Corporate Governance

Combined Corporate Management Declaration and Corporate Governance Report

The following section contains the **combined Corporate Management Declaration** for HHLA and the Group in accordance with Section 289f HGB and Section 315d in conjunction with Section 289f HGB, as well as the **Corporate Governance Report** by the Executive Board and Supervisory Board in accordance with Section 3.10 of the German Corporate Governance Code (hereafter "the Code" or "GCGC").

Implementation of the Code

Responsible and transparent corporate management geared towards creating sustainable value has always been a main foundation of HHLA's commercial success. HHLA therefore expressly supports the Code and the objectives and purposes that it pursues. The Executive Board and Supervisory Board once again took great care to ensure the recommendations and suggestions of the Code were met in the 2017 financial year and submitted their annual declaration of compliance in accordance with Section 161 AktG in December 2017. This confirms that the management and corporate culture of HHLA and the Group comply with the recommendations and most of the suggestions contained in the Code, with only a few exceptions. The current declaration of compliance is printed below. It can also be viewed by shareholders and the public on HHLA's website at ▶ www.hhla.de/corporategovernance together with the declarations of compliance relating to previous years.

Declaration of Compliance in Accordance with Section 161 of the German Stock Corporation Act (AktG)

The Executive and Supervisory Boards of HHLA submitted the following joint declaration of compliance in accordance with Section 161 AktG on 18 December 2017:

"The Executive Board and Supervisory Board of Hamburger Hafen und Logistik AG hereby state after due examination that in the period starting 9 December 2016 (the date on which the previous declaration of compliance was issued), HHLA complied with the recommendations of the German Corporate Governance Code ("the Code" or "GCGC") in the version dated 5 May 2015 and – subsequent to its taking effect – the version dated 7 February 2017 with the following exceptions. Furthermore, HHLA shall comply with the Code in the future with the following exceptions.

a) In February 2017, sentence 2 was added to Section 4.2.3 (2) GCGC, which recommends that the long-term assessment basis used for variable executive remuneration should fundamentally be forward-looking. However, the variable remuneration policy which applies to HHLA's Executive Board is fundamentally based on the achievement of certain key figures and/or targets for a three-year average comprising the current financial year and the two previous financial years. It did not appear practicable to amend the Executive Board contracts to reflect the new recommendation as they were concluded for a fixed term and cannot be changed unilaterally. Irrespective of this, the variable remuneration of the HHLA Executive Board is already geared towards sustainable development in its current form.

b) Section 5.4.1 (2) sentence 1 GCGC was also amended and now recommends that the Supervisory Board draw up a skills matrix for the board as a whole, as well as identifying concrete targets for its overall composition. Proposals made to the Annual General Meeting regarding the Supervisory Board should take into account the targets agreed for its overall composition but should also strive to fulfil the board's skills matrix (Section 5.4.1 [4] sentence 1 GCGC). Furthermore, as per section 5.4.1 (5) sentence 2 clause 2 GCGC, curricula vitae for all Supervisory Board members should be published on the company's website and updated every year. These should be supplemented by an overview of each member's main activities in addition to their Supervisory Board mandate. Once these recommendations had taken effect, the re-elections had been held and the Supervisory Board had been reconstituted, the Supervisory Board drafted a comprehensive skills matrix or requirement profile which it approved at its meeting on 18 December 2017. The Supervisory Board members' curricula vitae were also updated and published on the company's website, ▶ www.hhla.de. This means that the company now complies with these recommendations.

c) According to Section 7.1.2 of the Code, interim financial information is to be discussed by the Executive Board with the Supervisory Board or its Audit Committee prior to publication. HHLA has not complied with this recommendation to date because compiling the half-yearly financial report and the interim statements on the basis of individual segment reporting for the A and S divisions takes more time than for companies with just one type of share. Furthermore, the additional financial information contained in these reports is reviewed by the auditors in order to increase the level of detail and frequency with which the company's reports are examined. However, the company intends to amend its processes in the near future to enable this information to be discussed with the Audit Committee before publication. The recommendation will therefore be met in the future.

Hamburg, 18 December 2017
Hamburger Hafen und Logistik Aktiengesellschaft
The Executive Board
The Supervisory Board"

Information about Corporate Governance Practices

Structure and Management of the Group

HHLA acts as the strategic management holding company for the Group. Its operating business is conducted by domestic and foreign subsidiaries and associated firms. ▶ see also Group Structure, page 13 Operating activities are managed and monitored by the Executive Board of HHLA and its central departments, such as Purchasing, Finance, Legal and HR. Compliance with the management's corporate governance requirements is ensured by internal company guidelines, provisions in the articles of association and rules of procedure for the subsidiaries and associated firms. Most subsidiaries also have their own supervisory or advisory boards that monitor and advise the executive boards of the respective companies.

Compliance

Compliance with corporate guidelines and the statutory provisions relevant to the company's activities (hereinafter also referred to as "compliance") is regarded as an essential part of corporate governance at HHLA. The management team in each corporate unit is therefore responsible for working to achieve compliance with the regulations that are relevant for their field of activity and area of responsibility. Workflows and processes must be structured in line with these regulations. The cornerstone of HHLA's compliance management system (CMS) is a code of conduct, which formulates overriding principles on topics with special relevance for compliance, such as conduct in the competitive environment, the prevention of corruption, discrimination and conflicts of interest, and how to deal with sensitive corporate information, especially insider information. ▶ see also www.hhla.de/compliance The code of conduct also sets out the whistleblowing channels available to employees and third parties for reporting evidence of misconduct in the company. The code of conduct is supplemented by further Group guidelines on such matters as the prevention of corruption and conduct in the competitive environment. A further element of the CMS is the systematic, ongoing analysis of compliance risks and the introduction of corresponding measures – such as staff training and process adjustments to minimise the respective risks. The overall coordination of the CMS is performed by the HHLA Group's Compliance Officer, who reports directly to the Executive Board and synchronises their activities with those of Internal Audit and Risk Management departments, among others. There are also compliance managers or officers at the various corporate units in Germany and abroad. The responsibilities of compliance officers include advising employees on all compliance-related issues and investigating any indications of breaches. The Audit Committee monitored the effectiveness of the CMS in the reporting period by means of regular reports from the Executive Board and the Compliance Officer. The system will continue to be optimised on an ongoing basis.

Sustainability

Sustainability has been an integral part of HHLA's business model since the company was established. ▶ see also Sustainability, page 158 and ▶ www.hhla.de/en/sustainability

Risk Management

The HHLA Group's risk management system is described in detail in the Risk and Opportunity Report, which forms part of the Group Management Report. ▶ see Risk and Opportunity Report, page 38

Function and Composition of the Executive Board and the Supervisory Board

In accordance with the stipulations of German stock corporation law, HHLA has a dual system of management with an Executive Board and a Supervisory Board as management bodies, both of which have their own defined areas of competence. This system is characterised by having separate personnel to carry out the management and supervision functions: the Executive Board manages the company on its own responsibility, while the Supervisory Board monitors the Executive Board and discusses relevant matters with it. HHLA's Executive Board and Supervisory Board work closely together for the company's benefit in an atmosphere of mutual trust.

