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**Please note:**

This 2020 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 – financial, ESG and rating results

## Financial Key Figures

(€ m)	31.12.2020	31.12.2019
Net income before taxes	257	77
Total assets	33.8	47.7
CET1 capital ratio (%)	27.0	18.5

## Key ESG Figures

	31.12.2020	31.12.2019
New business loans scored against ESG criteria (%)	100	-
Gross new business volume (€ bn)	2.9	7.2
Total energy consumption (GWh)	4.9	8.5
Thereof from renewable energy sources (%)	100	100
Total fresh water use (tonne)	15.5	26.0
Paper consumption (tonne)	13.5	27.6
Total waste use (tonne)	152	107
Employees in the Group <sup>1</sup> (calculated on a full-time equivalent basis)	1,122	1,482
Percentage of women in the workforce (%)	41.0	42.2
Percentage of female managers across all levels (%) <sup>2</sup>	21.1	23.0
Number of apprentices/dual students/trainees (headcount)	39	38
Proportion of disabled employees (head office) (%)	5.0	5.2

## Sustainability Ratings

	Latest rating as at	Rating/score
Sustainalytics	11/2020	Risk score 14 (low risk)
imug ('Institute for Market, Environment and Society')	11/2020	Issuer Sustainability Rating 'positive' (BB)
ISS	1/2021	C- (2 <sup>nd</sup> decile)

**NB:** Due to rounding, the figures presented in this report may not add up to the totals reported, and percentages may not reflect the absolute figures exactly.

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

<sup>2</sup> Head office excl. Management Board.

# Foreword of the CEO

**Dear Readers,**

2020 was as challenging as it was successful and groundbreaking for Hamburg Commercial Bank. We continued to drive forward our transformation process – despite difficult conditions caused by the COVID-19 pandemic – and worked persistently towards our goal of becoming the best bank in Germany within our core competencies. Our good business results, combined with an extremely strong capital base and further improved operating efficiency and refinancing options, show that we are on the right track. As a specialist financier, we once again acted as a competent partner for our customers in 2020, reliably accompanying them through a year that was characterised by a great deal of uncertainty.

We used 2020 to step up our work on the implementation of ESG (environmental, social and governance) aspects within the Bank and to focus on consistently sustainable corporate governance: we are consciously addressing one of the major challenges facing humanity, climate change. At the same time, we are committed to social and cultural issues, strive to promote diversity and focus on good corporate governance as one of our top priorities. Our goal is to become one of the leading banks in Germany in the area of sustainability – and our actions are geared towards achieving this. We have laid down our principles and guidelines in our Guiding Principles and ESG Factbook and have incorporated them into our strategy.



In 2020, we signed the Principles for Responsible Banking of UNEP FI – the United Nations Environment Programme for Financial Institutions – which define six principles to adhere to, all of them based on the United Nations’ Sustainable Development Goals (SDGs) and the Paris Climate Agreement. The European Union’s Green Deal and other national and international frameworks are also cornerstones of our ESG orientation. We have also committed to the Responsible Ship Recycling Standards.

Specifically, we reached an important milestone in 2020 with the implementation of ESG aspects in our lending process. For every new credit decision, we now examine not only the purely economic aspects but also whether the decision in question is consistent with our environmental, social and corporate governance principles. To this end, we have developed an ESG scoring system which we use to analyse each individual loan. In the course of 2021, we will evaluate our loan portfolio as a whole based on these criteria. We will also begin to evaluate our investment portfolio and generally start to reduce loans and financial investments that do not meet our expectations. In addition, we have adopted a black list defining which countries and business areas are out of the question for us: by way of example, countries with high levels of corruption and business areas such as the tobacco industry, coal mining or weapons production are excluded. We also do not do business with companies that do not comply with minimum social standards.

In order to make further progress in the area of ESG in the future and to establish the topic even more firmly within the Bank, we are setting up a ‘Sustainability Office & Committee’ that will deal specifically with sustainability – the establishment of this Office is my personal wish and initiative as CEO. For us, sustainability also means that our company cars have to meet the highest environmental standards and that we are energy-efficient in our buildings. In the future, we will offset the CO<sub>2</sub> pollution caused by the aircraft we use. Particularly in times of change, employees can be exposed to particular stress factors. As a result, the provision of appropriate health management, including social counselling, is a matter of course for us.

For a specialist financier like Hamburg Commercial Bank, compliance with ESG criteria is an absolute necessity – both out of a sense of social responsibility and for commercial reasons. After all, the prospects of success for companies that do not meet ESG criteria are likely to dwindle in the medium and long term. At the same time, sustainability criteria are also increasingly becoming the focus of risk considerations by regulatory authorities.

For our customers and investors, sustainability and compliance based on clearly measurable ESG criteria are also becoming increasingly important, and this applies to both the asset and the liability side. If we are competent and credible ourselves, we can accompany our borrowers on their journey towards greater sustainability; on the liabilities side, we can use green bonds for refinancing purposes, among other things. In this way, we expect to broaden our investor base and contribute to an ever more important trend in our industry.

Sustainable action is to become an integral part of Hamburg Commercial Bank’s DNA. We are well on our way to achieving this objective and will continue to pursue this path systematically.

Kind regards,



Stefan Ermisch  
**Chief Executive Officer**

# Who we are

## HCOB at a glance

Hamburg Commercial Bank AG, formerly HSH Nordbank AG, is the first privatised Landesbank and is managed in the legal form of a stock corporation. 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 as well as a representative office in London, in line with its focused direction. The Singapore branch was closed in the reporting year. The Bank decided to embark on a realignment project for the Luxembourg branch in 2020. The future focus of this branch will be on the Diversified Lending division, as well as on asset management activities for plan assets related to the Bank's actively managed pension liabilities. 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. Hamburg Commercial Bank's operating business activities are divided into the following four segments: Corporates & Structured Finance, Real Estate, Shipping and Diversified Lending & Markets.

