

Purchasing and Materials Management

Purchasing is a shared service provided by the HHLA Group's management holding company in Hamburg. Important objectives are pooling and harmonising purchasing processes to meet internal customers' requirements in terms of service and performance as far as possible. The purchasing team focuses on standardising the supplier base to ensure that capital goods, raw materials, consumables, supplies, services and other products are provided reliably and on time, taking aspects such as cost, quality and sustainability into account. Market developments relating to new technologies, innovations and the service performance of specific suppliers are considered in close cooperation with the operations and technology departments.

Purchasing actively supports the review and adjustment of the Group's requirements and guidelines and their mandatory fulfilment in relation to purchasing processes. All employees in the purchasing team are obliged to uphold HHLA's code of conduct. The compliance rate and purchase requisition rate are among the many methods used to monitor adherence to these requirements. The compliance rate measures the proportion of procurement orders handled by central purchasing. In 2015 the compliance rate stood at 95 % (previous year: 94 %). The purchase requisition rate indicates the ratio of requisitions entered and authorised via the SAP enterprise resource planning system in compliance with regulations. In 2015, it stood at 99.7 % (previous year: 99.2 %). The automation of purchasing processes to create efficient, transparent and uniform workflows remained a key objective for procurement in 2015. In the reporting period, approximately 13 % of all purchasing processes were handled fully automatically by means of e-procurement systems.

The Group is deliberately diversifying its procurement activities and optimising its supplier base. As a result, there were no significant dependencies on individual suppliers in the 2015 financial year, as in the previous year, neither at Group nor at segment level. There were also no supply shortages during the reporting period. In 2015, equipment and energy accounted for around 47 % of the Group-wide procurement volume, while construction accounted for 23 %, MRO (maintenance, repairs and operations) for 11 % and information technology (IT) for 19 %.

Taking competition law into account, systematic steps are being taken to enhance the way in which suppliers are involved in the development and optimisation of products, facilities and processes from a strategic and collaborative viewpoint. The aim is to safeguard the on-time completion of development and modernisation projects and the associated timely procurement of capital equipment, supplies and replacement parts. The focus here is on analysing and evaluating relationships with suppliers in terms of their reliability, quality, innovative strength, cost structures, economic stability and compliance. An IT-based supplier management system will be implemented in 2016 to support this process. Suppliers register on an internet portal, which uses questionnaires to cover topics such as occupational safety, sustainability and compliance. All content is coordinated with both the purchasing team and the relevant departments. The data entered will be evaluated internally. Certain criteria may result in suppliers being excluded. This includes entries in a corruption register, pending insolvency proceedings, not paying minimum wages or operational restrictions (lack of certain licences, etc.).

Supplier registration is mandatory for all suppliers contacting HHLA for the first time as part of bidding processes, market enquiries or on their own initiative. Suppliers already listed in the company's own pool will be asked to complete the registration process successively. The need to register will be prioritised according to the supplier's strategic relevance in terms of revenue, market and/or product and service range in the respective purchase areas.

Downstream supplier management thus allows continual internal evaluation. These strategic suppliers are evaluated annually by the internal customers and departments. The evaluations include experience on first contact. Project procurement and flow are also evaluated and documented. The content and scope of the evaluation criteria are regularly reviewed and adapted according to legal requirements, corporate guidelines and rules, and importance for service performance.

Sustainability Performance Indicators

HHLA's actions have always been guided by economic considerations and a sense of responsibility towards its employees, the environment and society as a whole. Due to high levels of capital intensity and long useful lives, those who build and operate port and hinterland terminals, intermodal networks and logistics centres are compelled to take a wider view and gear their business operations towards long-term success spanning several economic cycles. Ever since it was established, the Group has therefore attached the utmost importance to sustainable business practices.

Ecology

Emissions and Energy

HHLA has published its carbon footprint regularly since 2008 as part of the international Carbon Disclosure Project (CDP). The CDP is a non-profit initiative which manages one of the world's largest databases of corporate greenhouse gas emissions on behalf of institutional investors and makes this information available to the public.