Function of the Executive Board

The Executive Board manages the company's business. It determines the company's goals, its fundamental strategic orientation and Group policy and organisation. These tasks include, in particular, steering the Group and managing its financing, developing a personnel strategy, appointing and developing managers and representing the company before the capital markets and the general public. It is also responsible for appropriate risk management and controlling within the company.

The Executive Board assumes management responsibility as a **collegial body**. Regardless of the overall responsibility to manage the company, the individual members of the Executive Board also bear responsibility for the departments assigned to them by Executive Board resolutions. The **schedule of responsibilities** states which Executive Board members are responsible for which departments. ▶ see also Group Structure, page 13

The **Executive Board provides the Supervisory Board** with regular, timely and comprehensive information on all matters that are relevant for the company or the Group. These include, in particular, the intended business policy, profitability, the current position and course of business, planning, the current risk position, risk management and compliance for both the Group and the company in each case. The Executive Board must notify the Chairman of the Supervisory Board without undue delay of any important events of fundamental significance for the assessment of the position and development or the management of the company or the Group, including between meetings. These include, for example, operational malfunctions and illegal actions that disadvantage the company or a Group affiliate.

Conflicts of interests concerning members of the Executive Board must be immediately disclosed to the Supervisory Board. Other members of the Executive Board must also be informed. Executive Board members may only take on other duties, especially supervisory board posts at companies outside the Group, with the approval of the Supervisory Board. Transactions of material importance between Group companies and members of the Executive Board and parties and companies related to them also require the approval of the Supervisory Board. All such transactions must be performed on an arm's length basis. There were no transactions of this nature in the reporting period. There were also no conflicts of interest in the year under review.

The Executive Board's work is outlined in more detail in the Executive Board's **rules of procedure**. The rules state, inter alia, that decisions on fundamental organisational questions, business policy and corporate planning are to be made by the Executive Board as a whole. The rules also state that decisions and transactions of considerable importance for the company must be discussed and decided upon together and that certain decisions and transactions of fundamental importance require the prior approval of the Supervisory Board.

The company has taken out **D&O insurance** for the members of the Executive Board that meets the requirements of Section 93 (2) sentence 3 of the German Stock Corporation Act (AktG).

Composition of the Executive Board and Diversity

In accordance with Article 8 of the articles of association, HHLA's Executive Board must consist of at least two members. At present, there are four member of the Executive Board. ▶ see also Notes to the Consolidated Financial Statements, Note 49, Board Members and Mandates, page 143 The Executive Board's members are appointed by the Supervisory Board which, together with the Executive Board, ensures there is a long-term succession plan in place and that diversity considerations are taken into account in the Executive Board's composition. In the interests of outlining diversity aspects more precisely, the Supervisory Board approved a **Diversity Concept for the Executive Board** in December 2017.

Objective of the Diversity Concept

Along with the professional skills and experience of the Executive Board members, the Supervisory Board believes that diversity aspects play an important role in the sustainable development of the company. Different personalities, experiences and expertise prevent group thinking and facilitate a more holistic approach, thereby enriching the work of the Executive Board. The objectives below serve as guidelines for long-term succession planning and the selection of suitable candidates.

Diversity Aspects

The Supervisory Board strives to ensure that the Executive Board is composed of members whose personal and professional backgrounds, experience and expertise complement one another so that the Executive Board as a whole can draw on the widest possible range of experience, knowledge and skills.

Proportion of Women on the Executive Board

When appointing Executive Board members, the Supervisory Board is guided by the model of equal participation by women and men and actively pursues this objective, e.g. by specifically looking for female candidates to join the Executive Board. However, given that the Executive Board is small and there is usually a limited number of suitable candidates, it is not always possible to ensure that women and men are represented equally. With this in mind, the Supervisory Board has set a target quota of 25 % for women on the HHLA Executive Board. It has specified 30 June 2022 as the deadline for achieving this target.

Qualifications and Professional Background

Diversity in the Executive Board is also reflected by members with different qualifications and career paths who can draw on a wide range of different experiences (such as industry background). Members with different qualifications, professional backgrounds and experiences are therefore actively welcomed. However, each Executive Board member must have the personal and professional skills and experience necessary to fulfil the responsibilities of an Executive Board member at an international, listed company and protect the HHLA Group's public image. The members of the Executive Board should also have an in-depth understanding of HHLA's business activities and are usually required to have several years of managerial experience.

Furthermore, with a view to HHLA's business model, at least one member should have specialist expertise in each of the following areas:

- strategy and strategic management;
- the logistics business, including the relevant markets and client needs;
- sales;
- operations and technology, including IT and digitisation;
- the real estate business;
- legal affairs, corporate governance and compliance;
- human resources, especially HR management and staff development, as well as experience of co-determined structures;
- finance, including financing, accounting, controlling, risk management and internal control processes.

International Orientation
As the Group's activities are international by their very nature, at least some of the members should have considerable international experience.

Age
The age limit for Executive Board members is 67. There is no minimum age. However, Executive Board members are generally expected to have several years of managerial experience when they are appointed, which presupposes a certain amount of professional experience. Within this framework, a varied age structure within the Executive Board is targeted – in the interests of diversity and long-term succession planning – although age is deemed less important than the other criteria.

Progress to Date and Future Applicability
The Executive Board's current composition fulfils the targets set out above. The Executive Board is composed of people with different career paths, a wide range of experience and varying expertise, including members with considerable international experience. The target quota of 25 % for female executives has also been met. The age limit is not exceeded by any member. The Supervisory Board and its Personnel Committee will continue to take the above objectives into account during their long-term succession planning and when searching for suitable candidates for HHLA's Executive Board.

Function of the Supervisory Board
The Supervisory Board decides on the composition of the Executive Board, oversees the Executive Board's management of the company, advises it on company management and is involved in fundamental and important decisions. Decisions and transactions of fundamental importance require the approval of the Supervisory Board in accordance with the Executive Board's rules of procedure. Its other main tasks include the examination and adoption of the Annual Financial Statements and the approval of the Consolidated Financial Statements. The tasks and internal organisation of the Supervisory Board and its committees are based on the law, the articles of association, which are available on HHLA's website at ▶ www.hhla.de/corporategovernance, and the Supervisory Board's rules of procedure. The Code also contains recommendations on the Supervisory Board's work.

The Supervisory Board carries out its work both in full council and in **committees**. The individual committees and their responsibilities are laid down in the Supervisory Board's rules of procedure. The chairpersons of the committees regularly report on the work of their respective committees at the following Supervisory Board meeting. There are currently a total of six committees: the Finance Committee, the Audit Committee, the Personnel Committee, the Nomination Committee, the Arbitration Committee and the Real Estate Committee.

