

# Corporate Social Responsibility

CSR-Report 2018 of Hamburg Commercial Bank



# Key figures

## Statement of Income

(€ m)	31.12.2018	31.12.2017
Net income before restructuring and privatisation	621	-238
Net income before taxes	97	-453
Group net result	77	-528

## Statement of Financial Position

(€ bn)	31.12.2018	31.12.2017
Reported equity	4.4	4.4
Total assets	55.1	70.4
Business volume	64.5	78.6

## Capital ratios & RWA

	31.12.2018	31.12.2017
CET1 capital ratio (%)	18.5	15.4
Overall capital ratio (%)	23.4	25.8
Risk-weighted assets (RWA) (€ bn)	22.1	26.2

## Employees

(computed on a full-time equivalent basis)	31.12.2018	31.12.2017
Total	1,716	1,926
Domestic	1,648	1,838
Foreign	68	88

## Rating

	Issuer rating (long term)	Current liabilities	Stand-alone rating (financial strength)	"Preferred" Senior Unsecured Debt	"Non-Preferred" Senior Unsecured Debt
Moody's	Baa2, stable	P-2, stable	ba2, stable	Baa2, stable	Baa3, stable
S&P	BBB, stable	A-2, stable	bbb-, stable	-	-

## imug ("Institute for Market, Environment and Society") sustainability rating

	Sustainability Rating	Public-sector Pfandbriefe	Mortgage bonds	Ship mortgage bonds
2018	B	A	BB	CCC
2017	CCC	BBB	B	CCC

**NB:** Due to rounding, numbers presented throughout this report may not add up to the totals disclosed and percentages may not precisely reflect the absolute figures.

# Contents

- 2 Key Figures**
- 4 Foreword of the Management Board**
- 5 Who we are**
- 8 What sustainability means to us**
- 13 How we manage sustainability aspects**
- 18 What we do to protect the environment**
- 22 How we safeguard the interests of our employees**
- 30 How we engage in society**
- 32 Supplementary information**
- 34 Audit of the non-financial report**
- 35 Contact/Imprint**

**NB:**

This Corporate Social Responsibility Report (CSR Report) 2018 of the Hamburg Commercial Bank is intended to meet the requirements set forth in Sections 315b, 315c in conjunction with Sections 289b to 289e of the German Commercial Code (HGB) and is therefore our combined separate non-financial report. The reporting is based on the criteria set forth in the German Sustainability Code (Section 289b HGB).

The CSR Report is a component of our corporate reporting and supplements information disclosed by Hamburg Commercial Bank in its Annual Report and Remuneration Report.

<https://www.hcob-bank.com/groupreporting>

# Foreword of the Management Board

Dear Readers,

2018 was a pioneering year for our Bank. We are the first Landesbank to be successfully privatised. With the closing on 28 November the federal states of Hamburg and Schleswig-Holstein carried out pioneering work. We are now able to lead the Bank to success with our new, internationally experienced shareholders – they are independent funds of Cerberus Capital Management, L.P., J.C. Flowers & Co. LLC and GoldenTree Asset Management LP as well as an acquisition company of Centaurus Capital LP and BAWAG P.S.K. Sustainable business practices will continue to play a key role for us.

Our Bank is at the threshold of a radical and multi-year transformation. Our objective is to use the available resources as sensibly and effectively as possible. We act along clear risk/return guidelines to ensure this. This means: For us, it is not a question of concluding as many transactions as possible but the best possible transactions – only profitable enterprises can remain successful in the long term.

What does this mean in concrete terms? For us, this means a clear focus on industry sectors, in which we have proven expertise and which have good growth prospects. This includes the field of renewable energies among others. We are one of the pioneers in Germany in the project financing of wind turbines – and we are still one of the leading banks in this sector, which makes an important contribution to the environmentally and climate friendly generation of energy. In the real estate sector, we also finance modern houses that have a comparatively low energy consumption due to innovative technology. Our financing in the shipping sector contributes to the modernisation of the fleet – linked to this is a reduction in fuel consumption and emissions of pollutants.

However, sustainability also means for us ensuring that our company cars have a low fuel consumption. Our office lighting system is also designed in the most energy efficient way; the same applies to the computer systems used by our IT. We are constantly reducing the use of printers, whereby we are saving a huge amount of paper. And, of course, we pay particular attention to the health of our colleagues, who are under particular pressure especially in times of radical change – it goes without saying that appropriate health management is therefore important to us.



Even though the past few years have been characterised by a substantial downsizing of the Bank, intense competitive pressure in a fast-changing banking landscape, new technologies and a change in consumer behaviour, we have always maintained our social commitment. This will not materially change during the current transformation phase. As a company, we would like to give something back to the society, which allows us to operate. This applies to the social as well as the cultural sector.

For example, the HSH Nordbank Run, which will be called the Hamburg Commercial Bank Run in the future, has contributed to enabling children and young people from socially disadvantaged families to participate in sport at clubs. With our involvement in the Elbphilharmonie Foundation we support culture and affordable access to it, the same applies to our involvement in the Schleswig-Holstein Music Festival.

Sustainable management means looking for new ways for dealing with resources even more carefully and respectfully – at all levels. This is our objective. We are working on this – today and tomorrow.

Yours sincerely

Stefan Ermisch  
Chairman of the Management Board

# Who we are

We, Hamburg Commercial Bank, are the successor to HSH Nordbank AG, which was established in June 2003 by the merger of Hamburgische Landesbank Girozentrale with Landesbank Schleswig-Holstein Girozentrale. We are managed in the legal form of a German public limited company. Our headquarters are located in Hamburg and Kiel.

We are one of the leading banking partners for upper medium-sized enterprises in the core region of Northern Germany. We are active in the business areas of real estate, project financing, corporate clients, shipping and capital markets & products throughout Germany. The focus of the project and real estate financing business is also on the rest of Europe. We conduct business with shipping clients throughout the world.

We are represented by branches in Singapore, Athens and Luxembourg as well as a representative office in Hong Kong in line with our focussed orientation. In Germany, over and above the offices in Hamburg and Kiel, we are present in Berlin, Düsseldorf, Frankfurt am Main, Munich and Stuttgart.

Based on classical loan financing we offer tailor-made products and individual financing solutions to our clients. Our operating business activities are broken down into the Corporate Clients, Real Estate, Shipping and Treasury & Markets segments.

## Ownership structure

Several funds initiated by Cerberus Capital Management, L.P.			One fund advised by J.C. Flowers & Co. LLC	One fund initiated by GoldenTree Asset Management LP	Centaurus Capital LP	BAWAG P.S.K. Bank für Arbeit und Wirtschaft und Österreichische Postsparkasse Aktiengesellschaft
Promontoria Holding 221 B.V.	Promontoria Holding 231 B.V.	Promontoria Holding 233 B.V.	JCF IV Neptun Holdings S.à.r.l.	GoldenTree Asset Management Lux S.à.r.l.	Chi Centauri LLC	
9.89%	13.88%	18.73%				
42.5%			35.0%	12.5%	7.5%	2.5%

## Successful sale of HSH Nordbank AG and conclusion of the EU state aid proceedings

The federal state owners Hamburg and Schleswig-Holstein, as well as the minority owner Sparkassen- und Giroverband für Schleswig-Holstein, sold their stake of 94.9 % in HSH Nordbank AG, which was held indirectly via HSH Beteiligungs Management GmbH, in full to several investors on 28 February 2018 (signing). The sale was executed (closing) on 28 November 2018 after all the conditions precedent had been met. The purchasers are independent funds of Cerberus Capital Management, L.P., J.C. Flowers & Co. LLC and GoldenTree Asset Management LP as well as an acquisition company of Centaurus Capital LP and BAWAG P.S.K.

The sale ends the protracted EU state aid proceedings, under which extensive structural relief was achieved. This is reflected above all in a significant improvement in the risk and

capital structure. Under the privatisation we were able to dispose of large amounts of the impaired legacy loans (portfolio transaction). These related mainly to ship financing arrangements that originate from the years prior to 2009.

Furthermore, with the execution of the share purchase agreement, the second loss guarantee of € 10 billion granted by the federal state owners as a capital substitute in 2009 was terminated prematurely against a settlement payment of € 100 million.

HSH Nordbank is the first Landesbank to be successfully privatised in Germany. The privatisation forms a solid starting point for the next stage in the forward-looking transformation process, under which we will gradually develop into an agile commercial bank with a business model that is sustainable in the long run. We changed our name on 4 February 2019 and now operate under the name of Hamburg Commercial Bank.

## Comprehensive transformation programme implemented

We are in the midst of a radical, multi-year and comprehensive transformation. A stringent and ongoing increase in efficiency is essential in view of the continuing challenging banking environment characterised by intense competition and ever-increasing regulatory requirements. Against this backdrop we had already initiated relevant activities for this at the beginning of 2018, which have in the meantime been combined into a transformation project across the entire Bank. The transformation programme will be implemented in a consistent and determined manner; it also includes measures set out in the cost reduction programme that has been running for years. In this connection, personnel measures were also announced immediately after the closing at the beginning of December 2018 and negotiations started with the social partners. The objective is to swiftly implement the reduction in staff required as part of the transformation in a socially acceptable way as possible at fair terms and conditions, thus enabling the sustainable realignment of the business model to be thereby achieved. Further details on the transformation programme and the realignment of Hamburg Commercial Bank are set out in the 2018 Combined Management Report.

## Our core business areas

Our strategic business areas are broken down into the segments Corporate Clients, Real Estate, Shipping and Treasury & Markets. These segments will be continuously developed in order to adjust their portfolios and positioning to the changing underlying conditions in the market and competitive environment. We base our actions on stringent profitability requirements in accordance with our strategic guidelines in order to ensure a consistently successful business model and thus secure the Bank's sustainable long-term existence.

We refer to our 2018 Combined Management Report – especially the “Basis of the Group” section – with regard to details on business activities, our business model as well as our objectives and strategies, and we refer to our website, where our investor presentation on the 2018 annual financial statements is also published.

In accordance with Sections 289c (1) in conjunction with 315c (1) HGB the business model of our Group is described on pages 40 et seqq. of the Annual Report. The description of the business model forms part of our non-financial report.

## Corporate Clients

The Corporate Clients segment is well diversified and organised on a sector-specific basis. The project financing business and classical corporate clients business are combined in this segment. The key business areas include Energy & Infrastructure, Trade, Food & Healthcare and Industry & Services. In addition, the division provides advisory services in the areas of structured financing, leveraged buy-out and mergers & acquisitions from a single source for all clients of the Bank. In this respect, we cover a very wide field and have substantial sector, product and advisory expertise in this segment. Our target customers are primarily owner-managed enterprises and project development companies. We are not restricted geographically to our North German home market but also successfully conclude transactions throughout the entire Federal Republic of Germany.

Furthermore, we support German companies in their business activities abroad, where we are expanding into new markets such as Portugal and the Netherlands – this is key to further growth.

## Real Estate

As one of the leading providers of real estate financing in Germany we are traditionally very active in our home market. Here, we have an excellent market position and proven expertise that we have built up over many years. We support our clients across regions in the German metropolitan areas. In addition to our headquarters in Hamburg and Kiel we have offices and regional expertise in Berlin, Düsseldorf, Frankfurt, Stuttgart and Munich. Our solid client base includes renowned investors, who we support in their projects in the German real estate market. Going forward, a cautious expansion of our international activities with current known, established and internationally active clients is envisaged with the focus on European metropolitan areas. When entering into new business it is important to us that we keep an eye on the risks involved. At the same time, we ensure that there is a balanced mix in the loan portfolio.

Overall, we are one of the leading banks for the financing of commercial real estate projects in Germany. In addition to providing loans for residential and commercial properties to be newly built, which, in principle, meet stringent sustainability requirements, the financing of the modernisation of office properties is an important business focus; in this case, the building quality is significantly improved by investments in heating, ventilation and air conditioning, in the insulation of the building envelope and optimisation of the lighting.

