

The global coronavirus pandemic has led to measures being implemented on a previously unknown scale in the affected countries in an effort to contain the spread of the virus. [Course of business and economic situation](#)

In the **Port Logistics subgroup**, a moderate year-on-year increase is expected for both container throughput and transport. Revenue is also expected to increase moderately compared to the previous year. After the operating result (EBIT) in the financial year 2020 was burdened by restructuring expenses of around € 43 million for an efficiency programme in the Container segment, EBIT for the Port Logistics subgroup in the range of € 140 to 165 million is targeted for the current financial year.

A slight year-on-year increase in revenue is considered possible for the **Real Estate subgroup** with an operating result (EBIT) on a par with the previous year.

At **Group level**, a moderate increase in revenue and an operating result (EBIT) in the range of € 153 to 178 million is anticipated.

Expected financial position

Based on the **liquidity** available on 31 December 2020, HHLA assumes that its liquidity will enable the company to meet all its payment obligations despite the burdens caused by the coronavirus pandemic.

In order to further increase productivity in the Container and Intermodal segments, **capital expenditure** at Group level is expected to be in the range of € 250 to 280 million in 2021. The Port Logistics sub-group will account for the major share of these investments (€ 220 to 250 million). The main focus of capital expenditure in the Container segment will be on the implementation of a restructuring and efficiency programme and in the Intermodal segment on the renewal and expansion of the Group's own transport and handling capacities.

A further area of focus for the management is on protecting the health of employees, as well as maintaining all systems that play a role in the critical infrastructure of the Container and Intermodal segments.

HHLA remains committed to its profit-oriented **dividend policy**, which aims to pay out between 50 and 70 % of annual net profit after minority interests in the form of dividends.

Risk and opportunity report

Management of risks and opportunities

All commercial activities inevitably entail both risks and opportunities. HHLA believes that the effective management of risks and opportunities is a significant success factor for the sustainable enhancement of enterprise value.

Managing risks and opportunities is a key component of the HHLA Group's management strategy. The planning and controlling process, the boards of the Group's affiliates and reporting are all cornerstones of this risk and opportunity management system. At regular business development meetings, HHLA's Executive Board discusses strategy, targets and control measures, with due consideration of the risk and opportunity profile.

HHLA's risk and opportunity management system fosters a keen awareness of dealing with corporate risks and opportunities. It aims to identify risks in good time and take steps to manage or avert them while exploiting opportunities and preventing situations that could jeopardise the continued existence of the HHLA Group. An important element of the system is the promotion of entrepreneurial thinking and independent, responsible action.

Risk and opportunity management system

The risk and opportunity management system is an essential part of HHLA's corporate governance system. Key elements of the risk management system are: identifying, assessing, managing, monitoring and reporting risks; clear responsibilities for process participants (managers of affiliates, Internal Audit, Group Controlling); incorporating all majority shareholdings and companies consolidated using the equity method into the risk consolidation group. The Executive Board bears overall responsibility. Its members deal with and assess the risk management reports on a quarterly basis.

Risks are catalogued regularly in the course of the annual planning process. All identified risks are described clearly and classified according to defined risk areas.

Categorisation of the probability of occurrence

< 25 %	≥ 25 %	≥ 50 %	≥ 75 %
unlikely	possible	likely	most likely

Categorisation of the damage amount

Equity of the Group				
< 1 %	< 5 %	< 10 %	< 25 %	≥ 25 %
not significant	medium	significant	massive	threatening

Risks are categorised by the likelihood of their occurrence and the scale of the potential damage. This reflects the anticipated reduction of the operating result or cash flow before taxes if the risk were to materialise.

Risks are assessed in the context of the existing circumstances or a realistic projection. In addition to estimates and economic or mathematical/statistical inferences, sensitivities derived from planning can be used as a basis for assessment. The Group's affiliates, divisions and corporate staff departments regularly coordinate with the central Risk Management unit of the holding company to ensure that all identified risks are mapped and assessed consistently throughout the Group.

After identifying and assessing the risk, the company then defines control measures aimed at reducing the likelihood of its occurrence and/or the loss or damage. A distinction is made between the gross risk (excluding measures) and the net risk (including measures).

Risks are monitored continuously and any significant changes are reported and documented on a quarterly basis. Additional ad hoc reports are issued whenever material risks emerge, cease to apply, or change. Risks are reported using standard Group-wide reporting formats in order to ensure a consistent overall picture of current risks.