- The **Finance Committee** prepares Supervisory Board meetings and resolutions of major financial importance, such as resolutions to be adopted concerning significant borrowing and lending, the assumption of guarantees for third-party liabilities, financial investments and other financial transactions. It also deals with planning and investment issues, such as the budget and medium-term planning.
- The **Audit Committee** monitors accounting, the accounting process and the effectiveness of the audit of the financial statements. It also prepares the Supervisory Board's resolution proposal to the Annual General Meeting on the election of the auditor. The Audit Committee is responsible for the selection procedure if there are plans to rotate the auditor. After the auditor has been elected by the Annual General Meeting, it awards the audit assignment for the Consolidated Financial Statements and the Annual Financial Statements. It also deals with the fee agreements and determines which areas the audits should focus on. It continually monitors the independence of the auditor and discusses the risks to the auditor's independence as well as the prevention measures taken to mitigate these risks. In this connection, the Audit Committee is also responsible for monitoring and approving the additional services provided by the auditor in addition to the audit of the financial statements (non-audit services). Other focus areas of its work include monitoring the effectiveness of the internal control system, the risk management system, the internal audit system and the compliance management system.

- The **Personnel Committee** prepares the personnel decisions to be taken by the Supervisory Board, ensures together with the Executive Board that a long-term succession plan is in place and takes account of diversity considerations in the Executive Board's composition. It prepares the Supervisory Board resolution specifying the remuneration of the Executive Board and the examination of the remuneration system for the Executive Board and handles the Executive Board contracts, provided the German Stock Corporation Act (AktG) does not require the full council of the Supervisory Board to handle these responsibilities.
- The Personnel Committee also fulfils the role of **Nomination Committee**, which consists solely of shareholders' representatives when performing this role. In line with the statutory requirements, the recommendations of the Code, the skills matrix agreed by the Supervisory Board for the Executive Board, and the targets adopted regarding its composition, the Personnel Committee proposes suitable candidates to the Supervisory Board to stand for election at the Annual General Meeting as shareholder representatives on the Supervisory Board. In each case, it also ensures that the candidate is able to devote the necessary amount of time to the role.
- The **Arbitration Committee** performs the duties defined in Section 31 (3) of the German Co-Determination Act (MitbestG). This entails making proposals for appointing members of the Executive Board if the statutory majority of two thirds of the Supervisory Board members' votes is not reached after the first round of voting.
- As HHLA is divided into the two subgroups Port Logistics (A division) and Real Estate (S division), a **Real Estate Committee** was constituted for the latter. This committee receives all Executive Board reports on behalf of the Supervisory Board and is involved in discussing all affairs that relate to the Real Estate subgroup. It also decides on whether to grant Supervisory Board approval for all legal transactions that require such approval and all other matters that affect the Real Estate subgroup, either primarily or in their entirety. In addition, the Real Estate Committee is responsible for examining and preparing the Supervisory Board's decision on the adoption of the Annual Financial Statements and the approval of the Consolidated Financial Statements, insofar as these relate to the affairs of the Real Estate subgroup. It is also responsible for preparing the Supervisory Board's decision on appropriating the distributable profit of the Real Estate division based on the Executive Board's proposal.

The company has arranged for **D&O insurance** for the members of the Supervisory Board which complies with Section 3.8 of the Code.

Composition of the Supervisory Board and Diversity

The **composition of the Supervisory Board** is based on the company's articles of association as well as Sections 95 and 96 of the German Stock Corporation Act (AktG) and Section 7 of the German Co-Determination Act (MitbestG). The Supervisory Board consists of six shareholder representatives elected by the Annual General Meeting and six employee representatives elected in accordance with the German Co-Determination Act (MitbestG).

In view of the various requirements and recommendations relating to the composition of the Supervisory Board, the Supervisory Board approved a **requirement profile for HHLA's Supervisory Board** in December 2017. In addition to key legal requirements and the recommendations of the Code concerning the Supervisory Board's composition, this includes the Supervisory Board's own objectives for its composition, the skills matrix for the board as a whole as per Section 5.4.1 (2) GCGC, and the diversity concept for the Supervisory Board, including the disclosures pursuant to Section 289 et seq. (1) (6) of the German Commercial Code (HGB).

Objective of the Requirement Profile

The Supervisory Board strives for a composition which ensures it is capable of monitoring and advising the Executive Board professionally at all times. As well as ensuring its members fulfil professional and personal requirements, the Supervisory Board believes that diversity aspects play an important role for the effective work of the Supervisory Board and thus for the sustainable development of the company. Different personalities, experiences and expertise prevent group thinking and facilitate a more holistic approach, thereby enriching the Supervisory Board's work. The objectives below therefore serve as guidelines for long-term succession planning and the selection of suitable candidates. They also provide transparency with regard to the key appointment criteria.

Requirements for Individual Members

General Requirements

Each Supervisory Board member should have the personal and professional skills and experience necessary to fulfil the responsibilities of a Supervisory Board member at an international, listed company and protect the HHLA Group's public image. In view of this, each Supervisory Board member should fulfil the following requirements:

- sufficient professional knowledge, i.e. the ability to perform the duties which are normally handled by the Supervisory Board;
- commitment, integrity and personality;
- a general understanding of HHLA's business activities, including the market environment and clients' needs;

- corporate or operational experience – for shareholder representatives, this should ideally take the form of experience from working in company management teams, occupying a managerial position or sitting on supervisory bodies;
- compliance with the limits on mandates set out in Section 100 of the German Stock Corporation Act (AktG) and Section 5.4.5 sentence 2 GCGC.

Available Time
Each Supervisory Board member ensures that they have the time needed to properly fulfil a Supervisory Board mandate. In particular, it must be taken into account that there are usually four to six Supervisory Board meetings per annum, which each need adequate preparation – especially in the case of reviewing the documents relating to the Annual and Consolidated Financial Statements. Membership of one or more of the committees requires additional time for preparation and attendance of committee meetings. Lastly, additional extraordinary meetings of the Supervisory Board or the committees may become necessary to deal with special topics.

Duration of Membership and Age Limit
Candidates proposed for election to the Supervisory Board should be under the age of 70 at the time of the election. As a rule, members should not serve more than three full terms on the Supervisory Board.

Requirements and Objectives for the Supervisory Board as a Whole

With regard to the composition of the Supervisory Board as a whole, the Supervisory Board strives to ensure that it is composed of members whose personal and professional backgrounds, experience and expertise complement one another so that the Supervisory Board as a whole can draw on the widest possible range of experience and specialist knowledge. This also serves to promote diversity.

General Requirements
The Supervisory Board of HHLA must always be composed in such a way that its members have the necessary knowledge, skills and industry expertise to fulfil the Supervisory Board's responsibilities properly. Furthermore, the members of the Supervisory Board as a whole must be familiar with the logistics industry – especially the port logistics and intermodal sectors – and the real estate industry, and at least one member of the Supervisory Board must have expertise in the fields of accounting or the auditing of financial statements.

Specific Knowledge and Experience
The Supervisory Board of HHLA as a whole should cover all the areas of expertise necessary to perform its duties effectively. In line with the company's business model, this specifically includes in-depth knowledge and experience in:

- managing a large or medium-sized listed company which operates internationally;
- the logistics business, ideally in the port logistics and intermodal sectors, including the relevant markets and clients' needs;
- operations and technology, including IT systems and digitisation;
- the real estate business, specifically letting office space in the Hamburg area;
- legal affairs, corporate governance and compliance;
- controlling and risk management;
- applying accounting principles and internal control processes.

The Supervisory Board strives for a composition whereby at least one member is qualified to provide advice on each of the aspects listed above.

