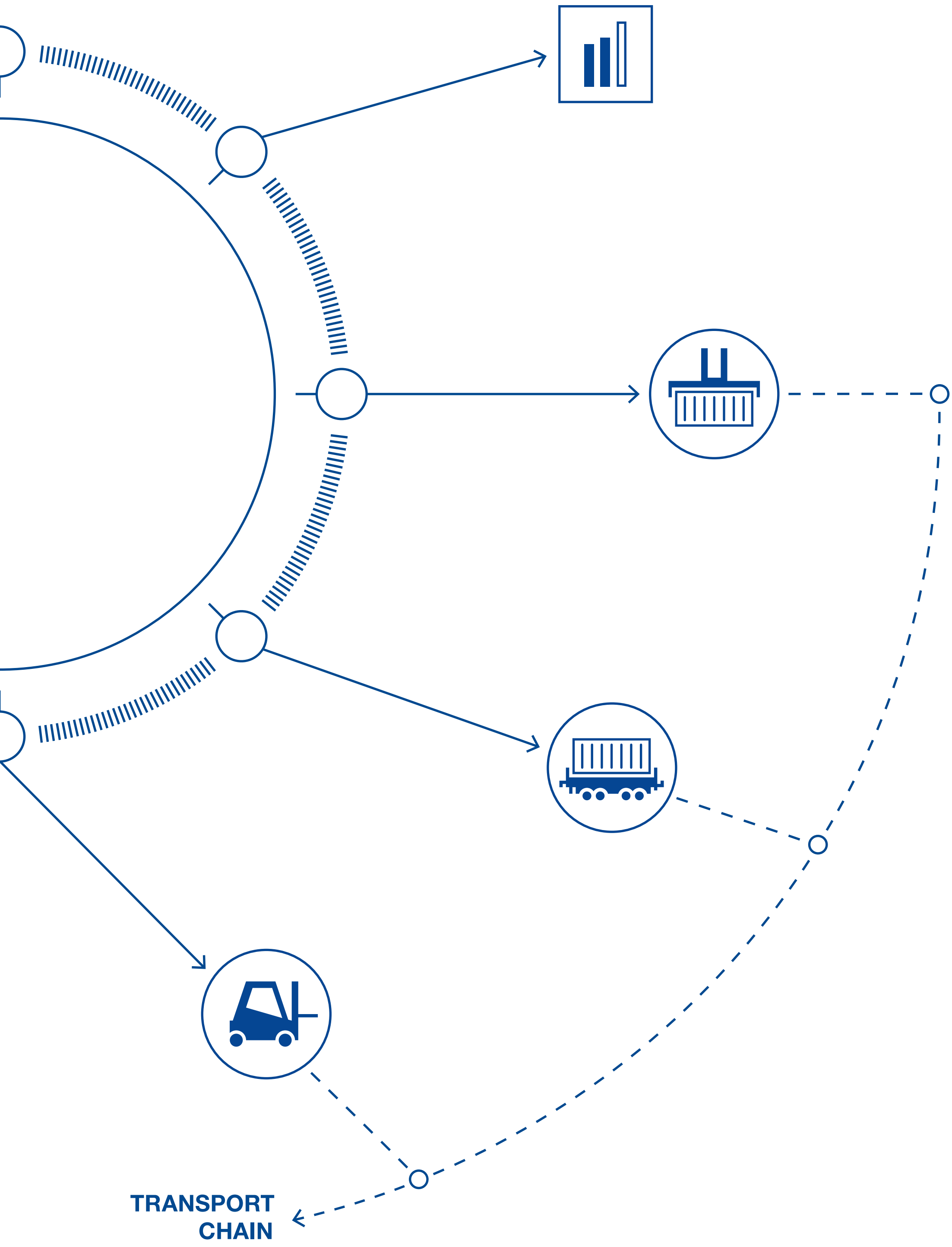
SUSTAINABILITY REPORT

2016 HAMBURGER HAFEN UND LOGISTIK AKTIENGESELLSCHAFT



Contents

In the Sustainability Report is a summary of the essential sustainability-related topics from the HHLA Annual Report 2016. The full Annual Report incl. GRI Content Index is published exclusively on the Internet.