## Treasury & Markets

Our Treasury & Markets division is a provider of efficient capital markets and investment products for our clients in all business areas. In essence, we help our clients to control risks that arise in the markets as a result of price fluctuations. Treasury & Markets is also responsible for servicing savings banks, banks and insurance companies. Furthermore, we centrally manage the liquidity and market price risk of the positions held by the Bank in Treasury & Markets in coordination with the Bank Management unit. Management of the cover pool and issuing function is also anchored there.

Treasury & Markets is key to the Bank's success. We have recently been successful in expanding the number of our domestic and international institutional investors, increasing underwriting and syndication activities and bringing a debt fund to the market. We have also found new ways to fund the Bank and opened up access to private clients. This is an important step, which we were able to take with the cooperation of Fintech Deposit Solutions in Hamburg.

## Shipping

As is well known, we traditionally had very close links to the domestic shipping industry and were for a while one of the largest providers of ship financing in the world. Due to the cluster risks incurred at that time this gave rise to write-downs running into the billions, which became an enormous financial burden in the shipping crisis that has persisted since 2008. With the successful conclusion of the privatisation we have been successful for the most part in reducing these legacy assets that threatened the Bank's existence.

During the last years, we have learnt from the mistakes of the past and drawn our conclusions. This means: Although we are still active in the shipping business, it is on a completely different basis than previously - with sharpened risk awareness and the focus on successful companies with a resilient business model. Our loan volume in the shipping segment was around € 5 billion at the end of 2018. Our focus is on a diversification of the portfolio through granting commitments to domestic and international clients with a good credit standing. We adhere to strict risk and income requirements when concluding new business, thus generating business that is sustainable over the long term.

The Shipping segment remains an attractive division for us, as global trade continues to grow and international goods are transported primarily by sea with no alternatives to this in sight.

# What sustainability means to us

Over the past few years and up to the conclusion of the EU state aid proceedings we have focussed on the vital restructuring and realignment of our business activities. This has been of paramount importance, especially for our owners, employees and investors as well as our clients and other business partners.

We are positioning ourselves as a client-focussed, profitable and sustainably competitive bank through the radical and comprehensive transformation process. As the privatisation process provided relief primarily for the balance sheet structure, our activities are now concentrated on increasing profitability and optimising our general efficiency in our organisational structure. The strategic guidelines, which are to reflect in future a profitable and competitive product range as well as efficient structures and processes in particular, are the focus of our direction. The basis of our further development are the existing customer relationships and business areas, which we want to drive forward in accordance with our principles and, following the elimination of the EU restrictions, carefully expand in part and also internationalise on a selective basis.

We will further enhance the business model and expand the strategic objectives to include new perspectives. Relevant sustainability aspects represent an important addition to these. In all business activities we always bear in mind the importance of ecological and social sustainability. This is a key element of our Code of Conduct.

We have based our reporting under Section 289b HGB on the German Sustainability Code (Deutscher Nachhaltigkeitskodex, DNK). In this report, we address the issues, which, in our view, are important for understanding the impact of our activities on the aspects to be considered at a minimum under Section 289c HGB.

Under Sections 315c in conjunction with 289c (3) numbers 3 and 4 HGB we are required to disclose all known material risks related to our own business activities, our business relationships and our products and services, if it is highly likely that these have or will have a severe negative impact on non-financial aspects according to Section 289c (2) HGB. No such risks were identified on the basis of our risk inventory.

## Our main business activities

We are a financing specialist for enterprises and are one of the more important employers and companies in North Germany. In addition to our activities as a financing specialist, our business operations may have implications for non-financial aspects, such as the environment, society and employees. However, our main business activities are the granting of loans, taking of deposits and providing other typical financial services.

We, as Hamburg Commercial Bank, are committed to transparency; in future, we will make clear, binding commitments in the hanseatic tradition and grow with our clients over the long-term. We are attentive to our clients and stand for reliability and honesty. We act in a simple, determined and precise manner. A focussed and entrepreneurial approach, which creates value added for clients, the society, shareholders as well as our employees, is at the heart of our self-image and identity. In our business activities we ensure that we act in a sustainably economical manner. A few examples from our core business areas are shown below.

## Focus: Renewable energies

We are one of the leading financiers in the area of renewable energies. We are active throughout Europe in project business for the onshore wind, offshore wind, solar and hydroelectric power asset classes. Our clients benefit from our recognised expertise and many years of experience – we were after all one of the first banks that financed renewable energy projects. Since then we have contributed to many success stories in this field over the past 25 years.

The volume alone of our around 250 projects in the wind and solar sectors is over five billion euros. We thereby make a valuable contribution to reducing CO<sub>2</sub> emissions, to the success of the energy turnaround in Europe and to climate protection.



Besides long-term project financing we also offer our clients working capital lines, liquidity management and various risk management products. Our clients value our advisory expertise in a time, in which the energy markets are developing very dynamically. Our expertise in this area is documented regularly in various publications – for example, through our corporate PPAs and ECA studies – issued at various events and conferences.

### Focus: Infrastructure & Logistics

A good infrastructure is the backbone for the development of an efficient economy. With more than 20 years of experience we are making a contribution to this. Infrastructure investments are increasingly directed at greater sustainability. In the past year we financed several European regional electricity and heating networks, which allow resources to be used locally in an environmentally-friendly and efficient manner. Once again, we have made capital available in the railway sector, both in the freight and locomotive sectors, and thus financed environmentally-friendly means of transport. In the meantime, we have gained a special reputation for projects to develop modern fibre optic technology in Europe. We are also focusing on the expansion of other networks and e-mobility. With the introduction of the Quality Infrastructure Standard, which requires sustainability to be applied as a criterion, we are already addressing this today in order to then classify many of our projects into this category.

### Focus: Shipping

We continue to be active in shipping, because we are convinced that, looking ahead, the shipping industry is still attractive. The sector is currently undergoing not only significant consolidation, the result of which are stronger entities, but charter rates and ship values have again stabilised in 2018 following one of the most severe crises. Although the outlook for the shipping markets is currently characterised by a greater degree of uncertainty – caused, on the one hand, by global economic developments and, on the other, by impending regulatory changes – there are still good opportunities to invest with a sharpened risk perspective.

In our involvement we bear in mind sustainability aspects by, e.g.,

- supporting the renewal of the global trading fleet through the financing of modern ships that are eco-efficient;
- in principle not financing ships that are older than 18 years in order to accelerate the renewal of the global trading fleet;
- supporting the conversion of ships that result in an improvement in the economic availability; these are as a rule measures to improve energy efficiency (“retrofitting”) or measures that already anticipate future environmental requirements (e.g. ballast water treatment system, scrubbers);
- ensuring and also requiring in our “General Terms and Conditions for Ship Financing” that sufficient insurance cover is arranged for the objects financed;
- by requiring in our “General Terms and Conditions for Ship Financing” that our clients “(...) at all times comply with or meet all legal regulations applicable to the ship and borrower, particularly environmental requirements and the provisions under SOLAS including the ISM and ISPS code and STCW 95 and obtain, maintain and extend all approvals, licenses, consents and permits, which are required or desirable for the proper and trouble-free operation of the ship (...)”.

Further information on our business model is set out in the “Basis of the Group” section in our 2018 Combined Management Report as well as on our website.

### Sustainability strategy & sustainability objectives

The core guidelines for how we behave are set out in our **Code of Conduct**. The Code of Conduct applies to all employees of our Bank and of companies affiliated with our Group. The objective of the Code of Conduct is to create a reliable framework for the responsible behaviour of all employees, which not only complies with the legal requirements but also ethical and social standards.

*“In all our business activities we always bear in mind the importance of ecological and social sustainability. We regard the acceptance of social responsibility as an integral part of what we do, as an investment in society and thus also in our own future. This is why we support sporting and cultural activities amongst other things.” (Section 2 of the Code of Conduct, see website)*

We have integrated **strategic approaches and objectives under sustainability aspects** as defined in Section 289c HGB into the various components of our strategy architecture.

### Strategy architecture



We have defined our strategies based on our **mission statement**, in which objectives, strategy, purpose and values are combined into a meaningful set of guidelines.

The **Strategic Risk Framework**, which as a framework document describes our risk management system, is the basis for our risk culture. It defines our strategic focus for financial and non-financial risks.

The **reputation risk strategy**, which is implemented by the **guideline on how to handle reputation risk** ("Reputation Risk Guideline"), is a key sub-strategy with respect to the aspects to be considered under Section 289c HGB. The Reputation Risk Guideline is based on the ten principles of the Global Compact of the United Nations (UN Global Compact) and includes aspects such as environmental issues, employee concerns, social concerns, respect for human rights and combating corruption and bribery.

### Strategic Risk Framework

Its continuous enhancement is a primary objective, as it has to be regarded as a key success factor for the implementation of the risk strategy principles. Maintaining and increasing the risk awareness of all employees is a prerequisite for efficient risk management. Accordingly, the transparency, accountability and clarity of the principles are key requirements for achieving

this objective. Furthermore, open communication and knowing how to deal with mistakes appropriately are the basis for an ongoing improvement process.

Compliance with the requirements set out in the Strategic Risk Framework, particularly with regard to risk limits and risk guidelines, are enshrined as a financial objective in our Overall Bank's Objectives. Compliance with the requirements is ensured in a cascading manner via the goal-setting process and annual performance review for top management down to the employee level. The link to the remuneration process also ensures compliance with the Strategic Risk Framework.

The core element of strategic risk management is also the sensitive, forward-looking management of new business opportunities with the objective of the long-term optimisation of earnings and avoidance of any risk concentrations that could threaten the Bank's existence. In addition to the specific limiting and monitoring of individual risks, the primary focus of the risk strategy approach is to limit concentrations in specific segments that pose a threat to the Bank's existence. In addition, the objective is to ensure sufficient liquidity and thereby the Group's solvency at all times through a balanced and closely monitored refinancing structure in combination with appropriate limits.

Risks that may significantly impair our net assets (including capital adequacy), earnings or the liquidity position are reviewed as part of the annual risk inventory. An inventory of the business environment is initially taken for this purpose. The overall conditions, relevant business units, balance sheet and income statement items, products and external service providers are also examined.

By formulating a maximum risk appetite and a consistent and lean limit framework derived from this an efficient and transparent risk management system for the risk types is ensured, enabling an integrated approach to be adopted by enshrining the Strategic Risk Framework in the strategy, planning, reporting, management and remuneration process.

### Non-financial risks

The non-financial risk types include in particular operational risk, which also includes legal and compliance risks, and reputation risk.

The objective of operational and reputation risk management is to prevent unexpected losses as far as possible, continually improve our products and services and protect our reputation.

Whilst we by ourselves have hardly any influence on the change in value of an asset but can maintain a capital or liquidity buffer for this, non-financial risks can be influenced primarily through stringent management, adequate staffing and resources and a risk appetite derived from the risk culture. Qualitative behavioural guidelines and internal organisational

standards for controls, contingency plans and security standards were developed and introduced to achieve the goals set for the management of operational risk.

The Group Risk Management and Compliance divisions have joint responsibility as separate function under MaRisk for the governance of non-financial risks.

#### **Risk inventory for operational risk**

The risk inventory for operational risk is carried out at least once a year in order to identify changes in the risk profile and take corrective or preventive measures in the event of unfavourable developments. The objective of the risk inventory is the identification in particular of those risks that have not yet resulted in a loss in the past and insofar could not be identified by the loss event database. Reasons for this can be new or changed business areas, systems, processes, products or external requirements. The risk inventory is used to communicate risks and their change in order to promote risk awareness and effectively limit the loss potential. The risk inventory is carried out throughout the Bank as a self-assessment process. In addition to a structured self-assessment scenario it includes a scenario analysis for the material risk scenarios of the respective division.