Independence and Conflicts of Interest
Given HHLA's specific commercial situation and ownership structure, the Supervisory Board should have at least two independent members from amongst the shareholders, as defined in Section 5.4.2 GCGC. Furthermore, the Supervisory Board assumes that the fact employee representatives speak for the staff and are employed by the company does not as such jeopardise their independence and that employee representatives should not therefore be viewed as dependent per se. Instead, they are expected to consider the material circumstances in each case.

To prevent potential conflicts of interest, no more than two former Executive Board members should sit on the Supervisory Board. In addition, the Supervisory Board should not include anyone who holds a seat on an executive body or performs an advisory role at any organisation in direct competition with the company.

Should any conflicts of interest arise – especially as a result of an advisory role or seat on an executive body involving customers, suppliers, creditors or other third parties – the Supervisory Board member in question is obliged to disclose these to the Supervisory Board. The Supervisory Board provides information on conflicts of interest and their treatment in its yearly report to the Annual General Meeting. If a member of the Supervisory Board has significant conflicts of interest that are not merely temporary, this should result in the termination of their period of office.

Diversity

HHLA's Supervisory Board consists of at least 30 % women and 30 % men. Furthermore, the Supervisory Board has set itself the medium-term goal of ensuring at least 40 % of its shareholder representatives are women.

In addition to this, diversity in the Supervisory Board is reflected by shareholder representatives with different career paths and fields of activity who can draw on a wide range of different experiences (such as industry background). In the interests of diversity, the Supervisory Board strives for a composition whereby its members complement one another with their backgrounds, experience and expertise. It also strives to ensure that some members have international experience.

Progress to Date and Future Applicability

The Supervisory Board's current composition fulfils the targets set out above. The Supervisory Board is composed of people with different career paths, a wide range of experience and varying expertise, including members with considerable international experience. The target quota of 30 % for female Supervisory Board members has been met. The age limit was not exceeded by any member at the time of their election. No member has served more than three terms of office on the Supervisory Board. The Supervisory Board has three independent members from amongst the shareholders: the Supervisory Board Chairman Prof. Dr. Grube, Mr. Westhagemann and Dr. Kloppenburg. Dr. Kloppenburg also has expert knowledge and experience in the fields of accounting, auditing and internal control processes and therefore fulfils the requirements in Sections 100 (5) and 107 (4) AktG and Section 5.3.2 (3) GCGC.

The Nomination Committee and the Supervisory Board will take the above requirements and objectives into account during their succession planning and when searching for suitable candidates and proposing them to the Annual General Meeting for election to the Supervisory Board. At the same time, they will strive to fulfil the skills matrix for the Supervisory Board as a whole. However, the Annual General Meeting is under no obligation to observe this requirement profile or the Supervisory Board's election proposals when electing shareholder representatives. Furthermore, in the case of employee representatives, the Supervisory Board has no right to nominate candidates for election and the employees entitled to vote are also not obliged to observe this requirement profile.

Further Information

Further information on the Supervisory Board and Supervisory Board committees, as well as the Supervisory Board's cooperation with the Executive Board in the reporting period, can be found in the Report of the Supervisory Board. ▶ see also Report of the Supervisory Board, page 4 Further information on the composition of the Supervisory Board and its committees can be found in the Notes to the Consolidated Financial Statements. ▶ see also Notes to the Consolidated Financial Statements, Note 49, Board Members and Mandates, page 143 Lastly, curricula vitae for the current members of the Supervisory Board are published on the company's website, ▶ www.hhla.de. These are updated each year.

Gender Representation on the Supervisory Board, Proportion of Women on the Executive Board and in the Two Management Levels Below the Executive Board

In accordance with Section 96 (2) of the German Stock Corporation Act (AktG), the **Supervisory Board** of HHLA consists of at least 30 % women and 30 % men. The gender quota applies to all members appointed since 1 January 2016. Until the Supervisory Board re-elections in June 2017, the Supervisory Board had two female shareholder representatives. Women therefore accounted for 33.3 % of the shareholder representatives and 16.7 % of the Supervisory Board as a whole. It was not possible to increase the proportion of women prior to the Supervisory Board re-elections as no positions were vacated. Before the Supervisory Board re-elections, Section 96 (2) sentence 3 AktG was not complied with in full, meaning that the respective minimum quotas for the shareholder and employee representatives on the Supervisory Board were to be met separately. In other words, at least two of the shareholder seats and two of the employee seats had to be filled by each gender. Since the Supervisory Board re-elections, there have been four female members of the Supervisory Board, two of whom are shareholder representatives and two of whom are employee representatives. Since then, women have therefore accounted for 33.3 % of both the shareholder representatives and the employee representatives on the Supervisory Board. The gender quota has therefore been fulfilled since the Supervisory Board re-elections.

In September 2015, the Supervisory Board set a target quota of 25 % for women on the **Executive Board**, which was to be met by 30 June 2017. This target has been met since 1 January 2017. Following the expiry of the initial deadline for target achievement, the Supervisory Board reaffirmed the 25 % target for a further five years, i.e. until 30 June 2022.

Regarding the two **management levels below the Executive Board**, the Executive Board originally set a target quota of 25 % for women in the first management level below the Executive Board and 30 % for the second management level. The deadline for fulfilling each of these targets was 30 June 2017. Following the expiry of the initial deadline for target achievement, the Executive Board set a target of 30 % for both management levels, to be met in both cases by 30 June 2022. As of 30 June 2017 and 31 December 2017, women accounted for 11 % of the first management level and 21 % of the second management level. In both cases, the main reason for the targets not being achieved by 30 June 2017 was that only a few positions were vacated during the comparatively short period prior to the deadline. Furthermore, in the first management level below the Executive Board, there are a number of vacancies which will not be occupied until after the beginning of 2018. Taking these new appointments into account would put the proportion of women in the first management level at 27 %.

Shareholders and Annual General Meeting

Shareholders exercise their rights, in particular their voting rights, at the Annual General Meeting. The Annual General Meeting is held in Hamburg, another major German city or the seat of a German stock exchange to which the company's shares have been admitted for trading, within the first eight months of each financial year. Each share entitles its holder to one vote at the Annual General Meeting. There are no shares with multiple voting rights, no preference shares and no caps on voting rights.

Shareholders may exercise their voting rights at the Annual General Meeting in person, by appointing a representative of their choice or by giving voting instructions to proxies designated by the company. The articles of association also authorise the Executive Board to allow shareholders to cast their vote in writing or by means of electronic communication (postal vote). The invitation to the Annual General Meeting includes explanations of the participation conditions, the voting procedure (including proxy voting) and the rights of shareholders. In addition, the company has a hotline for shareholders' questions. The reports and documents required by law for the Annual General Meeting, including the Annual Report, are published on the company's website at ▶ www.hhla.de/agm together with the agenda. Information on attendance at the Annual General Meeting and the voting results can likewise be found on the company's website after the Annual General Meeting.

