

ucts 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 for purchasing processes and their mandatory fulfilment. 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 the Purchasing department. In 2016 this stood at 95.2 % (previous year: 94.5 %). The purchase requisition rate indicates the ratio of requisitions entered and authorised via the SAP enterprise resource planning system in compliance with regulations. At 99.6 %, it was roughly on a par with the prior year in 2016 (previous year: 99.7 %). The automation of purchasing processes to create efficient, transparent and uniform workflows remained a key objective for procurement in 2016. In the reporting period, approximately 14 % of all purchasing processes were handled fully automatically by means of e-procurement systems (previous year: approximately 13 %). 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 2016 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 2016, equipment and energy accounted for 44.5 % of the Group-wide procurement volume, while construction accounted for 22.5 %, MRO (maintenance, repairs and operations) for 14.0 % and information technology (IT) for 19.0 %.

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 2017 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 and is subsequently evaluated. Certain criteria may result in suppliers being excluded. These include entries

in a state corruption register, insolvency proceedings, failure to pay minimum wages or operational restrictions (lack of certain licences etc.).

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.

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, while 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, as well as their importance for service performance.

Another key project was the introduction of an electronic tendering platform. Although only mandatory as of April 2018, Purchasing rolled out an e-tendering platform when the amendment of German public procurement legislation came into force in April 2016. The platform not only standardises and transparently documents the tendering processes, but also significantly improves process quality, reliability and efficiency. Secondly, the electronic process creates considerable added value for bidders, as a web-based platform ensures process reliability and fair competition. Premature adoption gives suppliers the time and opportunity to prepare for and adjust to the new process.

Sustainable 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 company has therefore attached the utmost importance to sustainable practices.

Ecology

Emissions and Energy

HHLA has reported on its carbon footprint regularly since 2008 as part of the international Carbon Disclosure Project (CDP). The CDP is a non-profit initiative that 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.

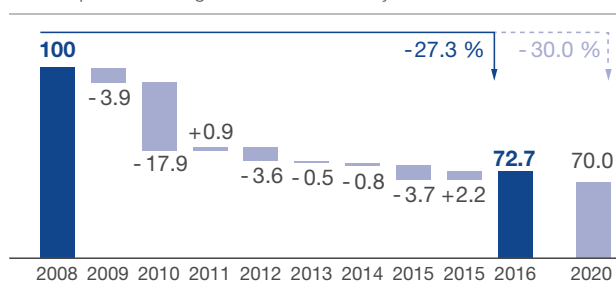
HHLA calculates its **CO₂ emissions** on the basis of the Greenhouse Gas Protocol Corporate Standard (revised edition), a global standard for recording greenhouse gas emissions. Within the HHLA Group, emissions mainly relate to CO₂. These are primarily influenced by throughput and transport volumes, 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 target of reducing **specific CO₂ emissions** – the CO₂ emissions per container handled – by at least 30 % by 2020. The 2008 figures serve as the baseline here. In the period from 2008 to 2016, the company succeeded in reducing CO₂ emissions by 27.3 % per container handled. Specific CO₂ emissions increased by 2.2 percentage points in the year under review.

Absolute CO₂ emissions rose by 5.5 % or 9,378 tonnes year-on-year to 178,468 tonnes. This is mainly attributable to the higher utilisation of the company's own fleet of environmentally friendly electric multi-system locomotives. Traction-related emissions increased by 9.2 % or by 6,760 tonnes from 73,369 tonnes to 80,129 tonnes. Absolute emissions from all container terminals operated by HHLA rose by 4.6 % or 3,004 tonnes to 68,161 tonnes in the year under review.

Reduction in Specific CO₂ Emissions since 2008

Climate protection target: 30 % reduction by 2020



Direct and Indirect Energy Consumption

	2013	2014	2015	2016
Diesel and heating oil in million litres	26.8	28.5	25.7	25.6
Petrol in million litres	0.1	0.1	0.1	0.1
Natural gas in million m ³	3.1	1.8	2.3	2.4
Electricity ¹ in million kWh	148.7	154.4	138.3	139.6
thereof from renewable energies	78.2	84.0	76.0	73.1
Traction current in million kWh	37.9	51.7	130.3	150.0
District heating in million kWh	4.6	3.7	3.2	3.6

Consumption of natural gas, traction current and district heating in 2016 is based on preliminary and estimated figures.

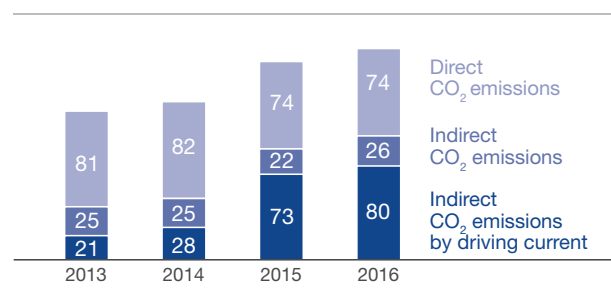
¹ Electricity without traction current

HHLA conducted various **CO₂ reduction projects** to decrease CO₂ emissions at its companies in the reporting period. Examples include the optimization of energy-relevant system settings and the modernization of existing lighting systems. Further projects were set up and will start to bear fruit in 2017.