Opportunity management is comparable to the risk management process. Opportunities are systematically identified and measures developed in an annual planning process. When opportunities are identified, there is no requirement for them to be quantified. Opportunity management focuses on the monitoring and analysis of individual markets and on the early recognition and assessment of trends as a means of identifying opportunities. This includes developments affecting the overall economy or individual sectors as well as regional and local trends. The affiliates' responsibilities include identifying strategic opportunities in their core markets. HHLA's Executive Board defines the strategic framework for this objective, for example in the form of strengthening our core business and tapping additional growth areas. When planning, managing and controlling strategic projects for a specific segment or all segments, the Executive Board of HHLA primarily uses the proprietary resources of the holding company.

The most important elements of the risk and opportunity management system and risk and opportunity reporting are described in a corporate guideline. The system remains unchanged from the previous year.

Accounting-related internal control system

Structure of the system

HHLA's internal control system is designed to ensure that the (financial) reporting processes used throughout the company are consistent, transparent and reliable. Furthermore, it makes sure they comply with legal standards and the company's own guidelines. It comprises principles, procedures and methods designed to reduce risk and ensure the effectiveness and propriety of HHLA's processes.

The internal control system is regularly monitored and assessed according to documented processes, risks and controls. It therefore ensures transparency with regard to its structure and functionality for the purposes of internal and external reporting.

HHLA's internal accounting control system and risk and opportunity management are based on the criteria set out in the "Internal Control – Integrated Framework" working paper published by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). Accounting processes are assessed to determine whether there is a risk posed to the existence, completeness, accuracy, valuation, ownership and reporting of transactions. The company also conducts a risk assessment regarding the possibility of fraud. Concluding unusual or complex transactions can lead to specific accounting risks. There is also a latent risk of error when processing non-routine transactions. Employees are by necessity given a certain amount of leeway when recognising and measuring balance sheet items, which can give rise to further risks.

Appropriate and effective controls are intended to reduce accounting risks and make sure that transactions are documented, recorded, processed and assessed correctly in the balance sheet, as well as being quickly and correctly adopted in financial reporting. Controls are in place for all accounting processes.

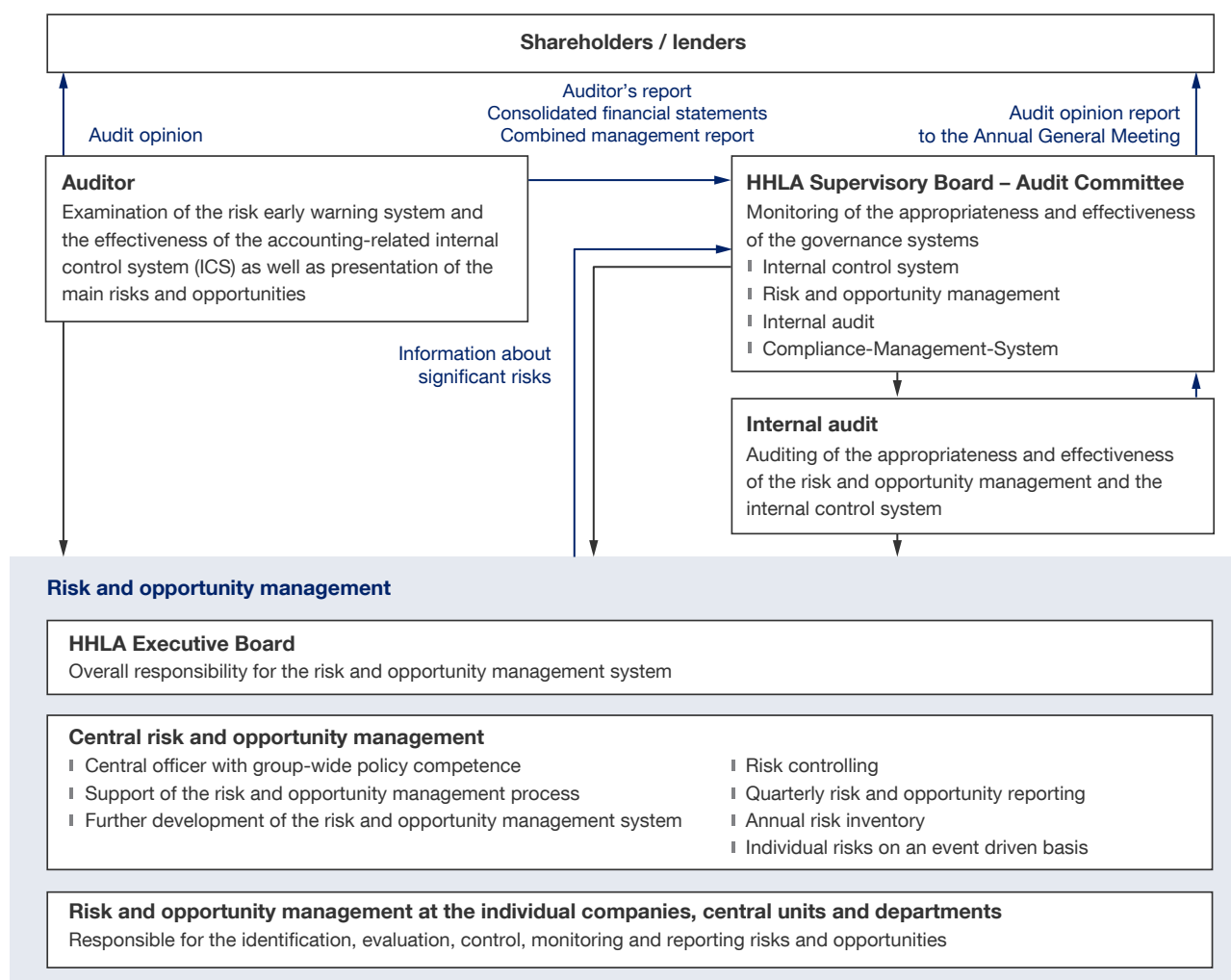
The Internal Audit department is responsible for monitoring HHLA's internal control system and risk and opportunity management for its accounting processes. The external auditor also assesses the effectiveness of the accounting-related internal control system, primarily by carrying out spot checks.

