Information on EU taxonomy

Aims of the EU taxonomy

As a community of states, the European Union (EU) has set itself the aim of becoming climate neutral by 2050. Within the scope of the EU Action Plan on Sustainable Finance, the channelling of capital flows into sustainable investments is a key objective. In order to support this goal, the EU Taxonomy Regulation came into force in mid-2020. It is a uniform and legally binding classification system that defines which business activities in the EU can be deemed "environmentally sustainable". Company-specific reports on the results of this classification must be reported annually. In June 2021, the final classifications for environmentally sustainable business activities were published for the first two of the six environmental targets. The following six environmental targets are listed in Section 9 of the Taxonomy Regulation:

- Climate change mitigation
- Climate change adaptation
- Sustainable use and protection of water and marine resources
- Transition to a circular economy
- Pollution prevention and control
- Protection and restoration of biodiversity and ecosystems

The EU has currently published requirements for sustainable business activities under the EU taxonomy (EU catalogue) for the two environmental targets of "Climate change mitigation" and "Climate change adaptation". The description of the business activity in the delegated acts determines which business activities can generally be considered.

Classification of business activities

With regard to the classification of a business activity as "environmentally sustainable" under the EU taxonomy, it is necessary to distinguish between taxonomy eligibility and taxonomy alignment. The first step is to check whether a business activity is described in the delegated act and thus taxonomy-eligible. Only taxonomy-eligible business activities can be classed as "environmentally sustainable" if certain criteria are fulfilled. Consequently, the second step is to evaluate whether the technical screening criteria are fulfilled in order to be classified as taxonomy-aligned.

In accordance with relief granted by the EU, only the proportions of taxonomy-eligible and taxonomy-non-eligible business activities for revenue, capital expenditure and operating expenses have to be disclosed for the 2021 reporting year. All fully consolidated affiliates are included in this analysis.

Definition of revenue according to the Taxonomy Regulation

Revenue includes the income disclosed in accordance with International Accounting Standard (IAS) 1, Paragraph 82(a) within the meaning of Regulation (EC) No. 1126/2008.

Definition of capital expenditure (CapEx) according to the Taxonomy Regulation

The basis for measuring capital expenditure is additions to property, plant and equipment and intangible assets during the financial year in question before depreciation and amortisation, and any remeasurements for the financial year in question and fair value changes. This also includes additions to property, plant and equipment and intangible assets resulting from business combinations (application of IFRS [IAS 16, 38, 40, 41, IFRS 16] and national accounting policies). Acquired goodwill is not taken into account. Investments in non-current assets that are classified as for sale or for distribution are only accounted for until the first time the relevant classification is made.

Definition of operating expenses (OpEx) according to the Taxonomy Regulation

The basis for measuring operating expenses is the direct, non-capitalised cost for research and development, building renovation measures, short-term leases, maintenance and repairs, and any other direct expenditure for the day-to-day servicing of assets of property, plant and equipment by the company or by third parties that are necessary to guarantee the continued and effective operation of these facilities.

Taxonomy-eligible business activities of the HHLA Group

Analysis of business activities

As a result of Section 289b (1) HGB, Hamburger Hafen und Logistik AG (HHLA) is obliged to comply with the requirements set out in the Taxonomy Regulation. Pursuant to Section 315e (1) HGB, the consolidated financial statements of HHLA are prepared in accordance with IFRS as at the closing date. The amounts used to calculate the relevant key performance indicators (KPIs) for revenue (revenue KPI), capital expenditure (CapEx KPI) and operating expenses (OpEx KPI) are based on the figures reported in the consolidated financial statements.

The taxonomy-eligible business activities for the "climate change mitigation" and "climate change adaptation" targets can be found in the annexes to the Delegated Regulation (EU) of the Commission supplementing Regulation (EU) 2020/852.

HHLA business activities deemed taxonomy-eligible are to be attributed to the environmental target of climate change mitigation and focus on:

- 6.2 Freight rail transport
- 6.6 Freight transport services by road
- 6.14 Infrastructure for rail transport
- 6.16 Infrastructure enabling low-carbon water transport
- 7.7 Acquisition and ownership of buildings

The taxonomy-eligible activities of container transport by rail and road, including the inland terminals, are carried out by HHLA's intermodal companies.

The Group's business activities in container handling and the operation of HHLA seaport terminals were classed as taxonomy-eligible as these activities facilitate low-carbon water transport.

In the Real Estate segment, the ownership or acquisition of property was classed as taxonomy-eligible. Real estate owned and let by HHLA primarily covers the Speicherstadt historical warehouse district and Hamburg's fish market district.

Activities in the fields of consulting, automation, container repair and project logistics were mainly classed as taxonomy-non-eligible.

