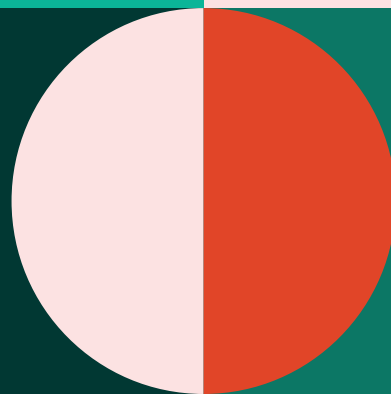


Corporate Social Responsibility

2019 CSR Report of Hamburg Commercial Bank



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Please note:

This 2019 Corporate Social Responsibility Report of Hamburg Commercial Bank (CSR Report) is intended to meet the requirements set forth in Sections 315b, 315c in conjunction with Sections 289b to 289e of the German Commercial Code (Handelsgesetzbuch, 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.

Key figures

Statement of Income

(€ m)	31.12.2019	31.12.2018
Net income before restructuring and transformation	143	621
Net income before taxes	77	97
Group net result	12	77

Balance sheet

(€ bn)	31.12.2019	31.12.2018
Reported equity	4.4	4.4
Total assets	47.7	55.1
Business volume	55.6	64.5

Capital ratios & RWA¹⁾

	31.12.2019	31.12.2018
CET1 capital ratio (%)	18.5	18.4
Overall capital ratio (%)	23.5	23.3
Risk-weighted assets (RWA) (€ bn)	21.0	22.1

¹⁾ Not in-period: regulatory disclosure pursuant to the CRR (balance sheet valuations as at the reporting date only included in part).

Employees

(computed on a full-time equivalent basis)	31.12.2019	31.12.2018
Total	1.482	1.716
Domestic	1.421	1.648
Foreign	61	68

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 Pfand- briefe	Mortgage bonds	Ship mortgage bonds
2019	CCC	BBB	B	CCC
2018	B	A	BB	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.

Foreword of the Management Board



Dear Readers,

The successful privatisation of the Bank gave us a major boost last year and came hand-in-hand with more than a few emotional moments. These provided us with a source of motivation well into 2019. At the same time, 2019 was a year characterised by a challenging agenda. This comes as little surprise given our objective to turn Hamburg Commercial Bank into one of the best banks in Germany. In order to achieve this, we continued to forge ahead with our far-reaching, long-term transformation process in 2019. At the same time, we successfully held our own in the market. This also involved substantially improving the refinancing options available to us: the Bank has made a successful return to the capital market and is a fully accepted market player.

Having been heavily involved in the Bank's privatisation over the last few years, we made a real effort in 2019 to bring our activities more closely into line with ESG criteria – ESG stands for Environmental, Social and Governance and encompasses the entire spectrum of sustainable corporate governance. By focusing more strongly on ESG criteria, we are making a key contribution to the Bank's future viability. This year, we are starting to incorporate corresponding aspects into our lending process.

For us, there is no doubt that companies have to rise to the challenges posed by climate change – as laid down in the Paris Agreement, among others – and respond to the changes in overall social environment. These efforts are expressed, by way of example, in the “Sustainable Development Goals” of the United Nations and in the European “Green Deal”. In this process, we are aiming not only to live up to our social responsibility, but also to take advantage of the opportunities that sustainable management offers.

The aim of the far-reaching transformation process that HCOB is currently involved in is to use all available resources as effectively and sensibly as possible. For us, it is not primarily a question of quantity, but rather of the quality of our business. Specifically, this means that any business we enter into must comply with our stringent risk-return guidelines, which we tightened up further in the second half of 2019. This was our reaction to the deteriorating economic situation. Further developments since then strengthened our cautious stance.

This approach is associated with a clear focus on industry sectors in which we have proven expertise and which offer good growth prospects. This includes the area of renewable energies – we are one of the pioneers in Germany when it comes to project financing for wind power plants and one of the leading banks in this sector, making an important contribution to climate-friendly energy generation. We also finance


state-of-the-art, energy-efficient buildings featuring innovative technology in the real estate sector. Our financing activities in the shipping sector are helping to modernise the fleet and reduce both fuel consumption and pollutant emissions.

For us, sustainability also, however, means that the company cars we use consume little fuel, that the lighting systems in our offices are energy-saving systems and that we reduce paper consumption by cutting our printer capacities. Especially in phases of upheaval, which at HCOB are associated with significant staff reduction measures resulting, in turn, from the downsizing of our business activities, our employees' health can be put under particular strain. Making an appropriate health management system available, including social counselling, is a matter of course for us.

Even during the comprehensive transformation process and in a rapidly changing banking landscape characterised by considerable competitive pressure, we are not neglecting our social commitment. As a company, we want to give something back to the society that makes our business possible – this applies to both the social and the cultural sphere. For example, the Hamburg Commercial Bank Run, has been contributing to enabling children and young people from socially disadvantaged families to participate in sport at clubs since 2002. We also support culture, and affordable access to culture, through our commitment to the Elbphilharmonie Foundation.

Sustainability means treating all resources with care and respect – we aim to ensure that this maxim is firmly incorporated into the Bank's DNA. We are committed to turning this aim into a reality.

Yours sincerely



Stefan Ermisch
Chairman of the Management Board

Who we are

Hamburg Commercial Bank AG, formerly HSH Nordbank AG, is the first privatised Landesbank and is managed in the legal form of a German public limited company. The Bank has its registered office in Hamburg.

Hamburg Commercial Bank is one of the leading banking partners for upper medium-sized companies in the core region of Northern Germany. The Bank is also active throughout Germany in the Real Estate, Project Finance, Corporate Banking & Advisory and Shipping segments. In the project and real estate financing business, as well as in the newly established Diversified Lending division, the focus is also on other European countries and selected international markets. The Bank conducts business with shipping clients throughout the world.