HHLA calculates its **CO₂ emissions** on the basis of the Greenhouse Gas Protocol Corporate Standard (revised edition), a global standard for recording greenhouse gas emissions. Within the HHLA Group, air pollution largely consists of CO₂ emissions. These are primarily influenced by throughput and transport volumes, traction services provided by the Group's own locomotives and the use of electricity from renewable sources. In line with the Greenhouse Gas Protocol, electricity procured separately from renewable sources was classified as carbon-neutral. The power needed by a terminal depends largely on the number of seaborne containers it handles and the number of containers transported over land by rail and truck. HHLA uses seaborne and onshore throughput as an effective indicator to determine specific CO₂ emissions in line with the recommendations of the European Economics Environment Group (EEEG).

HHLA has set itself the following **climate protection target**: by 2020, the Group intends to reduce CO₂ emissions by at least 30 % for each container which it handles. The 2008 figures serve as the baseline here. In the period from 2008 to 2015, the company already succeeded in reducing CO₂ emissions by 29.5 % per container handled. Specific CO₂ emissions fell by 5.0 % in the year under review.

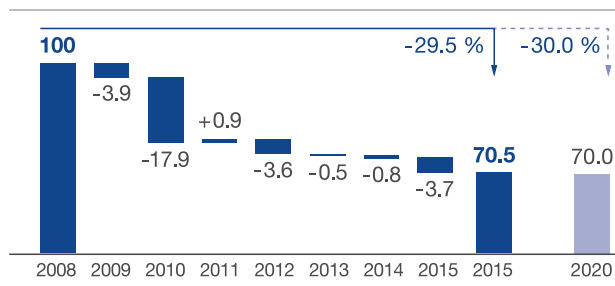
A long-term increase in the percentage of electricity used within the Group's energy mix will enable the company to **utilise more renewable energies** and thereby substantially reduce its carbon footprint. HHLA is therefore converting more and more of its equipment and machinery at the terminals to electricity. Such equipment and machinery produces fewer emissions and less noise and is also easier to service. The electricity required by all office buildings and workshops in Hamburg occupied by HHLA, the Container Terminal Altenwerder (CTA)

and the all-electric yard crane system at the Container Terminal Burchardkai (CTB) comes from renewables. In the reporting period, these measures reduced CO₂ emissions by 24,108 tonnes (previous year: 26,645 tonnes). A photovoltaic system at the Container Terminal Tollerort (CTT) installed and operated by the energy supplier Hamburg Energie Solar produced 119,450 kWh of CO₂-free electricity in the year under review.

In addition to the active expansion of renewable energies, HHLA particularly promotes the **use of energy-efficient and low-emission machinery and equipment**. In the year under review, the company maintained a fleet of 64 all-electric cars. Due to the positive experience the company has had with these all-electric cars, 24 leases were extended by another three years for the oldest vehicles and a half-dozen new electric vehicles have been ordered that will be delivered over the course of 2016. HHLA's electric vehicles are powered by renewable electricity and are a quiet, low-maintenance solution which does not generate any local emissions. The electric vehicles cover a distance of some 475,000 km each year and thus reduce CO₂ emissions by approximately 148 tonnes. Two new straddle carriers that comply with strict requirements of the European Union's emissions standard Euro 4 went into operation at the CTB in the reporting year. With their extremely low emissions, these modern vehicles make an important contribution towards reducing pollution at the container terminal. In addition, the computer-aided optimisation of container storage positions minimises the distance travelled by transport equipment, thereby reducing energy consumption and noise pollution. The use of retreaded tyres for various container handling machines also helps to improve the company's use of resources.

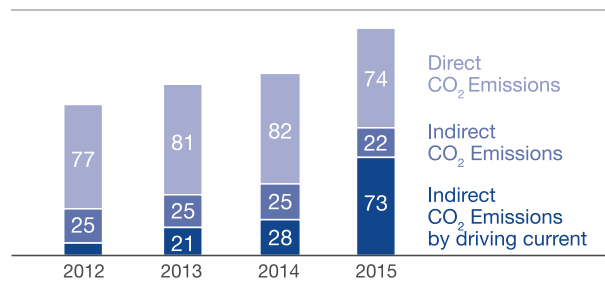
Reduction in Specific CO₂ Emissions since 2008