→ http://report.hhla.de/annual-report-2016/

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Key Figures 2016

27.3 %
less CO_2-Emissions versus 2008

4.5 € million
for Training and Professional Development

605.3 € million
Added value

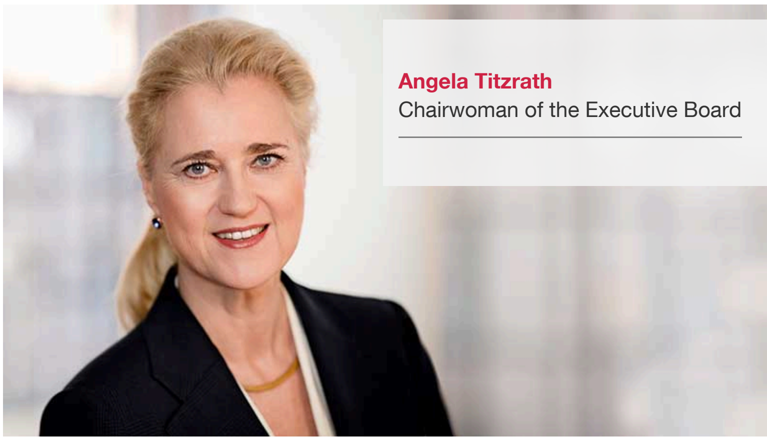
Ladies and Gentlemen,

We pursue a sustainable business model by doing business responsibly and with a focus on the future. It is our firm belief that profitable growth and future business success depend to a great extent on acting in a forward-looking and responsible manner. We have enhanced our sustainability efforts by successfully implementing a number of economic, environmental and social measures. The use of state-of-the-art technology, compliance with best-practice social standards, the implementation of highly efficient business processes and value-based corporate governance are the core elements of our sustainability strategy. In other words, sustainability in thought and deed is at the heart of all HHLA's business decisions.

Ecologically sustainable transport chains lay the foundation for our economic success. This is why we have increased our investment in intermodal transport. We set standards in environmentally friendly transport with our value-adding investments in highly efficient hinterland terminals, eco-friendly electric locomotives, hybrid shunters and quiet container wagons. In this way, we have successfully transferred traffic from road to rail while attracting and retaining cargo for our seaport terminals. In 2016, we added two tracks to the rail terminal at our Container Terminal Altenwerder, taking the total to nine. This increased the terminal's capacity by 140,000 to 930,000 standard containers. HHLA has thus once again made an important contribution towards strengthening the Port of Hamburg, Europe's largest "rail port".

As well as transferring freight transport from road to more eco-friendly rail, the implementation of our sustainability strategy is also determined by the business processes at our terminals. Automated, electrified processes and equipment play a vital role in helping us reach our environmental and climate protection targets, while also improving space efficiency. The trend towards ever-larger ships and the subsequent increase in peak loads at our facilities requires greater energy consumption. We are combating this development by using energy-efficient devices and optimizing our processes. In addition, we are replacing our diesel-powered devices and equipment with electric technology. We use electricity from renewable sources in order to reduce CO_2 emissions. Based on the positive experience we have made so far with battery-operated automated guided vehicles (AGVs), we took the decision in 2016 to replace all remaining diesel-powered AGVs with electric AGVs. The uptake of e-mobility has been slower than expected in Germany – but not at HHLA. Our fleet of electric cars was expanded by 10 percent to 77 vehicles in the reporting period. This means that we now have the largest e-vehicle fleet of any European port.

In view of the measures implemented and resolved in the past financial year, we are confident of reaching the climate protection goal we set ourselves by 2020. Based on our 2008 figures, we aim to reduce our CO_2 emissions per container handled by at least 30 percent by



Angela Titzrath
Chairwoman of the Executive Board

2020. At the end of 2016, we had already achieved a reduction of 27.3 percent. Our increased use of electric technology not only reduces climate-damaging CO_2 emissions, it also cuts local emissions of other harmful substances and noise. In this way, HHLA is making a measurable contribution towards improving local air quality.

HHLA operates in eleven European countries and approximately one third of its employees are based outside Germany. We offer our 5,500-plus employees a wide range of benefits and workplaces that meet the highest occupational health and safety standards. The modern business world is undergoing radical change. In order to meet this challenge, we strive to continuously enhance the skills of our employees. Specialised vocational training and professional development programmes help them acquire the necessary knowledge. Our employees are the foundation upon which we can build our long-term success. This belief is also reflected in our HR strategy, which considers such aspects as a healthy work-life balance and diversity criteria.

Our real estate experts continue to drive the sustainable development of Hamburg's Speicherstadt historical warehouse district – designated a UNESCO World Heritage Site – taking into account its listed status and the unique characteristics of this district.

HHLA takes social responsibility by supporting various projects that focus on maritime economics and environmental topics at primary schools in Hamburg. For as the events of 2016 have shown, education is a vital prerequisite for public debate and cohesion in a democratic society.

Angela Titzrath
Chairwoman 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 to transport chains for environmentally friendly global flows of goods that conserve resources in an exemplary fashion. Corporate management is also geared towards the principle of sustainable value creation. In this way, HHLA demonstrates how environmental and economic targets can be reconciled with one another.

HHLA's sustainability strategy is based on three pillars: the environment, 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. This lays 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 the 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, including customers (e.g. shipping companies), customers' customers (e.g. forwarders), employees, 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 that supplements this regular dialogue and takes the stakeholder groups' interests into account. ▶ HHLA Annual Report 2016, see Materiality Analysis

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 resource consumption, 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 in 2015 as part of its sustainable management activities, in which sustainability topics of political 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. HHLA performs 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.