## Shareholder structure

Several funds initiated by <b>Cerberus Capital Management, L.P.</b>			One fund advised by <b>J.C. Flowers &amp; Co. LLC</b>	One fund initiated by <b>GoldenTree Asset Manage- ment LP</b>	<b>Centaurus Capital LP</b>	<b>BAWAG P.S.K.</b> Bank für Arbeit und Wirtschaft und Österreichische Postsparkasse Aktien- gesellschaft	<b>HCOB</b> Current and former Management Board Members (who are or were in office from November 2018)
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		
9.88%	13.88%	18.72%					
<b>42.48%</b>			<b>34.98%</b>	<b>12.49%</b>	<b>7.5%</b>	<b>2.5%</b>	<b>0.05%</b>

## 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 renamed on 4 February 2019.

The Bank's realignment, based on the strong commitment of its international owners, is associated with a far-reaching and comprehensive transformation phase spanning a period of several years, which is designed to transform the Bank into an efficient specialist finance provider that is profitable in the long run. Two years after the start of this transformation programme, significant successes have already been achieved, which is also reflected in the significantly improved KPIs as at the reporting date. For the year 2022, the Bank is aiming for a CET1 capital ratio of more than 20%, an NPE ratio of less than 2%, a cost-income ratio of 40-45% and after-tax profitability (calculated based on a standardised regulatory capital commitment) above 9%.

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. ESG is one additional central pillar of the transformation programme. Further information on the transformation programme can be found in the 2020 combined management report.

## Business segments

Our strategic business areas are split into the following segments: Corporates & Structured Finance, Real Estate, Shipping and Diversified Lending & Markets. The business areas are dynamically aligned with changing market and competitive conditions.

The **Corporates & Structured Finance** segment is the umbrella for the business areas Corporate Banking & Advisory, Project Finance and Global Sales & Syndicate.

In the Corporate Banking & Advisory business area, the Bank will continue to pursue its established nationwide distribution strategy. The northern German core region has traditionally been a particular focus of these activities. Corporate Banking & Advisory comprises the advisory areas of Capital Structuring & Leveraged Buy-Out, Cash & Trade Services, Factoring and Leasing in addition to the corporate client teams.

As in the past, the Project Finance segment exploits potential in project finance business in its domestic German market, as well as in Europe and in selected non-European countries. The focus here is on the Energy and Infrastructure business areas, which meet high demands in terms of sustainability. The Bank also focuses on future-oriented niches in which it can use its experience and advisory skills to generate added value for clients and the Bank. This puts Hamburg Commercial Bank in a position to adapt its orientation in a flexible manner. In addition, the Bank's OtD (originate-to-distribute) strategy provides a further opportunity for actively shaping and managing the portfolio.

The Global Sales & Syndicate segment combines the sales activities for capital market-related products and payment transaction products with an adjusted, forward-looking product range, syndication activities and client support for savings banks, banks and institutional clients.

The **Real Estate** segment has a risk-conscious focus, taking the development of the real estate market into account. In line with the forward-looking business and risk strategy, new business will therefore be entered into selectively and in line with appropriate risk/return requirements until further notice. The OtD approach will be pursued further and expanded. The cautious expansion of the Bank's international activities is being driven with selected experienced clients with international operations. The focus here is on European metropolitan regions.

In the **Shipping** division, the Bank will continue to conclude new business as a strategic partner based on its long-standing expertise and in accordance with stringent margin and risk requirements. The focus is on the diversification of the portfolio through domestic and international commitments with counterparties with a good credit standing, the aim being to generate business that is sustainable in the long run.

The **Diversified Lending & Markets** segment focuses on the international corporates business in the Diversified Lending business area, and on 'Special Solutions' in the form of business opportunities arising in other European countries and in the USA. Since Diversified Lending was formed, the portfolio has been gradually established in line with the stringent risk specifications, and contributes to the diversification of the Bank's portfolio.

The activities in the Capital Markets business area, which were restructured as part of the transformation process, are now focused on the management of strategic investments and the treasury function, including the central management of the Bank's liquidity and market price risks, the derivatives portfolio, the management of the cover pool and the Bank's issuer activities.

# What sustainability means to us

## Project progress

“Hamburg Commercial Bank is to be considered as an example of best practice in the (German) finance market in regard to ESG, a status that is acknowledged by its clients and all other stakeholders, including regulatory authorities, and is certified by independent rating agencies.”

This overall objective set the framework for all of our sustainability activities in the past financial year. The ‘sustainability@hcob’ project, initially launched at the end of 2019 under the auspices of the CEO, showed very dynamic development in the course of the year and has become an integral part of the Bank’s ongoing transformation process, as for us, sustainability means future viability. The aim of the project – to identify specific recommendations for action for the future strategic orientation of Hamburg Commercial Bank, focusing on the opportunities and risks involved – remained unchanged, and now features an even stronger focus on execution and implementation.

The interdisciplinary sustainability project team has taken the lead with regard to the identification, operationalisation and fulfilment of the necessary sustainability requirements – including both regulations and frameworks – that the Bank has to meet in a holistic, future-oriented manner so as to ensure that HCOB is fully compliant with all of the applicable ESG regulations.

Furthermore, the project has taken all of the necessary steps to drive the integration of sustainability in all areas and has actively forged ahead with this process throughout the Bank.

Overall, HCOB’s future strategic orientation acknowledges the Bank’s ESG alignment process as one of the critical success factors for the future – considering both the opportunities and the risks related to ESG factors.

The significant progress HCOB has made on its sustainability journey becomes evident if we look back at some of the most central achievements of 2020: the Bank defined its Guiding Principles with regard to ESG, enforced by tighter credit standards and the implementation of a black list for industries and countries to be excluded.

A methodology for ESG scoring in the lending business has been developed and implemented successfully.

By signing the UNEP FI Principles for Responsible Banking and, in doing so, making a commitment to the UN Sustainable Development Goals and the Paris Climate Agreement, we made it clear to the public at large just how seriously we take our commitment to sustainability.

All of these efforts have been positively acknowledged by independent sustainability rating agencies over the last few months.

The cornerstones for the further sustainability implementation process have already been defined in a roadmap, including measures to fulfil requirements from both frameworks and regulations and with a particular focus on the implementation of a sustainability governance structure. In December 2020, the remuneration policy for the Management Board was adjusted to reflect the fact that ESG (environmental, social and governance) objectives will also be given appropriate consideration in the future. HCOB’s holistic ESG approach will also cover the funding side going forward by laying the foundations for the issuance of green bonds.