Climate protection target: 30 % reduction by 2020



Direct and Indirect in CO₂ Emissions

in thousand tonnes



Direct and Indirect Energy Consumption

	2012	2013	2014	2015
Diesel and heating oil in million of litres	26.6	26.8	28.5	25.7
Petrol in million of litres	0.1	0.1	0.1	0.1
Natural gas in million of m ³	2.1	3.1	1.8	2.3
Electricity ¹ in millions of kWh	139.9	148.7	154.4	138.3
thereof from renewable energies	70.2	78.2	84.0	76.0
Traction current in millions of kWh	16.9	37.9	51.7	130.3
District heating in millions of kWh	4.6	4.6	3.7	3.2

Consumption of natural gas, traction current and district heating in 2015 is based on measured and estimated figures.

¹ Electricity without traction current

Several projects were also continued in the field of **energy-efficient lighting**. 24 additional yard cranes were switched to needs-based LED lighting at CTA. 40 of 52 yard cranes now use needs-based LED lighting at the CTA. As well as reducing lighting emissions, this system cuts electricity consumption by some 90 %.

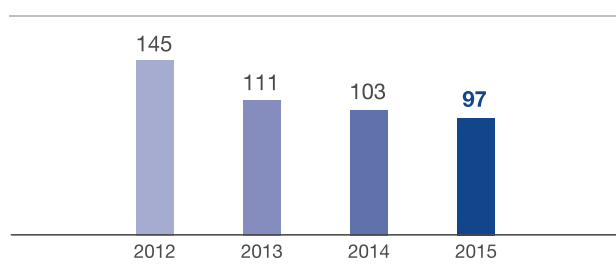
The introduction of a DIN ISO 50001 certified **energy management system** has now been successfully completed by Hamburger Hafen und Logistik AG and HHLA Personal Service GmbH.

Water Consumption

Water is mostly used in the HHLA Group to clean large-scale equipment and containers, as well as for employee hygiene. Compared to the previous year, the amount of water consumed by operations in Germany, Poland, Slovakia, the Czech Republic and Ukraine fell by a further 5.2 % to 97,305 m³ in 2015 (previous year: 102,664 m³). The water treatment plant at CTB, which was in operation for the full year for the first time, contributed towards this positive trend. HHLA's facilities in Hamburg draw water from the public supply network.

Developments in Water Consumption

in dam³



HHLA locations in Germany, Poland, the Czech Republic, Slovakia and Ukraine.

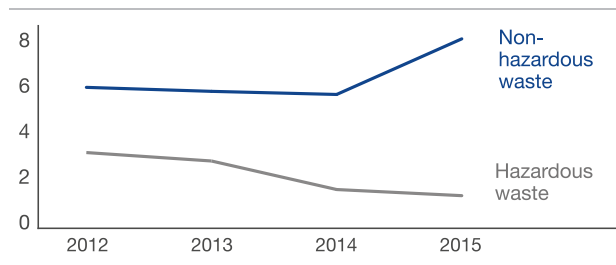
Waste and Recycling

HHLA reduces refuse and separates rubbish for recycling wherever possible so that reusable waste can be fed back into the resource cycle. Excluding soil and building rubble, the **amount of waste** produced at the sites in Germany increased year-on-year by 28.8 % to 9,544 tonnes in 2015 (previous year: 7,408 tonnes). This is due to a considerable rise in the amount of waste not fit for consumption or further processing, such as bananas, pineapples and potatoes. HHLA has no influence on the amount of such waste, as it includes goods that were already unsuitable when they reached Hamburg. Without these amounts, the volume of waste at HHLA fell by 2.3 % in the reporting period. There was an even stronger decline in hazardous waste: this figure fell substantially by 17.2 % to 1,332 tonnes (previous year: 1,609 tonnes). This figure represents a decrease of almost 60 % compared to 2010.