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 were 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

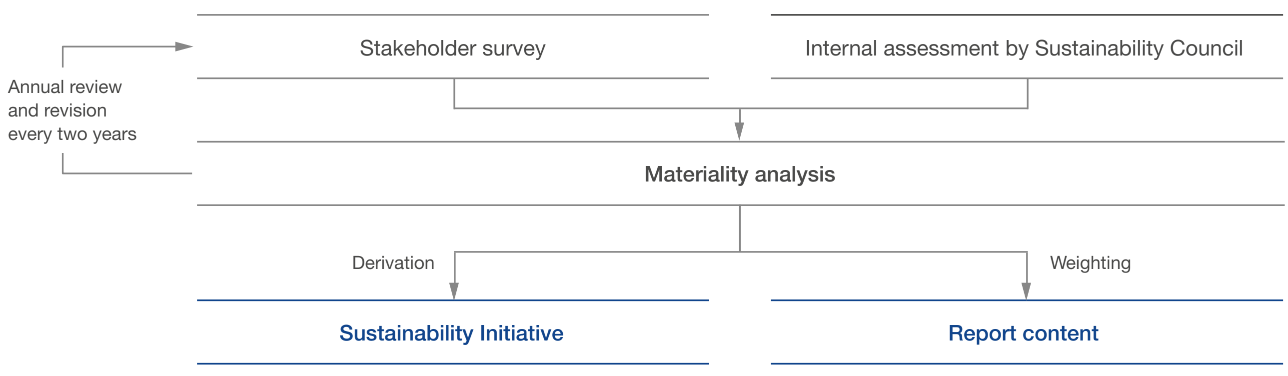
A two-week online survey using a standard questionnaire was then carried out worldwide. External stakeholders from all of the groups identified as well as managers from a number of different divisions took part. In total, approximately 100 people rated topics of potential relevance to HHLA, particularly 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 add to 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.

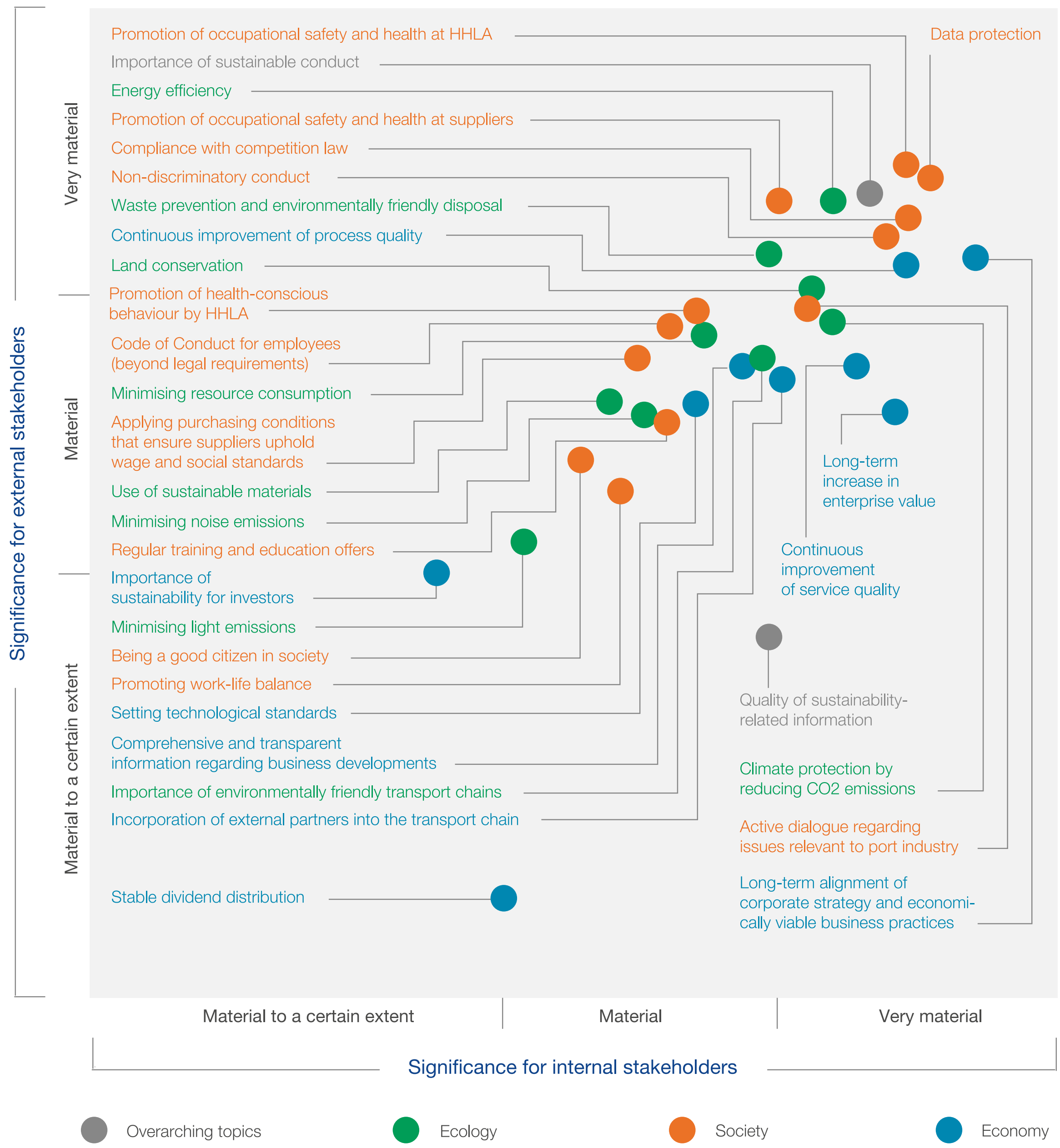
Ensuring a high level of data protection, high occupational safety standards, sustainable conduct, compliance, energy efficiency, continual improvements in quality, the long-term alignment of corporate strategy and the drafting of a Code of Conduct to ensure non-discriminatory behaviour amongst staff and towards third parties were all rated as very material. The topics of 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.

