

optimising its supplier base. As a result, there were no significant dependencies on individual suppliers in the 2017 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 2017, equipment and energy accounted for 43.5 % of the Group-wide procurement volume, while information technology (IT) accounted for 24.6 %, construction for 18.1 % and MRO (maintenance, repairs and operations) for 13.8 %.

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 was implemented in 2017 to support this process. Suppliers register on an internet portal, which uses questionnaires to cover topics relevant to procurement, as well as issues 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 tenders, market reconnaissance or on their own initiative. Suppliers already listed in the company's own pool are asked to complete the registration process successively. The need to register is 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 along with information about project procurement and flow. These details are assessed and documented in an event-driven fashion. 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. Early adoption gives suppliers the time and opportunity to prepare for and adjust to the new process.

Sustainable Performance Indicators

Direct and indirect energy consumption by HHLA and its companies were as follows in the year under review.

Direct and Indirect Energy Consumption

	2013	2014	2015	2016	2017
Diesel and heating oil in million litres	27.7	29.2	26.3	26.6	27.4
Natural gas in million m ³	3.1	1.8	2.3	2.4	3.6
Electricity ¹ in million kWh	148.7	154.4	138.3	139.6	135.6
thereof from renewable energies	78.0	84.1	76.1	73.2	82.8
Traction current in million kWh	37.9	51.7	130.3	150.0	157.5
District heating in million kWh	4.6	3.7	3.2	3.6	3.6

Consumption of natural gas, traction current and district heating in 2017 is based on preliminary and estimated figures.

¹ Electricity without traction current

For more information about sustainability, please refer to the "Sustainability" section of the Annual Report. ► see also Sustainability, page 158.

Non-Financial Report

HHLA reports on the Group and HHLA AG in the form of a combined separate Non-Financial Report, the contents of which are integrated into the "Sustainability" section. The non-financial report is also available as a separate PDF from the download centre of the online Annual Report. ► <http://report.hhla.de/annual-report-2017/non-financial-report>