This very positive development was mainly attributable to the **construction of a water treatment plant** at CTB which was operational for a full year for the first time this year. The water used to clean large machinery is treated at this plant before being reintroduced into the cleaning cycle. The process therefore helps to conserve resources in two ways: as well as substantially reducing fresh water use, it decreases the volume of waste classified as hazardous. This also has a positive effect on the amount of sludge from oil/water separators collected at the washing, fuelling and parking spaces for straddle carriers and AGVs. The volume of waste in this category fell strongly by 44.7 % year on year, taking it to 470 tonnes (previous year: 850 tonnes). The remaining mixture of sludge, oil and water is processed at a chemical water treatment plant operated by a specialist disposal company. Once it has been separated from the oil, the water passes through a biological waste water treatment plant. The quantity of overripe bananas and other food-stuffs unsuitable for processing or consumption accounted for the largest proportion of waste. It more than tripled year on year to 3,343 tonnes (previous year: 1,091 tonnes). A large proportion of this was recycled to generate biogas. Approximately 300,000 kWh of electricity was generated without CO₂ in this way in 2015; twice as much as in 2014. 1.8 % less commercial waste was generated in the reporting period. At 1,828 tonnes, this type of refuse represented the second-largest waste volume (previous year: 1,862 tonnes). Scrap metal, which was up 11.1 % against the previous year at 1,139 tonnes (previous year: 1,025 tonnes) was fed completely into the recycling system. Paper and cardboard packaging accounted for 609 tonnes of total waste (previous year: 580 tonnes) while scrap wood and building timber made up 403 tonnes (previous year: 578 tonnes).

Developments in the Volume of Waste

in thousand tonnes



HHLA strives to conserve resources at its terminals, e.g. by using a total of 58,300 tonnes (previous year: 40,300 tonnes) of **recycled building materials** to maintain its terminal areas during 2015. Of this amount, waste incineration slag accounted for the largest share (40,000 tonnes). The amount of material used from asphalt recycling amounted to 15,800 tonnes in the year under review. A further 2,500 tonnes was electric furnace slag, which results from the melting of steel scrap and mineral additives in electric arc furnaces and is now reused as aggregate at the terminals. The use of this recycled building material means that less natural stone needs to be mined, thus protecting the landscape.

Society

As well as social responsibility, **staff development** and its employees' **occupational health and safety** are among HHLA's key fields of activity. ► see also Employees, page 28

Regional Responsibility

Approximately one in eight jobs in Hamburg has some connection with cargo handling at the Port of Hamburg. This means that the port and associated industries are major employers in the greater Hamburg metropolitan region. HHLA handles around three quarters of Hamburg's container throughput or more than half of the total throughput in tonnes. The company therefore sees itself as an integral part of economic developments in the greater Hamburg metropolitan area. It is well aware of its responsibility towards society both here and at all its other sites.

Social Dialogue

HHLA engages in regular dialogue with its stakeholders. ► see also Report Profile, page 161 The company also promotes a number of educational projects focusing on the port and logistics.

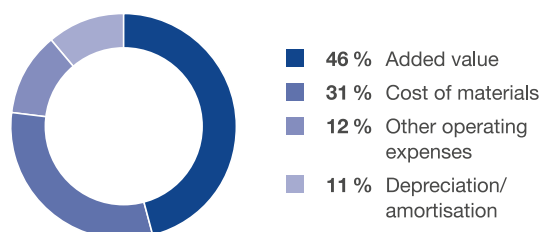
Recognising the link between the port, logistics and the water helps us understand the global division of labour and the importance of sustainable business activities. HHLA's support for educational projects focuses on two particular projects: "Hafen Scouts", a joint initiative of HHLA, which teaches schoolchildren about the transport of goods around the world, how the port functions and what careers the port offers. As well as "Hafen Scouts", the "Aqua-Agenten" project initiated by the Michael Otto Foundation is another cornerstone of HHLA's commitment to educational projects. This project has already received multiple awards (e.g. as an official project of the UN's World Decade "Education for Sustainable Development" and as a "Landmark in the Land of Ideas"). It takes a fun approach to teaching schoolchildren aged about eight or nine why water is important for people, nature and the economy. School classes learn about the significance of shipping and ports for world trade at HHLA's container terminals. In the reporting year, more than 1,000 schoolchildren visited HHLA facilities as part of these education projects. Since the "Aqua-Agenten" project was launched in 2009, more than 10,000 children have been taught about the importance of water and ports.