By incorporating ESG factors into its business culture, HCOB has implemented the following **Guiding Principles**, as referred to above, as a major cornerstone as it strives to achieve sustainable change:

1. **Sustainable action is a formative component of our ‘HCOB DNA’.** This clearly reflects our business orientation and our management of risks. In the stringent and independent governance of ESG aspects, our Management Board members actively take responsibility.
2. We aim to **increase/extend our financing activities in sustainable business activities and projects** (e.g. in the field of renewable energies) and offer ESG-oriented products (e.g. green bonds) to our investors. We intend to have **a green loan portfolio** and to achieve compliance with the **Paris Climate Agreement**.
3. We actively support the **transformation of our clients’ business models** towards more sustainability.
4. We have **excluded certain non-sustainable business sectors** (‘black list’). We rule out all business with companies that violate human dignity and human rights and that breach global norms in general. We exclude business activities in countries with high levels of corruption or conflict.



5. We regard **motivated and qualified employees as key to achieving sustainability**. Flexible working arrangements that allow employees to strike a balance between their career and family commitments are important to us. Discrimination or harassment of employees in any form is unacceptable to us. We believe that diversity is beneficial to our success.
6. We combine sustainability in our operating business with **technology, digitalisation and innovation**.
7. We are characterised by our culture of **effective, responsible and transparent management**.
8. We are committed to the **sustainable development of our country** as a whole and the **common good**.
9. We talk openly and **transparently** about our **strengths** and **weaknesses**.

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 we consider to be important for understanding the impact of our activities on the aspects to be considered as a minimum under Section 289c HGB.

Under Sections 315c in conjunction with 289c (3) nos. 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 serious negative impact on non-financial aspects according to Section 289c (2) HGB. No such risks were identified on the basis of our risk inventory.

For us, sustainable corporate management is more than simply complying with laws. We have recognised the German Corporate Governance Code (GCGC) on a voluntary basis 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 (*Aktien-gesetz*, 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 been, or will not be, applied. As a non-listed company, we issue this Declaration of Conformity voluntarily. Please also refer to our 2020 Annual Report and our website.

We bear the importance of ecological aspects and social sustainability in mind in all of our business activities. This is a key element of our Code of Conduct.

Our **Code of Conduct** serves as 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 complies not only with the legal requirements but also with ethical and social standards.

"In all our business activities, we remain constantly aware of the significance of environmental and community sustainability. We regard social responsibility as an integral component of our actions and as an investment in the community and, thus, at the same time, in our own future as well. Bearing this in mind, we support, inter alia, sporting and cultural activities."

(Section 2 of the Code of Conduct, see HCOB's website)

## Basis for our alignment

### Regulations

Full compliance with relevant national and international regulatory requirements and frameworks is HCOB's main aim over the coming years.

As a result, a comprehensive, continuously updated roadmap has been created that structures and plans the implementation of regulatory requirements in detail, reveals any gaps in implementation and provides for action to be taken.

The roadmap has been reviewed by an external consultancy firm, with positive feedback.

Overall, HCOB's alignment with ESG requirements includes consideration of both opportunities and risks.

### Regulations and frameworks identified as being of critical relevance for HCOB

**BaFin** | Guidance Notice on Dealing with Sustainability Risks

**ECB** | Guide on climate-related and environmental risks

**EBA** | Guidelines on Loan Origination and Monitoring

**EU** | TEG final report on the EU taxonomy

**FSB** | TCFD - Final Report Recommendations of the Task Force on Climate-related Financial Disclosures

**EU** | EU Disclosure Regulation and MiFID II on ESG

**EBA** | Discussion Paper on management (...) of ESG risks

**UNEP FI** | Principles for Responsible Banking

**UN** | Sustainable Development Goals

**UN** | The Paris Climate Agreement

**ICMA** | Green Bond Principles

**Rating Agencies** | Sustainalytics, ISS, IMUG

## Frameworks

The section below provides an insight into the requirements of the regulations and visions that make up the frameworks mentioned above.

In the area of environmental protection, the **Paris Climate Agreement is the central resolution in fighting climate change**. The declared goal, signed up to by almost 200 signatory states, is to keep global warming to well below 2°C above pre-industrial levels, and ideally to limit the increase to 1.5°C, as this would significantly reduce the risks and impact of climate change.

With these ambitious goals in mind, the EU adopted a significant financial framework, the **Green Deal**, at the beginning of 2020. One aim is to support climate protection hand-in-hand with the financial sector. HCOB is aware of its responsibility in this regard and has initiated several structural changes in its credit processes and the support it provides to its clients.







**The UN Global Compact** has formed the framework for our Code of Conduct for several years now. The 2030 Agenda for Sustainable Development, with the 17 Sustainable Development Goals (SDGs) at its heart, bundles all three dimensions of sustainability (economic, social, environmental) in a single framework for the first time and – alongside the Paris Climate Agreement – will be the central pillar of Hamburg Commercial Bank's positioning in regard to ESG.

# SUSTAINABLE DEVELOPMENT GOALS



HCOB signed the **Principles for Responsible Banking (PRB)** in September 2020 (with an implementation period of 4 years) as an essential step in the Bank's ESG alignment process.

**Principles for Responsible Banking**

 <p><b>PRINCIPLE 1: Alignment</b></p> <p>We will align our <b>business strategy</b> to be consistent with and contribute to individuals' needs and society's goals, as expressed in the Sustainable Development Goals, the Paris Climate Agreement and relevant national and regional frameworks.</p>	 <p><b>PRINCIPLE 2: Impact &amp; Target Setting</b></p> <p>We will continuously increase our positive impacts while <b>reducing the negative impacts</b> on, and managing the risks to, people and environment <b>resulting from our activities, products and services</b>. To this end, we will set and publish targets where we can have the most significant impacts.</p>	 <p><b>PRINCIPLE 3: Clients &amp; Customers</b></p> <p>We will work responsibly with our clients and our customers to <b>encourage sustainable practices and enable economic activities</b> that create shared prosperity for current and future generations.</p>
 <p><b>PRINCIPLE 4: Stakeholders</b></p> <p>We will proactively and responsibly <b>consult, engage and partner with relevant stakeholders</b> to achieve society's goals.</p>	 <p><b>PRINCIPLE 5: Governance &amp; Culture</b></p> <p>We will implement our commitment to these Principles through <b>effective governance and a culture of responsible banking</b>.</p>	 <p><b>PRINCIPLE 6: Transparency &amp; Accountability</b></p> <p>We will <b>periodically review</b> our individual and collective implementation of these Principles and <b>be transparent about and accountable for our positive and negative impacts and our contribution to society's goals</b>.</p>

This signals the Bank's clear commitment to sustainable development in all of its business activities.