Collection of key figures

Based on this complete analysis of business activities, the proportion of taxonomy-eligible revenue, capital expenditure and operating expenses of HHLA in the respective totals for the 2021 financial year is stated. When compiling the KPIs, materiality thresholds were set for the consideration of individual economic activities.

Key figures on the taxonomy eligibility of the HHLA Group

as of 31.12.2021	taxonomy-eligible	not taxonomy-eligible
Revenue	96.0 %	4.0 %
Investments (CapEx)	92.4 %	7.6 %
Operating expenses (OpEx)	92.3 %	7.7 %

The calculated KPIs show that HHLA's business activities can make a major contribution to climate change mitigation.

From the 2022 financial year onwards, even more extensive analyses will be necessary to fulfil specific criteria with regard to the business activities identified. In addition to the evaluation with regard to alignment criteria, these include an assessment of whether the taxonomy-eligible business activities make a material contribution to an environmental target defined by the Taxonomy Regulation and whether any other environmental target is significantly impeded. Furthermore, the fulfilment of minimum social standards in line with the OECD Guidelines for Multinational Enterprises, the UN Guiding Principles on Business and Human Rights, the ILO Core Labour Standards and the International Bill of Human Rights must be ensured.

Revenue: Taxonomy-eligible revenue share

The KPI calculated for the proportion of taxonomy-eligible revenue in the 2021 financial year was 96.0 %.

The revenue KPI is determined as a ratio of the numerator and denominator as defined below:

- The **numerator** of the revenue KPI is defined as net revenue generated by products and services in connection with the taxonomy-eligible business activities.
- The **denominator** of the revenue KPI is based on consolidated net revenue of the HHLA Group. Income statement

$$\text{Revenue key figure} = \frac{\text{Taxonomy-eligible net revenue}}{\text{Total net revenue}}$$

Revenue disclosed in the HHLA Group income statement was analysed across all Group companies to evaluate whether it generated by taxonomy-eligible business activities pursuant to Annex I (Material contribution to climate change mitigation) and Annex II (Material contribution to climate change adaptation) of Delegated Regulation (EU) 2020/852. Following a detailed analysis of the items included in revenue, the respective revenue amounts are allocated to the taxonomy-eligible business activities.

Investments: Taxonomy-eligible CapEx share

The KPI calculated for the proportion of taxonomy-eligible capital expenditure in the 2021 financial year was 92.4 %.

The CapEx KPI is determined as a ratio of the numerator and denominator as defined below:

The **numerator** of the CapEx KPI is the total capital expenditure that is taxonomy-eligible.

The **denominator** of the CapEx KPI comprises all capital expenditure according to the Taxonomy Regulation. It corresponds to total capital expenditure disclosed in the investment analysis of the financial position section, and the intangible assets and additions to property, plant and equipment disclosed in the notes to the consolidated financial statements. Notes to the consolidated financial statements, no. 22 Intangible assets and no. 23 Property, plant and equipment

CapEx key figure	=	Taxonomy-eligible investments / Total capital expenditure according to the Taxonomy Regulation

The CapEx KPI thus provides the proportion of capital expenditure associated with a taxonomy-eligible business activity. Additions are made either in fully taxonomy-eligible individual companies or are directly attributable to taxonomy-eligible business activities following an analysis with regard to taxonomy eligibility and a comparison with Annex I (Material contribution to climate change mitigation) and Annex II (Material contribution to climate change adaptation) of Delegated Regulation (EU) 2020/852.

Operating expenses: Taxonomy-eligible OpEx share

The KPI calculated for the proportion of taxonomy-eligible operating expenses in the 2021 financial year was 92.3 %.

The OpEx KPI is determined as a ratio of the numerator and denominator as defined below:

- The **numerator** of the OpEx KPI are the operating expenses that are taxonomy-eligible.
- The **denominator** comprises direct, non-capitalised costs for research and development, building renovation measures, short-term leases, maintenance and repairs, and all other direct expenditure for the ongoing maintenance of property, plant and equipment.

OpEx key figure	=	Taxonomy-eligible operating expenses / Direct, non-capitalised costs (R&D, building renovation measures, leasing and maintenance)

The OpEx KPI reveals the proportion of operating expenses as defined by EU taxonomy that are associated with taxonomy-eligible business activities. The numerator is the result of an analysis of the assets associated with the expenditure recorded in the above accounts with regard to their taxonomy eligibility on the basis of Annex I (Material contribution to climate change mitigation) and Annex II (Material contribution to climate change adaptation) of Delegated Regulation (EU) 2020/852. In order to determine the denominator, the accounts reflecting direct, non-capitalised costs for research and development expenditure, building renovation measures, short-term leases and maintenance and repair costs were considered.