The internal control and risk and opportunity management systems for accounting will always have certain limitations, regardless of how carefully they are designed. For this reason, it is impossible to fully guarantee that accounting standards will always be met or that every incorrect statement will always be avoided or identified.

Significant regulations and controls

Accounting tasks and functions are clearly defined within the Group. There is a clear functional demarcation between accounts payable and accounts receivable as well as the

Risk and opportunity management and the internal control system for accounting



preparation of separate financial statements and the preparation of consolidated financial statements. There is also a clear demarcation between these departments and the respective segment accounting. Separating execution, settlement and authorisation functions and giving these responsibilities to different members of staff reduces the risk of fraud. Multi-stage approval and authorisation thresholds for ordering, payment transactions and accounting are employed across the Group. These include using the double-checking principle. There is a single accounting manual that covers the consistent application and documentation of accounting rules for the entire Group. Other accounting guidelines are also in place. Like the accounting manual, they are reviewed regularly and updated if necessary.

Most bookkeeping procedures are recorded using accounting systems developed by SAP. For the purpose of preparing HHLA's consolidated financial statements, affiliates add more

information to their separate financial statements to form standardised report packages, which are then fed into the SAP ECCS consolidation module for all Group companies.

Measures are in place to protect the IT systems from unauthorised access. Access rights are granted in line with each user's role. Only those departments responsible for mapping transactions are given write access. Departments responsible for processing information use read access. The principles of function-related authorisations are defined in a set of SAP authorisation guidelines. These form part of a comprehensive IT security guideline, which regulates general access to the IT systems.

External service providers are used for pension reports, fiscal issues and for other reports and projects if necessary.

The specific formal requirements for the consolidation process pertaining to the consolidated financial statements are clearly defined. In addition to a definition of the consolidated group, there are also detailed rules requiring affiliates to use a stand-

ardised and complete report package. There are also specific provisions regarding the recording and handling of Group clearing transactions and subsequent balance reconciliations, or the determination of the fair value of shareholdings. As part of the consolidation process, the Group accounting team analyses the separate financial statements submitted by affiliates and corrects them if necessary. Incorrect information is identified and corrected as necessary using control mechanisms already defined in the SAP ECCS system or using system-based plausibility checks.

Independent monitoring

During their audits, Internal Audit reviews the risk management processes as well as the effectiveness and suitability of the controls built into these processes. HHLA's Supervisory Board monitors the effectiveness of the risk management system. The external auditors assess the early risk identification and monitoring system on behalf of the Supervisory Board as part of their audit of the consolidated financial statements.

Overall assessment of risks and opportunities

The risks and opportunities for the HHLA Group reflect possible positive or negative deviations from the reported forecast.

The HHLA Group's risk position is principally characterised by market risks. Major factors influencing the risk and opportunity profile are the global economic trend – primarily with regard to the ongoing coronavirus pandemic – as well as ongoing geopolitical tensions and developments on the market and in the competitive environment. The development of these factors is monitored closely, and controllable costs and capital expenditure – where scalable – are adjusted flexibly in line with foreseeable developments. Furthermore, IT security risks are becoming increasingly relevant and are leading to the further ramping up of corresponding security measures.