Transparency

HHLA informs capital market participants and interested members of the general public about the position of the company and the Group and important company developments, particularly by means of its financial reporting (annual report, half-yearly financial report and interim statements), press conferences for analysts and financial press conferences, dialogue with analysts and the press, press releases and ad hoc announcements as required, and its Annual General Meetings. As a permanently available and up-to-date communication medium, the website ▶ www.hhla.de provides all the relevant information in both German and English. In addition to comprehensive information about the HHLA Group and the HHLA share, it contains a financial calendar, which provides an overview of the main events. Any enquiries over and above this from shareholders, investors and analysts should be addressed to the Investor Relations department.

Accounting and Auditing

The Separate Financial Statements of HHLA (parent company) are prepared in line with the accounting regulations of the German Commercial Code (HGB). The Consolidated Financial Statements and the Interim Reports comply with the International Financial Reporting Standards (IFRS) that apply in the European Union and the additional requirements of German commercial law pursuant to Section 315e (1) HGB. This Annual Report provides further information on IFRS in the Notes to the Consolidated Financial Statements. ▶ see also Notes to the Consolidated Financial Statements, General Notes, page 80
The appropriation of profits is based solely on the Separate Financial Statements of HHLA.

The choice and appointment of the auditing firm, and the monitoring of its independence and the additional services it provides, are conducted in accordance with statutory provisions. In addition, arrangements have been made with the auditor of the Separate Financial Statements and Consolidated Financial Statements for the 2017 financial year – PricewaterhouseCoopers GmbH Wirtschaftsprüfungsgesellschaft, Hamburg – for the Chairman of the Audit Committee to be informed immediately of any possible grounds for exclusion or bias arising during the audit, insofar as these are not rectified without delay. The auditor should also report immediately on any findings or incidents that are of significance for the Supervisory Board's remit which come to its attention during the audit of the financial statements. Furthermore, the auditor is to inform the Supervisory Board and/or record in its report if – when conducting the audit – it identifies facts that indicate that the declaration of compliance issued by the Executive Board and Supervisory Board as per Section 161 AktG is incorrect. The audit conducted includes an extended audit as stipulated under Section 53 of the German Budgetary Procedures Act (HGrG). This requires an audit and assessment of the propriety of the company's management and its financial situation as part of the audit of the Annual Financial Statements.

Directors' Dealings

In the 2017 financial year, the company did not receive any notifications regarding directors' dealings with HHLA shares or related financial instruments as defined in the Market Abuse Regulation (Regulation [EU] No. 596/2014 of the European Parliament and of the Council).

Remuneration Report

Executive Board Remuneration

The remuneration system used for HHLA's Executive Board is designed to foster successful and sustainable corporate development. The Supervisory Board is responsible for defining the Executive Board's remuneration system, regularly reviewing and adjusting the remuneration system if necessary and setting the individual remuneration of executives, following preparatory work by the Personnel Committee. When making such decisions, the Personnel Committee and the Supervisory Board take into account the recommendations of the German Corporate Governance Code, the responsibilities and performance of each member of the Executive Board, in particular HHLA's size and activities, its financial and economic position, the amount and structure of executive board remuneration at comparable companies and the relationship between the remuneration of the Executive Board and the remuneration of the upper levels of management and the staff in general.

The remuneration system for members of the Executive Board was approved by the company's Annual General Meeting on 14 June 2012 and modified slightly during a review in the 2015 financial year. The modified provisions have applied to all members since 1 January 2017. Under this system, remuneration for members of the Executive Board consists of a non-performance-related fixed component, a performance-related bonus, pension commitments and fringe benefits.

Fixed remuneration amounts to € 350,000 p.a. for ordinary members of the Executive Board. This is paid in twelve monthly instalments. The chairperson of the Executive Board receives a higher basic salary. In addition, there are fringe benefits (non-monetary compensation) in the form of a right to use an appropriate company car (including for private purposes) and the payment of insurance premiums by the company. The members of the Executive Board pay tax on these benefits as components of their remuneration.

The performance-related bonus is set on the basis of a three-year assessment period and paid out once the Annual Financial Statements have been approved. The calculation is based on the average earnings before interest and taxes (EBIT) for the last three years (before additions to pension provisions and reduced by any extraordinary income from the disposal of real estate and companies), the average return on capital employed (ROCE) and the achievement of targets relating to environmental issues (reduction of the carbon footprint of each container handled and transported) and social issues (broken down into training and continuing professional development, health and employment) in the same period. Target ranges were set for each of the sustainability components. Achieving these targets triggers the payment of the relevant bonus. When making these calculations, roughly equal weight is given to EBIT on the one hand and the above-mentioned sustainability components on the other. The total variable remuneration is capped at 100 % of the fixed salary.

Level of Remuneration for Executive Board Members in 2017 Based on Different Scenarios

As of: 31 December 2017

	0 % minimum	The payment level of the variable remuneration is capped at 100% of the basic salary.		100 % maximum
Performance-related components Calculated based on a three-year assessment period		**Average EBIT** (before pension provisions, less extraordinary income)		
		Sustainability targets		
		Economy	Average return on capital employed (ROCE)	
		Environment	CO_2 reduction[1]	
		Social	Continuing education and training, health and employment	
Non-performance related fixed salary Plus fringe benefits				

1 Per container handled and transported

Pension entitlements exist for Executive Board members who have served on the Executive Board for more than three years. These entitlements grant Executive Board members a pension if they leave the Executive Board after a minimum of five or eight years' service for reasons unrelated to their person or for which they are not responsible, or as a result of incapacity or reaching retirement age. Pensions consist of a percentage of the entitlement salary, which in turn is based on the annual basic salary. Depending on the Executive Board member's length of service, this percentage is between 35 and 50 %, whereby adjustments are made not on a linear basis over the contract term, but rather in the course of contract extensions. Several different forms of income are taken into account on an individual basis, such as earnings from self-employment or employment and, in some cases, income from statutory pensions and related benefits from public funds. Surviving spouses of Executive Board members receive a widow(er)'s pension of 55 to 60 % of the pension entitlement and children receive an orphan's allowance of 12 to 20 % of the pension. Should the pension entitlement have been suspended or no longer apply, transitional or interim pay applies for a limited period on the basis of the fixed remuneration. During their first term (usually three years), Executive Board members do not generally accrue pension entitlements. Instead, individual arrangements are made, such as the payment of premiums for a direct insurance policy or the payment of a certain amount which is earmarked for a private pension.

The service contracts of the members of the Executive Board contain a clause that provides for the payment of compensation to the respective Executive Board member in the event of them losing their Executive Board seat without good cause (including termination due to a change of control). In line with the recommendations of the German Corporate Governance Code, the compensation is limited to a maximum of two annual salaries (including other benefits) and not more than the total remuneration for the remaining term of the service contract.

The members of the Executive Board were not granted any loans or similar payments. Total remuneration disbursed to the members of the Executive Board for their services in the 2017 financial year amounted to approximately € 2.93 million (previous year: € 3.14 million). Former members of the Executive Board and their surviving dependants received benefits totalling € 931.633 (previous year: € 692,224). Total provisions of € 24,241,804 were recognised for pension obligations to former members of the Executive Board and their surviving dependants (previous year: € 12,385,982).

Individual Remuneration of the Executive Board
The following figures comply with the recommendations in Section 4.2.5 of the German Corporate Governance Code (GCGC).

