Sustainability

Klaus-Dieter Peters
Chairman of the Executive Board

Ladies and Gentlemen,

In keeping with our business model based on accountability and a more long-term approach, we express our commitment to sustainability with innovative technology and efficient production processes, as well as value-oriented management and socially exemplary measures. We believe it is our ongoing task and duty to reach the sustainability targets we have set ourselves.

In order to achieve sustainable success, companies must deal with economic, environmental and social issues. Our sustainability strategy defines ten fields of activity in these areas. We are continually working on our most important field of activity, which consists of joining shipping and rail networks to form transport links that excel, both economically as well as environmentally. To this end, we have made significant investments in locomotives, carriages and hinterland terminals. This not only secures freight for our seaport terminals, but also helps transfer transport from road to rail with the corresponding positive impact on environmental and climate protection. In 2002, operations began at our first rail terminal that could handle block trains with a total length of 700 metres. Since this time, rail's share of container-hinterland transport has continued to grow strongly. This is one of the reasons why the Port of Hamburg is now the world's most important rail port – with all the positive effects for our environment that this entails.

We have also set ourselves ambitious environmental and climate protection targets for the production processes at HHLA's port facilities. High-tech and automation – two key terms at our terminals – lead to energy-efficient processes and exceptional use of space. The electrification of our plant and machinery is a cornerstone of our climate protection programme. It allows us to replace diesel-powered devices and equipment with electric devices and equipment, which we can power using renewable energy. Whereas in 2008, there were no electric storage cranes in use at the Container Terminal Burchardkai (CTB), eight electric storage blocks were in operation by the end of 2015. Work to add a further four storage blocks was commenced in mid-2015. We also now have the largest e-vehicle fleet of any European port with 70 electric vehicles.

These measures also help us achieve the ambitious savings target we set ourselves for reducing carbon emissions. Based on our 2008 figures, we aim to reduce CO_2 emissions per container handled by at least 30 percent by 2020. At the end of 2015, we had already achieved a reduction of 29,5 percent. By steadily increasing the level of automation, however, we have not only reduced greenhouse gas emissions but also achieved a significant reduction in noise emissions. For a port as close to the city as Hamburg is, this aspect should not be underestimated.

The high added value ratio at our various locations means we make a considerable contribution to the respective local economies. We currently operate in eleven countries and around one third of our employees are based outside Germany. This brings the topic of sustainability in our added value chain even more clearly into focus.

However, our understanding of sustainable business is not restricted to our port and intermodal activities. For over 130 years, HHLA's real estate experts have been taking care of the unique collection of buildings in Hamburg's Speicherstadt historical warehouse district. The Speicherstadt's addition to the UNESCO list of World Heritage Sites is confirmation of our strategy to continue developing and conserving the area, whilst safeguarding its historical and cultural heritage.

The prerequisite for success is education. To meet its social responsibilities, HHLA supports a variety of educational projects that focus on maritime economics and environmental topics.

Operating in a sustainable manner also means recognising the responsibilities we have towards our staff. We meet our responsibilities with the highest occupational health and safety standards, exemplary employee benefits and a comprehensive education and training programme. Our modern collective labour agreements also offer social stability and allow a work-life balance in keeping with today's needs. Our employees are the foundation upon which we can build our long-term success.

Yours,

Klaus-Dieter Peters
Chairman of the Executive Board

Sustainability Strategy

Sustainable business practices have long been an integral part of HHLA's business model. The company connects port terminals with hinterland networks networks to transport chains for global goods flows that are environmentally friendly and conserve resources in an exemplary fashion. By the same token, corporate management is geared towards the principle of sustainable value creation. HHLA thus demonstrates how environmental and economic targets can be reconciled with one another.

HHLA's sustainability strategy is based on three pillars: the ecology, society and the economy. Ten fields of activity and guidelines have been defined and implemented in HHLA's sustainability initiative. The fields of activity focus on environmentally friendly transport chains, climate protection and efficient land use. We are hereby laying the foundations for HHLA to take a leading role in the area of sustainability.