#### **Reputation risk strategy**

Reputation risk is vitally important for us. A reputation risk strategy, which is reviewed annually and approved by the Management Board, has been established for several years.

Reputation risk is defined as the risk of suffering financial damage (e.g. in the form of reduced earnings or loss) due to a negative perception by relevant stakeholders. The objective of reputation risk management is to exclude or prevent such as a matter of principle and maintain and strengthen the trust in us on a sustained basis.

In this respect, the **relevant stakeholder groups** are our clients, creditors, the supervisory authorities, owners as well as our employees and the public, rating agencies and media representatives.

We manage reputation risk in particular by taking preventative measures, first by reviewing specific business partners and transactions, and second using behavioural requirements and process-related regulations. Establishing guidelines supports all units in identifying reputation risks, so that they are able to distinguish harmless, harmful and unintentional or prohibited business events.

The guidelines for business relationships and transactions are oriented towards the requirements in our environment and take into account the **ten principles of the UN Global Compact** including the following aspects:

- Human rights
- Labour standards
- Environmental protection
- Corruption
- Criminal/Illegal activities
- Violent groups
- Arms and weapons industry
- Speculation on the agricultural commodities/food markets
- Tax compliance

Exclusion criteria and requirements, which are to be complied with by the initiating units within the know-your-customer process, have been defined for these aspects.

#### **KNOW-YOUR-CUSTOMER PROCESS**

We have a know-your-customer process in place in order to comply with the Money Laundering Act and Banking Act.

The initiating units confirm that the review has been carried out in accordance with the reputation risk strategy/reputation risk guideline. There are exclusion criteria and requirements for these aspects together with a uniform framework for assessing identified reputation risks in the form of the so-called RepRisk matrix. The structure of the RepRisk matrix takes into account that reputation risks can have a different impact depending on the stakeholder concerned.

#### **CONTROLLING REPUTATION RISK**

The Group Risk Management division uses different tools for controlling reputation risk. Firstly, there are clear instructions and regulations as to how the determination is to be made and, where necessary, how the required coordination is ensured in cases of doubt. Secondly, reputation risk is assessed annually by means of two different surveys. In one survey, the internal units responsible for the different stakeholder groups are requested to provide their assessment of the expectations of the respective group as well as a current evaluation. The other survey is aimed bank-wide at obtaining an overall impression of our reputation and any potential for improvement.

In addition, Group Risk Management periodically collects individual reputation-relevant indicators based on the SREP Guidelines.

Two internal committees, the OpRisk Steering Committee, which at the same time is the decision-making body for the incurring of reputation risk, and the Overall Bank Management Committee review the quarterly report on reputation risk.

The proactive media and publicity work carried out by the Communications division completes the set of tools used to manage reputation risk. Its task and aim are to present matters concerning us to the public in a pre-emptive, fast and truthful manner.

### **Lending standards**

In conjunction with our risk strategy and business strategy our lending standards provide a binding and comprehensive framework for all parties involved, within which the lending

business may be conducted. Business approaches not entirely covered by these three elements of the overall bank strategy are to be classified as “not in conformity with the strategy” and are in principle not pursued. This also includes reputation risk.

Using a traffic light logic, the lending standards define which types of loans are preferred, which are critical but can be justified as manageable and which attributes a transaction may only have in exceptionally justified cases. They thus also provide sales with reliable guidelines for meetings with clients.

Furthermore, each transaction must go through a regular, unbiased credit process (including analysis, rating, credit application, decision, in which the lending standards are to be reviewed in connection with other decision-relevant criteria.

The lending standards are reviewed annually taking account of current strategy, market and risk developments.

Please see our Combined Management Report 2018 and in particular the “Risk Report” section for further information on our risk management and bank-specific risk types.

# How we manage sustainability aspects

The Overall Management Board is responsible for the topic of sustainability as defined in Section 289b HGB.

The responsibilities are organised on a decentralised and topic basis through the integration of the relevant sustainability aspects and objectives into our strategy architecture. The same applies to the monitoring and analysis of sustainability issues, for which the Compliance, Group Risk Management, Bank Management and Human Resources divisions in particular as well as HCOB Facility Management GmbH are responsible. In order to take better account in future of the importance of this topic, we plan to discuss sustainability issues as part of the regular updating of the strategy at the end of 2019 and, in future, systematically embed them in the strategy process.

Sustainable corporate management is more than simply complying with laws. We have voluntarily recognised the German Corporate Governance Code (Deutschen Corporate Governance Kodex, DCGK) since 2005. This means that the Management Board and the Supervisory Board are obliged to report on the company's corporate governance every year in the Annual Report. Under Section 161 of the German Stock Corporation Act (Aktiengesetz, AktG) the Management Board and Supervisory Board of a listed company have to declare annually that the DCGK recommendations have been or will be complied with and which recommendations have not or will not be applied. We as a non-listed company have voluntarily issued this Declaration of Conformity since 2005. See also our 2018 Annual Report and website.

## Consistent in dealing with rules and standards

The trust of our clients and employees as well as public perception are vital for us. A necessary condition for achieving this objective is that all employees conduct themselves at all times in accordance with the law and rules. A compliance culture applied throughout the bank is essential to strengthen our compliance with the law and rules.

## Code of Conduct

Our Code of Conduct is the central framework for this. It focuses on essential rules and consolidates these into a form that can be understood by all employees. The key internal policies and guidelines are also referenced in the Code of Conduct.

The Code of Conduct is available on the intranet for all employees. Besides the classical compliance rules regarding, inter alia, the prevention of money laundering, sanctions and terrorism as well as the prevention of other criminal activities or capital market compliance it contains requirements that govern conduct in the areas of taxes, finance, risk management, data protection and communications. It also contains standards of behaviour that must be complied with in the daily interaction with colleagues, in dealing with clients and to fulfil our social responsibility. We have also published the Code of Conduct on our website.

## Compliance

The Compliance division monitors the legal and regulatory compliance of our Bank and our employees in accordance with MaRisk AT 4.4.2 and ensures that the substantive legal regulations and requirements are complied with centrally as well as across the Bank. This is done, inter alia, via our central legal monitoring function and central units, which are part of the Compliance division, for the internal control system and the outsourcing management. This is embedded in the non-financial risk framework, for which the Compliance and Group Risk Management divisions are jointly responsible, as part of non-financial risk governance.

As part of the central legal monitoring, the corporate compliance function identifies in full the rules and regulations material for us and assigns them a clear responsibility at the division level. All new and amended rules and regulations including the responsibility for them are entered into the system on a weekly basis and communicated to all divisions. The corporate compliance function uses the **Legal Monitoring Committee** chaired by it to ensure close communication regarding rules and regulations and that an appropriate solution is arrived at in escalation cases.

We do not tolerate any illegal activities, and we sanction any such misconduct accordingly in a resolute manner. Internal contact points have been set up within the Bank for the reporting of violations. In addition, we have an external **whistleblowing office**, to which suspicions can also be reported on an anonymous basis. The whistleblowing office is staffed by external ombudsmen from an international auditing firm, who can be contacted directly by all employees at head office, the branches and representative offices as well as by external third parties.

We have implemented, inter alia, rules on benefits (**benefits policy**), secondary employment and mandates (**conflict of interest policy**) and have binding rules and procedures in place for clarifying suspected cases relating to other criminal activities (**anti-fraud policy**). Furthermore, issues relating to dealing in capital market products are monitored (**prohibition of market manipulation, insider instruction, director dealings and prohibition of trading**).

There is an **Investigation Committee**, which has bank-wide responsibility for clarifying material suspected cases.

Insofar as prevention is concerned, we have transaction monitoring systems in place (prevention of money laundering and financing of terrorism as well as compliance with financial sanctions and embargo rules). The Compliance division also conducts online and face-to-face training sessions for informing staff - in particular with regard to the topics of other criminal activities and corruption - with a high acceptance level (98 % completion rate in 2018 without the need for escalation).

## Tax questions and issues

The guideline regarding involving/informing the Legal & Taxes division in tax questions and issues ("Involvement Guideline"), which is part of our written rules of procedure, ensures that our Legal & Taxes division is involved in all tax-relevant transactions on a targeted and risk-commensurate basis.

We have combined the Involvement Guideline with an IT-supported and standardised advisory procedure in order to consistently implement the objectives stated in the Code of Conduct for ensuring tax compliance, which is an innovation in the German banking sector.

## Corporate data protection

Responsibility for data protection rests with the Overall Management Board, which has established a data protection organisation to implement and ensure the legal data protection regulations. An important element of this data protection organisation is the appointment of an in-house data protection officer.

Our in-house Data Protection Officer (DPO) may carry out his duties as he sees fit and reports directly to the Management Board.

The DPO monitors compliance the data protection requirements, primarily those set forth in the European General Data Protection Regulation (Europäischen Datenschutz-Grundverordnung, DSGVO) and the German Federal Data Protection Act (Bundesdatenschutzgesetz, BDSG) as well as other regulations on data protection. He identifies any potential weaknesses, acts in an advisory capacity and informs the company responsible, including their employees and service

providers, which process personal data on its behalf, as to change or improvement options.

The DPO is obliged to keep confidential the identity of the party concerned by the processing of personal data and circumstances that allow conclusions to be drawn regarding the party concerned.

The DPO is available as the contact person for the parties concerned to answer any questions relating to data protection and also works together with the data protection supervisory authority as its point of contact.

## Information security

The protection of information provided by clients and business partners as well as the Bank's own data is a key element of our business policy. We therefore have the objective of protecting information against internal and external threats, supporting the continuation of business operations and minimising to a great extent any losses arising from errors in handling information.

### Information security organisation

To achieve this objective, we have set up an organisation, which is geared to legal and regulatory requirements and applies ISO 27001 (international standard for information security management) as its guideline. An Information Security Officer was appointed for this purpose, who reports directly to the Chief Operating Officer (COO) in order to safeguard the independence of this function in accordance with the regulatory requirements. The Information Security Office regularly reports to management, at least on a quarterly basis, on the status of information security.

It is planned in 2019 to combine different functions in the second line of defence - including information security - in the non-financial risk department. In this connection, the reporting line of the Information Security Officer will also be reassigned to the Chief Risk Officer (CRO). This ensures that this function continues to be independent.

### Information security management system (ISMS)

ISMS is a key element of the information security organisation. Basic requirements for information security, which cover parts of the Minimum Requirements for Risk Management (MaRisk), banking supervisory requirements for IT (BAIT) and ISO 27001, are defined, inter alia, in information security guidelines, which form part of the written rules of procedure. Risk-oriented information security assessments are also carried out to determine whether these requirements are properly defined and effectively implemented. Deficiencies identified are assessed and appropriate rectification measures agreed with the divisions responsible.

### Raising the awareness of employees

Another important task of information security is raising the awareness of our employees of the risks arising from cyber attacks and infringements of our protection objectives. In addition to ongoing communication on the Intranet and in the employee magazine regarding existing threat scenarios two live-hacking events were held at the Bank in 2018 to demonstrate in particular the possible consequences of careless and trusting behaviour. Online training regarding information security with the focus on social engineering was also implemented in 2018.

### Products

We have adopted a guideline for transactions in new products and new markets (NPNM), which forms part of our written rules of procedure. The objective of this guideline is to define the regulations and requirements for the life cycle of a product from the perspective of NPNM activities and determine the relevant responsibilities. This guideline also governs the regular review of all products.

### Purchasing principles & supplier code

We annually purchase services from various external service providers and producers in the value of over € 150 million.

The purchase of these services is governed by the "Purchasing Principles", which form part of our written rules of procedure (schriftlich fixierte Ordnung, sfO). We base these principles on best practice approaches and also on numerous recommendations of the German Association for Materials Management and Purchasing (Bundesverband für Materialwirtschaft und Einkauf, BME).