Individual Remuneration of the Executive Board

	Angela Titzrath, Chairwoman of the Executive Board					
	Benefits granted (target)				Allocation (amount disbursed)	
in €	2017	2017 Minimum	2017 Maximum	2016[1]	2017	2016[1]
Fixed remuneration	450,000	450,000	450,000	87,500	450,000	87,500
Other benefits	12,248	12,248	12,248	6,936	12,248	6,936
Total	**462,248**	**462,248**	**462,248**	**94,436**	**462,248**	**94,436**
One-year variable remuneration[2, 3]	350,940	0	450,000	85,683	392,230	87,500
Other	0	0	0	0	0	0
Total remuneration	**813,188**	**462,248**	**912,248**	**180,118**	**854,478**	**181,936**
Service cost[4]	354,032	354,032	354,032	68,649	354,032	68,649
Total expenses	**1,167,220**	**816,280**	**1,266,280**	**248,767**	**1,208,510**	**250,584**

	Dr. Stefan Behn, Executive Board member (until 31 March 2017)					
	Benefits granted (target)				Allocation (amount disbursed)	
in €	2017	2017 Minimum	2017 Maximum	2016	2017	2016
Fixed remuneration	87,500	87,500	87,500	341,661	87,500	341,667
Other benefits	6,940	6,940	6,940	13,518	6,940	13,518
Total	**94,440**	**94,440**	**94,440**	**355,185**	**94,440**	**355,185**
One-year variable remuneration[2, 3]	70,704	0	87,500	312,730	81,203	324,397
Other	0	0	0	0	0	0
Total remuneration	**165,143**	**94,440**	**181,940**	**667,915**	**175,643**	**679,582**
Service cost[4, 5]	0	0	0	688,121	0	688,121
Total expenses	**165,143**	**94,440**	**181,940**	**1,356,036**	**175,643**	**1,367,703**

	Heinz Brandt, Executive Board member					
	Benefits granted (target)				Allocation (amount disbursed)	
in €	2017	2017 Minimum	2017 Maximum	2016	2017	2016
Fixed remuneration	350,000	350,000	350,000	325,000	350,000	325,000
Other benefits	13,215	13,215	13,215	12,812	13,215	12,812
Total	**363,215**	**363,215**	**363,215**	**337,812**	**363,215**	**337,812**
One-year variable remuneration[2, 3]	282,815	0	350,000	312,730	324,813	324,397
Other	0	0	0	0	0	0
Total remuneration	**646,030**	**363,215**	**713,215**	**650,542**	**688,028**	**662,209**
Service cost[4]	265,932	265,932	265,932	245,705	265,932	245,705
Total expenses	**911,962**	**629,146**	**979,146**	**896,247**	**953,960**	**907,914**

	Jens Hansen, Executive Board member (since 1 April 2017)					
	Benefits granted (target)				Allocation (amount disbursed)	
in €	2017	2017 Minimum	2017 Maximum	2016	2017	2016
Fixed remuneration	262,500	262,500	262,500	0	262,500	0
Other benefits	10,081	10,081	10,081	0	10,081	0
Total	**272,581**	**272,581**	**272,581**	**0**	**272,581**	**0**
One-year variable remuneration[2, 3]	230,393	0	262,500	0	257,047	0
Other	0	0	0	0	0	0
Total remuneration	**502,974**	**272,581**	**535,081**	**0**	**529,629**	**0**
Service cost[4]	26,250	26,250	26,250	0	26,250	0
Total expenses	**529,224**	**298,831**	**561,331**	**0**	**555,879**	**0**

	Dr. Roland Lappin, Executive Board member					
	Benefits granted (target)				Allocation (amount disbursed)	
in €	2017	2017 Minimum	2017 Maximum	2016	2017	2016
Fixed remuneration	350,000	350,000	350,000	341,667	350,000	341,667
Other benefits	9,593	9,593	9,593	10,989	9,593	10,989
Total	**359,593**	**359,593**	**359,593**	**352,656**	**359,593**	**352,656**
One-year variable remuneration[2, 3]	282,815	0	350,000	312,730	324,813	324,397
Other	0	0	0	0	0	0
Total remuneration	**642,408**	**359,593**	**709,593**	**665,386**	**684,406**	**677,052**
Service cost[4]	205,008	205,008	205,008	178,719	205,008	178,719
Total expenses	**847,415**	**564,600**	**914,600**	**844,104**	**889,414**	**855,771**

1 *In the period from 1 October 2016 until 31 December 2016, Ms. Titzrath was a full member of the Executive Board.*

2 *Elements of the performance-related bonus (EBIT and sustainability components), calculated on the basis of a three-year assessment period.*

3 *A level of goal achievement of 100 % was assumed for each sustainability component and an average probability scenario was used for the EBIT figure (based on the forecasts announced on the capital market at the start of each year).*

4 *Service costs in accordance with IAS 19 "Service Cost Components for Entitlements, Payments for Direct Insurance Policies or Earmarked Contributions for Pensions" (according to the comments on model table 1 in the appendix to the GCGC)*

5 *In light of Dr. Behn's decision to leave the Executive Board as of 31 March 2017, increased service costs were accrued to him for the 2016 financial year, while no additional service costs arose in the 2017 financial year.*

Supervisory Board Remuneration

In accordance with Article 16 of HHLA's articles of association, Supervisory Board members are remunerated as resolved by the Annual General Meeting. This remuneration is based on the scope of the Supervisory Board members' activities as well as on the company's financial position and results. The current remuneration clause was adopted at the Annual General Meeting held on 13 June 2013. The members of the Supervisory Board receive fixed remuneration of € 13,500 per financial year. The Chairman receives three times this amount and the Vice Chairman is paid one-and-a-half times the basic figure. Supervisory Board members who belong to a committee receive an additional € 2,500 per committee per financial year, while the Chairman of the respective committee receives € 5,000, but altogether no more than € 10,000. Supervisory Board members who have belonged to the Supervisory Board or a committee for less than one full financial year receive a corresponding pro rata payment. Furthermore, Supervisory Board members receive a meeting attendance fee of € 250 for each meeting of the Supervisory Board or one of its committees. There are no plans for a variable remuneration component.

No loans or similar payments were granted to members of the Supervisory Board. Other than the customary remuneration payable to the employee representatives under their contracts of employment, the members of the Supervisory Board did not receive any other payment for additional services rendered. The total remuneration paid to members of the Supervisory Board amounted to € 303,938 (previous year: € 327,292).