Sustainability Organisation and Dialogue

A Sustainability Council headed by the Chairman of the Executive Board is responsible for sustainability strategy. The Council comprises managers from within the Group as well as the external expert Prof. Schaltegger from the Leuphana University of Lüneburg. This body provides a forum for discussing and approving sustainability issues and measures across the Group, as well as for regularly evaluating and updating the existing stakeholder structure. At Group level, the sustainability team reports directly to the Chairman of the Executive Board.

HHLA engages in regular dialogue with its stakeholders, who include customers (e.g. shipping companies), customers' customers (e.g. forwarders), employees and their families, suppliers, potential and existing shareholders and investors, associations and institutions, research institutes, political decision makers, NGOs, local residents close to the terminals and interested members of the public. The Annual Report is an established medium which supplements this regular dialogue and takes the stakeholder groups' interests into account. ▶

Principles and Reporting Standards

HHLA's commitment to sustainability is binding, transparent, measurable and comparable. The company applies the Global Reporting Initiative (GRI 4 standard) guidelines on sustainability reporting, the most commonly used standard of its kind in the world. In doing so, HHLA also facilities comparison at an international level.

Furthermore, HHLA was the first maritime company to issue a declaration of compliance with the German Sustainability Code (GSC). This declaration of compliance is available at ▶ www.nachhaltigkeitsrat.de. The GSC lists 20 different criteria relating to environmental, social and corporate governance aspects, each with up to two performance indicators. Issues such as the usage of resources, compliance, equal opportunities and health protection for employees play an important role in the code. Companies are also expected to provide clear sustainability targets.

Sustainability Initiative

	Fields of activity	Guidelines
Ecology	Ecological transport chains	Actively liaise with other logistics operators and create sustainable, environmentally friendly transport chains
	Land conservation	Increase the efficient use of port and logistics areas
	Nature protection	Minimise impact on nature and actively protect natural habitats
	Climate protection	Utilise technically and economically viable methods to reduce CO_2
Society	Occupational safety / health promotion	Safety, appropriate working conditions and promotion of health-conscious behaviour
	Staff development	Vocational education, training and CPD as well as tailored staff development programmes
	Social responsibility	Intensify dialogue with society; information and discussions regarding port logistics
Economy	Added value	Make an ongoing and significant contribution to added value and thus raise prosperity at all locations
	Business partners	Tailor-made customer solutions and reliable cooperation with suppliers
	Shareholders	Long-term increase in enterprise value and transparency for investors

Materiality Analysis

The nature of HHLA's business means it has a large number of stakeholders with a variety of expectations and demands. In order to understand these expectations and demands more fully, HHLA conducted a materiality analysis as part of its sustainable management activities in which sustainability topics of potential relevance to its internal and external stakeholders were examined. The collection and evaluation of the data was based on the Global Reporting Initiative (GRI) guidelines.

The Stakeholder Survey Process

At a meeting of the Sustainability Council, HHLA's most significant stakeholders were first identified. This was initially based on internal sources, such as a list of key customers. The main stakeholders identified were customers (e.g. shipping companies), customers' customers (e.g. forwarders), employees, business partners and suppliers, the media, potential and existing shareholders, associations and institutions, research institutes, political decision makers, NGOs, and local residents close to the terminals.

Secondly, a list of topics known to be relevant to both internal and external stakeholders was drawn up. The results from HHLA's sustainability initiative "On Course" were also included in the data collection as the initiative had already discovered relevant topics and determined the main fields of activity. ▶ see Sustainability Strategy, page 157