Other frameworks for the definition of process risks in relation to stakeholder interests and for the identification of key factors for assessing risks, developments and important sub-indicators are provided by the **Guidance Notice published by the German Federal Financial Supervisory Authority (BaFin) on Dealing with Sustainability Risks, the ECB's guide on climate-related and environmental risks, as well as the EBA Guidelines on loan origination and monitoring**.

When it comes to the definition of key factors, measurement tools, recommendations for process and monitoring topics, the regulators have formulated recommendations and guidelines that have been set out in the **TCFD – Final Report Recommendations of the Task Force on Climate-related Financial Disclosures, the EU Disclosure Regulation, MiFID II with regard to ESG and in the TEG final report regarding the EU taxonomy**.

As far as the issue of green bonds is concerned, the requirements of the **Green Bond Principles** represent the authoritative set of rules which are included in the guidelines of an issuer such as Hamburg Commercial Bank AG.

The requirements set out in the various regulations referred to above have been firmly anchored in the roadmap and are integrated into control, process and task descriptions accordingly.

**Sustainability ratings**

Sustainability ratings form a major part of our ESG strategy, as dialogue with the individual rating agencies is seen as a form of independent guidance towards best practice in terms of governing sustainability aspects. As a result, the 'sustainability@hcob' project analysed various ESG rating reports and arrived at guidance and requirements for the topics concerned.

Due to its strengthened focus on ESG issues, the Bank was able to improve its rating position with the Germany-based imug to 'BB' from 'CCC' a year earlier. The agency Sustainabilityalytics acknowledged the Bank's strengthened risk management regarding ESG by awarding a very sound risk score of 14. For the agencies, the explicit integration of ESG aspects in our credit processes and governance frameworks, underlining the Bank's strengthened commitment, were major steps forward. In addition to the above-mentioned ratings, the Bank is involved in dialogue with the sustainability rating agency ISS, from which the Bank received a more moderate 'C-' ESG rating. The Bank intends to take the valued feedback it has received from these agencies into account in its various frameworks. The current rating results are listed in the overview of our key figures, as well as on our website.

# ESG impact on business activities

## Business segments and their ESG impact

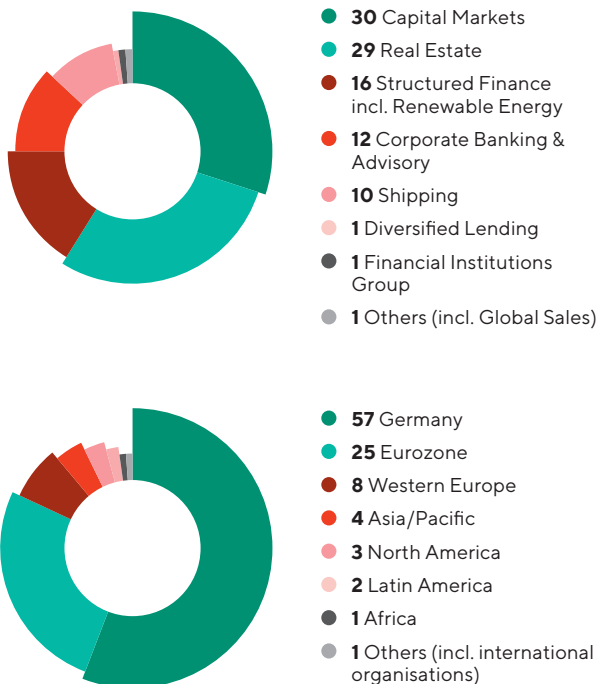
The Bank is a specialised commercial lender with its roots in the north of Germany and a presence in the German metropolitan regions and in selected markets within Europe.

Our core focus lies on asset-based lending, project and corporate financings, with a clear view of our markets and proximity to our clients.

We provide our clients with commercial loans, bonds, trade and cash management solutions, as well as capital market products.

### Portfolio by segment and region<sup>1,2</sup>

(%)



The lion's share of our loan book is originated in the eurozone and in other developed markets with high legal and social standards and strong transparency indicators. These markets are also driven by the various international initiatives relating to ESG, making us very confident in our ability to successfully implement ESG standards for ourselves but also with our clients.

The largest share of our loan book relates to real estate, as well as structured and corporate loans. The Real Estate portfolio focuses on modern and energy-efficient office, retail and residential buildings within Germany. The Structured Finance loan book finances Renewable Energy and Infrastructure projects throughout Europe, with a very high level of ESG conformity.

Our Corporate Banking activities relate to a diverse mix of segments and clients, with a relatively small exposure to high-emission industries with an above-average environmental impact, such as basic materials, transportation and electric utilities, compared to our peers.

Our ship financing activities help to modernise fleets, reduce fuel consumption and pollutant emissions and enable the realisation of the most energy-efficient way of global trade.

The existing loan book has only a marginal exposure to ESG non-compliant cases, most of which relate to financing arrangements in the utilities sector. We aim to provide ESG transparency for the Bank's entire portfolio. As a result, we have introduced an ESG scoring tool that is being applied to our existing portfolio and new portfolio additions, as well as a black list for new business. We want to establish transparent monitoring of energy efficiency/CO<sub>2</sub> footprint indicators for our key Real Estate and Shipping portfolios, the aim being to transparently categorise the Bank's entire portfolio based on strict standards regarding ESG risks by the end of 2021.

In the section below, we look at the key segments that contribute to the Bank's loan book, with a focus on their ESG exposure.

<sup>1</sup> € 35.4bn EAD as at 31.12.2020, thereof loan book 23.7bn.

<sup>2</sup> Incl. international organisations, e.g. EIB.