By clearly specifying processes, tendering rules and responsibilities the purchasing principles form an effective working basis and create transparency and accountability for all purchase transactions. They therefore support the objective of the economic purchase of all required goods and services at optimal terms and conditions and operational implementation of internal and external compliance requirements, in particular for the purposes of preventing reputational damage and financial loss. In particular, conscious resource management and observance of as well as compliance with legal requirements and obligations make a valuable contribution to sustainability.

As part of requirements planning, the purchase requisition, service definition and tendering procedure conformity with our systems and regulations is to be reviewed for all purchase transactions.

The following among other things is to be taken into account in this review:

- Compatibility with legal, regulatory, ethical and ecological requirements and obligations
- Product and service standards
- Banking rules regarding environmental protection and occupational safety

Existing laws, regulations and rules as well as internal organisational instructions must also be complied with by all employees involved in the purchasing process.

The principle of sustainability applies to purchasing through the Code of Conduct. Above all, this means that certain requirements regarding environmental sustainability are met in the purchasing process, e.g. for ecological product features (inter alia, requirements under ISO 14001, current EU emission standards).

Our purchasing department excludes suppliers, which refuse to accept the Supplier Code without a plausible explanation, from further tendering processes. A violation of the Supplier Code may also result in the termination of the business relationship. Purchasing together with the ordering division makes the decision regarding this.

In addition, our suppliers are constantly compared to sanction and embargo lists, so that it is ensured for each order that only approved suppliers are appointed and we only enter into transactions with suppliers with integrity.

Purchasing also ensures by means of a regular and systematic supplier assessment process that any anomalies in the supplier quality are identified in good time and if necessary rectified via the implementation of the supplier development plans.

Purchasing is also responsible for measures to prevent fraud, for complying with embargo and financial sanction requirements as well as for preventing money laundering in connection with the contracts entered into with our service providers.

Purchasing carries out appropriate controls in the purchasing and tendering process with regard to compliance with tendering procedures, ensuring competition, preventing the awarding of contracts to related parties and other conflicts of interests.

Where suppliers are equally suitable, preference is generally given to regional service providers and producers. Besides supporting the local economy, this particularly helps to avoid unnecessary travel and transport costs and the resulting emissions, especially of pollutants and carbon dioxide.

## Dialogue with our stakeholders

We maintain an active dialogue with our stakeholders and respond to the various interest groups.

Our main stakeholder groups are our clients, creditors, owners and employees as well as supervisory authorities and the public, rating agencies and media representatives (see also our reputation risk strategy).

### Clients

For us as a medium-sized commercial bank, clients are at the centre of our activities. We engage in regular dialogue with our clients as part of the customer relationship process and at client events, trade fairs and forums. For example, we had a stand at the Hamburg “Wind Energy” trade fair and the Expo Real (Munich). In addition, we also initiated the health strategy day (Hamburg, March 2018).

We regularly invite our clients to events at our offices in the format of an “interest rate breakfast” or “interest rate dialogue”.

### Centralised Complaint Management

We have established a Centralised Complaint Management function, which ensures that client complaints are systematically processed in accordance with the statutory requirements. Based on the Bank’s mission statement and business model, the task and objective of Centralised Complaint Management is, among other things, to

- establish and be responsible for a process, under which it is ensured that complaints are clearly and unambiguously identified and are systematically processed and documented in accordance with the law,
- be perceived and used as a neutral and independent body for client criticism,
- further strengthen client loyalty,
- make available information regarding complaints to the risk management and
- use the complaints as an information source for possible optimisation potential.

### Industry studies

We also periodically publish industry studies, which are available on our website, such as “Purchasing in the retail furniture sector - trends and developments of PoS” as recently at the beginning of 2019 or “Industry 4.0 in machine and plant construction”.

## Owners/Shareholders

We are a German public limited company and, as such, liable to our shareholders. On 28 February 2018, the federal states of Hamburg and Schleswig-Holstein agreed the sale of HSH Nordbank AG with four US financial investors Cerberus Capital Management, L.P., J.C. Flowers & Co. LLC, GoldenTree Asset Management LP, Centaurus Capital LP and BAWAG P.S.K. The closing, under which the change in owners was completed, was executed on 28 November 2018.

The first privatisation of a Landesbank in Germany was concluded upon the closing. This represents a great opportunity for us - and the start of a far-reaching transformation process that will take several years. Our new owners are some of the most experienced financial investors in the banking sector and are involved in the Netherlands in the case of NIBC and Austria in the case of BAWAG. Both companies have actively reported on their corporate social responsibility activities and have had experience in sustainability aspects over a period of years.

### Employees

We are a major employer in the north of Germany and, as such, act responsibly towards our employees (see relevant section of this report).

### Memberships in associations

With the successful execution of the privatisation process (closing) on 28 November 2018 the legal prerequisites for our membership in the German Savings Bank Association (Deutscher Sparkassen- und Giroverband e.V, DSGV) were no longer applicable and our membership in the DSGV expired, whereas membership in the guarantee fund of the Savings Bank Finance Group (Sparkassen-Finanzgruppe, SFG) continues for a further three years until 31 December 2021.

As a result of the consistent orientation towards private bank stock we have been a member of the Auditing Association of German Banks and extraordinary member of the Federal Association of German Banks (Bundesverband deutscher Banken, BdB) since 1 January 2019. With our planned seamless transition into the deposit protection system for private banks as at 1 January 2022 the extraordinary membership in the BdB should then be changed to ordinary membership.

Furthermore, we are a member of the Association of German Pfandbrief Banks (Verband deutscher Pfandbriefbanken e.V., vdp) and an extraordinary member of the German Association of Public Sector Banks (Bundesverband Öffentlicher Banken Deutschlands e.V., VÖB).



## Rating agencies

Dialogue with the rating agencies Moody's and, since the end of 2018, S&P is crucial for us. We have contact persons in the Bank Management division available for this dialogue, who regularly exchange information with the analysts at the rating agencies.

### Sustainability rating

Our sustainability performance is assessed by agencies that issue sustainability ratings. We are in a dialogue with the sustainability rating agency imug. We have been able to again improve the sustainability rating issued by imug substantially compared to the previous year. Our sustainability issuer rating was raised to positive B for uncovered bonds, to positive BB for mortgage bonds and to very positive A for public-sector Pfandbriefe. We assume that the transparent handling of our commitment to the topic of environment social governance (ESG), especially through the publication of our CSR report for the first time, was a contributing factor in the improvement of our sustainability ratings. The current rating results are listed in the overview of our key figures as well as on our website.

## Banking supervision

We are in constant contact with national and international supervisory authorities, particularly the European Central Bank (ECB), Federal Financial Supervisory Authority (BaFin) and Bundesbank, the Single Resolution Board (SRB), but also with the supervisory authorities responsible for our international branches. Within the Bank Management division there is the Regulatory Affairs unit that acts as our central key account vis-à-vis the supervisory authority and is responsible for a sustained exchange with this stakeholder.

## Media/Public

The Communications division is responsible for our external communications with the media and public and ensures the necessary transparency. The media and public relations work is founded on experience and a strong network, which consists of a wide range of contacts to journalists and decision-makers in the media industry.

# What we do to protect the environment

Within our Group, HCOB Facility Management GmbH (HCOB FM) and its subsidiary, HCOB Gastro + Event GmbH, deal with corporate environmental protection in particular.

HCOB FM is an exclusive service provider for our secondary processes. It performs the functions of property management, energy management and information security. It is the company responsible for operating our properties, including its technical installations, and ensures the occupational safety and operating reliability of our Bank at domestic locations. It performs selected banking functions such as cost type management for land and buildings as well as for various operating expenses. The actual banking functions also include the safe custody of documents as well as archiving of files, strategic building management and occupancy planning.

HCOB FM is responsible for energy management at our Bank and is certified under the international quality management standard DIN EN ISO 50001. The HCOB FM group ensures trouble-free operations and optimises processes by constantly reviewing its use of internal and external resources. It is certified under DIN EN ISO 9001:2015.

## Building portfolio

HCOB FM has the operational and operator responsibility for a current net floor space (NFS) of 130,000 m<sup>2</sup> (of which we own 92 % directly or indirectly) in Germany. It is also responsible for the strategic property management of an additional NFS of 10,000 m<sup>2</sup> at the foreign locations. It also manages over 12,000 m<sup>2</sup> of office space and approx. 50 retail premises at the Hamburg and Kiel locations.

## Environment

Using resources sparingly and keeping the ecological footprint as small as possible is an important task of our sustainability management. We consider it important to make our employees aware of the impact of their day-to-day work on the environment and ensure transparency regarding the management of sustainability aspects. This not only has a positive environmental impact, but economic benefits may also arise as a result. Sustainability management measures cause costs for electricity and heat in particular to decrease.

The intentional strong commitment in the areas of water, heat, CO<sub>2</sub>, mobility and emissions serve not only to protect the environment but also contributes to our credibility.

## Energy consumption

Overall, commercial buildings in Germany account for a high proportion of the energy consumption. Energy efficiency is improving due to the energetic renovation of the building portfolio and continual tightening of our Bank's energy standards and is thereby contributing its share to the general climate policy.

We have already defined and implemented various measures via the integrated and certified energy management system, which resulted and will result in a significant reduction in energy consumption. In so doing, attention was paid to the reduction in electricity, heat and CO<sub>2</sub> emissions.

### Energy policy successes 2008–2017

#### Reduction in energy costs



€1.58 mn

#### Reduction in CO<sub>2</sub> emissions



5,000 t CO<sub>2</sub>

#### Reduction in energy requirements



7.9 GWh

#### Energy efficiency measures

- Modernisation of lighting, switching to LED technology in offices, corridors and outdoor areas and use of motion detectors
- Replacement of IT hardware and active network components as part of MORE IT
- Energy-efficiency alterations to building automation and control system
- Replacement of circulator pumps and heat exchangers
- Modernisation measures in the kitchens and canteens and replacement of catering facilities
- Centralisation of data centres

### Electricity

When defining the energy management measures a particular focus was on reducing electricity consumption, as HCOB FM has localised the greatest impact on the environment in this area and, as a result, achieved the highest savings. Potential savings have been identified and realised through various measures such as the "MORE IT" project (replacement of hardware and active IT components).

A further example of the commitment to energy saving measures and therefore to environmental protection is the measuring and regulating of all electrical devices. This was the focus of electricity savings in 2018. The changing of heat exchangers and replacement of old pumps and generators with ones that work more efficiently and are therefore more environmentally-friendly also generated significant savings.

The outcome was a reduction of 11.1 % in our electricity consumption in 2017 compared to 2016 (2016: 11.7 GWh; 2017: 10.4 GWh). The figures for 2018 are not yet available as at the reporting date, because the full bill for 2018 has not yet been received. The energy suppliers have to submit their bills by the end of 2019. Electricity consumption in 2018 is expected to decrease to 9.9 GWh (forecast amount).

### Heating

The reduction in our heat energy consumption is rather low in the order of our priorities according to the objectives set for the energy management system. This is due, among other things, to the higher investment costs and degree of complexity in, for example, implementing structural measures in the existing buildings. Heat is generated on a decentralised basis (almost 100 % of the properties are connected to the district heating system in Hamburg and Kiel).

Energy savings measures were implemented in the area of heating, particularly as regards the replacement of heat exchangers and pumps as well as the insulation of pipes. Further savings were also generated as a result of the measures started in 2017 such as the energy-based renovation of the facades of a building in Kiel. In absolute terms, savings of around 4 % of heat amounts were made in 2017 compared to the previous year. The amount saved in 2018 will be of a similar magnitude, as the measures were planned to the same extent as in 2017 and major investments have not been made. Adjusted for existing properties used by our Bank, savings made under the points mentioned amount to 19 % (2008 - 2018).