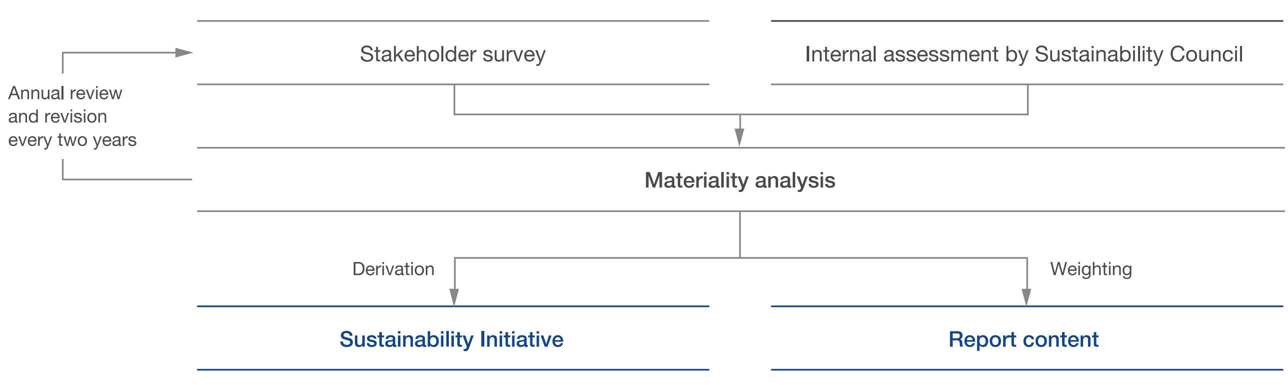
After this, a two-week online survey using a standard questionnaire was carried out worldwide during the reporting period. External stakeholders from all of the groups identified as well as managers from a number of different divisions took part. In total, approximately 100 people rated topics of potential relevance to HHLA, particularly customers, business partners, suppliers and HHLA staff. All stakeholder groups participated in the survey. Stakeholders also had the chance to rate the importance of topics, as well as to amend them or make comments on them. The results of the stakeholder survey were discussed during a Sustainability Council meeting and presented to the Executive Board.

Results of the Stakeholder Survey

The materiality matrix shows the ranking of all sustainability topics. The assessments provided by external stakeholders are combined with those of internal stakeholders in the matrix. The result is a prioritisation of the topics. Key aspects are considered material if they are relevant from the point of view of internal and/or external stakeholders.