The Bank still has branches abroad, namely in Athens and Luxembourg, in line with its focused direction. The Singapore branch is to be closed in the 2020 financial year. In Germany, the Bank has offices not only in Hamburg, but also in Berlin, Düsseldorf, Kiel, Frankfurt am Main, Munich and Stuttgart.

Based on conventional loan financing, Hamburg Commercial Bank offers supplementary payment transaction and capital market-related products, as well as individual financial solutions for its clients. The operating business activities of Hamburg Commercial Bank are divided into the following four segments: Corporates & Structured Finance (formerly Corporate Clients), Real Estate, Shipping and Diversified Lending & Markets (formerly: Treasury & Markets).

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 %

New Bank and transformation programme

The sale of the former HSH Nordbank AG marked the first successful privatisation of a Landesbank in Germany. At the same time, this represents the turning point in the realignment of the Bank, which has been operating on the market under the new name Hamburg Commercial Bank AG since it was re-named on 4 February 2019.

The Bank's realignment, supported by the strong commitment of its international owners, is associated with a far-reaching and comprehensive transformation phase spanning a period of several years, the objective of which is to make the Bank's business model customer centric and competitive in the long run. This realignment is reflected, first of all, in solid financial key figures which Hamburg Commercial Bank has defined as part of its strategic target vision. On the basis of the current corporate plan, the Bank is aiming for a CET1 ratio of around 20 %, an NPE ratio of no more than 2 %, a cost-income

ratio in the middle of the 40 %-50 % range and pre-tax profitability of more than 8 %.

In order to achieve its strategic objectives, which should enable the Bank to achieve a seamless transition to the deposit guarantee fund of private banks at the beginning of 2022, the Bank has implemented a comprehensive transformation programme as part of its realignment. All of the strategic measures that form part of the transformation project are geared towards achieving this target in full by 2022 at the latest. Further information on the packages of measures resulting from the transformation programme can be found in the 2019 combined management report. As part of the comprehensive realignment process, the existing approaches to sustainability are being supplemented and developed further in order to make the Bank fit for the future.

Our core business areas

Our strategic business areas are split into the following segments: Corporates & Structured Finance, Real Estate, Shipping and Diversified Lending & Markets. These segments will be continuously developed in order to adjust their portfolios and positioning to the changing underlying within society, politics, the regulatory environment and the competitive landscape - this also includes the targeted further development of the loan portfolio with regard to ESG criteria. 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 2019 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 2019 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 2 et seqq. of the Combined Management Report. The description of the business model forms part of our non-financial report.

Corporates & Structured Finance

The Corporates & Structured Finance segment is split into the Corporate Banking & Advisory, Project Finance, Business Development & FIG (Financial Institutions Group), as well as Global Sales & Syndicate divisions.

The Corporate Banking & Advisory area is well diversified. In addition to the corporates teams, which are divided by region, it also includes the advisory areas of Structured Finance, Leveraged Buy-out, Mergers & Acquisitions, Factoring and Leasing. 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. We are not restricted geographically to our North German home market but also successfully conclude transactions throughout the entire Federal Republic of Germany.

In the Project Finance area, we support projects from a whole range of renewable energy and future-oriented infrastructure segments, as well as the associated corporate clients. We offer excellent sector, product and advisory expertise in this area. More than 70 % of our portfolio meets the requirements of "qualified infrastructure" and symbolises the standards of sustainability that Hamburg Commercial Bank is striving for.

The Business Development & FIG area is a product specialist for payment transaction and trade finance products, and is responsible for providing client support for savings banks, banks and institutional clients.

In addition, the sales activities involving capital market-related products and payment transaction products, with an adjusted, forward-looking product range, and syndication activities are combined in the Global Sales & Syndicate area.

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 headquarter in Hamburg, we have offices and regional expertise in Berlin, Düsseldorf, Frankfurt, Kiel, Stuttgart and Munich. Our solid client base includes renowned investors, who we support in their projects in the German real estate market. In addition, we started supporting selected clients in their international activities last year, the focus being on European metropolitan regions. 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.

Diversified Lending & Markets

The Diversified Lending & Markets segment comprises the business activities from the Diversified Lending and Capital Markets areas.

The new Diversified Lending business unit, which was established on 1 December 2019, is currently being set up. The focus here is on the international corporates business and special situations in the form of the exploitation of business opportunities in other European countries. Thanks to its international focus, the area will also contribute to the diversification of the Bank's portfolio in future.

Capital Markets manages strategic investments and is responsible for the treasury function, including the central management of the Bank's liquidity and market price risks, the management of the cover pool and issuer activities.

The central importance of the treasury function for the Bank's success is also demonstrated by the sustained significant strengthening of the funding base thanks to the successful placement of a senior preferred issue in the 2019 financial year.

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 had given rise, for both the Bank and our former federal state owners, to write-downs running into the billions, which became an enormous financial burden in the shipping crisis that started in 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. In other words, Shipping will enter into new business on a completely different foundation than before – with sharpened risk awareness and the focus on successful companies with a resilient business model. Our loan volume in the shipping segment was around €5.3 billion at the end of 2019. 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

The successful privatisation of our Bank and the restructuring and transformation process supported by our new owners were clearly the focus of our activities in the past financial year. For us, sustainability means future viability. We are using the far-reaching transformation process to make the Bank customer centric, profitable and sustainable.