### Reduction in CO<sub>2</sub>

CO<sub>2</sub> emissions were reduced by 863 tonnes in the 2017 financial year by implementing energy savings measures. It is expected that the amount in the 2018 financial year will contribute 47 tonnes (total for 2008 - 2017: 5,000 tonnes).

Reductions in CO<sub>2</sub> could be achieved in the logistics area amongst others. This is exemplified by the "Go Green" certificate for the reduction in CO<sub>2</sub> and local emissions, such as fine dust and nitrogen oxides, in transport and logistics.

Furthermore, as part of the electricity supply re-tendering process for changing the electricity supplier, our Management Board decided to change the electricity supplier and switch to electricity generated by renewable energies. This measure was implemented in 2018.

In defining the objectives for the energy management, system the focus was on pumps, motors and replacement of heat exchangers. These measures made a significant contribution to the sustainable reduction in CO<sub>2</sub> emissions and explain the decrease in CO<sub>2</sub> emissions in 2018.

We are also supporting, among other things, projects in the expansion of renewable energy sector. We are therefore not only contributing to increasing efficiency but are attempting to tackle climate change and the impact of the scarcity of resources.

### Mobility

Business trips of employees cause a large proportion of our emissions. We encourage our employees, especially with regard to trips not relating to clients, to review possible alternatives to a car. Costs for a BahnCard (rail card) are reimbursed under certain conditions. This not only reduces travel costs but emission levels at the same time.

Since 2013 all bahn.corporate clients, amongst them our employees, have been using the long-distance trains of Deutsche Bahn (DB) that run with 100 % green electricity.

All vehicles in our fleet meet the latest Euronorms, and the use of electromobility is also currently being tested with one vehicle. Ecological requirements such as CO<sub>2</sub> efficiency class A and limits on the engine capacity of less than or equal to two litres are firmly established in the car policy with regard to company vehicles for persons entitled to use company cars.

### SUBSIDY FOR THE USE OF PUBLIC TRANSPORT

All employees of our Bank and our subsidiaries receive a monthly travel expense subsidy for travelling to their place of work in the gross amount of € 15.34. The prerequisite for this is the submission of proof of purchase of an annual season ticket from a provider of public transport (e.g. HVV, KVG, Deutsche Bahn). In Hamburg, the subsidy entitles employees to participate in HVV's season ticket scheme for major clients.

### Water usage

Our drinking water is purchased mainly from regional suppliers. Fresh water used in 2016 and 2017 to operate the Bank was almost constant at 32,500 m<sup>3</sup>, and the forecast usage for 2018 is also this amount. Total usage of fresh water was 37,000 m<sup>3</sup>, of which approx. 4,500 m<sup>3</sup> was used for operating the “PERLE HAMBURG” shopping passage with the focus on restaurants and cafés.

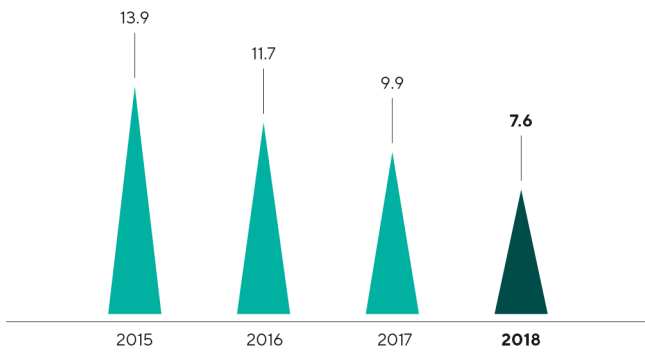
Water usage appears to be marginal based on usage per capita; however, short-term measures have been specified to reduce the usage of fresh water. Waterless urinals were installed in the locations of Hamburg and Kiel in order to be able to reduce usage on a sustained basis.

### Paper consumption

We were able to significantly reduce paper consumption by 44 % in the years 2015 to 2018. Almost all forms of paper used are wood-free and thereby make a significant contribution to the conservation of resources.

#### Paper consumption of Hamburg Commercial Bank

(millions of sheets per year)



Consumption is being steadily reduced by the use of copier centres and a printing shop instead of printers at individual workstations.

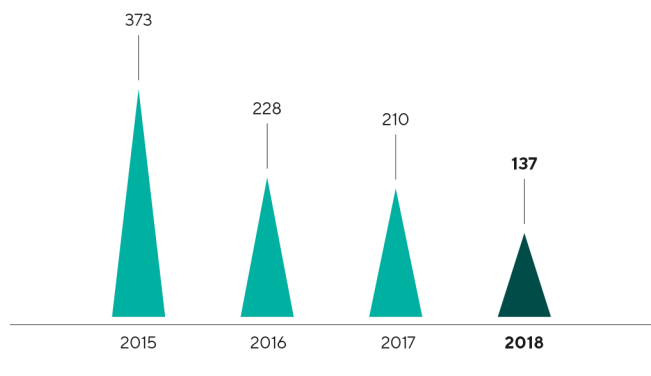
Hazardous waste is taken away and disposed of by waste disposal companies using methods prescribed by law.

### Waste disposal

Waste volume at the Kiel and Hamburg offices has been steadily reduced each year since 2015. In 2016, we had to dispose of a waste volume of 228 tonnes, which was reduced to 210 tonnes in 2017. We were again able to optimise the waste volume at 137 tonnes in 2018.

#### Waste quantities of Hamburg Commercial Bank

(t per year)

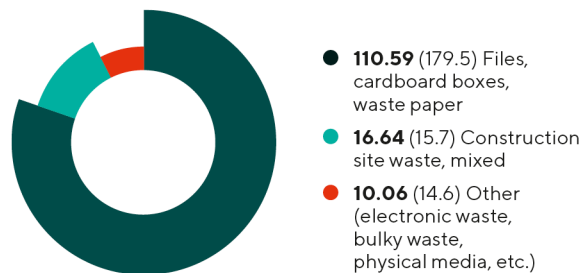


We are trying to encourage each employee to separate waste. Waste paper and other waste can be separated at each workstation. Biodegradable waste and packaging can be disposed of at central sites. Organic waste from the restaurants is delivered to biogas plants and used to generate energy.

The largest waste component is the disposal of paper. As a financial institution, we are required to have sensitive data destroyed in accordance with the German Federal Data Protection Act.

#### Waste quantities by waste type in 2018

(t, previous year figures in brackets)



## Purchasing in energy management

We also take account of energy efficiency when procuring new products and services. Not only the cost alone but also the subsequent costs for energy consumption during the expected period of use are included when comparing possible variants. This results not only in cost savings but also reduces energy consumption at the same time.

We require active support from our suppliers under the so-called Supplier Code with regard to a possible optimisation of our energy usage and consumption as well as our energy efficiency.

## Space management in the context of sustainability

We provide employees at our Head Office and domestic representative offices as well as advisers, auditors and external staff with office space and workstations, which comply with the statutory regulations and occupational safety criteria.

HCOB FM ensures compliance with the statutory requirements and guidelines. HCOB FM is also responsible for planning office space and its equipment on a cost-optimised basis and adapting them to the needs of the departments.

The definition of office space standards in addition to the equipment guidelines such as the standard furniture concept forms the framework for a cost-conscious and efficient planning of office space.

The aim is to use space resources as effectively and efficiently as possible taking account of the statutory and health requirements, social acceptability and Overall Bank objectives. The approved and qualified space required is provided in accordance with the overall concept and periodisation:

- Optimised use of the available space taking account of statutory, health and social acceptance requirements
- Use of vacant space owned by the Group, avoidance of leasing
- Use of vacant space in leased space, if terminations are not possible or uneconomic
- Expansion and leasing for additionally determined space requirements that cannot be compensated after review of further optimisation of workstations and space

## Employee catering and event management

Gastro + Event GmbH of the HCOB FM Group is responsible for the catering in the staff restaurants and cafeterias at the Kiel and Hamburg locations as well as in our bistro in the Schlossgarten Kiel. It is involved in organising events and looks after our guests in our various facilities (conference centre, guest lounges, function rooms) at both locations. Both internal and external seminars are also organised and managed.

Gastro + Event GmbH has been a member of German Institute for Community Catering (Deutsches Institut für Gemeinschaftsgastronomie, DIG) since 2008. Our activities are also based on the DIG guidelines.

- As concerns the products we use, we prefer products of regional origin.
- We encourage vitality and offer enjoyment.
- We live and breathe quality, this begins with procurement and the further processing.
- We add value, as we maintain the ability of our guests to perform and foster communication through our range of services.
- We value our employees, we encourage and challenge them.
- We take responsibility by consciously choosing products and suppliers.

The occupational health management measures are supported by targeted actions (e.g. benefit, Brigitte diet and keep fit in the winter) in the canteens at the Kiel and Hamburg locations.

# How we safeguard the interests of our employees

## Our human resources strategy

The human resource strategy supports the overall bank strategy and provides the framework for operational human resource functions. It attaches great importance to ensuring that quantitative and qualitative staffing levels are in place and to managing and avoiding related personnel risks. This goes hand in hand with the ability to attract and retain motivated and committed employees, also against the backdrop of the challenges of the ongoing transformation process.

The Human Resources division is responsible for its governance function, especially in managing personnel expenses and implementing, complying with and enhancing the legal and regulatory principles and guidelines, e.g. in respect of the German Ordinance on the Remuneration of Financial Institutions (Institutsvergütungsverordnung, InstitutsVergV). Modern and reliable operating processes form the basis for all topics relating to human resource functions.

The planned measures to permanently reduce administrative expenses were again successfully implemented in 2018 as part of the transformation programme. The target for the planned workforce reduction in 2018 was almost reached in a socially responsible manner with the help of the arrangements agreed with the Works Council. The number of employees decreased significantly in line with expectations in the course of the ongoing reduction in staff within the Hamburg Commercial Bank Group. See our 2018 Combined Management Report for further information.

## Employee rights and equal treatment

Co-determination in the workplace and equal treatment have a long tradition in our Bank, which is also valid today and actively practised.

### Co-determination

We encourage and require co-determination. We actively involve our employee representatives and respect the rights of trade unions.

The work of employee representatives includes the democratic scrutiny as to whether laws, regulations, works agreements and collective bargaining agreements are complied with and makes a positive contribution to peaceful co-exis-

tence in the workplace. It encourages, amongst other things, the enforcement of actual equal opportunities between women and men, the promotion of health and safety at work and combating of arbitrary unequal treatment within the company. Our various works agreements represent important rights of employees, especially for social matters, which bind the company, the employee representatives and employer.

As at 31 December 2018 the ver.di trade union is represented on our Supervisory Board by two of its members. In accordance with the Articles of Association our Supervisory Board has been composed of 20 members since 28 November 2018 and, since that date, of 18 members (of which eight from the employee side). An application for the legal appointment of two further representatives from the employee side (an employee of Hamburg Commercial Bank and a representative of the ver.di trade union) has been filed.

### Safeguarding of employee interests by the works councils

There are also employee representatives at FM Holding GmbH and in Luxembourg in addition to the Bank's work councils in Hamburg and Kiel. Against this backdrop a Group works council and a European works council were established. The works councils in Hamburg and Kiel send members to the central works council. The works council elections, which are to be held on a regular basis, took place in 2018.

The Works Constitution Act (Betriebsverfassungsgesetz) forms the basis for the work of the works council. In addition, there are various labour laws, which have an influence on the co-determination of the representation of interests. The collective bargaining agreements for the private banking industry also apply.

The works councils safeguard the interests of the workforce in a number of different ways. These include the following points inter alia:

- The works councils monitor whether laws, regulations, collective bargaining agreements and works agreements are implemented and complied with. In this context, individual works agreements with the employer are revised where appropriate. For example, the central works agreements regarding remuneration systems and data protection may be affected by this.