The overview below summarises the individual material risks faced by the HHLA Group, classifies them according to risk areas and lists them in order of decreasing significance.

Ranking of HHLA Group's material risks

	Damage amount	Probability of occurrence	Trend vs. previous year
Market risks	significant	unlikely	↘
Financial risks	medium	unlikely	→
Other risks	medium	unlikely	→
IT risks	not significant	unlikely	↘
Strategical risks	not significant	unlikely	↘
Legal risks	not significant	unlikely	↗
Performance risks	not significant	unlikely	–

Since the economic prospects and the assessment of customer- and competitor-related market risks are unpredictable, this description of risks and opportunities merely serves as a snapshot. Changes in the HHLA Group's risk and opportunity profile are regularly reported in the half-yearly financial report and – where material – in the interim statements for the first and third quarters.

There are no discernible risks at present that could jeopardise HHLA's continued existence. The Executive Board of HHLA is confident that it will be able to exploit any future opportunities while avoiding exposure to unacceptably high risks. The following section describes the material risks and opportunities identified at Group level, taking into account any measures which have been put in place. No other material risks have currently been identified, while those that do exist are largely insured against.

Risks and opportunities

1. Market environment

Developments in container throughput, transport volumes and logistics services

The pace of growth in those economies whose flows of goods HHLA serves is a key precondition for the future development of container throughput, transport volumes and logistics services.

Following the global recession in 2020 resulting from the coronavirus pandemic, research institutes expect the global economy to recover in 2021. However, both the effects of the ongoing pandemic, which is once again putting the European economies in particular under pressure, as well as prolonged global economic and political tensions, make these assumptions seem uncertain.

Furthermore, there is uncertainty in Europe with regard to the development of the Italian sovereign debt crisis. The direct impact of the UK leaving the EU Customs Union and the Single Market on 1 February 2021 is not significant for HHLA, however, as the proportion of containers coming from or destined for the UK handled by HHLA's terminals in Hamburg is very low.

Due to protectionist tendencies already evident from the trade conflicts between the US and the EU and China, for example, the future development of global trade flows remains uncertain. Global geopolitical risks, the termination of treaties on arms control (including the INF Treaty) and the crises in the Middle East, South-East Asia and East Asia are also having an adverse effect on the global economic climate. Further factors include additional or extended sanctions against Russia, as well as currency crises and the volatility of the oil price. **Business forecast / macroeconomic environment**

An increase in economic growth is expected for China – the most important shipping region for the Port of Hamburg – in 2021. China recovered quickly from the impact of the coronavirus pandemic, with its export figures continuing to climb following the downturn in the first half of 2020. Overall, China is likely to be the only region in 2020 to register increases in port throughput as a result of high demand. **Economic environment**

On the other hand, there are opportunities for a stronger volume trend in connection with the growth potential of Central and Eastern European economies such as Poland, the Czech Republic, Slovakia and Hungary, which use the Port of Hamburg for a not insignificant proportion of their intercontinental trade. Should the economic trend exceed expectations, prompting stronger volume growth, this could present an opportunity to profit from higher earnings by achieving economies of scale in handling and boosting volumes in downstream transport systems. A gradual lifting of the economic sanctions imposed on the Russian Federation could also have a positive impact on the volume trend. In view of the ongoing coronavirus pandemic, however, these opportunities appear unlikely.

Following a highly volatile 2020 due to the effects of the pandemic, with a significant decrease in container throughput particularly in the first half of the year, market research institute Drewry adjusted its estimates several times over the past year. For 2021, Drewry currently expects significant year-on-year growth in both global container throughput and – of particular importance for HHLA – in traffic between Northern Europe and Asia. Volume risks resulting from this remain relevant for HHLA, particularly as the current positive development in demand will largely depend, over the course of the year, on the sufficient availability of vaccines – especially in the EU. **Business forecast / sector development**

Throughput and transport volumes in the markets of relevance for HHLA are monitored closely to ensure trends are recognised at an early stage. Where scalable, controllable costs and investments – e.g. for the further expansion of the container terminals – are adjusted in line with the foreseeable level of demand.

The permanent reduction of incidence rates is a prerequisite for the recovery of those economies hit by the coronavirus pandemic, as well as for throughput and transport volumes.

Competitive environment

In the area of container handling, HHLA competes directly with other terminal operators in Northern Europe. Primary competitive factors – apart from pricing – are reliability and quayside productivity as well as the scope and quality of container handling services. Other factors affecting the terminal operators' competitive position are the ports' geographical location, the scope and quality of their hinterland links and their accessibility

from the sea. The price sensitivity of shipping company customers may increase further, which could lead to a shift in volumes to competitors. The fierce competition for container transport by rail has intensified as a result of various observable market trends, such as plans announced by shipping companies and logistics firms to establish their own transport routes, or the announcement, still subject to notification, to recapitalise state-owned rail operators. For HHLA's Intermodal subsidiaries, the risk of volume being re-routed and revenue being lost is therefore higher than in the previous year.