The 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.

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 not very 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-emissions 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	Non-discriminatory dealings Data protection Competition compliant behavior
	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

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 **CO_2 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 CO_2. 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 CO_2 emissions in line with the recommendations of the European Economics Environment Group (EEEG).

HHLA has set itself the target of reducing **specific CO_2 emissions** – the CO_2 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 CO_2 emissions by 27.3 % per container handled. Specific CO_2 emissions increased by 2.2 percentage points in the year under review.

Absolute CO_2 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.

HHLA conducted various **CO_2 reduction projects** to decrease CO_2 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 emis-

Direct and Indirect Energy Consumption

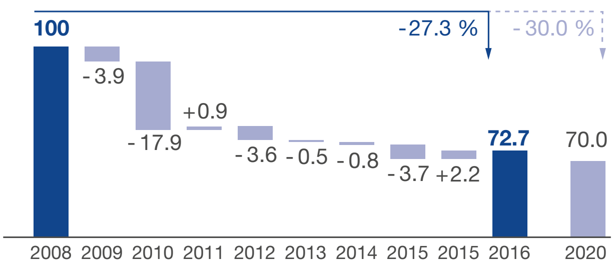
	2013	2014	2015	2016
Diesel and heating oil in million litres	26.8	28.5	25.7	25.6
Petrol in million litres	0.1	0.1	0.1	0.1
Natural gas in million m^3	3.1	1.8	2.3	2.4
Electricity[1] in million kWh	148.7	154.4	138.3	139.6
thereof from renewable energies	78.2	84.0	76.0	73.1
Traction current in million kWh	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

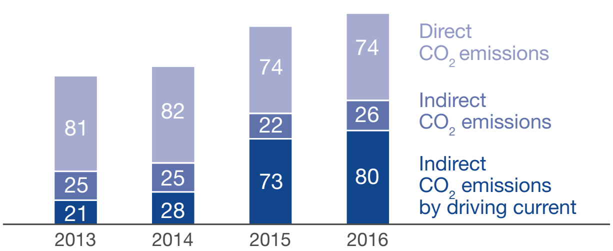
Reduction in Specific CO_2 Emissions since 2008

Climate protection target: 30 % reduction by 2020



Direct and Indirect CO_2 Emissions

in thousand tonnes



sions 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 CO_2 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 CO_2-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 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 CO_2 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.

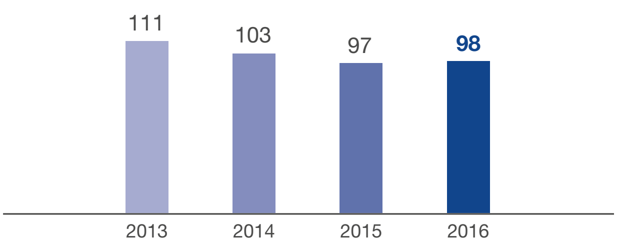
The **energy management system** that was certified according to DIN ISO 50001 for Hamburger Hafen und Logistik AG and HHLA Personal Service GmbH in the previous year was successfully expanded to additional HHLA companies.

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, Poland, Slovakia, the Czech Republic and Ukraine was virtually unchanged year-on-year, rising by 0.5 % to 97,766 m^3 in 2016 (previous year: 97,305 m^3). HHLA's facilities in Hamburg draw water from the public supply network.

Developments in Water Consumption

in dam^3

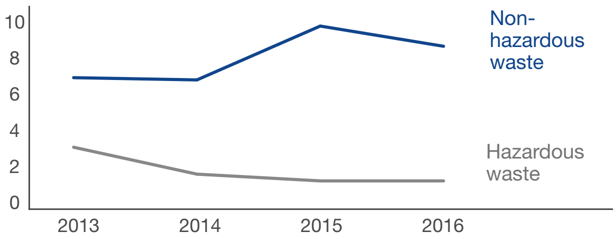


HHLA locations in Germany, Poland, the Czech Republic, Slovakia and Ukraine.

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 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 CO_2 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).

Developments in the Volume of Waste
in thousand 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.

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 HHLA Annual Report 2016, Employees

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.