In the second half of the year, the focus increasingly shifted to addressing the risks and opportunities associated with climate change as an opportunity to rethink and expand the Bank's scope of action with regard to sustainability. Regulatory impetus from the supervisory authorities, the extensive debate on climate change within society and, among other things, the EU Green Deal initiative and the associated calls sent out to the financial industry provide a source of inspiration, but also entail an obligation to rethink the role played by the Bank. At the end of the reporting year, an interdisciplinary project was launched under the auspices of the CEO. The aim of the project is to identify specific recommendations for action for the future strategic orientation of Hamburg Commercial Bank, focusing on the opportunities and risks involved. The foundation of our further development is made up of existing client relationships, business areas and our tried-and-tested principles, which are to be refined further on an ongoing basis. In the future, the aim will also be to support our clients in their sustainable development process and, at the same time, to build up a portfolio that is very well positioned from an ESG perspective in the medium term.

We will implement the reorientation process we have embarked upon in our business model in the course of this year, refining it further over the next few years, and will expand our strategic target orientation to include new perspectives developed on an ongoing basis. The ESG criteria form a key point of reference in this regard. We bear the importance of ecological and social sustainability in mind in all of our business activities. This is a key element of our Code of Conduct.

The German Sustainability Code (Deutscher Nachhaltigkeitskodex, DNK) served as the guide for our reporting pursuant to Section 289b of the German Commercial Code (HGB). 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

As a financing specialist for enterprises, we are one of the more important employers and companies in Northern Germany. In addition to our activities as a financing specialist, our business operations 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; we make clear, binding commitments in keeping with the Hanseatic tradition and develop with our clients over the long term. We are operating in an ambivalent environment characterised by sometimes competing financial and social challenges that are also arising as a result of climate change. Reliability and sincerity is the basis for the solution-oriented approach we aim to adopt vis-à-vis our clients. 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 make sure that we act in an economically sustainable manner to ensure that we can increasingly align ourselves with the profile of a financial service provider that ties in with the vision and the action plan of the EU Green Deal in the future, too. 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 of our projects in the wind and solar sectors is around €4 billion. This allows us to make a valuable contribution to reducing CO₂ 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 PPA and ECA studies – issued at various events and conferences.

Focus: Infrastructure & logistics

Good infrastructure is the backbone for the development of an efficient economy. We help to ensure this with our over 20 years of experience. 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. We again provided capital in the railway sector, both in the freight and locomotive sectors, financing environmentally-friendly means of transport. The Bank has meanwhile gained a special reputation for projects to develop modern fibre optic technology in Europe. We are also focussing 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 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 also charter rates and ship values stabilised again in 2018 and 2019 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;
- 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 2019 Combined Management Report as well as on our website.

Sustainability strategy & objectives

Our **Code of Conduct** is the central frame of reference for our activities. It 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 HCOB’s 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. Clear, direct and open communication among all employees, as well as an understanding of, and shared responsibility for, the risks entered into when tapping into the potential offered by new products, markets and distribution channels are a prerequisite for an effective risk management system. Accordingly, the transparency, accountability and clarity of the principles are key requirements for achieving this objective.

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 and a Code of Conduct setting out core values 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 Risk Control and Non-Financial Risk & Compliance business units are responsible as separate functions 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 preventive 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 **10 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 Non-Financial Risk & Compliance business unit uses different tools for controlling reputation risks. Firstly, there are clear instructions and regulations for the Bank as to how the determination is to be made and, where necessary, how the required coordination is ensured in the Bank 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, Non-Financial Risk & Compliance periodically collects individual reputation-relevant indicators based on the SREP Guidelines.

The internal OpRisk Steering Committee, which at the same time is the decision-making body for the incurring of reputation risk, reviews 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 in principle not to be 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 2019 Combined Management Report 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 thematical 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 Non Financial Risk & Compliance, Risk Control, Bank Steering and Human Resources divisions in particular, as well as HCOB Facility Management GmbH, are responsible. In order to take even greater account of the importance of this topic in the future, to meet regulatory requirements and, at the same time, to support the visions and measures set out in the EU Green Deal with a visible commitment, we launched an interdisciplinary project under the patronage of the CEO towards the end of the reporting year. The aim of the project is to identify recommendations for action for the future strategic orientation of Hamburg Commercial Bank and to systematically anchor them in our strategy process in the future.

For us, sustainable corporate management is more than simply complying with laws. We have voluntarily recognised the German Corporate Governance Code (GCGC) 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 GCGC recommendations have been or will be complied with and which recommendations have not or will not be applied. As a non-listed company, we voluntarily issue this Declaration of Conformity. Please see also our 2019 Annual Report and website.

Consistent in dealing with rules and standards

The trust of our clients and employees as well as public perception is 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, information security, 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.

Legal and regulatory compliance

The Non-Financial Risk & Compliance business unit monitors the legal and regulatory compliance of the Bank and its 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.

As part of the central legal monitoring, the 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 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 ombudspersons 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 Non-Financial Risk & Compliance business unit 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 (97 % completion rate in 2019 without the need for escalation).

Tax questions and issues

The guideline regarding involving/informing the Legal, Board Office & Taxes business unit in tax questions and issues (“Involvement Guideline”), which is part of our written rules of procedure, ensures that our Legal, Board Office & Taxes business unit 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.

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 with the data protection requirements, primarily those set forth in the European General Data Protection Regulation (GDPR) 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 its employees as well as 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 (“the party concerned”) 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 Risk Officer (CRO) 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.

Different functions were combined in the second line of defence in 2019 – including information security – in the Non-Financial Risk department.

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 ISO27001, 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 involves ongoing measures to raise awareness among our employees of the risks arising from cyber attacks and infringements of our protection objectives.