Individual Remuneration of Supervisory Board Members

	Fixed remuneration		Remuneration for committee work		Meeting fee		Total	
in €[1]	2017	2016	2017	2016	2017	2016	2017	2016
Prof. Dr. Rüdiger Grube[2]	23,625	0	0	0	750	0	24,375	0
Prof. Dr. Peer Witten[3]	20,250	40,500	5,000	10,000	3,000	5,000	28,250	55,500
Berthold Bose[2]	11,813	0	0	0	750	0	12,563	0
Wolfgang Abel[3]	10,125	20,250	1,250	2,500	2,500	4,250	13,875	27,000
Torsten Ballhause[3]	6,750	13,500	3,750	6,250	3,000	5,250	13,500	25,000
Petra Bödeker-Schoemann	13,500	13,500	6,250	7,500	2,750	2,750	22,500	23,750
Dr. Rolf Bösinger[4]	13,500	12,375	2,500	4,167	3,500	4,250	19,500	20,792
Dr. Bernd Egert[3]	6,750	13,500	3,750	7,500	1,500	3,750	12,000	24,750
Holger Heinzel[3]	6,750	13,500	1,250	2,500	1,000	2,000	9,000	18,000
Dr. Norbert Kloppenburg	13,500	13,500	6,250	7,500	3,250	2,750	23,000	23,750
Andreas Kummer[5]	6,750	6,750	3,750	3,750	3,250	3,500	13,750	14,000
Frank Ladwig[6]	0	7,875	0	2,917	0	2,500	0	13,292
Thomas Lütje[2]	7,875	0	833	0	1,000	0	9,708	0
Thomas Mendrzik[2]	7,875	0	2,500	0	1,750	0	12,125	0
Stephan Möller-Horns[7]	0	2,250	0	0	0	0	0	2,250
Arno Münster[8]	0	7,875	0	5,833	0	3,250	0	16,958
Thomas Nahr[9]	6,750	6,750	2,500	2,500	1,500	1,500	10,750	10,750
Norbert Paulsen	13,500	13,500	5,000	5,000	3,500	2,750	22,000	21,250
Sonja Petersen[2]	7,875	0	1,667	0	250	0	9,792	0
Dr. Sibylle Roggencamp	13,500	13,500	8,750	10,000	4,500	6,750	26,750	30,250
Maya Schwiegershausen-Güth[2]	7,875	0	0	0	250	0	8,125	0
Michael Westhagemann[2]	7,875	0	2,500	0	2,000	0	12,375	0
Total	206,438	199,125	57,500	77,917	40,000	50,250	303,938	327,292

1 *All figures exclude VAT*
2 *Since 21 June 2017 (day of the Annual General Meeting)*
3 *Until 21 June 2017 (day of the Annual General Meeting)*
4 *Since 18 February 2016*
5 *15 July 2016 until 21 June 2017*
6 *Until 25 July 2016*
7 *Until 9 February 2016*
8 *Until 14 July 2016*
9 *26 July 2016 until 21 June 2017*

Additional Information on Takeover Law and Explanatory Notes

1. The subscribed capital of the company amounts to € 72,753,334.00. It is divided into 72,753,334 registered no-par-value shares with a pro-rata share of the company's share capital of € 1.00. Of this amount, 70,048,834 are Class A shares and 2,704,500 are Class S shares (class of shares). The Class S shares constitute only shareholdings in the net profit/loss and net assets of the S division, and the Class A shares constitute only shareholdings in the net profit/loss and net assets of the remainder of the company (A division). The S division consists of the part of the company that deals with the acquisition, holding, selling, letting, management and development of properties not specific to port handling (Real Estate subgroup). All other parts of the company (Port Logistics subgroup) form the A division. The dividend entitlement of holders of Class S shares is based on the proportion of the distributable profit for the year attributable to the S division, and the dividend entitlement of holders of Class A shares is based on the remaining proportion of distributable profit for the year (Article 4 [1] of the articles of association). Each share entitles the holder to one vote at the Annual General Meeting (Article 20 [1] of the articles of association) and gives the holder the rights and responsibilities laid down in the German Stock Corporation Act (AktG) and the articles of association. If the statutory provisions require a special resolution to be adopted by holders of a given class of shares, only the holders of that class of shares shall be entitled to vote.

2. To the Executive Board's knowledge, there are no restrictions on voting rights or the transfer of shares, including those arising from agreements between shareholders.

3. For details on direct or indirect capital shareholdings which entitle the holder to more than 10 % of the voting rights, ▶ see the Notes to the Consolidated Financial Statements, Note 35, page 114 and ▶ Note 48, page 138.

4. There are no shares with special rights granting powers of control.

5. Employees who hold stakes in the company's equity exercise their shareholders' rights at their own discretion. There is therefore no control of the voting rights.

6.1 As per Article 8 sentence 1 of the company's articles of association, the Executive Board consists of two or more people. Members of the Executive Board are appointed and dismissed by the Supervisory Board in accordance with Section 84 of the German Stock Corporation Act (AktG) in conjunction with Section 31 of the German Co-Determination Act (MitbestG) and Article 8 of the articles of association.

6.2 Amendments to the articles of association can be made by means of a resolution of the Annual General Meeting. In line with Sections 179 and 133 of the German Stock Corporation Act (AktG) and Article 22 of the articles of association, a simple majority of the votes cast at the Annual General Meeting is sufficient for amendments to the articles of association. If a capital majority is required in addition to a majority of the votes, a simple majority of the share capital represented when the resolution is passed is adequate. In the case of amendments to the articles of association for which the law prescribes a larger voting or capital majority, the legally required majority applies. In accordance with Article 11 (4) of the articles of association, the Supervisory Board is authorised to carry out amendments to the articles of association that relate only to the wording. If an amendment to the articles of association in the event of a capital increase or steps taken in accordance with the German Reorganisation of Companies Act (UmwG) is designed to change the relationship between Class A and Class S shares, special resolutions by the Class A and Class S shareholders affected are required as per Section 138 AktG. Amendments to the articles of association become effective when they are recorded in the commercial register.

7.1 Subject to the approval of the Supervisory Board, the Executive Board was authorised by the Annual General Meeting on 21 June 2017 to increase the company's share capital until 20 June 2022 by up to € 35,024,417.00, by issuing up to 35,024,417 new registered Class A shares for subscription in cash and/or kind in one or more stages (Authorised Capital I, see Article 3 (4) of the articles of association). The statutory subscription right of the holders of Class S shares shall be excluded. The Executive Board is additionally authorised, subject to the approval of the Supervisory Board, to exclude the statutory subscription rights of holders of Class A shares in those cases covered in more detail in the resolution, such as issue for contributions in kind or issue in return for cash at a price which is not substantially lower than the stock exchange price of those Class A shares which are already listed at the time of the issue, and provided the new Class A shares do not account for more than 10 % of share capital. Furthermore, the issue of new Class A shares while excluding the subscription rights of Class A shareholders is limited to a total of 20 % of the share capital attributable to Class A shares. All Class A shares issued or that could be issued under other authorisations with the exclusion of subscription rights count towards this 20 % limit.

7.2 Subject to the approval of the Supervisory Board, the Executive Board is additionally authorised under Article 3 (5) of the articles of association to increase the company's share capital until 20 June 2022 by up to € 1,352,250.00 by issuing up to 1,352,250 new registered Class S shares by subscription in cash and/or kind in one or more stages (Authorised Capital II, see Section 3 [5] of the articles of association). The statutory subscription right of the holders of Class A shares shall be excluded. The Executive Board is authorised, with the approval of the Supervisory Board, to exclude the statutory subscription rights of holders of Class S shares as is necessary to equalise fractional amounts.