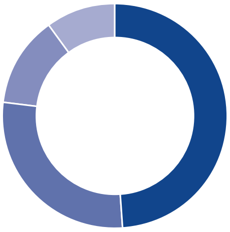
Social Dialogue
HHLA engages in regular dialogue with its stakeholders. ▶ see also HHLA Annual Report 2016, Report Profile The company also promotes a number of educational projects focusing on the port and logistics.

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 HHLA Annual Report 2016, Corporate Governance Report and the Corporate Management Declaration

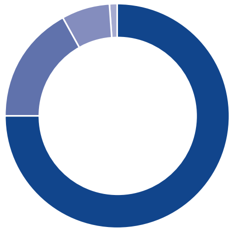
Source of Added Value

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



Application of Added Value

Net added value 2016: € 605 million = 100 %



Economy

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 %

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.

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 % to 1,282 (previous year: 1,093). In Ukraine, the number of employees fell by 1.1 % to 440 (previous year: 445). The remaining 181 employees (previous year: 151) are spread across subsidiaries in Austria, Poland, Georgia and Turkey.

Employees by Segment

The number of employees in the Container segment as of 31 December 2016 was virtually unchanged compared to the previous year. Total headcount was down by twelve year-on-year in 2016 (previous year: 2,957). By contrast, total headcount in the Intermodal segment rose strongly by 238 or 16.4 % to 1,687 employees (previous year: 1,449). This was due to the expansion of services and increase in vertical integration. Headcount decreased in all other segments. The number of staff employed at the strategic management holding company declined by 2.5 % to 651 (previous year: 668). In the Real Estate segment, headcount fell by 20.5 % to 31 employees (previous year: 39). Employee numbers in the Logistics segment decreased to 214 in the reporting period (previous year: 232). This was mainly due to the discontinuation of operating activities in project and contract logistics.

Recruitment

Women accounted for 25.8 % of the 97 new employees who had not previously worked for HHLA in Germany, for example via Gesamthafenbetriebs-Gesellschaft (GHB). Over half of new hires were under the age of 30.

Since 2013, HHLA has been employing a self-developed **selection process** (assessment centre) that not only considers the applicant's personal and professional suitability, but also diversity aspects. These processes have been used for all blue-collar roles since the end of 2013 and at all container terminals in Hamburg as of 2014. Members of the company's staff selection panels receive special training. In addition, the selection panel must include at least one woman for all selection processes in which the pool of applicants includes women.

Recruitments

	Total	Females	Females in %
< 30 years	49	13	26.5
30 – 50 years	35	11	31.4
> 50 years	13	1	7.7
HHLA Group	97	25	25.8

At 4.8 %, the **fluctuation rate** (excluding internal transfers within the Group) in Germany was virtually unchanged year-on-year (previous year: 4.7 %). Of the total 175 people who left the company, 41.7 % were retirees.

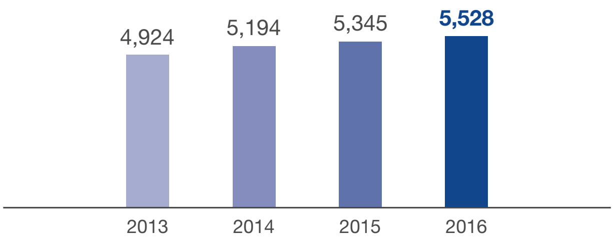
Personnel Structure

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 years continued in 2016 and the ratio of women employed by HHLA in Germany increased once again (including apprentices). At 15.4 %, the ratio of women employed by the company was 0.2 percentage points higher than in the previous year (15.2 %).

Based on the German Law for the Equal Participation of Women and Men in Leadership Positions, the Executive Board had already set a target quota of 25 % for women in first-level management positions directly beneath the Executive Board in the previous year (status as of 31 December 2016: 17 %; previous year: 15 %). A target of 30 % was set for second-level management positions (as of 31 December 2016: 26 %; previ-

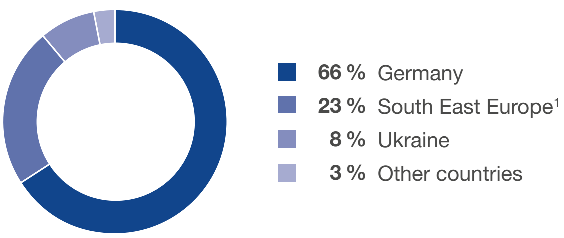
Development of Employees

HHLA Group as of 31.12.



Employees by Region

as of 31.12.2016



1 Czech Republic, Slovakia, Hungary, Slovenia

ous year: 21 %). The date set for achieving these quotas is 30 June 2017. ▶ see also HHLA Annual Report 2016, Corporate Governance

Age Structure

The average age of staff in Germany in the reporting period was 43.9 (previous year: 43.2). Male employees had an average age of 44.6, while female employees were 40.1 years old on average. Over half of all employees are aged between 30 and 50.