- The works councils exercise their right of co-determination for, inter alia, recruitment, changes in employment contracts, changes in salaries, organisation of working time including overtime and terminations. Requests of human resources may be refused under certain circumstances in this regard - especially against the backdrop of the agreed and implemented headcount reduction programme.
- Restructuring measures and headcount reduction objectives planned by the Management Board are negotiated and co-determined as part of a reconciliation of interests and social plan. New negotiations were started in December 2018 as part of the transformation programme.
- The works councils assist colleagues upon request in severance talks initiated by the employer, in interviews and job interviews. Colleagues are also supported in the employee appraisal process that is conducted annually, if they so wish.
- The works councils are committed to compliance with environmental protection and occupational safety regulations, accident prevention and promotion of health in the workplace. The works council participates in committee and board meetings in order to initiate or to implement and monitor these and other topics. These are, for example, meetings of the Occupational Safety Committee or the Health Steering Committee.
- The works councils in collaboration with the youth and trainee representative advises the Human Resources division on questions relating to vocational training and education. The works council also co-determines the selection of participants in support programmes.
- Furthermore, the works councils are available at any time for individual talks or counselling sessions with colleagues.

As a rule, the works council hold weekly meetings and advise or decide on the above-mentioned topics.

Meetings are periodically held with the Human Resources division to prepare for and follow up these topics. In addition, the chairmen of the work councils periodically hold meetings with Management Board members or general managers of individual companies.

The works councils endeavour to resolve disagreements and conflicts within the Bank. If this is unsuccessful, clarification is sought before the labour court or through conciliation.

The work councils have a variety of network contacts in place, primarily with the ver.di trade union, which is responsible for banks, but also with work councils of other banks.

The work councils regularly disclose information on their activities, decisions and work. This is done as a rule by monthly publications on its own pages on the intranet, and two to three works meetings at individual locations or companies. There are also further publications issued such as "Aktuelle Stunde", "Cafeteria Talk" or "Afterwork".

The work councils are provided with appropriate offices with the necessary equipment to implement all their tasks and

execute all duties. The administration offices in both the major locations in Hamburg and Kiel are staffed by assistants.

There is also a representative for employees with disabilities in both Kiel and Hamburg. Both form the central representation for employees with disabilities. The respective representative for employees with disabilities attends meetings of the work councils or central work council and also has his own agenda item in the meetings.

The representative for employees with disabilities advise colleagues with regard to applications for disability and equality treatment regarding disability. They advise on the design of work stations for severely disabled persons. They also attend meetings of the Occupational Safety Committee.

## Equal treatment

Equal treatment has a long tradition in our Bank. The federal state equal treatment acts no longer applied to us following the merger of the two predecessor institutions in 2003. The then Management Board Members and works councils voluntarily ensured that the issue of equal treatment was permanently enshrined within the framework of a central works agreement, which still applies to our Bank today. Points from the respective federal state acts on equal treatment of the federal states of Hamburg and Schleswig-Holstein were incorporated into this agreement. However, the stakeholders went far beyond this by very generously establishing, for example, the staff function of equal opportunities officers: there is a full-time equal opportunities officer, who is released from normal duties, and a part-time one in each of the locations in Kiel and Hamburg. The equal opportunities officers were given extensive rights and act independently.

Every four years we draw up with a bank-wide working group an equal opportunity promotion plan, which ensures that women and men are supported on the road to equal treatment at work with appropriate measures. Extensive gender-specific figures, data and facts are reviewed and gender-specific disparities investigated for this. The current promotion plan applies until 2020. An important point is that, for example, this issue is actively supported by the Chairman of the Management Board. It is also laid down that we continue to actively support women and men in all issues relating to the reconciliation of work and family life and also buy in external know-how for this. Female talent at all age levels is actively promoted when filling positions and for target group programmes for personnel development, and increases in working hours of women working part-time are given priority when jobs are re-advertised. We are also a member of "Gender Dax", the gender and diversity project for highly qualified women initiated by Helmut-Schmidt University, Hamburg.

Our equal opportunities officers annually prepare comprehensive equal treatment statistics, which are updated quarterly, discussed with the Chairman of the Management Board

and made available on the intranet to all managers and employees. Our equal opportunities officers have also annually prepared a so-called "remuneration comparison" since 2010 - inspired by the nationwide "Equal Pay Day" -, which compares the salaries/wages of men and women by division depending on job and family status, career level and work duties, the aim of which is to ensure that women and men receive the same pay for the same work. The results of the analysis are submitted to the relevant division management and responsible work councils for acknowledgement and further processing.

As a result of the financial market crisis in 2008 the issue of equal treatment faces significant challenges caused by the extensive restructuring and related reduction in headcount. We take account of this by raising the issue with the Chairman of the Management Board and enshrining the promotion of women in the objectives of the Overall Bank.

*"It is the task of every woman and every man to ensure through their conduct, communication behaviour and commitment that equality of opportunity finds its way into our conscious and unconscious actions and is instilled as something self-evident. This applies especially to the Management Board, managers and members of the employee representation bodies and is reflected in the human resources policy put into practice and the many different decisions to be made on a daily basis." (Excerpt from the central works agreement on equal treatment).*

#### Selected key figures regarding equal treatment

	31.12.2018
Percentage of women in the workforce	42.5 %
Women on the Supervisory Board	15.0 %
Percentage of women managers across all levels	22.0 %
Percentage of women in top specialist functions	35.7 %
Remuneration structure - women's share:	
Tariff salaries	66.5 %
Non-tariff salaries	32.1 %
Use of paternity leave by fathers	25.0 %
Part-time working ratio	26.5 %

#### Equal opportunity statistics as at 31.12.2018<sup>1)</sup>

	Number			Ratio	
	Women	Men	Total	Women	Men
Managers reporting directly	3	16	19	16 %	84 %
Heads of department	9	44	53	17 %	83 %
<b>Total</b>	<b>12</b>	<b>60</b>	<b>72</b>	<b>17 %</b>	<b>83 %</b>

<sup>1)</sup> Head Office excluding employees released from their duties.

### Training and qualifications

Our employees are key for the success of our company. The advancement of our trainees is just as important to us as the continuous development of our employees and managers.

### Personnel development

We support the professional as well as the personal development of our employees in order to promote life-long learning. We offer a multi-faceted internal and external continuing education and qualification programme for this, which is revised each year in line with needs and current topics. The focus of personnel development in 2018 was to strengthen us as a bank and our employees and move us forward in the privatisation process as well as to increase and develop expertise. In addition to specialist and development-based topics a particular focus was the updating of the regulatory requirements through targeted training courses.

Our managers have an important position in the transformation of our Bank. They are expected together with their team to face the challenges of the future. We have supported our managers in their challenging management role during the turbulent times of the privatisation with our 2018 internal seminar programme, which included seminars such as "Lead your employees into a healthy future" and "Resource-based actions - manage yourself and others in a resilient and forceful manner". Forward-looking topics such as "Preparing for managing future generations Y and Z" and "Social media for managers" were a further focus. In 2018, we also continued the individual management development programme (such as coaching) and our "Management Workshops" introduced in 2016, which is an important tool for encouraging the exchange of ideas between management levels and managers.



## Trainee development

Trainee development is an important topic for us and enables us to counteract demographic trends and the increasing average age of our employees. We place great value on top quality training in order to enable young professionals to get a good start to their career from the outset.

We offer young people various entry opportunities. In addition to our commercial vocational training for office management and the combined courses of study for Bachelor of Arts/Science in Business Management/Business Administration and Bachelor of Science in Business Information Systems, we offer internships for students and university graduates as well as an individual 24-month trainee programme in different divisions.

Our bachelor degree students may also complete a bank clerk or computer science apprenticeship in addition to their combined courses of study. In selecting our apprentices and dual students we ensure that there is a fair balance between women and men. The ratio is currently 50/50.

Our trainee concept comprises:

- intensive support during the entire study and training period
- active participation of sandwich students in structuring the training course,
- participation in technical and personal development seminars as well as
- working in a team and project-related tasks.

Everyone who completes their apprenticeship or dual curriculum with a mark of "very good" or "good" receives from us an offer for an unlimited period of time to fill an open vacancy. nine out of the eleven apprentices and dual students accepted this offer in 2018.

We annually offer an internship to around 50 undergraduates and students to enable them to get to know us.

Our two-year training programme is characterised by:

- extensive on-the-job training
- individual support from a mentor
- needs-based further development as well as
- networking.

For several years we have been recognised by trendence Institute GmbH as a "provider of high-quality career-promoting and fair trainee programmes".

19 trainees are currently going through the programme; they started in the autumn of 2017 or 2018. Twelve new trainees will start in the autumn of 2019.

## Health and life-balance

We offer our employees different opportunities to improve their own health or life-balance. We support them with a wide and individual range of services.

Support aligned to the various life phases is important to us, and we therefore regularly adapt our programme and supporting range of services to fit the needs of our employees.