7.3 The Annual General Meeting on 16 June 2016 authorised the Executive Board, subject to the approval of the Supervisory Board, to issue on one or more occasions up to 16 June 2019 bearer or registered bonds with warrants or convertible bonds or combinations of these instruments (hereinafter known collectively as "debenture bonds") and to grant the bearers or creditors of the debenture bonds warrants or conversion rights for up to 10,000,000 new registered Class A shares in the company, each representing € 1.00 of the share capital, subject to the detailed terms of the debenture bonds. The total nominal amount of the debenture bonds issued under this authorisation may not exceed € 200,000,000.00. The debenture bonds are to be divided into separate securities of the same class, each with equal rights. The respective terms of the debenture bonds may also provide for a warrant or conversion obligation as well as an issuer put option to provide Class A shares in the company as of the end of the term or at an earlier date. Class S shareholders' subscription rights are excluded. Subject to the approval of the Supervisory Board, Class A shareholders' subscription rights to the debentures can also be excluded in full or in part in order to equalise fractional amounts, to grant subscription rights to the holders or creditors of warrants and/or debenture bonds and to the extent that debenture bonds are issued for cash, whereby debenture bonds with rights, options or obligations to convert them into Class A shares or an issuer put option for Class A shares may account for no more than 10 % of the share capital attributable to Class A shares. Furthermore, the issue excluding the subscription rights of Class A shareholders is limited to a total of 20 % of the share capital attributable to Class A shares. All Class A shares issued or that could still be issued under other authorisations with the exclusion of subscription rights count towards this 20 % limit. As per Article 3 (6) of the articles of association, conditional capital of € 10,000,000.00 is available to service warrants and conversion rights and obligations as well as any tender rights. This allows up of 10,000,000 new registered Class A shares to be issued.

Further details of the authorisations stated in sections 7.1 to 7.3, particularly the conditions of issue, the possibilities to exclude subscription rights and their limits, can be found in the corresponding authorisation resolutions as well as in Article 3 of the articles of association.

7.4 The Annual General Meeting held on 16 June 2016 authorised the company to purchase Class A treasury shares up to a maximum of 10 % of the company's share capital attributable to Class A shares at the time of the resolution or if lower, at the time that the authorisation is exercised, until 15 June 2021. This authorisation may be used for any legally permissible purpose, except for trading in treasury shares. At the discretion of the Executive Board, the purchase may be made via the stock exchange, by way of a public purchase offer made to all Class A shareholders or by way of a public invitation to submit sales offers. In addition to selling Class A shares in the company acquired under this authorisation via the stock exchange or offering them to all shareholders in proportion to their shareholdings, the Executive Board was also authorised – subject to the approval of the Supervisory Board – to use these shares for all legally permissible purposes. This includes in particular selling shares in exchange for cash consideration at a price that is not significantly lower than the price of shares in the company of the same rights at the time of the sale, using shares to settle rights or obligations of bearers or creditors resulting from convertible bonds or bonds with warrants issued by the company or by companies in which the company holds a majority stake, issuing or offering shares for sale to employees of the company or to employees or members of the executive bodies of an associated company, the sale of shares to third parties in return for contributions in kind, as well as redeeming shares, even in a simplified process in accordance with Section 237 (3–5) AktG. In the above cases – excluding redemption – the rights of shareholders to subscribe for treasury shares are also excluded. With the exception of shares sold in return for contributions in kind or the redemption of shares, the Class A shares sold or used while excluding subscription rights may not exceed 10 % of the share capital attributable to Class A shares.

Further details on the authorisation can be found in the corresponding resolution.

7.5 Under Article 6 of the articles of association and Section 237 (1) AktG, the company is authorised to redeem Class A or S shares against payment of appropriate compensation if the shareholders whose shares are to be redeemed have given their consent.

8. The following material agreements include regulations that apply in the case of a change of control, as may result from a takeover bid:

In September 2015, the company took out three promissory note loans with a total volume of € 53,000,000 and issued a total of 44 registered bonds with a combined nominal value of € 22,000,000. Partial repayments will be due between 30 September 2022 and 30 September 2025 for the promissory note loans and between 30 September 2027 and 30 September 2030 for the registered bonds. If there is a change of control at HHLA, the holders or creditors of registered bonds and promissory note loans and tranches thereof are entitled to demand early repayment. However, the creditors of promissory note loans and tranches thereof are only entitled to demand such early repayment if the parties cannot come to an agreement regarding the continuation of the respective loan, and the lender concerned cannot be reasonably expected – taking into account HHLA's legitimate interests – to accept the continuation of the unchanged loan agreement. A change of control can be said to have taken place if the Free and Hanseatic City of Hamburg directly holds less than 50.1 % of the voting rights in HHLA.

The service contracts valid during the reporting period for Executive Board members also contain a regulation that states they have a right to severance pay if their membership of the Executive Board is terminated due to a change of control or comparable circumstances (see item 9 below).

9. The service contracts of the members of the Executive Board contain a clause that provides for the payment of compensation to the respective Executive Board member in the event of them losing their Executive Board seat without good cause – including termination due to a change of control which may happen, for instance, following a voluntary or mandatory takeover offer. In line with the recommendations of the German Corporate Governance Code, the compensation is limited to a maximum of two annual salaries (including other benefits) and not more than the total remuneration for the remaining term of the service contract.

The provisions described above correspond to the legal situation and are standard practice at comparable listed companies. Their intention is not to complicate any possible takeovers.

Notes to the Separate Financial Statements for HHLA Prepared in Line with the German Commercial Code (HGB)

Unlike the Consolidated Financial Statements, the Annual Financial Statements for Hamburger Hafen und Logistik Aktiengesellschaft (HHLA AG) are not prepared in accordance with International Financial Reporting Standards (IFRS). Instead, they are based on the regulations contained in the German Commercial Code (HGB).

Company Overview

Structure and Commercial Activities

Hamburger Hafen und Logistik AG (HHLA AG) is a leading European port logistics group. HHLA AG is the parent company of the HHLA Group and runs the Group as a strategic management holding company. Its operations are carried out by the 28 domestic and 14 foreign subsidiaries that make up the consolidated Group. No significant legal or organisational changes were made to the company structure in the 2017 financial year.

HHLA AG is a legally independent company and was split into two divisions – the A division and the S division – as part of the initial public offering on 2 November 2007.

The A division represents the Port Logistics subgroup. The Class A shares, which are listed on the stock exchange, entitle shareholders merely to participate in the result and net assets of these commercial operations. The performance and financial result of the Real Estate subgroup are attributed to the S division. Class S shares are not traded on the stock exchange and are held solely by the Free and Hanseatic City of Hamburg (FHH). In the unlikely and unprecedented event of the Real Estate subgroup reporting a loss, this would be indirectly transferred to the Free and Hanseatic City of Hamburg in line with a separate agreement to assume losses.

Employees

HHLA AG had a total of 1,073 employees as of 31 December 2017 (previous year: 1,190). Of this number, 303 received wages (previous year: 349), 725 received a salary (previous year: 774) and 45 were apprentices (previous year: 67). Of the 1,073 staff members, 502 were assigned to companies within the HHLA Group in the reporting year.

Economic Environment

Industry and macroeconomic developments are largely in line with those at the HHLA Group.