Age Structure of Employment

in %	31.12.2016	Thereof females	31.12.2015	Thereof females
< 30 years	12.0	27.5	13.4	26.5
30 – 50 years	53.1	16.0	54.0	15.5
> 50 years	34.9	10.1	32.5	9.7
HHLA Group	100.0	15.4	100.0	15.2

As in the previous year, the average length of service with the company in Germany was approximately 15 years.

Average Employment Period

in years	31.12.2016	31.12.2015
< 30 years	4.9	6.0
30 – 50 years	10.9	10.9
> 50 years	24.7	25.2
HHLA Group	15.0	14.9

The percentage of employees with a severe disability (including persons of an equivalent status) was 8.7 % at the end of the reporting period (previous year: 7.9 %).

Training and Professional Development

HHLA invested a total of € 4.5 million in educating and training staff from its locations in Hamburg in 2016 (previous year: € 5.4 million).

Vocational Training and Studying

As of 31 December 2016, 77 apprentices and 20 students were receiving training in Germany in ten different professions and nine dual study courses. 28 % of the 97 apprentices and students were female. The ratio of female students in 2016 was 50 % (previous year: 42 %).

All of the 40 apprentices (of which nine were on dual study courses) who successfully completed their training in the course of the year were given contracts. A total of 26 new apprentices were taken on at the company's Hamburg facilities in 2016, 31 % of whom were women. Four of the six places offered for dual study courses were awarded to women in 2016. At the start of the 2016 academic year, 30 % of blue-collar apprentices were women.

Cooperation agreements with technical colleges and specialised grammar schools were further intensified to maintain a steady flow of suitable candidates for professions with a focus on mathematics, IT, science and technology. Internships were offered to students studying technical professions in particular. The careers in which the company offers apprenticeships are presented at training fairs and schools by the respective departments with the aid of current apprentices. In 2016, the company participated in ten fairs in the greater Hamburg area.

Together with other Hamburg-based companies, HHLA is participating in the AvM Dual pilot project initiated by Hamburger Ausbildungszentrum e.V. (HAZ) to prepare immigrants for vocational training. HHLA played a key role in the development of the concept, which represents a pioneering and goal-oriented approach to integrating refugees into technical vocational training. The project is a response to both the social and civil responsibility to integrate refugees as well as the challenge of finding suitable applicants for technically demanding skilled jobs. In addition to classroom training, the concept includes three internship phases until August 2018. The young immigrants also receive support from specially trained apprentices at the participating companies.

Training and Qualification

Over 700 events lasting one or more days were held in the reporting period. These included over 600 internal vocational courses conducted by HHLA's own trainers over 2,335 training days. In addition, more than 100 one to several day events with 1,800 participant days were organised as part of the company's cross-segment seminar programme. As in the previous year, approximately 40 % of participants were female.

HHLA's internal seminars are designed to develop the professional, methodical and social skills of specialists and managers. All internal seminars are open to staff from various departments and companies. These seminars also help foster an understanding of the diverse tasks, roles and functions in the Group's various business fields.

Contracts, Remuneration and Additional Benefits

Collective Labour Agreements

Collective labour agreements govern pay and working conditions for approximately 89.5 % of employees in Germany (previous year: 88.0 %).

In May 2016, the parties to the labour agreement – the Association of German Seaport Operators (Zentralverband der deutschen Seehafenbetriebe e.V. or ZDS) and the trade union ver.di – agreed wage table increases of 2.5 % from 1 June 2016 with a twelve-month term for port workers at companies that operate at German seaports. Similar deals have been reached for further wage agreements of the HHLA Group. One component of the labour agreements is a collective demographic fund financed by HHLA to actively address demographic change and ensure age-, ageing- and performance-appropriate working conditions. Funds can only be withdrawn from the fund from 2021 onwards.

Appraisal and Remuneration Systems

The appraisal systems at the German companies contain both bottom-up and top-down components. Some of them are laid out in collective labour agreements, comprise variable remuneration components and are linked with training requirements for the company and staff.

The return on capital employed (ROCE) is also a significant parameter for determining variable remuneration components for executives and employees not covered by collective labour agreements. Performance-related remuneration components at executive level are calculated over a period of several years. This further enhances the focus on sustainable, long-term targets.

Flexible Working Models

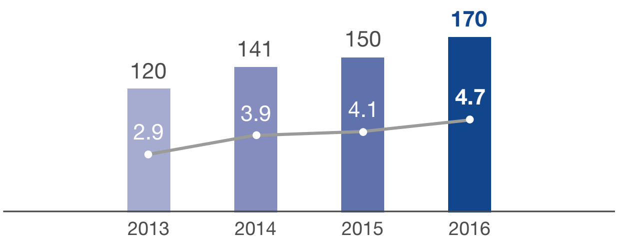
A growing number of people across all employee groups and hierarchy levels in Germany are taking up the option of working part-time to tailor their working hours to different life stages. Offering part-time work is therefore an important way of retaining staff at the company. Allowing staff to adapt their working hours helps them to reconcile their professional and family commitments, look after close relatives or do charity work. In 2016, a total of 170 employees were in part-time employment positions – 20 more than in 2015 (previous year: 150). At the end of 2016, the ratio of part-time workers at HHLA in Germany increased to 4.7 % (31 December 2015: 4.1 %). The percentage of men in part-time employment rose to 28.8 % (previous year: 26.0 %). At the holding company, where most roles are clerical, the ratio of part-time workers (excluding apprentices) was approximately 15.4 % (previous year: 13.7 %).