Existing threats are reported on the Bank’s intranet site on a regular basis. In addition, targeted measures are also organised for the employees of the Bank, in particular to illustrate the possible consequences of reckless and gullible behaviour by individuals. Online training regarding information security focusing on social engineering has also been implemented.

Products

We have adopted a guideline for transactions in new products and new markets (NPNM), which forms part of the Bank's 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 € 140 million.

The purchase of these services is governed by the "HCOB 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, service and ISO standards
- Banking rules regarding environmental protection and occupational safety

All employees involved in the purchasing process must also comply with existing laws, regulations and rules as well as internal organisational instructions.

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 works hand-in-hand with the specialist departments involved to exclude suppliers that 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 business unit responsible for placing the order, 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 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 "Husum Wind" trade fair and the Expo Real (Munich). In addition, we also initiated the health strategy day (Hamburg, May 2019).

We regularly invite our clients to events 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. It is also the task and objective of the Central Complaints Management department 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 Bank's risk management and
- use the complaints as an information source for possible optimisation potential.

Industry studies

We publish regular industry-related studies that we make available on our website, for example "Corporate PPA - Going Green" or "ECA financing of wind energy projects with export credit agencies".

Owners/shareholders

We are a German public limited company and, as such, liable to our shareholders. Since 28 February 2018, the four US financial investors, Cerberus Capital Management, J.C. Flowers, GoldenTree Asset Management, Centaurus Capital and the Austrian company BAWAG, have been the owners of Hamburg Commercial Bank AG.

Our new owners are some of the most experienced financial investors in the banking sector worldwide, with activities, for example, with NIBC in the Netherlands and BAWAG in Austria.

Employees

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

Association memberships

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 scheme of the Savings Bank Finance Group (Sparkassen-Finanzgruppe, SFG) will continue 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.

We are also a member of the Association of German Pfandbrief Banks (Verband deutscher Pfandbriefbanken e.V., vdp). Our extraordinary membership of the German Association of Public Sector Banks (Bundesverband Öffentlicher Banken Deutschlands e. V., (VÖB) ended on 31 December 2019.

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 Steering business unit available for this dialogue, who regularly exchange information with the analysts at the rating agencies.

Sustainability rating

Our performance in terms of ESG (environment, social, governance) is evaluated by sustainability rating agencies. We are in a dialogue with the sustainability rating agency imug. In a "stress test" conducted by imug (imug Impulse 2019), our sustainability rating was lowered slightly in some cases compared with the previous year and confirmed in the final imug sustainability rating in March 2020 (see page 2 for details). We are striving to improve our sustainability rating by continuing to approach our ESG commitment in a transparent manner and by making sustainability a more firm component of our strategy. The current rating results are listed in the overview of our key figures as well as on our website.

Supervisory authorities

We are in constant contact with national and international supervisory authorities, particularly the European Central Bank (ECB), the German Federal Financial Supervisory Authority (BaFin) and the Bundesbank, but also with the supervisory authorities of our international branches. Within the Legal, Board Office & Taxes business unit, there is the Regulatory Affairs unit that acts as our central key account vis-à-vis the supervisory authority and is responsible for ongoing dialogue with these stakeholders.

Media/PR

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) is the unit primarily responsible for corporate environmental protection. 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.

By taking the measures described below, HCOB is well positioned to meet the "Sustainable Finance" requirements imposed by BaFin with regard to buildings, consumption values and associated services.

Building portfolio

At the beginning of 2019, HCOB FM had the operational and operator responsibility for a net floor space (NFS) of approx. 130,000 m² (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 m² at the foreign locations. It also manages over 12,000 m² of office space and approx. 50 retail premises at the Hamburg and Kiel locations.

The Bank's realignment process involves making adjustments to the strategically required portfolio of office properties and premises. Following a requirements analysis, a decision was made in 2019 that the Bank would concentrate on one building in Kiel and one building complex in Hamburg, meaning that the buildings no longer required would be sold. The sale was fully implemented by the end of February 2020. This reduces the NFS by approximately 69,000 m² (53 %).

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 employ-

ees 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 help to reduce costs for electricity and heat in particular.

The intentional strong commitment in the areas of water, heat, CO₂, mobility and emissions serve not only to protect the environment but also contributes to our credibility.

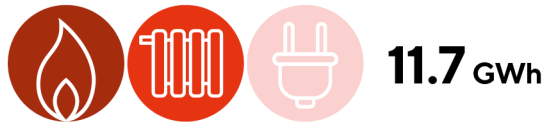
Energy consumption

After the focus of the Bank's energy efficiency measures in recent years was characterised by the energy-based refurbishment of the Bank's existing buildings and continuous efforts to tighten up the Bank's energy standards, further efficiencies will result from the concentrated use of the remaining target buildings.

The energy management team will also continue to implement measures to reduce energy consumption, mainly electricity and heat. In 2019, the construction of a new trading room in Hamburg, involving the successful implementation of further optimisations with regard to air conditioning, lighting and power supply, is particularly worthy of mention. As the energy-efficiency improvements to existing buildings that are on a financially viable scale will reach their limits in the foreseeable future, the Bank will have to explore, as a further medium-term option, whether a move to a state-of-the-art building constructed in line with the latest ecological standards and with optimised energy efficiency features might be a sensible and sustainable option.

Ambition level for our energy policy 2019–2021

Reduction in energy requirements



Reduction in CO₂ emissions



Energy efficiency measures

- Concentrated use of office space and, as a result, closure and disposal of resources that are no longer required
- Refurbishment measures with a focus on energy efficiency
- Decommissioning of large-scale consumers (commercial kitchens)
- Expand fleet to include electric vehicles

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. The measurement and control of all electrical consumers has become an established process.