A long-term increase in the percentage of electricity used within the Group's energy mix will enable the company to **utilize 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 23,190 tonnes (previous year: 24,108 tonnes). A photovoltaic system at the Container Terminal Tollerort (CTT) installed and operated by the energy supplier Hamburg Energie Solar produced 111,910 kWh of CO₂-free electricity in the year under review.

Direct and Indirect CO₂ Emissions

in thousand tonnes



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 fleet of all-electric cars grew by another 13 vehicles to 77. HHLA's electric vehicles are powered by renewable electricity and are a quiet, low-maintenance solution that does not generate any local emissions. The electric vehicles cover a distance of some 500,000 km each year and thus reduce CO₂ emissions by approximately 160 tonnes. 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.

Four new straddle carriers that comply with strict requirements of the European Union's Euro 4 emissions standard went into operation at CTB in the reporting year. With their extremely low emissions, these modern vehicles make an important contribution towards reducing pollution at the container terminal. The world's first shunting hybrid locomotive for heavy goods trains has been running on the tracks of the Hamburg port railway since summer 2016. The locomotive is used by HHLA subsidiary METRANS. The modern hybrid drive with an electric motor and diesel engine reduces consumption by over 50 %.

Several projects were also continued in the field of **energy-efficient lighting**. At CTA, the conversion of yard crane lighting to needs-based LED lighting was completed for all 52 yard cranes. As well as reducing lighting emissions, this system cuts electricity consumption by some 90 % compared with the previous, conventional lighting system.

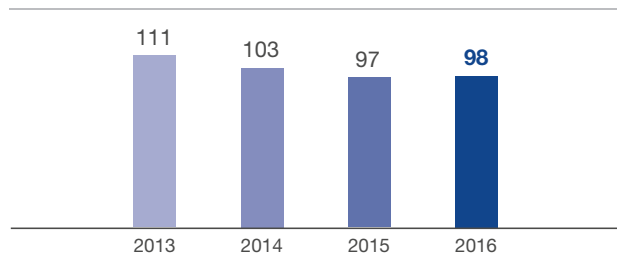
The **energy management system** that was certified according to DIN ISO 50001 for Hamburger Hafen und Logistik AG and HHLA Personal Service GmbH in the previous year was successfully expanded to additional HHLA companies.

Water Consumption

Water is mostly used in the HHLA Group to clean large-scale equipment and containers, as well as for employee hygiene. The **amount of water consumed** by operations in Germany,

Developments in Water Consumption

in dam³



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

Poland, Slovakia, the Czech Republic and Ukraine was virtually unchanged year-on-year, rising by 0.5 % to 97,766 m³ in 2016 (previous year: 97,305 m³). HHLA's facilities in Hamburg draw water from the public supply network.

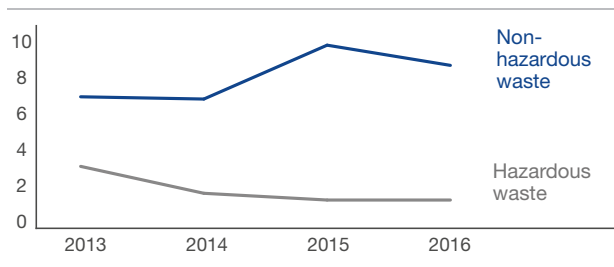
Waste and Recycling

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 decreased year-on-year by 9.6 % to 8,629 tonnes in the reporting period (previous year: 9,544 tonnes). This is mainly attributable to a 30.5 % decrease in the amount of foodstuffs no longer 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. Adjusted for these amounts, the volume of waste at HHLA rose slightly by 1.7 % to 6,307 tonnes in the year under review (previous year: 6,200 tonnes). Hazardous waste declined by 1.6 % to 1,311 tonnes (previous year: 1,322 tonnes). This figure represents a decrease of 60 % compared to 2010. The decrease in hazardous waste is primarily due to the operational start-up of a chemical water treatment plant at CTB. The water used to clean large machinery is treated at the plant before being reintroduced into the cleaning cycle. Overripe bananas and other foodstuffs unsuitable for processing or consumption accounted for the largest proportion of waste in 2016. It declined year-on-year to 2,233 tonnes (previous year: 3,343 tonnes). A large proportion of this was recycled to generate biogas. Approximately 210,000 kWh of electricity was generated without CO₂ in this way in 2016, around 90,000 kWh less than in the previous year due to the decrease in these waste volumes. In addition, 0.3 % less commercial waste was generated in the reporting period. At 1,823 tonnes, this type of refuse represented the second-largest waste volume (previous year: 1,828 tonnes). Scrap metal, which was down 3 % on the previous year at 1,105 tonnes (previous year: 1,139 tonnes) was fed completely into the recycling system. There was a significant increase in scrap wood and building timber of 71 % to 691 tonnes, while paper and cardboard packaging rose by 10.9 % to 675 tonnes (previous year: 609 tonnes).