Working Lifetime Accounts

As well as various company pension schemes, HHLA offers employees at eight affiliated companies working lifetime accounts. The aim is to enable employees to retire from active

Developments in HHLA's Part-time Employees

in Germany as of 31.12.



Part-time share in %

employment earlier without having their statutory pension reduced. In order to attract new employees, HHLA therefore offers attractive options that enable individuals to actively shape their own working lifetimes. Participation was mandatory for employees joining the company after 1 January 2005. This was amended in the collective labour agreement in 2016 and employees can now opt out of the scheme. Approximately 60 % of eligible employees have taken the opportunity to opt out of the mandatory contribution of additional working days. As of 31 December 2016, 1,134 employees had a working lifetime account (previous year: 1,121). This represents a participation ratio of 31.3 % in Germany (previous year: 30.7 %).

Occupational Safety and Health Promotion

Occupational Safety

Numerous preventive measures and guidelines are in place to ensure that staff from both HHLA and external companies, customers, suppliers and visitors do not come to bodily harm, which is a key concern for HHLA. The company strives to continually improve health and safety in the workplace and considers this an important task for its managers. These measures are geared towards specific needs at the sites. The issues of all employees in Hamburg are represented by occupational safety committees. Key measures are evaluated at the statutory meetings of these occupational safety committees, which are held four times a year.

HHLA uses modern technologies to achieve constant improvements. For example, HHLA uses an occupational safety management system to monitor the fulfilment of its goals. In 2016, it started transferring the majority of mandatory training to an e-learning system. The aim is to further reduce the risk of accidents and raise employee awareness of occupational safety.

In order to create meaningful accident statistics, accidents at all HHLA companies in Hamburg are taken into account and recorded using a standardised reporting system. These also include accidents not directly linked to container handling (e.g. in workshops). The reasons for changes and/or fluctuations are carefully analysed in order to quickly initiate structured preventive measures. Several companies started developing and submitting paperless accident reports in 2016 in order to improve the accident investigation process and the procedure for reporting accidents to the authorities.

In 2016, there were 99 notifiable accidents (excluding accidents when commuting) at the companies in Hamburg in which HHLA owns a stake of over 50 %. This represents a decline of 10.8 % (previous year: 111).

Health Management
Together with the universities of Hamburg and Kiel, as well as other cooperation partners from the business world, HHLA is developing a Group-wide occupational health management system as part of the GESIOP project. This joint initiative on "preventive measures for the safe and healthy workplace of tomorrow" is funded by the German Federal Ministry of Education and Research. The project aims to systematically develop and steer existing or newly introduced occupational health promotion activities. As a result, HHLA's strong commitment to occupational health and safety is becoming an integral part of the consistent efforts it is already making in the field of sustainability management.

Research and Development

One of HHLA's strategic objectives is to continuously improve the efficiency of its operating systems, and consequently its competitiveness, by developing application-oriented technologies. The main focus of these activities is therefore on engineering and IT-based innovation projects. Due to close collaboration with technical universities, institutes, industry partners and government authorities, joint projects can be planned, managed and developed by task forces.

In the 2016 financial year, HHLA mainly focused its resources and available capacity on continuing its research in the area of battery-powered container vehicles for horizontal transport.

Battery-Powered Container Vehicles
Researching and developing eco-friendly drive systems is a key aspect of HHLA's sustainable business model. The BESIC project (Battery Electric Heavy Goods Transports within an Intelligent Container Terminal), which was funded by the German Federal Ministry of Economics and Energy and conducted by HHLA at the Container Terminal Altenwerder (CTA) in collaboration with Gottwald Port Technology, Vattenfall Europe Innovation and several research bodies, was successfully concluded in the year under review. As part of the project, a battery management system was developed that uses targeted data exchange between the energy supplier and the terminal to ensure that the batteries for the battery-operated automated guided vehicles (AGVs) are always charged at the best-possible time, from both an environmental and operational perspective.

Performance Certified
In order to document their performance, CTA and CTT once again received certification in accordance with the Container Terminal Quality Indicator (CTQI) in the reporting year. The standard, which was developed by the Global Institute of Logistics and Germanischer Lloyd, checks criteria such as the safety, performance level and efficiency of a terminal on both the quayside and in the hinterland, as well as its links to pre- and onward-carriage systems. With their successful certification, the terminals once again confirmed their high levels of performance and compliance with all quality standards.

Other Research Projects
The foundation for a further research project at CTA was also laid in the year under review. It is supported by the German Federal Ministry of Transport and Digital Infrastructure (BMVI) under the recently introduced Innovative Port Technologies (IHATEC) incentive scheme. The project promotes the development of solutions for man-machine interaction in shared working environments.