HHLA constantly improves its competitiveness by further enhancing its service quality and operational capabilities. Its ship handling activities focus primarily on increasing the efficiency of its handling services and addressing the increasing number of peak loads prompted by the handling of container mega-ships. HHLA is working on innovating its systems and optimising processes to further strengthen its position in handling technology. HHLA's rail companies also connect the European seaports with the Central and Eastern European hinterland via a growing number of highly frequent shuttle services and direct links. Investments in its own hub terminals, rolling stock and locomotives further strengthen the performance of HHLA's hinterland network.

In addition to this, regulatory measures may increase the competitiveness of rail transportation in the intermodal marketplace.

Customer structure

HHLA's shipping company customers operate in a tough competitive environment for container liner shipping. For years, it was assumed that this was mainly due to structurally related idle capacities and low freight rates. Over the course of the coronavirus pandemic, many shipping company clients were able to keep freight rates stable by restricting the supply of cargo space (including blank sailings in the second quarter of 2020). This helped reduce the existing overcapacity. Since the second half of 2020, freight rates have risen strongly in line with high global demand, while bunker costs remained relatively low in 2020. Many shipping companies can therefore look back on a positive business performance in 2020.

In view of consistently high demand, the restrictive capacity management of shipping companies is leading to a growing disparity in cargo flows and an increased need to reposition both container ships and containers. This is causing temporary capacity bottlenecks, particularly in Asia and on the Asia-Northern Europe freight routes of relevance for HHLA, leading to extreme increases in sea freight rates for containers and spot market rates for container ships in some cases. Moreover, the punctuality of ships remains low, which can increase the dwell times of containers in the ports and may lead to excess strain on port operations. It remains to be seen whether these trends

will continue over the long term. Cost pressure and the resulting consolidation pressure on shipping companies will, however, remain high in future, due in part to volatile bunker costs.

Due to the ongoing restructuring of alliances and services on the Asia-Europe trades, a process which began in 2017, HHLA is still exposed to risks and opportunities from temporary or structural shifts in services between the North Range ports. As volumes per service and ship call increase with the use of ever-larger vessels, the impact on capacity utilisation at the seaport terminals also grows. Due in particular to the growing pressure on prices, the risks resulting from significant changes to the current service structure have increased and are now considered possible.

In the field of ship handling, HHLA cooperates with many shipping companies on a neutral basis ("multi-user principle"). This enables HHLA to respond flexibly to changes in the container liner shipping sector. In addition, HHLA aims to further enhance added value for its customers by expanding its mega-ship handling activities, continuing to develop the quality of its services and its operational capabilities, and optimising client-specific processes.

Depending on the customer structure, smaller affiliates may become reliant on individual clients. Various steps are taken to counteract this reliance, such as optimising service quality. At the same time, efforts are made to attract new clients.

Market concentration in procurement

Some of the handling equipment used by HHLA is highly specialised and this may result in a reliance on suppliers for maintenance or the procurement of replacement parts. This risk position was reduced significantly compared to the previous year, so that the corresponding market risk is no longer regarded as material for the HHLA Group. There are still residual risks, e.g. in the form of unplanned price hikes by strategic hardware suppliers. The corresponding risks are further reduced to some extent by involving suppliers at a strategic and collaborative level and optimising the supplier base.

Traction/track costs

The HHLA companies operating in the Intermodal segment pay track fees to the national railway companies or network operators for their rail network usage and also purchase traction services.

As the rail infrastructure in Germany is largely publicly owned, various authorities monitor non-discriminatory access and carrier-neutral track fees. These authorities include the Federal Network Agency and the Federal Railway Authority in Germany and corresponding bodies abroad at EU level. Nevertheless, as the national rail network owners and operators have a monopoly, the profitability of rail firms may still be impaired by a track

pricing policy that does not take a neutral approach to carriers and distorts competition. The risks of increased traction/track costs remain generally unchanged. In contrast to the previous year, they are once again considered a material risk to the HHLA Group due to a shift in the Group's risk focus. **Risks and opportunities / 1. Market environment; 3. Other risk and opportunity factors; 5. Strategic environment**

To reduce the level of dependency on national railway companies for traction services and to enhance production quality, HHLA is further expanding its own facilities, rolling stock and locomotives in line with demand. Providing end-to-end transport services using the company's own operating assets guarantees high quality throughout the process chain. HHLA's objective is to offer its customers a logistics chain of unparalleled quality and reliability. This will further strengthen Hamburg's appeal: high-performance seaport terminals promote higher volumes in the hinterland, while intelligent transport systems with low-cost structures boost container flows at the port.

