying amount of EUR 0.3 million (previous year: EUR 0.2 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 91.8 million (previous year: EUR 71.8 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 1,371.4 million (previous year: EUR 1,574.1 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 1,255.4 million (previous year: EUR 1,364.2 million).

There were payment obligations for real estate amounting to less than EUR 0.1 million (previous year: EUR 33.3 million).

Investments in multi-tranches of EUR 50 million (previous year: EUR 50 million) give rise to potential put options of an issuer amounting to no more than EUR 50 million (previous year: EUR 150 million). The issuer exercised the put option for 2023 in the amount of EUR 50 million. A further put option of EUR 50 million can be exercised in January 2024.

There were future payment obligations of EUR 66.0 million (previous year: EUR 26.6 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 2022 financial year was 3,973 (previous year: 3,633), of whom 3,686 (previous year: 3,403) were employed in Germany and 287 (previous year: 230) internationally. There were also 63 (previous year: 66) apprenticeship contracts in Germany on average for the year.

Consolidated personnel expenses amounted to EUR 365.7 million in 2022 (previous year: EUR 341.6 million). Of this figure, EUR 302.9 million was attributable to wages and salaries (previous year: EUR 274.9 million), EUR 42.6 million to social security costs (previous year: EUR 43.2 million) and EUR 20.2 million to pensions (previous year: EUR 23.5 million).

#### **TOTAL REMUNERATION OF THE SUPERVISORY BOARD AND BOARD OF DIRECTORS**

The total remuneration amounted to EUR 1.7 million for members of the Supervisory Board (previous year: EUR 1.9 million); EUR 9.0 million for members of the Board of Directors (previous year: EUR 9.4 million) and EUR 3.0 million for former members of the Board of Directors and/or their surviving dependents (previous year: EUR 2.7 million).

The pension reserve set aside for former members of the Board of Directors and their surviving dependents amounts to EUR 44.4 million as at the balance sheet closing date (previous year: EUR 41.0 million).

#### **AUDITORS' FEES**

The fees paid to the auditors of the consolidated financial statements in 2022 comprised expenses for the audit of the annual financial statements in the amount of EUR 1.4 million (previous year: EUR 1.2 million) and other attestation services in the amount of EUR 0.1 million (previous year: EUR 0.0 million).

#### **REPORT ON EVENTS AFTER THE BALANCE SHEET CLOSING DATE**

There were no significant events after the end of the 2022 financial year.

Hanover, 13 March 2023

#### **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 2022, the consolidated income statement, the consolidated cash flow statement and the consolidated statement of changes in equity for the financial year from 1 January 2022 to 31 December 2022, 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 2022 to 31 December 2022. 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 2022 and of its financial performance for the financial year from 1 January 2022 to 31 December 2022 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 status 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 judgement, were of most significance in our audit of the consolidated financial statements for the financial year from 1 January to 31 December 2022. 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 realizable 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 realizable 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 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 DeckRV ["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 design and operating effectiveness of the material internal controls implemented within these processes to ensure valuation 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 selected 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 reporting 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 judgement 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 6 July 2022. The Supervisory Board engaged us by letter dated 30 August 2022. 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 the non-financial statement
- 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, 29 March 2023

## ERNST & YOUNG GMBH WIRTSCHAFTSPRÜFUNGSGESELLSCHAFT

Zeitler  
Wirtschaftsprüfer  
[German Public Auditor]

Henkel  
Wirtschaftsprüfer  
[German Public Auditor]



# REPORT OF THE SUPERVISORY BOARD VHV VEREINIGTE HANNOVERSCHER VERSICHERUNG a.G. / Group

In the 2022 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

The Board of Directors reported in the meetings on an ongoing basis regarding the development of investments and technical development at the insurance companies and the development of the other affiliated companies of VHV a.G. The developments in the major segments of property-casualty insurance transactions and in life insurance 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.

With a view to the ongoing consequences of the COVID-19 pandemic and the Ukraine war, discussions focused on the historically high level of inflation, the slowdown in economic growth and the potential impact on investments and insurance transactions.

### Other key issues

- Status of IT and digitalisation projects
- Strategic marketing
- Impact of the introduction of a new inventory management system in private motor vehicle insurance at VHV Allgemeine
- Impact of external factors on the VHV Group's business development
- Restructuring of the non-financial statement and the VHV Group's sustainability positioning
- Formation of intermediate holding companies for international insurance business (VHV International) and insurance-related services (VHV digital services)
- Structural changes – establishment of an IT and digitalisation function and spin-off of IT as a separate company
- Continuous improvement in IT security
- Value performance of material participations and goodwill accounting
- Qualitative and quantitative basic points of corporate planning for 2023

## 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 IN THE INSTITUTIONS

Professor Gerd Geib and Robert Baresel stepped down from the Supervisory Board with effect from 6 July 2022. The Supervisory Board would like to thank Professor Geib and Mr Baresel for their many successful years in this capacity.

Uwe H. Reuter was elected to the Supervisory Board as Deputy Chairman and Sarah Rössler was elected as an ordinary member of the Supervisory Board with effect from 6 July 2022. We wish Mr Reuter and Ms Rössler every success in their new roles and look forward to working with them.

Uwe H. Reuter stepped down from the Board of Directors with effect from 31 May 2022. The Supervisory Board would like to thank Mr Reuter for his many years of considerable success in this capacity.

Thomas Voigt was appointed as Chief Executive Officer with effect from 1 June 2022. We wish Mr Voigt every success in his new role.

Dr Sebastian Reddemann was appointed to the Board of Directors with effect from 1 June 2022. The Supervisory Board wishes Dr Reddemann every success in his new role.

The previous authorised representative Arndt Bickhoff was appointed as a member of the Board of Directors with effect from 1 July 2022. The Supervisory Board wishes Mr Bickhoff continued success in his new role.

Bernd Scharrer stepped down from the Board of Directors with effect from 6 July 2022. The Supervisory Board would like to thank Mr Scharrer for his many years of success in this capacity.

#### **AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS**

The consolidated financial statements and Group management report for the financial year from 1 January to 31 December 2022, including the accounting system, were audited by Ernst & Young GmbH 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 2022, 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 2022 have been approved by the Supervisory Board.

Hanover, 27 April 2023

#### **THE SUPERVISORY BOARD**

Dr Lütke-Bornefeld	Lange	Reuter
Chairman	Deputy Chairman	Deputy Chairman

Dr Birtel	Bürkle	Rössler
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# ADMINISTRATION

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