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 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.

Report Profile

Report Framework

The reporting period is the 2016 financial year (1 January to 31 December 2016). 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 2016.

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.

Every two years, HHLA carries 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

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 HHLA Annual Report 2016, Note 2, Consolidation Principles

The individual financial statements of 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 Sustainable Performance Indicators

Risk and Opportunity Management

Opportunities and risks are analysed using 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, ISO 50001 and CTQI [Container Terminal Quality Indicator]) confirm compliance with recognised international standards. ▶ see HHLA Annual Report 2016, Risk and Opportunity Report

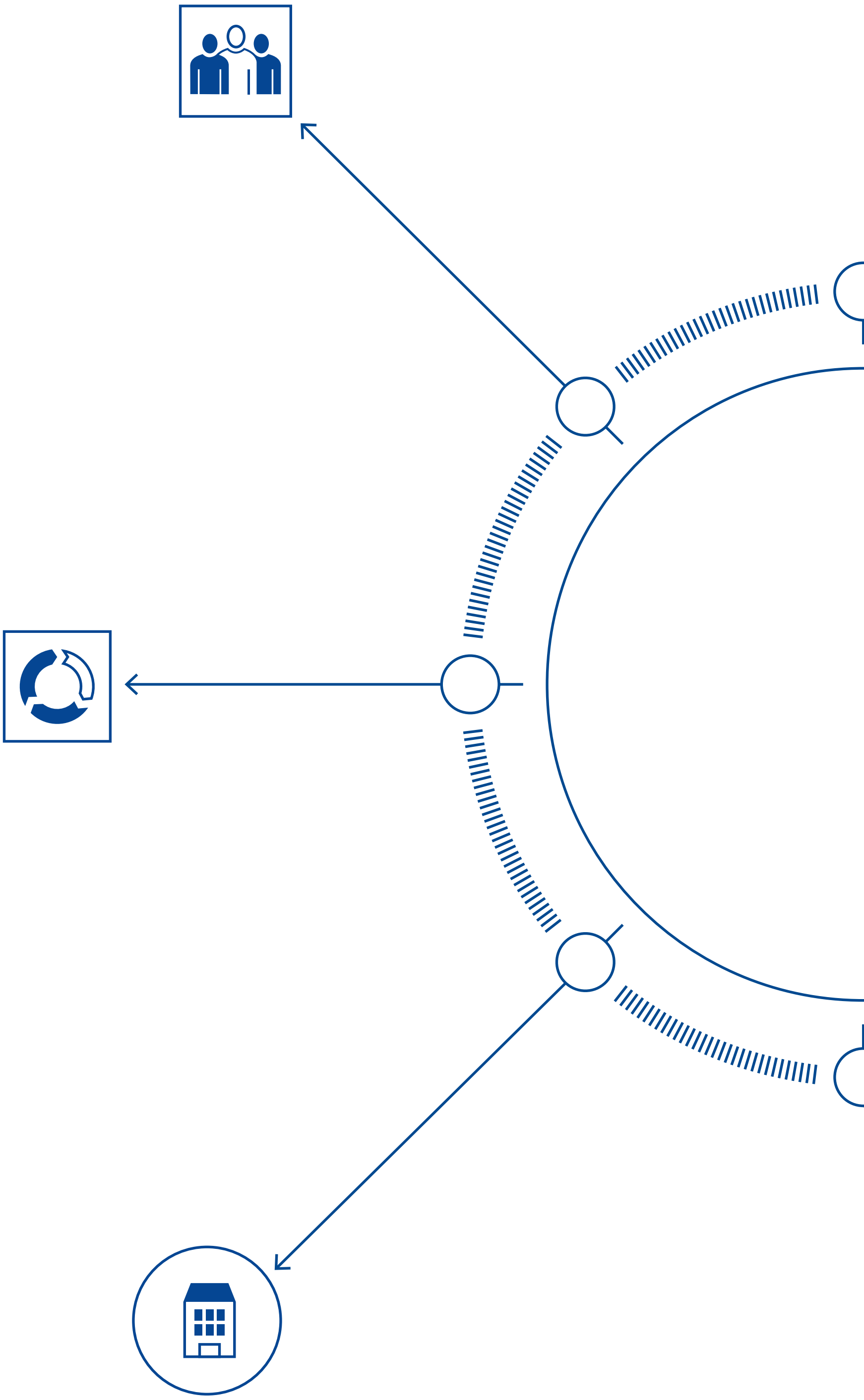
External Audit

The Combined Management Report of the HHLA Group and HHLA Aktiengesellschaft, as well as the Consolidated Financial Statements and Notes, were audited by Price Waterhouse Coopers.

The 2016 Annual Report was prepared in accordance with the international G4 guidelines of the Global Reporting Initiative and meets the option “Comprehensive”.

GRI Index

The GRI index refers to parts in this Annual Report or sections of the HHLA website that provide information about individual GRI indicators. The index is available exclusively at www.bericht.hhla.en/gri.



HHLA Pro Nature

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