Furthermore, all construction projects have focused, and indeed continue to focus, on optimising the energy efficiency of the installed components.

The decommissioning of large-scale consumers such as canteen kitchens, dishwashing lines, air conditioning and cold storage rooms at the end of 2019 will also contribute to a marked reduction in our electricity requirements.

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 implementing structural measures in the existing buildings. Heat is generated on a decentralised basis, with almost 100 % of the properties connected to the district heating system in Hamburg and Kiel.

The renovation of a Kiel building facade, which began in 2017, was successfully completed in 2019 and will help to significantly improve the building's energy values.

Reduction in CO₂

After CO₂ emissions were already reduced by around 5,000 tonnes in the period from 2008 to 2018, the ambition level for

the period from 2019 to 2021 is 3,500 tonnes. This goal can be achieved not only through improved energy efficiency, but also thanks to the reduced use of resources, in particular the smaller building portfolio and the associated consumption levels.

Reductions in CO₂ can also be achieved in logistics. This is exemplified by the "Go Green" certificate for the reduction in CO₂ and local emissions, such as fine dust and nitrogen oxides, in transport and logistics.

Since 2018, HCOB has had an electricity tariff based on electricity generated from renewable energy sources. 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 actively 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 flights and 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 comply with the latest Euronorm standards. We have also started using electromobility in our fleet. Ecological requirements such as CO₂ efficiency class A and limits on the engine capacity to less than or equal to 2 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, DB). 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. Usage of fresh water comes to 37,000 m³, of which approx. 4,500 m³ was used for operating the “PERLE HAMBURG” shopping passage with the focus on restaurants and cafés. The closure of the HCOB company kitchens in Kiel and Hamburg will lead to a significant reduction in water usage in both locations.

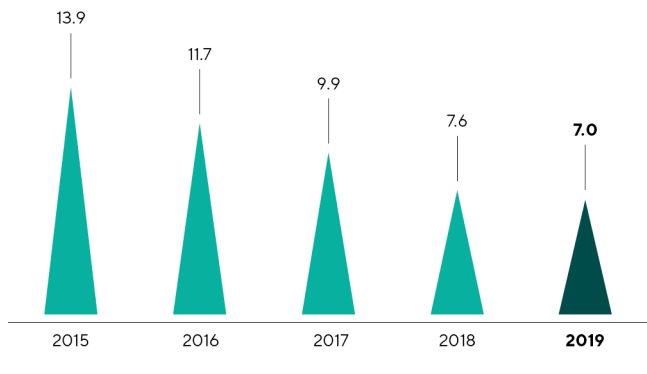
Paper consumption

HCOB’s digitalisation efforts also contributed to a further reduction in the amount of paper used in 2019. Continuing to significantly reduce paper consumption is one of the Bank’s stated objectives, and one that can be achieved by making increasing use of digital process steps.

The paper formats still in use are wood-free, meaning that they make a significant contribution to the conservation of resources.

Paper consumption of Hamburg Commercial Bank

(millions of sheets per year)



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

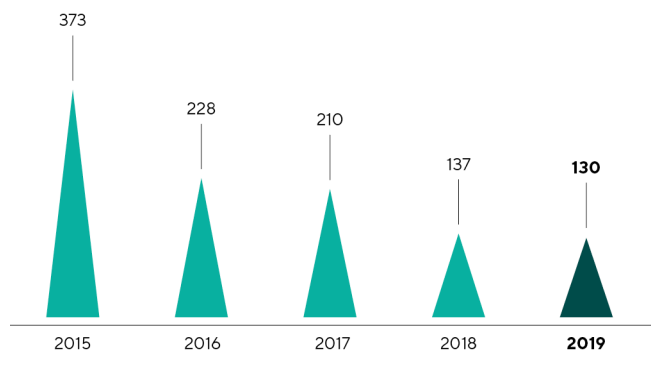
Hazardous waste is taken away and disposed of by waste disposal companies using methods prescribed by law.

Waste disposal

Waste volume at the Kiel and Hamburg offices has been steadily reduced each year since 2015 and came to around 130 tonnes in 2019. This trend is also set to continue over the coming years. The closure of the company canteens, coupled with the reduced number of employees and buildings, will contribute to this development from 2020 onwards.

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 was 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.

Purchasing in energy management

We also take account of energy efficiency when procuring new products and services. Not only the acquisition costs 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

HCOB Gastro + Event GmbH, within the HCOB FM Group, was responsible for the catering in the staff restaurants and cafeterias at the Kiel and Hamburg locations, as well as in our bistro in the Kiel Schlossgarten, until their closure at the end of 2019. In 2019, it was also involved in organising events and looking after our guests in our various facilities (conference centre, guest lounges, function rooms) at both locations. Seminar management is organised both internally and externally.

HCOB Gastro + Event GmbH has been a member of German Institute for Community Catering (Deutsches Institut für Gemeinschaftsgastronomie, DIG) since 2008. Our activities in 2019 were 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 were 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 appropriate 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 and in particular against the backdrop of the challenges of the ongoing transformation process. In this context, the Bank's human resources strategy and the human resources tools derived from it must always take into account the Bank's overriding objective to become a member of the Federal Association of German Banks in 2022 and contribute to the achievement of this objective.

The Human Resources (HR) 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 (InstitutsVergV). Modern and reliable operating processes form the basis for all topics relating to human resource functions.

The Bank is part of an industry that is undergoing a fundamental process of restructuring and realignment. Within this context, the planned measures to permanently reduce administrative expenses were again successfully implemented in 2019 as part of the transformation programme. We almost reached our target for the planned workforce reduction in 2019 in a responsible manner, with the help of the arrangements agreed with the Works Council, and in an extremely socially acceptable manner. 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 2019 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-existence 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.