### Real Estate

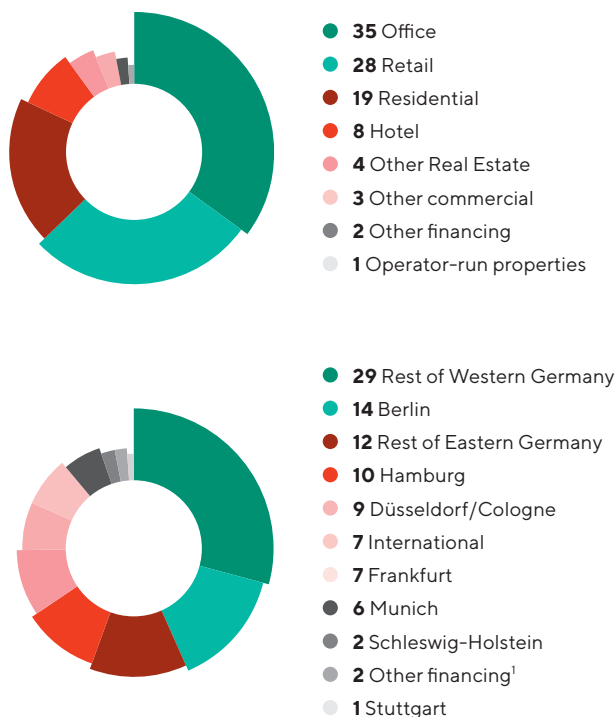
HCOB is one of the leading banks for real estate finance in Germany. We provide loans for residential and commercial new-build properties that meet the most recent stringent sustainability requirements in principle.

In addition, modernisation financing for office properties is another key focal point of our business. Eco-efficiency is improved significantly by investments in heating, ventilation and air conditioning, the insulation of the building shell and optimisation of the lighting systems.

Our offering includes KfW loans for ecologically sustainable properties or modernisation measures.

#### Real Estate portfolio (€ 10.4bn) by segment and region

(%)



<sup>1</sup> No regional allocation because no property collateral.

Environmental and social aspects form part of our current risk and value assessment processes.

Our target clients are highly professional, meaning that they are aware of ESG concepts and are willing and able to improve and to adjust their decisions, investments and organisations accordingly.

A large proportion of residential financing supports the creation of urgently needed housing, especially in densely populated urban areas.

Our portfolio includes a solid share of future-oriented project developments, each with a positive impact on the long-term carbon footprint and the energy consumption of the underlying assets.

Selected recent transactions with solid ESG credentials:

**CORESTATE**  
Capital

**Student Homes 'Woodie'**

€ 28,000,000

Hamburg  
Investment Financing  
Sole Lender

2018

#### Corestate/Woodie:

First-ever high-rise student accommodation built using modular wood construction. In 2018, it was considered a pilot project with regard to energy efficiency and sustainability.

**FLEMYN** 1Zone  
Capital

**PWC-Offices Rotterdam**

€ 28,000,000

Rotterdam  
Investment Financing  
Sole Lender

2019

#### Flemyn/1Zone Capital - PWC Rotterdam:

Acquisition financing of an office building in Rotterdam. The high quality and sustainable building has low energy consumption levels of only 32.5 kg CO<sub>2</sub>/sqm, which corresponds to 'A' level standard for carbon emissions in the Netherlands.

**AUDA** LEITWERK  
PROJEKTENTWICKLUNG

**Office Development 'Weitblick 1.7'**

€ 40,000,000

Augsburg  
Office Development  
LEED Platin targeted  
Sole Lender

2019

#### Audax/Weitblick 1.7 GmbH & Co. KG

Financing of an office project with 17,200 sqm of gross floor area for all tenants. The aim is to achieve LEED Platinum Certification, which is likely to be awarded upon completion.

**PING**  
PROPERTIES  
Investment & Real Estate

**HQ-Portfolio - Office**

€ 24,000,000

Urecht, Den Bosch, Amstelveen  
Investment Financing  
Arranger

2020

#### Ping Properties/HQ-Portfolio:

Financing of 3 headquarter office buildings that have been continually maintained and improved from an environmental perspective to comply with energy label A. The measures performed include, e.g. an improved facade, new heating, better windows, electric car charging facilities and more bike parking space.

**Corporates & Structured Finance**

The Corporates and Structured Finance portfolio is dominated by renewable energy projects, a broad range of infrastructure projects and a commercial loan book that is well diversified across manufacturing, services and trade.

We are one of the leading financiers of renewable energy and infrastructure projects with more than 25 years of expertise and operations throughout Europe. Our clients benefit from our recognised expertise – we were one of the first banks to finance renewable energy projects in Europe and have grown to become a leading European lender for digital infrastructure build-out initiatives.

The current renewable energy portfolio has a volume of projects in the wind and solar sectors of € 3.7bn. With a total installed energy production capacity of more than 5 kilowatts, the renewables projects we finance make a valuable contribution to reducing CO<sub>2</sub> emissions and supporting the energy transition in Europe.

Infrastructure projects help to drive an increasingly efficient economy.

To this end, HCOB finances European regional electricity and heating networks, providing financing to utilities companies and allowing resources to be used locally in an environmentally friendly and efficient manner. We have limited our exposure to the oil and gas sector, which by their very nature accounts for a large share of greenhouse gas emissions but finance several bio fuel production plants for heat and power generation.

We aim to remove all conventional facile fuelled power plants from our lending portfolio over time and are encouraging our clients to take the same steps as part of our strategic dialogue with them.

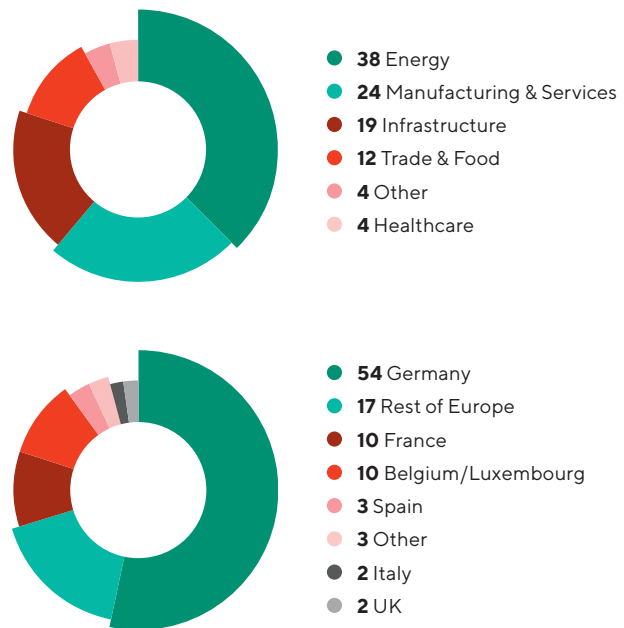
Our rail financing activities, which focus on freight & locomotive assets and rail infrastructure, support environmentally friendly transport.