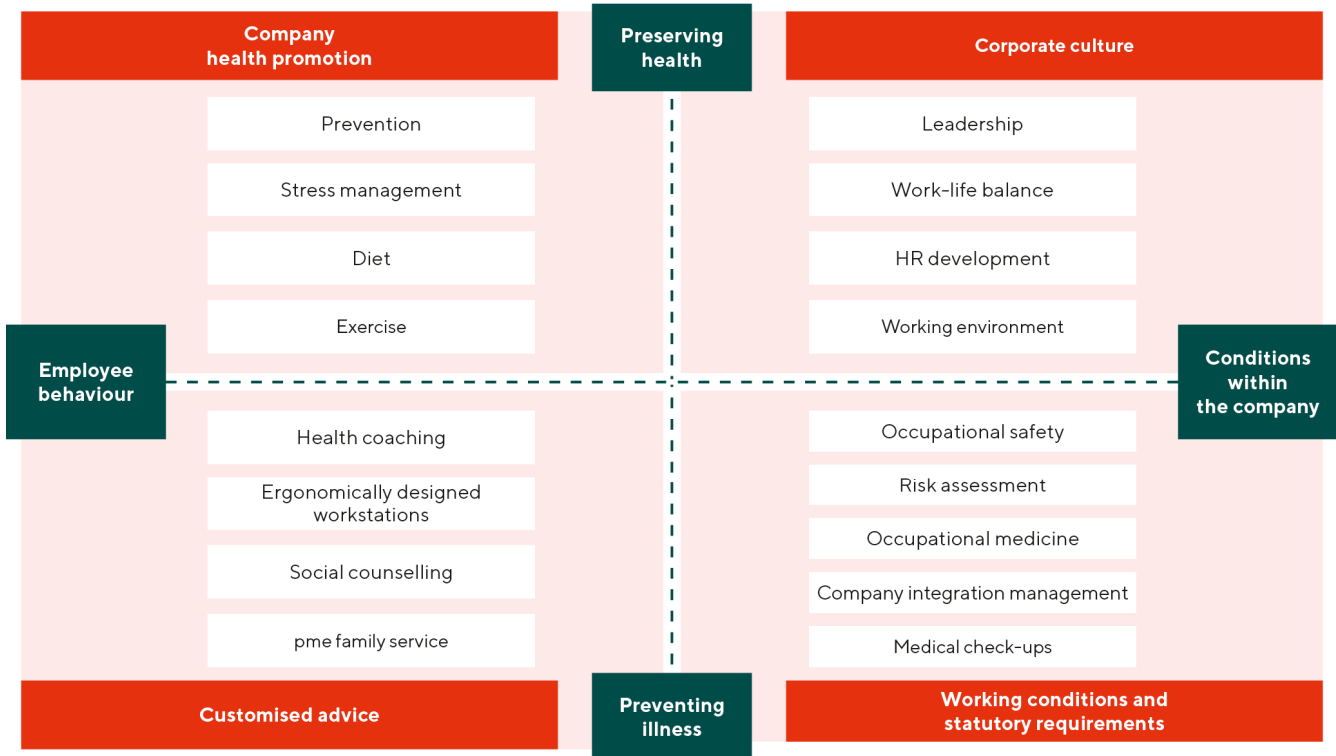
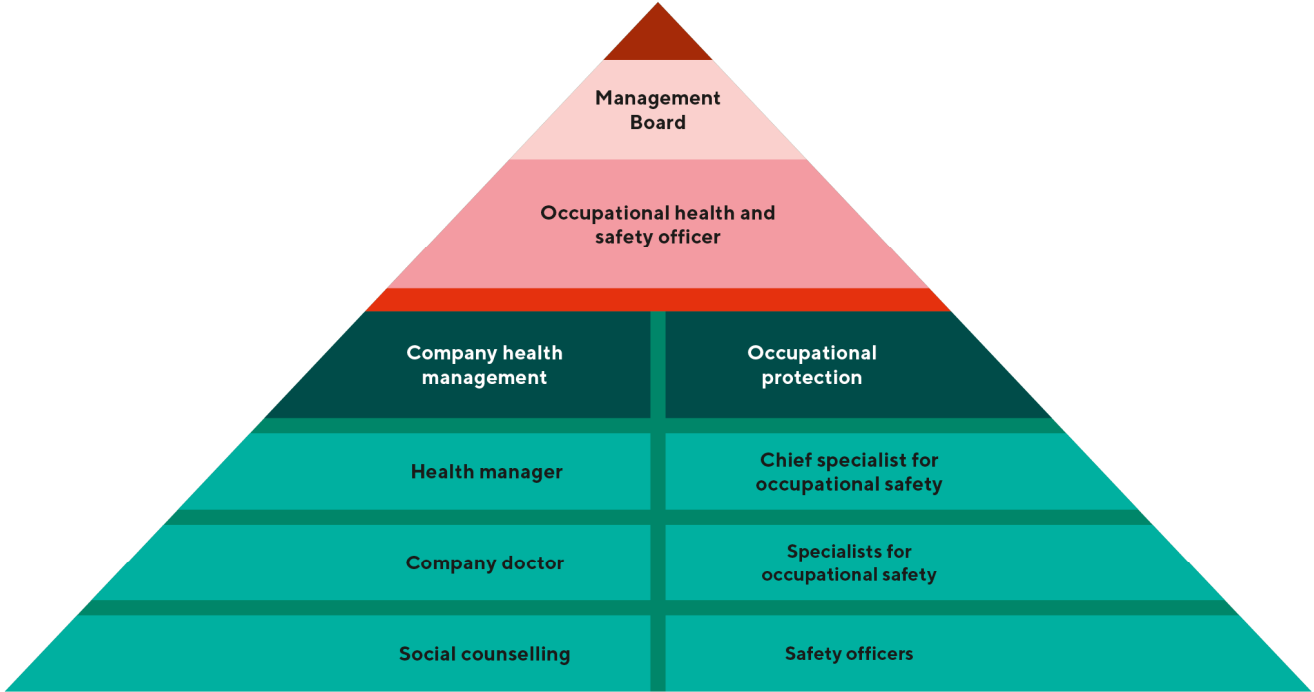
## Promotion of health

Our corporate health management has the task to promote the health and well-being of the employees in the workplace and thereby maintain or increase motivation and performance. Organisationally, all health activities are managed by the Occupational Safety and Health Protection Officer (located in HCOB Facility Management GmbH) and the Healthcare Manager (Human Resources division). The "Health Steering Committee" together various division heads and the works councils is an important driver of the strategy for and direction of our activities.

Our themes are on the one hand behavioural prevention: Individual counselling sessions from health coaching to ergonomic advice are accompanied by a comprehensive range of seminars on corporate health management addressing topics such as stress management, nutritional advice, conflict management and special seminars for managers. On the other, we provide behavioural prevention measures: action regarding the corporate culture addressing topics such as work-life balance and a comprehensive personnel development programme as well as the extensive occupational safety activities addressing such topics as risk assessments, inspections but also occupational medicine and operational integration management. In procedural terms, corporate health management also includes the careful analysis of quantitative key figures and evaluation of our multi-faceted measures in addition to providing information and counselling sessions.

As part of the so-called "health days" we address different health topics and provide various services for this. In 2018, we addressed the topic of stress prevention and health in the office in various formats under the title "Fit in the future" and also gave practical tips.

Our occupational health and safety structure



## Company doctor

As the primary contact person, the company doctor advises and supports all employees in questions regarding occupational and social medicine needs whilst maintaining strict doctor-patient confidentiality. In addition to classical occupational health topics (such as reintegration after a prolonged illness) the competence spectrum also includes all topics relating to situational and behavioural prevention, travel medicine and inoculations for business trips, ergonomic advice and medical advice regarding inspections. In close cooperation with social counselling and our corporate health management the company doctor makes an important contribution to the health of all employees.

## Social counselling

Our social counselling is staffed by a full-time position and a regular contact person at the locations in Hamburg and Kiel, respectively. Employees can get professional help here on the issues of stress, conflicts and difficult situations in the workplace but also on the issues of mental illness, addictions and personal matters. Social counselling also offers psychological emergency help – also for relatives. Referrals are also made to external counselling centres, hospitals or psychotherapists on a case-by-case basis.

Compared to the previous year, the reasons for counselling were more often linked in 2018 to the workplace (41%). The subject of approximately one third of the counselling sessions related to problems with the private environment, other topics were mental problems, long-term or chronic illnesses.

Social counselling is used by both employees and managers. Demand remains high and shows the trust placed in social counselling.

In addition to individual counselling sessions social counselling offers staff and managers seminars on health topics, which are also well attended.

## Occupational safety

We meet the statutory requirements and technical safety standards regarding occupational safety and health protection at all German locations. A comprehensive, complete understanding of safety and health on the part of all employees is our guiding principle for an up-to-date “preventive occupational safety” system.

In order to be able to implement this, specialists employed by HCOB Facility Management GmbH for occupational safety advise and support our managers and staff in all questions, so that they can work and act in a safe, ergonomic manner in accordance with health standards.

In 2018, occupational safety inspections of workstations were carried out in 17 divisions and our managers were advised with regard to their responsibility for occupational safety. The occupational safety specialists also gave ergonomic advice to 240 employees directly at the workstation in order to prevent ergonomic injuries. The ratio of reportable accidents at the Bank was 0.5 % in the reporting year.

For this significant contribution to employee health we received an award in 2010 and 2016 from the Hamburg Office for Occupational Safety for our exemplary occupational safety system. The certificate is valid for six years in each case. In 2018, the certification under DIN ISO 9001:2015 of the occupational safety department of HCOB FM was successfully confirmed.

## Reconciling work and family life

We consider a good balance between work and family life to be essential in order to remain healthy and effective in the workplace. Support in the phase of life involving the caring for children has been a matter of course for us for a long time. The support of employees, who look after relatives who require care, is becoming increasingly important due to the ageing population.

### Caring for relatives

The reconciliation between work and family life will increase in relevance over the coming years as a result of the demographic changes. The average age of our employees is currently 46.0 years (as at 31.12.2018)

We support our employees with different offers. In addition to a regular series of presentations on aspects of care such as dementia but also nursing care insurance benefits or residential formats in old age, there are two “care pilots” in the company, who act as the first contact point and can give practical tips and guidance regarding external referrals.

Furthermore, we have an external service provider in “pme Familienservice”, which advises our employees in all questions regarding nationwide care needs and supports them personally. The information package is rounded off by a comprehensive intranet website, which simplifies the initial orientation and prepares useful information in a well-structured manner.

Over and above the statutory regulations regarding care time and family care time we determined that, in practice, individual solutions for family carers are often a great help. The option is therefore provided for occasional working at home or teleworking or structuring the working time, which is also for a fixed term, so flexibly that work and care can be reconciled in the best possible way.

### All about the child: Child care and other services

The reliable and competent care of children is crucial for working parents in structuring work and family life to the satisfaction of everyone.

We provide free of charge emergency childcare at the Hamburg and Kiel locations – but also for employees in our other branches in Germany – if the regular childcare service is not available. In addition, we also subsidise various holiday programmes for nursery school children and schoolchildren, in particular also for teenagers. The external service provider “pme Familienservice” also offers counselling regarding childcare.

In order to simplify the return to work following a leave of absence we offer various measures for maintaining contact during paternity leave – also during the care period. Our Equal Treatment Officer keeps the employees informed about current news and, for example, job adverts via a weekly e-mail.

Since 2007 we have been awarded the seal of a family-friendly company under the “audit berufundfamilie” (audit of work and family) carried out by the non-profit Hertie foundation. The certification through the seal shall be retained.

### Flexible organisation of working time

A family-friendly human resources policy requires working times to be organised flexibly. Here, we offer a great deal of flexibility with regard to working times, work locations and the organisation of work and have set this out in writing in “flexible working times” central works agreement.

### Part-time working models

As part of paternity leave employees may work part-time for between 15 and 30 hours, which may be individually allocated in consultation with management. Excluding paternity leave

the Act on Part-Time Work and Fixed-Term Employment (Teilzeit- und Befristungsgesetz) and in addition the Act on Bridge Part-Time Work (Brückenteilzeitgesetz) govern the claims of employees; even here, we endeavour to create the greatest flexibility possible regarding the allocation of working time. Part-time employees may also be given priority if they wish to increase their working times.

### Teleworking

We differentiate between occasional work at home and alternating teleworking.

“Occasional work at home” is a very flexible and non-bureaucratic option for working from home. Only the agreement of the direct manager is required for this.

Since 2007 there has been a voluntary central works agreement regarding alternating teleworking in place at the Bank. In this context, alternating means that one working day must be spent in the Bank, so that the exchange of information between manager and employee, between colleagues is ensured.

There are currently still only a few teleworking contracts at the Bank for those who want to primarily work from home, as occasional work at home is predominantly used.

### Employee remuneration

We report on the remuneration of our employees as well that of the Management Board and Supervisory Board in our Combined Management Report 2018 and Notes to the 2018 Group financial statements. We also refer in this regard to the separate **Remuneration Report** required under Insti-tutsVergV, which is published on our website. Information on our **Remuneration Officer** and **Remuneration Control Committee** can also be found there.

## Selected key personnel figures

### Part-time working model allocation 2018

(Number of employees)		Male			Female			Male and female			Proportion of women
Designation	PT <sup>1)</sup> (m)	FT (m)	Total (m)	PT <sup>1)</sup> (f)	FT (f)	Total (f)	PT <sup>1)</sup>	FT	Total		
Head Office	103	864	967	410	305	715	513	1,169	1,682	45.5 %	
ALS/Branches	0	21	21	2	14	16	2	35	37	43.2 %	
Consolidated subsidiaries	21	134	155	76	34	110	97	168	265	41.5 %	
Group (consolidated)	124	1,019	1,143	488	353	841	612	1,372	1,984	42.4 %	

<sup>1)</sup> PT includes, inter alia, employees on parental leave and employees with long-term illnesses.

### Part-time working model allocation 2017

(Number of employees)		Male			Female			Male and female			Proportion of women
Designation	PT <sup>1)</sup> (m)	FT (m)	Total (m)	PT <sup>1)</sup> (f)	FT (f)	Total (f)	PT <sup>1)</sup>	FT	Total		
Head Office	131	950	1,081	461	350	811	592	1,300	1,892	42.9 %	
ALS/Branches	3	23	26	3	16	19	6	39	45	42.2 %	
Consolidated subsidiaries	23	151	174	90	43	133	113	194	307	43.3 %	
Group (consolidated)	157	1,124	1,281	554	409	963	711	1,533	2,244	42.9 %	

<sup>1)</sup> PT includes, inter alia, employees on parental leave and employees with long-term illnesses.