In accordance with the Articles of Association, our Supervisory Board was composed of 20 members up to and including 11 March 2019 and was composed of 18 members (of which eight from the employee side). An application for the 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. Since 12 March 2019, our Supervisory Board has been composed in line with the provisions set out in Sections 96 (1), 101 (1) of the German Stock Corporation Act (AktG) in conjunction with Sections 4 (1), 1 (1) of the One-Third Participation Act (DrittelbG), and consists of 18 members (six of whom are employee representatives) in line with the Articles of Association.

Safeguarding of employee interests by the works councils

There are also employee representatives at HCOB Facility Management 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 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.
- The scope of the restructuring and staff reduction targets planned by the Management Board to date has been expanded again due to the expected economic slowdown and the resulting more cautious approach to new business. As part of a reconciliation of interests and social compensation plan, these cases were negotiated and co-determined with the employee representatives. The related talks have been under way since December 2019 as part of the transformation programme and ended in early March 2020.
- 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 Verdi trade union responsible for the Bank, 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 Bank's 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 family, 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.

Since 2008, the issue of equal treatment has been associated with 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

	31.12.2019
Percentage of women in the workforce	42.2 %
Women on the Supervisory Board	11.0 %
Percentage of women managers across all levels	23.0 %
Percentage of women in top specialist functions	35.0 %
Remuneration structure - women's share:	
Tariff salaries	67.0 %
Non-tariff salaries	32.4 %
Use of paternity leave by fathers	34.0 %
Part-time working ratio	24.5 %

Statistics on equal opportunities as at 31.12.2019¹⁾

	Number			Ratio	
	Women	Men	Total	Women	Men
Managers reporting directly	3	15	18	17 %	83 %
Heads of department	13	42	55	24 %	76 %
Total	16	57	73	22 %	78 %

¹⁾ Head Office excluding employees released from their duties

Training and qualifications

Our employees are an important lever for successfully shaping the transformation of the Bank. In order to be able to rise to the challenges facing us, we have to develop and improve our skills on an ongoing basis and in a targeted manner. This is why we provide training to our employees and are continuing to offer trainee programmes.

HR development

In the transformation year of 2019, we continued to offer a diverse internal and external training and qualifications programme. The in-house seminar programme always focuses on topical issues and addresses the needs of the Bank. In 2019, the focus was on digitalisation, the aim being to prepare our employees in a targeted manner. The in-house programme also features seminars focusing on professional and personal development.

With a separate training budget for each individual business unit, we have given managers and their employees even more opportunities to respond to individual further development needs. This budget was put to good use in line with the requirements of the individual units, e.g. for a SCRUM seminar for an entire department to prepare its employees for digital work, or for attendance at trade fairs and conferences.

Our managers have an important role to play in the transformation of our Bank. They are to follow the path leading

Our managers have an important role to play in the transformation of our Bank. They are to follow the path leading towards the new Bank hand-in-hand with their teams. In order to make our managers "fit for the future", courses covering topics such as "Digital Leadership" and "Agile Leadership and Working" were offered as part of the in-house seminar programme. In addition, the three "pushforresult" leadership events, with input in terms of content being provided by the Management Board, strengthened the exchange of information on current challenges among managers.

Fostering young talent

Trainee development is an important topic for us and enables us to counteract demographic trends and the increasing average age of the Bank's 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 officer or computer science training course in addition to their combined courses of study. In selecting our trainees and sandwich students we try to ensure that there is a fair balance between women and men. As most of the applicants are male, the ratio is currently 30/70.

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 training or combined course of study with a mark of "very good" or "good" receives from us an offer for an unlimited period of time to fill an open vacancy. Six out of the ten trainees and sandwich students accepted this offer in 2019.

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 Institut GmbH as a "provider of high-quality career-promoting and fair trainee programmes".

24 trainees are currently going through the programme; they started in the autumn of 2018 or 2019. 15 new trainees are set to start in the autumn of 2020.

Health and work-life balance

We offer our employees different opportunities to improve their own health or work-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.