2. Financial risks

If demand for HHLA's services fails to materialise as expected, the high level of fixed costs associated with this business model means that it might not be possible to compensate fully for divergences in earnings caused by underutilised capacity in the short term. An economic trend that falls short of expectations may also require adjustments to the valuation of assets. HHLA regularly checks for any impairment of its assets and makes adjustments where necessary. The level of risk is increasing, partly due to the intensification of competition at the Port of Hamburg; the likelihood of the risk materialising is regarded as "possible".

Currency risks

As the bulk of HHLA's services are rendered within the euro-zone, the majority of its invoices are issued in euros. The Intermodal and Logistics segments operate internationally, and a container terminal is operated in Ukraine. Invoicing here is based primarily on euros or dollars. Currency or transfer risks therefore result primarily from exchange rate fluctuations affecting Central and Eastern European currencies. It is therefore impossible to rule out the risk of a devaluation of the Ukrainian currency, the hryvnia, compared to the budget estimate. As a result, exchange rate risks decreased year-on-year but are still subject to the increased uncertainties resulting from the ongoing development of the global coronavirus pandemic. Furthermore, it remains to be seen how the political situation in Ukraine will unfold, particularly in respect of the crisis region in eastern Ukraine.

All HHLA companies that operate with foreign currencies reduce the risk of exchange rate fluctuations by monitoring rates regularly and, where possible, transferring free liquidity in local currency to hard-currency accounts.

Bad debt losses

Despite market uncertainty and falling volumes due to the coronavirus pandemic, the liquidity and earnings position of shipping companies improved in 2020 compared to the previous year. [Risks and opportunities / 1. Market environment](#)

However, the uncertainty of further pandemic-related downturns and volatile freight rates means that the risk of customer insolvency – with the corresponding loss of throughput and receivables – remains relevant, especially in the Container segment. The risk assessment largely corresponds to that of the previous year, with the risk still regarded as unlikely.

As a result of the coronavirus pandemic, rent default risks and the risk of costs for any necessary modification or renovation of rented space have increased strongly for Logistics properties and in the Speicherstadt historical warehouse district. In some cases, these risks are regarded as possible. Rent deferrals are granted to help tenants get through times of economic hardship. HHLA is in close contact with its tenants in order to be able to adopt further measures quickly where necessary.

HHLA uses credit checks to reduce del credere collection risks. Active receivables management is used to monitor compliance with contractually agreed payment deadlines.

Pension obligations

The monetary policy decisions of the European Central Bank may lead to a further reduction in the relevant interest rate used to calculate the present value of pension obligations. A reduction in the projected level may result in a further increase in the actuarial loss, coupled with a fall in the equity ratio. Against the backdrop of the coronavirus pandemic and its impact on monetary policy, the likelihood of the risk materialising is regarded as possible but unlikely. The risk assessment thus largely corresponds to that of the previous year. HHLA monitors interest trends so that it can adjust its provisions as necessary.

Please see the report on financial instruments in the notes to the consolidated financial statements for further details of downstream default risks, liquidity risks, interest and exchange rate risks, including risk mitigation measures and the management of these risks. [Notes to the consolidated financial statements, no. 47 Management of financial risks](#)

3. Other risk and opportunity factors

Flooding

As a result of the existing structural situation and the fact that HHLA's Hamburg port facilities and buildings necessarily operate close to water, there is a fundamental risk of storm surges. However, flood protection work undertaken by HHLA and the Free and Hanseatic City of Hamburg in previous years has reduced this risk considerably. The residual risk remains largely unchanged compared to the previous year.

Should this risk ever materialise, comprehensive emergency programmes have been put in place by public authorities and companies operating in the port, as well as in the Speicherstadt historical warehouse district, to minimise the potential damage. In addition, the risk of damage to property is sufficiently covered by insurance policies.

Real estate development risks

The landmarked buildings in the Speicherstadt historical warehouse district either have been, or will be, comprehensively modernised and refurbished by HHLA. Development projects on existing portfolio properties are characterised by a high degree of complexity for planners and executors alike.