HHLA strives to conserve resources at its terminals, e.g. by using a total of 31,000 tonnes (previous year: 58,300 tonnes) of recycled building materials to maintain its terminal areas during 2016. Of this amount, slag from waste incineration and asphalt recycling accounted for the largest shares (11,000 tonnes each). 7,000 tonnes of electric furnace slag, which results from the melting of steel scrap and mineral additives in electric arc furnaces, was also recycled and will now be reused as aggregate at the terminals. The use of this recycled building material means that less natural stone needs to be mined. A further 2,000 tonnes of recycled concrete-mineral aggregates were used for site redevelopment.

Developments in the Volume of Waste

in thousand tonnes



Society

As well as its commitment to social responsibility, **staff development** and its employees' **occupational health and safety** are among HHLA's key fields of activity. ► see also Employees, page 26

Regional Responsibility

Approximately one in ten 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 development 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 162 The company also promotes a number of educational projects focusing on the port and logistics.

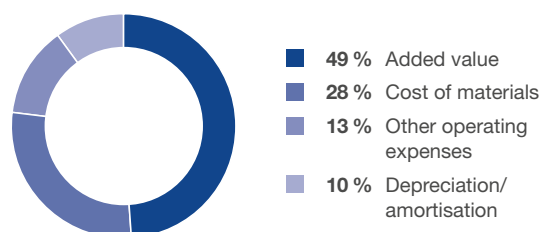
Recognising the link between the port, logistics and the water helps us understand the global division of labour and the importance of sustainable business activities. HHLA's support for educational projects focuses on two particular projects: "Hafen Scouts", a joint initiative of HHLA, which teaches 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 1,200 schoolchildren visited HHLA facilities as part of these educational 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 that 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 50

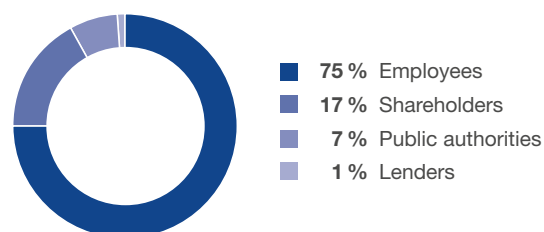
Source of Added Value

Production value 2016: € 1,240 million = 100 %



Application of Added Value

Net added value 2016: € 605 million = 100 %



Economy

Net added value rose by 10.9 % to € 605.3 million in the 2016 financial year. At 48.8 %, 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 production value and deducting all intermediate inputs, depreciation and amortisation. Added value is shared between employees, shareholders, the state (taxes) and lenders. The largest proportion, 74.7 % or € 451.9 million, went to employees.

Value Added in the HHLA Group

in € million	2016	2015	Change
Employees	451.9	409.0	10.5 %
Shareholders	105.1	95.8	9.6 %
Public authorities	41.0	32.0	28.0 %
Lenders	7.3	8.7	- 16.0 %
Total	605.3	545.5	10.9 %

Employees

Strategic HR Management

HR Strategy

People and the organisation are at the heart of our personnel work. Highly competent and hard-working managers and employees form the foundation of our success. Long-term qualitative and quantitative personnel planning and development strategies for the entire company have been established in Hamburg. The ongoing development of specialist, management and project careers, and permeability between different career paths are the central aims of our personnel strategy. The numerous options to create a work-life balance according to the employee's current circumstances and the ongoing development of working-time systems form the cornerstone for long employee service at HHLA.

Organisation and Control

HR management is established as a central division at Executive Board level. This organisational structure ensures that strategic HR guidelines can also be implemented throughout the Group. The specialist department provides tailored HR and

organisational development programmes for staff on all career paths and at all levels of the hierarchy within the German companies. The performance of both professionals and managers is systematically enhanced and developed and continuously overseen by the HR Management team. The same applies to all organisational development measures.

Diversity Management

Diversity management has been an integral part of strategic HR management for many years now. HHLA believes that a balanced mix of cultures, genders and age groups forms the foundation for commercial success. The company strives to achieve such diversity in all of its companies. This applies in particular to temporary cross-company working and project groups.

Headcount

HHLA had a total of 5,528 employees at the end of 2016. Compared with the previous year's total, the number of employees increased by 183, or 3.4 %. In addition, HHLA used an annual average of 558 employees of Gesamthafenbetriebs-Gesellschaft (GHB) (previous year: 562).

Employees

by segments	2016	2015	Change
Container	2,945	2,957	- 0.4 %
Intermodal	1,687	1,449	16.4 %
Holding/Others	651	668	- 2.5 %
Logistics	214	232	- 7.8 %
Real Estate	31	39	- 20.5 %
HHLA Group	5,528	5,345	3.4 %

Employees by Region

In geographical terms, the workforce was concentrated mainly in Germany, with 3,625 staff members (previous year: 3,656). This corresponds to a share of 65.6 % (previous year: 68.4 %), of whom the overwhelming majority worked in Hamburg. The number of staff employed abroad rose by 214 to 1,903 (previous year: 1,689). This is primarily due to the increase in staff at the Intermodal companies in the Czech Republic, Slovakia, Hungary and Slovenia, where headcount increased by 17.3 %