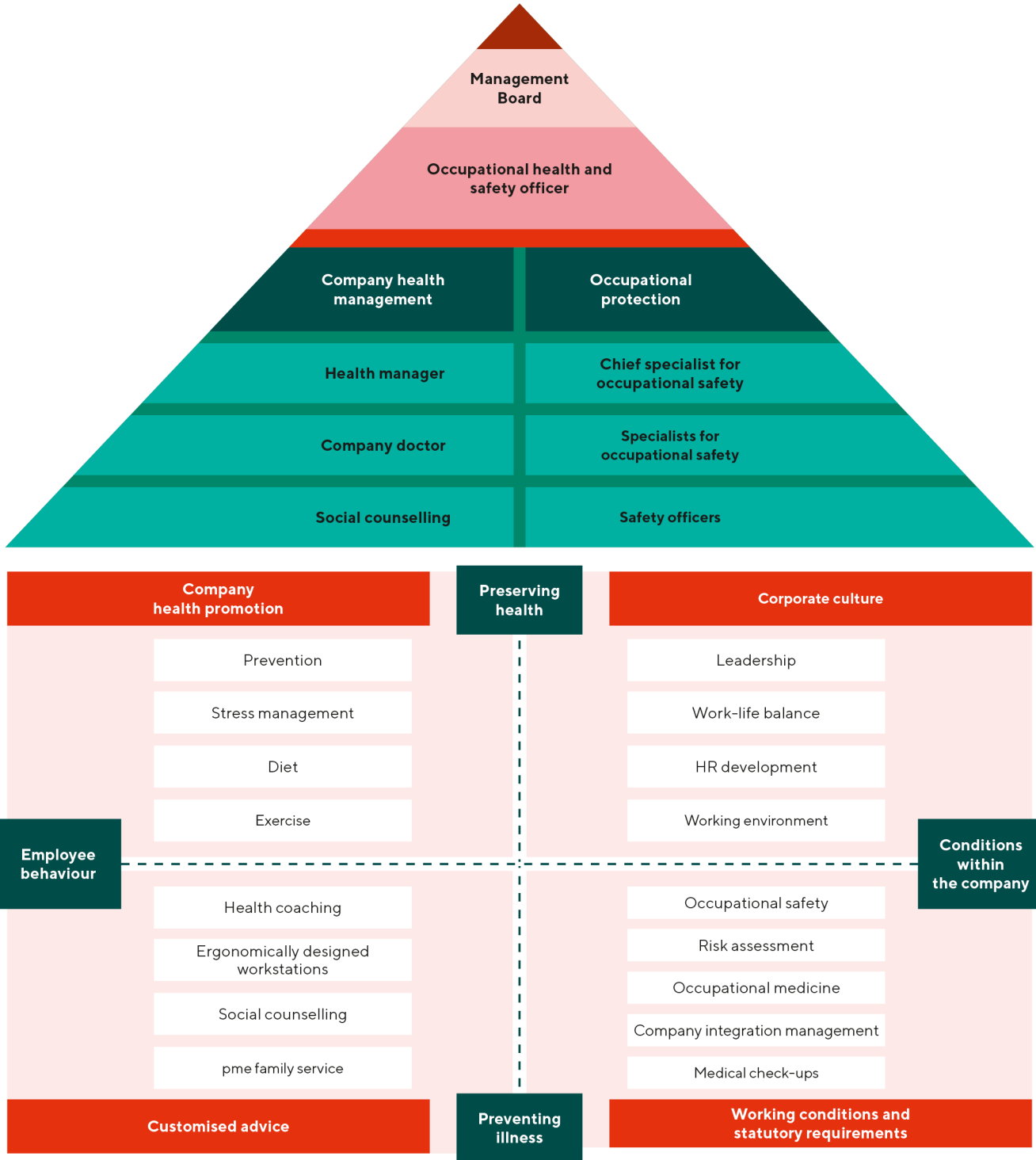
Promotion of health

Our corporate health management (CHM) 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 healthcare manager (HR).

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 "health days" events, we address various health-related matters and offer a variety of services, including free flu vaccinations provided by our company doctor on the Bank's premises every year. In 2019, for example, we focused on the topic of "hearing", offering hearing tests and a lecture on the subject.

Our occupational health and safety structure



Protection of employees against health risks resulting from coronaviruses

Hamburg Commercial Bank takes the health of its employees, clients and business partners very seriously. With the emergence of the novel coronavirus (COVID-19) in 2020 and the resulting increased health and infection risks, the Bank has been monitoring the development and spread of this infectious disease closely. Our health and crisis experts assessed the current risk situation on a regular basis, taking measures to protect employees and prevent the spread of the virus. The management team and the expert working group set up specifically for this purpose took various precautions to protect everyone: Among other things, business trips to risk areas were prohibited, alternative workstations were set up, additional technical measures were taken, and resources made available, to allow employees to work from home, and dispensers for disinfectants were installed. Events involving a large number of people were cancelled, and access to the Bank's premises was restricted for externals (further measures are expected after the editorial deadline of this report).

Our employees were provided with extensive information and the very latest updates on COVID-19 and its impact on the Bank via the in-house intranet and by the management team. Contact details and information supplied by official bodies were also available to the workforce within the Bank.

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.

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 (HCOB FM) 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.

Inspections have been carried out in 19 departments of the Bank. In addition to advising our managers on their responsibilities with regard to occupational safety, the inspections also include identifying cases of psychological stress and department-specific hazards. The occupational safety specialists also gave ergonomic advice to 375 employees directly at the workstation in order to prevent ergonomic injuries. The ratio of reportable accidents at the Bank was 0.56 % 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 2019, 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 46.8 years (as at 31 December 2019).

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 structuring working hours, 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 hours to be organised flexibly. We offer a high degree of flexibility in terms of working hours, work locations and work organisation. "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.

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. Outside of parental leave, the rights of employees are governed by the Act on Part-Time Work and Fixed-Term Employment (Teilzeit- und Befristungsgesetz) and also by the Act on Bridge Part-Time Work (Brückenteilzeitgesetz). Here, too, we strive for the greatest possible degree of flexibility in the distribution of working hours. Part-time employees may also be given priority if they wish to increase their working times.

Employee compensation

We believe that compensation in line with standard market conditions is a critical success factor when it comes to attracting and retaining good and high-performing employees. This is why our compensation system contains various components to ensure appropriate compensation that rewards sustained performance and enables career development, especially also for experts.

We report on the remuneration of our employees as well as that of the Management Board and Supervisory Board in our 2019 Combined Management Report/Notes to the 2019 Group financial statements. We also refer in this regard to the separate Remuneration Report required under InstitutsVergV, which is published on Hamburg Commercial Bank's website. Information on our Remuneration Officer and Remuneration Control Committee can also be found there.

Selected key personnel figures

Part-time working model allocation 2019

(Figures represent number of employees)

Designation	Male			Female			Male and female			Proportion of women
	PT ¹ (m)	FT (m)	Total (m)	PT ¹ (f)	FT (f)	Total (f)	PT ¹	FT	Total	
Head Office	67	752	819	324	282	606	391	1034	1425	42.50 %
ALS/branches	0	23	23	1	12	13	1	35	36	36.10 %
Consolidated subsidiaries	19	113	132	66	27	93	85	140	225	41.30 %
Group (consolidated)	86	888	974	391	321	712	477	1209	1686	42.20 %

¹⁾ PT also includes, among others, employees on parental leave, employees on long-term sick leave (excluding trainees, temporary staff and interns).