Compliance

Compliance with legal requirements and internal company guidelines is a key part of **HHLA's corporate governance policy**. HHLA's compliance system centres on a code of conduct which formulates overriding principles on relevant topics for compliance, such as conduct in the competitive environment, prevention of corruption and conflicts of interest, and how to deal with sensitive corporate information. ► see also Corporate Governance Report and the Corporate Management Declaration, page 51

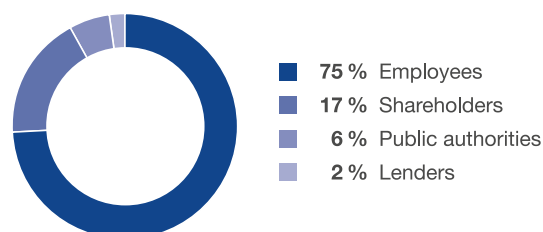
Source of Added Value

Production value 2015: € 1,178 million = 100 %



Application of Added Value

Added value 2015: € 546 million = 100 %



Economy

Value Added in the HHLA Group

in € million	2015	2014	Change
Employees	409.0	414.0	- 1.2 %
Shareholders	95.8	90.6	5.8 %
Public authorities	32.0	39.5	- 19.1 %
Lenders	8.7	8.0	8.1 %
Total	545.5	552.1	- 1.2 %

Net added value fell by 1.2 % to € 545.5 million in 2015. At 46.3 %, the added value ratio was slightly up on the previous year. Net added value serves as an indicator of the economic value creation of a business activity. It is calculated by taking the value of production and deducting all intermediate inputs, depreciation and amortisation. Added value is shared between employees, shareholders, the state (taxes) and lenders. The largest proportion, 75.0 % or € 409.0 million, went to employees.

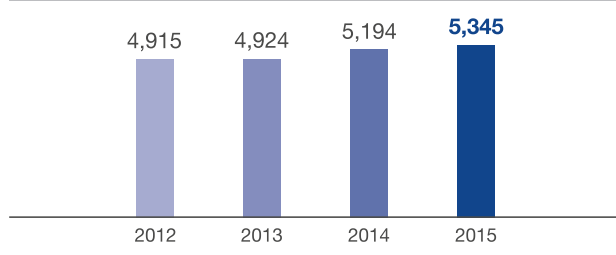
Employees

Headcount

HHLA had a total of 5,345 employees at the end of 2015. Compared with the previous year's total, the number of employees increased by 151, or 2.9 %. In geographical terms, the workforce was concentrated mainly in Germany, with 3,656 staff members (previous year: 3,591). This corresponds to a share of 68.4 % (previous year: 69.1 %), of whom the majority worked in Hamburg. The number of staff employed abroad rose

Development of Employees

HHLA Group as of 31.12.



by 5.4 % to 1,689 in 2015 (previous year: 1,603). This is primarily due to the increase in staff at the Intermodal companies in the Czech Republic and Slovakia, where headcount increased by 11.3 % to 1,093 (previous year: 982).

In Ukraine, the number of employees fell by 1.3 % to 445 (previous year: 451). The remaining 151 employees (previous year: 170) are spread across subsidiaries in Poland, Georgia and Hungary.

Employees

by segments	2015	2014	Change
Container	2,957	3,022	- 2.2 %
Intermodal	1,449	1,319	9.9 %
Holding/Others	668	588	13.6 %
Logistics	232	229	1.3 %
Real Estate	39	36	8.3 %
HHLA Group	5,345	5,194	2.9 %

The pooling of functions and management responsibilities within the holding company, which were previously performed by the operative holding HHLA Container Terminals GmbH, impacted headcount of the Container segment and the Holding/Other division. The number of employees in the **Container segment** decreased by 65 to 2,957 in the year under review (previous year: 3,022), while staff numbers in the strategic management holding company increased by 80 employees to 668. Due to the expansion of services and the increase in value added, staff numbers in the **Intermodal segment** rose by 130 employees to 1,449. Employee numbers in the **Logistics segment** remained almost unchanged year-on-year. The **Real Estate segment** hired 3 new employees and now has a total headcount of 39.

The majority of jobs at HHLA are in a segment of the labour market in which men are traditionally employed and women are proportionately less represented. The positive trend of the previous year continued in 2015, and the ratio of women employed by HHLA in Germany increased once again (including