Our lending activities relating to fibre-optic broadband networks and data centres help to connect people and companies, also allowing employees to work more efficiently from home and, in doing so, to save on some of the daily travel emissions that would arise otherwise.

More than 70% of our infrastructure portfolio and all of our renewable energy exposures meet the strict standards of ‘Qualified Infrastructure’, meaning that they need to comply with stringent environmental, social and governance standards, besides having sustainable financial metrics.

**Corporates & Structured Finance portfolio (€ 9.7bn) by segment<sup>1</sup> and region**

(%)



<sup>1</sup> Excluding Global Sales & Financial Institutions.

HCOB's diversified commercial loan book includes a focus on clients within the trade and food segments as well as healthcare, which comprises largely hospitals and medical equipment. Besides that, within traditional industries with relatively high environmental impact, the portfolio share is rather small.

The overall Corporates and Structured Finance portfolio has a strong regional distribution dominated by Germany, driven by medium-sized companies across sectors. The international part of the portfolio consists of energy and infrastructure projects across Europe, mainly in neighbouring markets such as France, Belgium and the Netherlands, but also in other EU countries.

Selected recent transactions with solid ESG credentials:



**Windfarm 'Lyngsasa'**

**95 MW**

Sweden  
Construction Loan  
Sole Lender

**2019**



**Lyngsasa:**

Project finance for a 94.6 MW wind farm in southern Sweden. The project benefits from a long-term power purchase agreement (PPA) and is able to produce energy at a very low level of LCoE (levelised cost of energy).



**Beacon Rail Leasing**

**€ 832,000,000**  
**GBP 536,000,000**

Luxembourg  
Mandated Lead Arranger

**2019**



**Beacon Rail:**

Financing of a leasing company with rail assets including locomotives, trains and wagons, supporting efficient and environmentally friendly public and cargo transport.



**Project Speedbreak Fibre Network**

**€ 1,000,000,000**

Germany  
Lead Arranger

**2020**



**Inexio:**

Financing of the acquisition and expansion of a German fibre-optic network, currently a bottleneck area in Germany. Fibre-optic networks produce the lowest CO<sub>2</sub> emissions during use (2g CO<sub>2</sub>/hr) compared to other existing technologies as VDSL (4g CO<sub>2</sub>/hr) or e.g. a 3G network (90g CO<sub>2</sub>/hr) based on streaming.



**Ziegler Group**

**€ 25,000,000**


Germany  
HCOB share:  
EUR 4,100,000  
Lender

**2020**



**Ziegler Group:**


Financing of pellet plant construction, with production based on renewable resources (wood). Burning wood in the form of pellets is CO<sub>2</sub> neutral, since only as much CO<sub>2</sub> is emitted as the tree has absorbed during its growth phase.



**Harry-Brot GmbH**

Germany  
Financing of a new "toasting oven" and new fire protection system via KfW  
Lender

**2020**



**Harry:**

The facility is being used to increase energy efficiency and reduce energy consumption for baking ovens. The facility includes subsidised conditions for the loan, as well as investment grants.

**Shipping**

Shipping is still the most environmentally sustainable transport system. Approximately 90% of traded goods are transported by ship, and the efficiency level (however it is measured – emissions per unit, tonne or TEU) is unrivalled. Vessels produce CO<sub>2</sub> emissions of 8g/tkm (tonne – kilometre) on average.

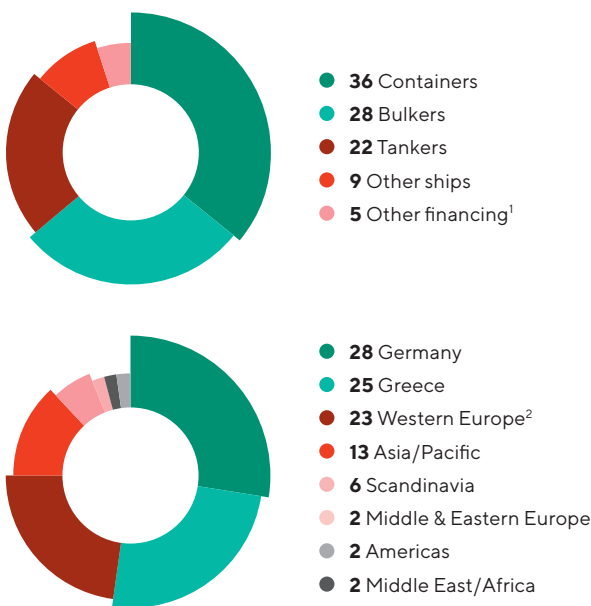
The recently introduced IMO regulation expects shipping companies to commit to the Ballast Water Management Convention, a data collection system, emission reductions and low sulphur/exhaust gas cleaning systems. The industry is committed to achieving CO<sub>2</sub> emission reductions of 50% by 2050 compared to the overall fleet emissions for 2015.

In our activities in this sector, we bear sustainability aspects in mind, e.g. supporting the modernisation of the global trading fleet by financing state-of-the-art conversions and so to improve their environmental as well as economic efficiency. In addition, IMO covenants require our portfolio to adhere to CO<sub>2</sub> emission standards.

In order to accomplish the IMO goal of 50% carbon emissions by 2050, HCOB promotes and supports investments in emission improvement technologies and energy-efficient vessels. HCOB is joining the **Responsible Ship Recycling Standards (RSRS) initiative**, which sets minimum standards for occupational safety and environmental protection when ships get scrapped at the end of their life cycle.

**Ship Finance portfolio (€ 3.6bn) by segment and region**

(%)



<sup>1</sup> Incl. working capital financing.

<sup>2</sup> Excl. Germany, Scandinavia and Greece.