Part-time working model allocation 2018

(Figures represent number of employees)

Designation	Male			Female			Male and female			Proportion of women
	PT ¹ (m)	FT (m)	Total (m)	PT ¹ (f)	FT (f)	Total (f)	PT ¹	FT	Total	
Head Office	103	864	967	410	305	715	513	1169	1682	45.50 %
ALS/branches	0	21	21	2	14	16	2	35	37	43.20 %
Consolidated subsidiaries	21	134	155	76	34	110	97	168	265	41.50 %
Group (consolidated)	124	1019	1143	488	353	841	612	1372	1984	42.40 %

¹⁾ PT also includes, among others, employees on parental leave, employees on long-term sick leave (excluding trainees, temporary staff and interns).

Employees in the Group

	31.12.2019	31.12.2018
Full-time equivalents (FTE) in the Group¹⁾	1,482	1,716
of which: Women	545	631
of which: Men	937	1,085
of which: Employees in Germany	1,421	1,648
of which: Employees abroad	61	68
Total number of employees in the Group ("headcount")	1,705	2,021
Key employee figures		
Part-time employees (%)	24.8	26.7
Ratio of employees on fixed-term contracts (%) ²⁾	3.1	3.1
Average age in years ³⁾	46.8	46.0
Average period of employment (years)	15.5	14.8

¹⁾ Total number of employees excluding trainees, temporary staff and interns.

²⁾ Total number of employees excluding Management Board, trainees, temporary staff and interns.

³⁾ Head offices only; does not include branches or 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. 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. We do all this, because we consider it right, because it is part our remit as a company. And because we enjoy doing it.

Hamburg und 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. More information about our sponsorship of the HCOB Art Foundation for Schleswig-Holstein and the Maritime Research Foundation can be found on our website.

Sport

Hamburg Commercial Bank Run

We support the largest corporate run in North Germany as name giver and sponsor and with a running team. Since 2004 we have been the constant partner of the Hamburg charity run and, since then, have raised EUR 1.8 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

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 “If you don’t do it yourself, nobody else will!”.

New Year Reception of Bundesverband Erneuerbare Energien e.V.

Around 1,200 representatives and experts from the industry sector met at the beginning of 2019 at a New Year reception given by the Federal Association of Renewable Energies (Bundesverband Erneuerbare Energien, BEE). In addition to cur-

rent topics facing the sector, they discussed the pressing challenges regarding the use of wind energy, new technologies in the area of renewable energies, climate protection as an opportunity for the future and establishing Germany as a more state-of-the-art and future-proof industrial location.

Culture

Elbphilharmonie – “Classic Sponsor”

Besides the social sphere, our corporate citizenship 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 the small hall at the Elbphilharmonie in Hamburg.

Schleswig-Holstein Musik Festival

As one of the main sponsors of the Schleswig-Holstein Music Festival (SHMF) we supported the programme diversity of the SHMF for the last time in 2019. Sponsoring also included the Leonard Bernstein Award of EUR 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. We are also committed to future research in the maritime industry with our Maritime Research Foundation.

We have also always take an active role in various foundations as a benefactor and in the committees of the foundations. For example, the establishment of the **Elbphilharmonie Foundation**, the **International Foundation for the Law of the Sea** and the **Hamburg Maritime Foundation** was supported by providing 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.

HCOB Art Foundation for Schleswig-Holstein

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. Dr Michael Fuhr, director of Flensburg's municipal museums, curated a programme for the Art Foundation entitled "Studio 15 | 25" in 2019. The programme, which is the first of its kind in the country, brought artists together with teenagers and young adults aged between 15 and 25 years in ten different workshops. The results were presented to the public in rooms made available by Museum Flensburg specifically for this purpose, showcasing multimedia documentation and sculptures, to name but a few.

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.

Supplementary information

German Sustainability Code

This Corporate Social Responsibility Report 2019 is based on the criteria set out in the German Sustainability Code (GSC) in accordance with Section 289d HGB. The 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. HGB, in particular Section 289c (4) HGB), 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 matters
- Social matters
- Respect for human rights
- Measures to combat corruption and bribery

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 of the report:

GSC criteria in the CSR report (indicative)

Serial. no.	Criterion	Section name in report
0.	General information	Who we are
1.	Strategy	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 schemes	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.	Employee 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 policy	How we manage sustainability aspects

Selected certifications and awards received by Hamburg Commercial Bank

Overview of certifications and 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	Seal audit 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 trendence Institut GmbH
Hamburg Commercial Bank AG	"Fair Company Certificate: Employer initiative for fair internships"	Voluntary commitment as part of the Fair Company initiative to comply with Fair Company rules/the Fair Company Code

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, exemplary occupational safety and as one of "Germany's best training organisation in 2018".

Other Information

The HCOB website provides various additional information relating to sustainability in the sense of ESG. Visit us on our website and get some information there too, for example about our Corporate Governance, our Code of Conduct or our commitment to sport, culture and science.

Audit of the non-financial report

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

The Supervisory Board audited the Corporate Social Responsibility report for 2019, which is our combined separate non-financial report, at its meeting held on 1 April 2020 and 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 HGB.

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Notice

The Corporate Social Responsibility Report 2019 was published on 28 April 2020 and is available only for downloading on the Internet under www.hcob-bank.com.

This 2019 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 2019 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.

Subject to 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 financial information 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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