On account of the complexity, it is not possible – despite extensive quality assurance measures – to exclude shortcomings in the planning and execution work carried out by contractors. HHLA always insists that any faults are remedied quickly, comprehensively and in a lasting manner, and is prepared to take legal action where necessary. However, it cannot be ruled out that HHLA is left with a portion of the costs. These risks have decreased strongly compared to the previous year and are now deemed immaterial due to the successful assertion of contractual warranty claims in 2020.

Investment options

In addition to organic growth, HHLA systematically examines and evaluates acquisition opportunities as part of its growth and innovation strategy. Potential equity investments focus on port projects in attractive growth markets, as well as innovative technology companies and start-ups in the transport and logistics sector. In addition to strategic aspects and synergies with HHLA's existing activities, key decision-making criteria include growth prospects, the anticipated return on capital employed, and the assessment of commercial opportunities and risks.

HHLA is in a sound financial position. It therefore has the financial means to make further acquisitions. One such acquisition was the majority takeover on 1 January 2021 of the multi-function terminal PLT in the Italian seaport of Trieste, which will strategically expand the port and intermodal network of HHLA. Also

in early 2021, HHLA acquired a majority share in iSAM AG, a global specialist for automation technology, including for port handling. **Events after the balance sheet date**

Technological innovations and digitalisation

One of HHLA's goals is to relieve the pressure on the transport infrastructure in and around the Port of Hamburg by seeking innovative and sustainable solutions and using the capacities of its terminals more efficiently. To achieve this, HHLA uses machine learning at CTA and CTB, for example, to optimise the positioning of containers in the yard and thus boost productivity.

Furthermore, HHLA has set up new company units and invests in promising start-ups to provide the necessary space for technological and entrepreneurial innovation in logistics to flourish, especially with regard to digitalisation. One example of this is the Modility booking portal, a platform that aims to simplify access to intermodal transport.

The innovative development of our core business and the tapping of new growth drivers may result in additional opportunities for boosting efficiency and value added in future.

Research and development

4. IT risks

In the event of a cyberattack, temporary restrictions or failures in IT applications, e.g. due to the destruction of data, cannot be ruled out. However, extensive measures are in place to protect against attacks and/or significantly reduce any negative consequences. These include prevention measures using tools such as specific filter mechanisms, maintaining backup systems (above all for data and information sharing) and communicating closely with business partners.

5. Strategic environment

Infrastructure

HHLA's competitiveness largely depends on Hamburg's infrastructure as a port and logistics hub. Hamburg's offshore, onshore and regional transport networks must be able to cope with the flows of goods and their carriers. As an infrastructure-related operator, HHLA and its subsidiaries depend on prompt provision of the scheduled volume of public investments and services that are frequently necessary to support their own investments. Infrastructural deficits could make it impossible to handle peak workloads in ship handling – arising from the ongoing trend towards a growing number of ever-larger vessels – with the same level of reliability for all carriers. This in turn could cause throughput and transport volumes to bypass HHLA's sites.

The dredging of the lower and outer stretches of the river Elbe should enable ships with a draught of up to 14.50 m to use the Port of Hamburg, depending on the tide. Ships with a draught

of up to 13.50 m should then be able to pass through the lower and outer stretches of the river Elbe regardless of the tide. This will play a major role in maintaining and boosting the competitiveness of the Port of Hamburg. Delays to the project have represented a material risk for HHLA for many years. After further appeals brought by environmental associations against the planning decisions were dismissed by the Federal Administrative Court in June 2020, no further delays are expected to the project from appeals. Construction work is on schedule and should be completed in mid-2021. Due to the progress of the project, it is now highly unlikely that customers will have to reschedule liner services due to ongoing restrictions and this risk is therefore no longer regarded as material.

The regional road and rail infrastructure must be modernised and expanded if the Port of Hamburg wants to retain and enhance its competitiveness and optimise its processes for the in- and outbound flows of goods in its hinterland. This could lead to additional costs or delays in the Intermodal segment due to bottlenecks in the rail network as a result of poor rail infrastructure or delays caused by construction work, for example. The flexibility offered by our own rolling stock helps to ensure that major impacts on our earnings are unlikely. Moreover, deficits and delays in the expansion of the rail network may lead to the weakening of Hamburg's competitiveness as a rail port over the medium term. Projects of special significance for HHLA also include the future replacement of the Köhlbrand Bridge, whose useful life looks set to end in the early 2030s, the construction of the port crossing (A 26) and the upgrading of the Kiel Canal, including its locks.

HHLA cooperates closely with the relevant public institutions on these projects. It also safeguards its interests by participating in relevant committees and through lobbying and active public relations activities.