Selected recent transactions with solid ESG credentials:

**MSC**  
Asset backed Corporate Loan  
USD 65,000,000  
Swiss Client  
Sole Lender  
2020

**MSC:**

As one of the top liner companies with global operations, MSC will continue to actively shape the global fleet conversion process. Our client's demand for vessels with low CO<sub>2</sub> emission levels results in continuous technical improvement/ modification and replacement of the existing fleet.

**TORM**  
Fleet Financing - Asset backed Corporate Loan  
USD 35,000,000  
Danish Borrower  
Sole Lender  
2020

**TORM:**

By financing vessels with high technical efficiency standards, our facility supports the client's financial flexibility and thereby their efforts to meet the global CO<sub>2</sub> emission targets. TORM, one of the global tanker operators, has achieved significant CO<sub>2</sub> reductions over a period of several years and generally places a strong focus on ESG as one of the frontrunners in the tanker sector.

**ESG-compliant lending standards & black list**

In conjunction with our risk strategy and business strategy, our lending standards provide a binding and comprehensive framework for all parties involved in the lending business. Business approaches that are not fully compliant with these three elements of the overall bank strategy are not to be pursued as a matter of principle. This also includes reputational risk.

Using a traffic light system, the lending standards define which types of loans are preferred, which are critical but can be justified as manageable, and which attributes a transaction can only have in exceptionally justified cases. As a result, they also provide sales with reliable guidelines for meetings with clients, in which ESG issues are discussed as part of the lending process. Furthermore, each transaction has to go through a regular, unbiased credit process (including analysis, rating, credit application, decision), in which the lending standards are reviewed in connection with other decision-relevant criteria.

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



In 2020, we updated our lending standards to include a stringent 'black list' and introduced an ESG scoring framework, as detailed in the section below, which assesses the ESG impact for each new business activity, as well as for the existing loan book.

Both aspects, the 'black list' and ESG scoring have been implemented in all relevant parts of the Bank's lending standards and the decision-making process, e.g. Steering and Credit Committee.

The 'black list' is updated on a regular basis and is published on HCOB's website. The current 'black list', which defines the areas in which HCOB will not become involved in any direct financing arrangements, consists of three layers:

#### **COMPANY LEVEL:**

No business will be conducted with companies that violate

- human dignity,
- human rights or
- any other global norms in general.

#### **COUNTRY LEVEL:**

No business will be conducted in countries with

- either a high level of corruption<sup>1</sup> or
- a very high level of conflict.<sup>2</sup>

#### **INDUSTRY LEVEL:**

No business will be conducted in the following industries:

- Coal mining and its use for energy production, including related businesses
- Upstream oil and gas industry, including oil sands, as well as oil shales and related power production
- Nuclear energy
- Deforestation and non-certified wood products from rainforests
- Unsustainable palm oil production
- Fishing using drift net or dynamite fishing, shark finning, other harmful fishing techniques
- Embryonic stem cell research
- Non-mandatory animal testing, e.g. for cosmetic purposes
- Manufacturing, supply or development of weapons and munitions, any other highly controversial weapons
- Clients involved in the production or manufacturing of tobacco products and vaporisers (e-cigarettes)
- Problem gambling and its development
- Pornography and brothels

In its actions, HCOB follows the spirit of the Paris Climate Agreement and the Sustainable Development Goals. We intend to demonstrate the planned reduction in greenhouse gas emissions within our portfolio and monitor and steer our business more closely regarding ESG conformity.

We actively support the transformation of our clients' business models to help them meet sustainability goals by assisting their development through sustainable financing.

## **Asset side – ESG scoring/valuation of existing portfolio**

In October 2020, HCOB implemented an ESG scoring tool in order to evaluate the ESG characteristics of its business activities. The aim is to have assessed the entire loan book by the end of 2021. As of October 2020, all newly presented business opportunities are assessed using the ESG scoring tool.

The scoring tool is based on the guidance provided by the EBA and BaFin regarding the incorporation of ESG factors into the lending process. It helps us to intensify our sustainability dialogue with our clients, allowing us to

- systematically evaluate environmental/social/governance aspects of the clients and projects we finance,
- assess physical and transitory risks from climate change in our lending portfolio,
- better understand our clients' challenges on their path towards a sustainable future and provide solutions that suit their needs.

The ESG scoring tool covers the corporate, project as well as asset level and encompasses 18 questions relating to environmental aspects, 7 questions regarding social aspects and 9 questions regarding governance issues. Each question is given a score depending on its assessment (positive, neutral, negative or yes/no).

The scoring model provides environmental, social and governance subscores, as well as an overall ESG score. The 'environmental' factor is assigned a double weighting, with a special focus on energy consumption, energy efficiency and carbon footprint. The score ranges from 1 to 6 (1 being the best score) and is assigned to each new business opportunity that is presented to the Bank's Franchise and Credit Committees. A new business opportunity with a score of 5 and 6 requires additional Board approval, helping to limit such transactions.

<sup>1</sup> Corruption Perceptions Index rated below 30; source Transparency International.  
<sup>2</sup> Rated above 2800; source Global Peace Index, The Institute for Economics & Peace.

## Sustainability rating

	1	2	3	4	5	6
Environmental Standard	Client fully in line with environmental standards, including carbon (reduction) and DNSH <sup>1</sup>	Company has policy in place and follows it, achievement within the next few years realistic, including reduction of carbon footprint	Policy being developed and company in general follows carbon and DNSH targets	No steps taken yet, but company shows willingness to improve	Environmental issues are below necessary standards but could be improved	Loan/company not compliant with environmental standards and unable to achieve such compliance
Social Standard	Client actively uses the requested social standards	Standards in place, not all already achieved	Social standards accepted, not all fulfilled and not yet documented	Standards are partially followed but certain criteria are missing	Social standards significantly below but improvement possible within defined timeframe	Non-compliance with social standards and uncertainty that standards will be achieved
Governance Standard	Full governance in place which is actively followed	Governance in place with certain requirements still missing	Most of the standards are followed but no governance in place yet	Missing governance and some important factors are not followed yet	Governance implications not followed yet but improvement possible	Non-compliance with governance standards and uncertainty that standards will be achieved

<sup>1</sup> Do no significant harm.