### Employees in the Group

	31.12.2018	31.12.2017
<b>Full time employees (FTE) in the Group<sup>1)</sup></b>	<b>1,716</b>	<b>1,926</b>
of which: Women	631	719
of which: Men	1,085	1,207
of which: Employees in Germany	1,648	1,838
of which: Employees abroad	68	88
<b>Total number of employees in the Group ("headcount")</b>	<b>2,021</b>	<b>2,295</b>
<b>Key employee figures</b>		
Part-time employees (%)	26.7	26.7
Average age in years <sup>2)</sup>	46.0	45.9
Average period of employment in years	14.8	14.5

<sup>1)</sup> Total number of employees excluding trainees, temporary staff and interns.

<sup>2)</sup> Only headquarters, excluding branches and subsidiaries.

# How we engage in society

Based on the firm conviction that success should not only be measured by economic indicators, we fulfil our social responsibility in Hamburg and Schleswig-Holstein. To bring people together and promote cultural as well as social activities – that is our tradition. With the Schleswig-Holstein Music Festival, Elbphilharmonie Foundation and Hamburg Commercial Bank Run we have been promoting important events for the North for many years. At the same time, we support the Herz As initiatives in Hamburg and the Hempels Club in Kiel, both of which support the homeless and socially disadvantaged. We do all this, because we consider it right, because it is part our remit as a company. And because we enjoy doing it.

You can learn more about our sponsoring and the Hamburg Commercial Bank Art Foundation on our website.

## Sport

### Hamburg Commercial Bank Run

We support the largest corporate run in North Germany as name giver, sponsor and running team. Since 2004 we have been the constant partner of the Hamburg charity run and, since then, have raised € 1.7 million in donations for the “...und los. Kids in die Clubs” initiative through the Hamburg Commercial Bank Run. This enables around 10,000 socially handicapped children and young people annually to be members and use the facilities of a sports club.

## Science & Business

Hamburg and Schleswig-Holstein are our home. A key focus of our business activities is here. And the focus of our sponsoring projects and initiatives is also here. We present a selection of them below.

### Future Conference

Making the correct decisions for sustainable success in the future is also of vital importance for our work. And that is why we are involved as a partner of the Future Conference held by “brand eins” on the topic of “Adaptability – What we need to get moving. And to keep moving”.

### New Year Reception of Bundesverband Erneuerbare Energien e.V.

Around 1,500 representatives and experts from the industry sector met at the beginning of 2017 at a New Year reception given by the Federal Association of Renewable Energies (Bundesverband Erneuerbare Energien, BEE). In addition to current topics of the industry sector they discussed the pressing challenges regarding the use of wind energy, new technologies in the area of renewable energies, the scepticism about the energy turnaround and tougher and faster competition.

## Culture

### Elbphilharmonie – “Classic Sponsor”

Our social engagement has substance. Besides the social sphere it also extends to culture. We are a founding member of the Elbphilharmonie and have made a contribution to excellent concerts in Hamburg since 2005. We also support the Elbphilharmonie programme as a “classic sponsor”.

### Ensemble Resonanz

The Ensemble Resonanz presents classical music as a living art form. The programme ideas of the musicians put old and new music into context. As sponsor of the Ensemble Resonanz season we enabled the Ensemble to take up residency in a small hall at the Elbphilharmonie in Hamburg.

### Schleswig-Holstein Music Festival

As one of the main sponsors of the Schleswig-Holstein Music Festival (SHMF) we support the programme diversity of the SHMF. Sponsoring also includes the Leonard Bernstein Award of € 10,000, which is awarded each year by the Savings Banks Finance Group in collaboration with the SHMF.

## Foundations

As part of our social engagement it is important to us to enable the general public in Hamburg and Schleswig-Holstein to also access classical music, visual arts and the important history of the shipping industry, especially for North Germany.

That is why we always take an active role in various foundations as a benefactor and in the committees of the foundations. The formation of, inter alia, the **Elbphilharmonie Foundation** or the **Hamburg Commercial Bank Art Foundation** was supported by the provision of foundation capital. The secondment of competent employees to foundation bodies means that the foundations acquire extensive know-how and reliable support from the Bank for achieving the goals of the foundations. Our membership in numerous non-profit organisations supplements our social engagement.

### **Hamburg Commercial Bank Art Foundation**

We promote contemporary visual arts and culture in Schleswig-Holstein through the independent art foundation (Kunststiftung) with close links to business. The foundation enables a curator to develop and implement an arts programme in line with the foundation's purpose. The foundation's purpose is mainly realised through measures that promote talented young artists, it does not include the purchasing of works of art. Eduard Thomas, director of the Mediendom at the Kiel University of Applied Sciences was able to convince the board of trustees with his project proposal to use the funding for 2018 to explore the question

"How real is the future?". This resulted in the film "HoloSense - All Eyes on You", which was made by four students at the Kiel University of Applied Sciences. It provides a view into a transparent future and its aim is to make the audience reflect. In the project the audience is immersed into the centre of the action using virtual reality (VR) glasses.

### **Donations**

We have laid down donation principles for making donations, which are embedded in our written rules of procedure. Under these we do not make any donations to public authorities (e.g. public officials), political parties, individuals, voters' associations or subdivisions of the afore-mentioned.

### **Hempels e.V./HerzAs**

During the winter months we have supported two soup kitchens, HerzAs in Hamburg and Hempels in Kiel, with donations of food and also staff. Many volunteers also showed great interest in continuing to help. In Hamburg as well as Kiel working groups have been formed who, together with Hempels and HerzAs plan and carry out actions.

# Supplementary information

## German Sustainability Code

This Corporate Social Responsibility Report 2018 is based on the criteria set out in the German Sustainability Code in accordance with Section 289d of the German Commercial Code. The German Sustainability Code (GSC) is an internationally applicable reporting standard for sustainability aspects. 20 criteria are defined for sustainability reporting in the GSC. The reporting standard for companies is that the information and data provided for the understanding of the business developments, business results, company's situation and impact of the business activities on the relevant sustainability aspects is material.

In principle, the system of "comply or explain" stipulated by the legislator shall apply (Section 289b et seqq. of the German Commercial Code, in particular Section 289c (4) of the

German Commercial Code), i.e. fulfilling the reporting aspects or declaration why these are no longer reported.

The aspects prescribed by the legislator for the non-financial declaration are:

- Environmental aspects
- Employee interests
- Social concerns
- Respect for human rights
- Combating bribery and corruption

The 20 criteria are used to fulfil the reporting requirements for these non-financial aspects. We refer you to the GCS website for further information on the German Sustainability Code.

In the following table we have indicatively assigned the criteria to the relevant individual sections:

### GSC criteria in the CSR report (indicative)

Serial. no.	Criterion	Section name in report
0	General information	Who we are
1	Strategic analysis & action	What sustainability means to us
2	Materiality	What sustainability means to us
3	Objectives	What sustainability means to us
4	Depth of the value chain	How we manage sustainability aspects
5	Responsibility	How we manage sustainability aspects
6	Rules and processes	How we manage sustainability aspects
7	Control	How we manage sustainability aspects
8	Incentive systems	How we safeguard the interests of our employees
9	Stakeholder engagement	How we manage sustainability aspects
10	Innovation and product management	How we manage sustainability aspects
11	Usage of natural resources	What we do to protect the environment
12	Resource management	What we do to protect the environment
13	Climate-relevant emissions	What we do to protect the environment
14	Employment rights	How we safeguard the interests of our employees
15	Equal opportunities	How we safeguard the interests of our employees
16	Qualifications	How we safeguard the interests of our employees
17	Human rights	What sustainability means to us; How we manage sustainability aspects
18	Corporate citizenship	How we engage in society
19	Political influence	How we manage sustainability aspects
20	Conduct that complies with the law and policies	How we manage sustainability aspects



## Selected certifications and awards received by Hamburg Commercial Bank

### Overview of certifications & awards

Company	Award/Certificate	Comments
Hamburg Commercial Bank AG	DIN EN ISO 50001	Energy management system
HCOB Care + Clean GmbH	DIN EN ISO 50001	Energy management system
HCOB Gastro + Event GmbH	DIN EN ISO 50001	Energy management system
HCOB Move + More GmbH	DIN EN ISO 50001	Energy management system
HCOB Facility Management GmbH	DIN EN ISO 50001	Energy management system
HCOB Facility Management GmbH	DIN EN ISO 9001:2015	Quality management system
HCOB Care + Clean GmbH	DIN EN ISO 9001:2015	Quality management system
HCOB Move + More GmbH	DIN EN ISO 9001:2015	Quality management system
Hamburg Commercial Bank AG	Urkunde Umwelt Partnerschaft Hamburg	Member through further voluntary environmental energy system ISO 50001
Hamburg Commercial Bank AG	Occupational safety recognition	Operation with exemplary occupational safety
Hamburg Commercial Bank AG	Audit seal work and family life	Seal of the non-profit Hertie Foundation
Hamburg Commercial Bank AG	"Provider of high quality career-promoting and fair trainee programmes"	Award from Absolventa GmbH
Hamburg Commercial Bank AG	"Fair Company Certificate: Employer Initiative for Fair Internships"	Voluntary self-commitment as defined by the Fair Company initiative to comply with Fair Company rules or the Fair Company Code of Conduct

For us, sustainability is part of everyday life. This is confirmed among other things, by the certifications received by the Bank

for its quality management system, energy management system and exemplary occupational safety.

### Useful links

- [Group Reporting](#)
- [Investor presentations](#)
- [Corporate Governance](#)
- [Code of Conduct](#)
- [Sport-Sponsorship](#)
- [Culture](#)
- [Science and Industry](#)

# Audit of the non-financial report

Under Section 171 of the German Stock Corporation Act (AktG) the **Supervisory Board** has to audit the separate non-financial report (Section 289b of the German Commercial Code) and the separate Group non-financial report (Section 315b of the German Commercial Code).

The Supervisory Board has audited the CSR Report 2018 of Hamburg Commercial Bank, which is our combined separate non-financial report, in its meeting held on 27 March 2019 approved it for publication for the purposes of fulfilling the requirements for the non-financial report in accordance with Sections 315b, 315c in conjunction with 289b-e of the German Commercial Code.

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## Notice

The Corporate Social Responsibility Report 2018 was published on 12 April 2019 and is available only for downloading on the Internet under **www.hcob-bank.com**.

This 2018 report on our Corporate Social Responsibility was prepared in accordance with the requirements set forth in Sections 315b, 315c in conjunction with 289b bis 289e German Commercial Code (HGB) and is therefore our combined separate non-financial report for the Hamburg Commercial Bank Group and Hamburg Commercial Bank AG.

The report on sustainability aspects is not exhaustive. Furthermore, we refer in this regard to our 2018 Annual Report and the current Remuneration Report.

This is an English translation of the original German report, in case of doubt the German version shall prevail.

## Forward-looking Statements

This report includes forward-looking statements. These statements are based on our beliefs and assumptions as well as conclusions drawn from information currently available to us from sources that we consider to be reliable. Forward-looking statements contain information that does not simply reflect historical facts, including information, relating to possible or anticipated future growth and future economic developments.

Such forward-looking statements are based on a number of assumptions concerning future events and are subject to uncertainties, risks and other factors, many of which are beyond our control. Actual events may therefore differ considerably from forward-looking statements previously made. In view of this, you should never rely in an inappropriate degree on forward-looking statements. We cannot accept any liability for the accuracy or completeness of these statements or for the actual realisation of forecasts made in this report. Furthermore, we are not required to update the forward-looking statements following the publication of this information. In addition, information contained in this report does not represent any kind of offer for the acquisition or sale of any type of securities of Hamburg Commercial Bank AG.

## **Hamburg Commercial Bank AG**

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