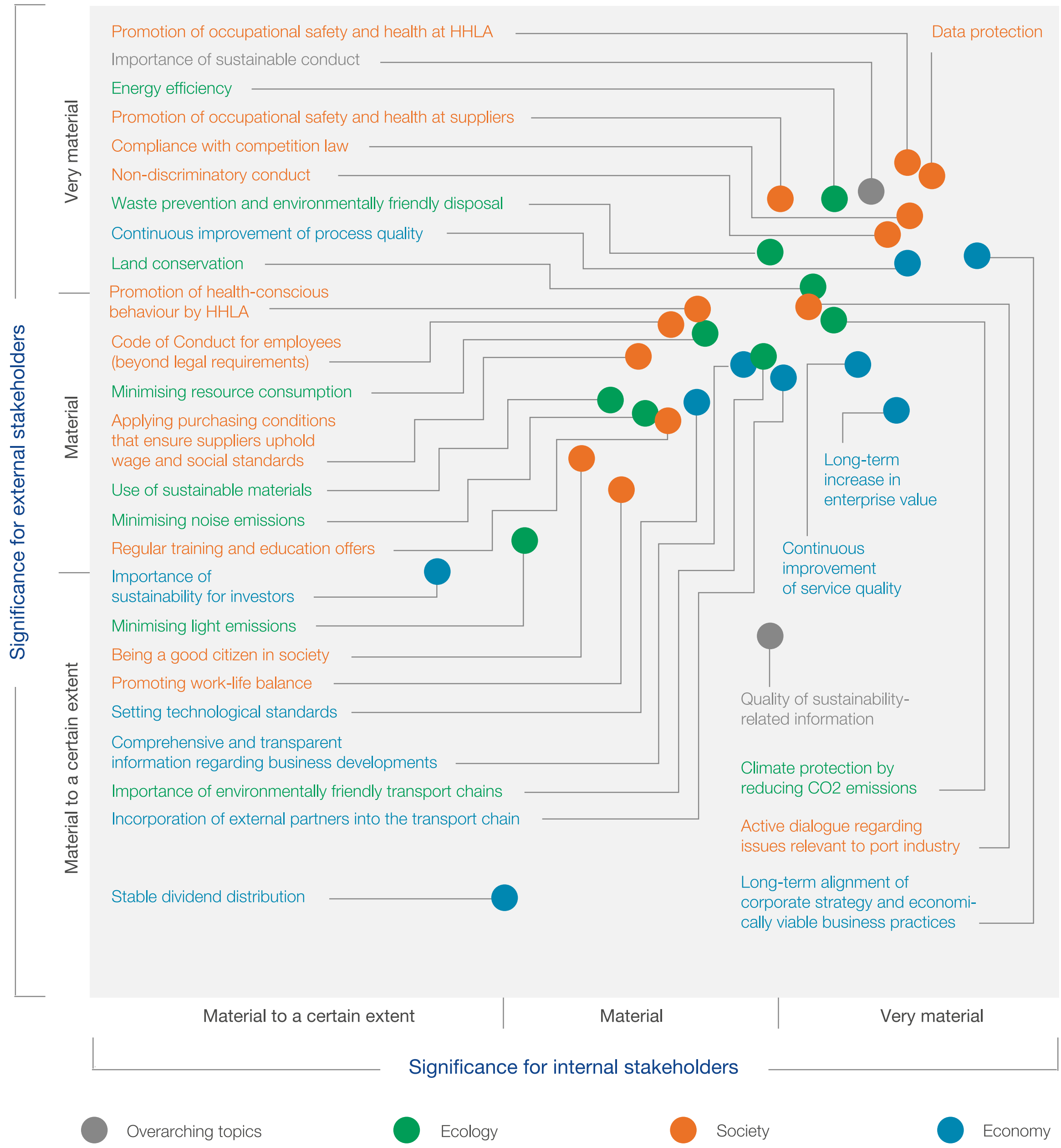
Ensuring a high level of data protection, high occupational safety standards, sustainable conduct, compliance, energy efficiency, continual improvements in quality, the long-term alignment of corporate strategy and the drafting of a Code of Conduct to ensure non-discriminatory behaviour amongst staff and towards third parties were all rated as very material. The topics carbon emission reductions, occupational safety and health promotion at suppliers, waste prevention and environmentally appropriate disposal, as well as area optimisation and an active dialogue on topics relevant to port management were regarded as material by the survey participants. With a clear majority, the main reasons stated for HHLA's sustainable approach were a long-term, stable economic development and a reduction of environmental effects. The majority of those surveyed considered themselves generally well informed regarding sustainability topics.

Materiality Analysis Process



Materiality Matrix

Evaluating the relevance of sustainability topics for HHLA



Due to the high correlation of external and internal stakeholders' ratings of potentially relevant topics, only slight adjustments had to be made to the weighting of topics compared with earlier reports. The main fields of activity defined during the sustainability initiative were also largely confirmed by the results: none of the potentially relevant topics were rated as immaterial or less material.

In future, HHLA will carry out a stakeholder survey every two years in order to review the results of the materiality analysis and to enable early recognition of changes in stakeholder expectations. ▶ see www.hhla.de/en/sustainability

Materiality Analysis

In line with the new G4 guidelines of the Global Reporting Initiative, a comprehensive materiality analysis was carried out for the first time. The results are displayed in the following table. The topics have been assigned to the fields of activity determined by HHLA's sustainability initiative "On Course". The topics "stable dividend distribution" and "importance of sustainability for investors" were rated as "only material to a certain extent". None of the potentially relevant topics covered were rated as immaterial or hardly material.