6. Legal risks

Compliance incidents

Well-trained, motivated employees are the foundation for responsible business activities. The Group's relationship with its employees is dominated by its sense of social responsibility. Staff representatives are closely and actively involved in Group decision-making and take their responsibilities seriously. This paves the way for a successful working relationship. However, it is impossible to completely rule out the risk of employees committing fraudulent acts or legal and competitive violations in the course of their work. Furthermore, any infringements of specific areas of law (e.g. competition law, data privacy) may lead to fines based on Group key figures and could therefore potentially reach significant proportions.

To reduce these risks, HHLA has introduced guidelines, manuals and double-checking, embedded controls in its processes and established spot checks as part of its compliance manage-

ment system. Furthermore, the Group has issued a code of conduct that applies to all Group managers and staff. Training sessions are held regularly on the contents of the code of conduct, as well as on other specialised issues such as the prevention of corruption and conduct in the competitive environment, in line with the current risk profile. All of these activities are supported by additional communication measures, for example via the HHLA intranet and the HHLA team app. There are also opportunities for both employees and third parties to report violations (whistle-blower hotline). Should compliance violations occur, specific process adjustments may be undertaken to prevent them in future. For instance, in cases of theft, corresponding security measures are reviewed and possibly introduced to prevent as far as possible any further disappearance of such items. Furthermore, the regular analysis of compliance risks and system-based business partner screening – which enables the standardised risk-oriented screening of HHLA business partners across the Group – also help to identify compliance risks at an early stage and thus minimise risk.

New regulatory requirements

Changes to legislation, regulatory reforms or amended requirements may necessitate changes to HHLA's internal processes or existing equipment, or lead to cost increases. By ensuring a steady flow of information and cooperating closely with the relevant authorities, HHLA is able to make timely internal preparations and forward-looking investments aimed at reducing the associated costs, where possible.

Conversely, new regulations may also lead to opportunities that mainly boost the market potential of technological innovations. For example, the entry into force of the EU Drone Directive on 1 January 2021 and the subsequent broadening of access to airspace may lead to additional business growth for HHLA Sky.

7. Service provision risks

Following a reassessment of the risk inventory, service provision risks have returned to the category of relevant risks for the HHLA Group.

This risk category primarily includes any need for write-downs on property, plant and equipment that can no longer be used for their intended purpose due to unexpected market developments, or that are subsequently deemed unsuitable. As a result of measures taken, particularly in the form of tests and analyses prior to purchase, these risks are deemed unlikely.

In addition to their economic impact, pandemics can also lead to the disruption or interruption of operations within the HHLA Group due to illness. In the course of the current coronavirus pandemic, HHLA has implemented extensive measures to ensure the safety of its employees and the continuation of its

operations. The risk situation is continually reviewed and measures are adjusted as necessary. At present, the service provision risks from pandemics are not deemed as material.

Corporate governance

Corporate management declaration

The following section contains the **combined corporate governance declaration** by the Executive Board and Supervisory Board for HHLA and the Group in accordance with Section 289f of the German Commercial Code (HGB) and Section 315d in conjunction with Section 289f HGB.

Implementation of the Code, declaration of compliance

Responsible and transparent corporate governance geared towards creating sustainable value added has always been a main foundation of HHLA's commercial success. HHLA therefore expressly supports the German Corporate Governance Code (hereinafter referred to as "the Code" or "GCGC") and the objectives that it pursues. The Executive Board and Supervisory Board once again carefully studied the recommendations and suggestions of the Code in the 2020 financial year and submitted their annual declaration of compliance in accordance with Section 161 AktG on 11 December 2020. This confirms that the corporate governance and culture of HHLA and the Group comply with the recommendations and most of the suggestions contained in the Code, with the exceptions outlined below.

The current declaration of compliance – as well as those of previous years – is available on the HHLA website at www.hhla.de/corporategovernance and reads as follows:

The Executive Board and Supervisory Board of Hamburger Hafen und Logistik AG hereby state after due examination that in the period starting 13 December 2019 (issue of the previous declaration of compliance), HHLA complied with the recommendations of the German Corporate Governance Code ("the Code" or "GCGC") in the version dated 7 February 2017 and – subsequent to its taking effect – the version dated 16 December 2019 with the following exceptions. Furthermore, HHLA shall comply with the Code in the future with the following exceptions:

- a) Not all the members of the Executive Board and Supervisory Board currently comply with the limits on mandates as defined in recommendations C.4 and C.5 GCGC. When selecting candidates for the Executive Board and Supervisory Board, the Supervisory Board and the Nomination Committee have always taken care to ensure that the individuals concerned have enough time to fulfil their commitments. This generally also means that they comply with the limits on mandates defined in recommendations C.4 and C.5. However, the Supervisory Board believes that