	Fields of activity	Relevance for the stakeholders asked	
		Material	Very material
General		Quality of sustainability-related information	Importance of sustainable conduct
Ecology	Ecological transport chains	Importance of environmentally friendly transport chains	
	Land conservation	Land conservation	
	Nature protection	Minimising resource consumption Use of sustainable material Minimising noise emission Minimising light emission	Waste prevention and environmentally appropriate disposal
	Climate protection	Climate protection by reducing CO_2-emission Energy efficiency	
Society	Occupational safety/health promotion	Promotion of health-conscious behaviour by HHLA	Promotion of occupational safety and health at HHLA Promotion of occupational safety and health at suppliers
	Staff development	Promoting work-life balance Regular training and education offers	
	Compliance	Code of Conduct for employees (beyond legal requirements) Applying purchasing conditions that ensure suppliers uphold wage and social standards	
	Social responsibility	Being a good citizen in society	Active dialogue regarding issues relevant to port industry
Economy	Added value	Setting technological standards Incorporation of external partners into the transport chain	Long-term alignment of corporate strategy and economically viable business practices
	Business partners	Continuous improvement of process quality Continuous improvement of service quality	
	Shareholders	Comprehensive and transparent communication regarding business developments	Long-term increase in enterprise value

Report Profile

Report Framework

The reporting period is the 2015 financial year (1 January to 31 December 2015). The data presented generally refers to this period or the facts and figures at the end of the reporting period. If information refers to a different period of time, this is explicitly stated. The report is published once a year. The previous Annual Report was published on 30 March 2015.

Unless otherwise stated, the key figures and information in this report concern the entire Group including associated companies in which the company has a majority holding. Some sections contain forward-looking statements. These estimates and statements were made to the best of our knowledge and in good faith. Future global economic conditions, legislation, market conditions, competitors' activities and other factors are not within the control of HHLA.

Defining the Content for this Report

The content structure of this Annual Report is regulated by the disclosure obligation for public limited companies as defined by the German Commercial Code (HGB). In addition to details on the financial and economic situation of the company, the report also includes information from HHLA's sustainability programme, "On Course". The concept of an integrated report includes annual financial and sustainability reporting. It illustrates the interaction between economic, environmental and social factors and their relevance to the company's long-term success.

HHLA carried out a materiality analysis to determine the most important sustainability topics. This was conducted by means of an international online survey of stakeholders in autumn 2015. The results of this survey were used to determine the key issues for sustainability reporting. It includes all topics identified as material. ▶ see Materiality Analysis, page 158

Data Collection and Calculation Methods

Financial Statements and Reports

All data and information was collected from the respective units responsible for such information using representative methods for the reporting period. HHLA prepares its consolidated financial statements and its interim reports in accordance with International Financial Reporting Standards (IFRS). This Annual Report provides further information on IFRS in the Notes to the Consolidated Financial Statements. ▶ see Note 2, Consolidation Principles, page 83

The individual financial statements for HHLA Aktiengesellschaft are prepared in line with the accounting regulations of the German Commercial Code (HGB). The appropriation of profits is based solely on the individual financial statements.

Sustainability Performance Indicators

Sustainability-relevant key figures are input into the internal management information system on a monthly basis and analysed every six months. The Executive Board receives a corresponding report. The sustainability performance indicators are calculated every year and published in the Management Report section of the Annual Report, having been signed off by the auditors. This ensures the reliability of the data. Data comparability and consistency is guaranteed by complying with widely used international reporting standards (e.g. Greenhouse Gas Protocol). ▶ see Sustainability Performance Indicators, page 24

Risk and Opportunity Management

Opportunities and risks are analysed by means of a comprehensive risk management system. Compliance with corporate guidelines as well as with relevant and recognised national and international industry standards is regarded as an essential part of corporate governance at HHLA. Workflows and processes are structured in line with these regulations. External audits at various HHLA companies (including ISO 14001, ISO 9001 and CTQI [Container Terminal Quality Indicator]) confirm compliance with recognised international standards. ▶ see Risk and Opportunity Report, page 44

External Audit

The Combined Management Report of the HHLA Group and HHLA AG, as well as the Consolidated Financial Statements and Notes, were audited by Ernst & Young.

The 2015 Annual Report was prepared in accordance with the international G4 guidelines of the Global Reporting Initiative and meets the application level "Comprehensive".

GRI Content Index

The GRI content index refers to parts in this Annual Report or sections of the HHLA website which provide information about individual GRI indicators. The index is available exclusively at ▶ report.hhla.de/gri