The ESG scoring tool will be refined further over time, e.g. to include newly developed methods for quantifying physical and transitory climate risk, as well as the adaption of the EU taxonomy.

### Initial ESG scoring results:

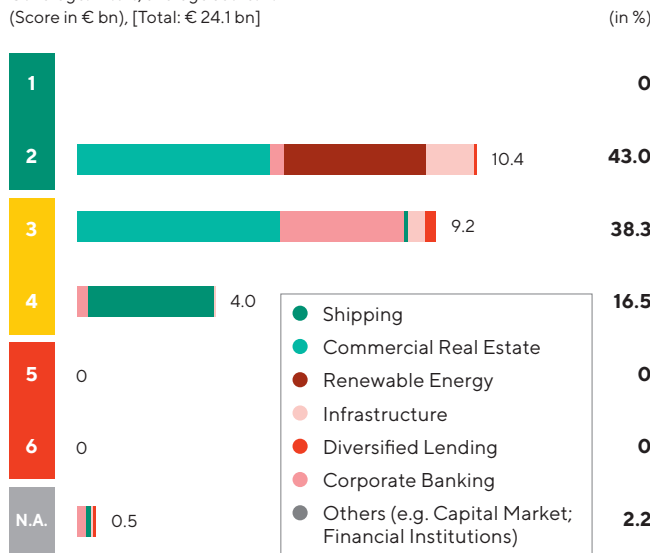
Based on the ESG scoring methodology that has been developed, we initiated the ESG evaluation of our loan book in 2020. While new financing requests are already assessed on an individual basis with regard to ESG aspects, we pursued a somewhat simplified approach for the thousands of existing financing arrangements. We defined a total of 59 clusters of industry sectors and asset classes, each with specific characteristics representative of the credit clients and financing arrangements in question. For each of these clusters, an 'ESG proxy profile' was evaluated using the new ESG scoring tool, and the results were then assigned to the individual financing arrangements.

For the Infrastructure and Diversified Lending portfolio segments, the scores shown are largely based on individual ESG scoring assessments.

## ESG scoring for client portfolio & EAD per asset class

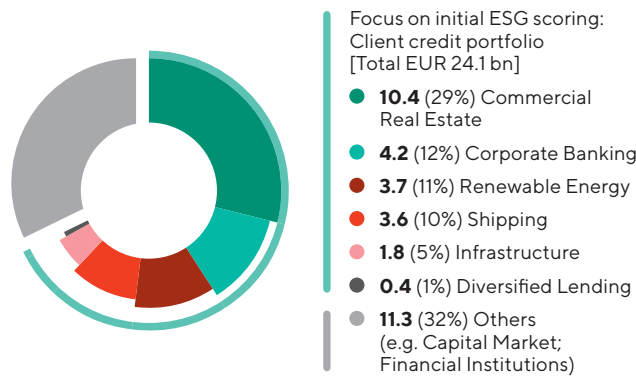
### ESG scoring of client credit portfolio (31.12.2020)

Coverage: 97.8%, average score: 2.71  
(Score in € bn), [Total: € 24.1 bn]



### EAD per asset class (31.12.2020)

(in € bn/in %), [Total: € 35.4 bn]



Using this scoring methodology, approximately 98% of our client credit portfolio has been scored, the rest relating to structured financings to which the scoring tool was not applicable. The bottom-line result is an average ESG score of 2.71. In total, 43% of the credit portfolio is scored in the ‘green’ ESG category (scores 1 and 2) and 55% in the ‘yellow’ ESG category (scores 3 and 4). However, there are actually no companies, industry sectors or asset classes that are scored 5 or 6 in the portfolio. Looking deeper into the scores, most of our clients and financing arrangements showed solid governance assessments and benefitted from the high social standards in most of our core business regions, such as Germany.

In total, the initial scoring results are not surprising in that they show an ESG ranking among our business sectors with Renewable Energy at the top, Commercial Real Estate and Infrastructure slightly better than average, Corporate Banking and Diversified Lending slightly below average, and Shipping at the bottom of the ESG rankings.

Compared to the average portfolio score of the loan book, HCOB’s new loan business in 2020 was realised at a slightly better average ESG score of 2.65.

The overall goal for 2021 is to replace the so far used proxy profile-based ESG scores with individually assessed ESG scores on a step-by-step basis. The improved accuracy provided by individual scoring will likely show an even more differentiated picture and will then allow us to assess which parts of our client credit portfolio deserve special actions in order to improve the portfolio’s ESG quality over time.

## Liability side – green bonds

In our view, the green bond market is still developing and provides an important source of funding for activities that can bring significant benefits to the environment. The latest developments regarding definitions, considerations and requirements could have an additional positive impact on the market, with growing standardisation leading to lower transaction costs. We expect this to encourage the issue of more green bonds in the market and to result in greater investor confidence and appetite and, as a result, in better issue prices.

We see a clear benefit in the additional transparency provided by green bonds regarding the use of proceeds and their impact.

Our internal strategic sustainability project and overall improvements also include the targeted further development of our loan portfolio with regard to ESG criteria. We aim to build a portfolio that is well positioned from an ESG perspective in the medium and long term.

Up until now and with respect to our funding activities, we have not issued any green bond transactions. In light of the environment referred to above, however, and to support these efforts on the liability side as well, we have started strategically working on developing our own Green Bond Framework as the basis for potential green bonds to be issued in future. The framework will take into account the latest reports and publications of the European Commission's Technical Expert Group on the European Taxonomy for Sustainable Activities and the European Green Bond Standard and will be further updated from time to time. Since we do not, in our view, have full visibility on all aspects of the newly emerging regulatory environment concerning the EU GBS at the time of publication of this report, we are working on reflecting the current status on a best-effort basis and based on the elements that have been defined so far.

## Further business activities

### Management of pension obligations reorganised through implementation of a CTA structure

In the year 2020, Hamburg Commercial Bank implemented the active management of its pension obligations in a trust structure. For this purpose, an association, the HCOB Trust e.V. ('Trust'), Hamburg, was established, which has concluded a trust agreement with the Bank ('Contractual Trust Agreement' or 'CTA').

An insolvency-protected asset pool is built up via the CTA, which provides additional protection for pension liabilities in the event of the Bank's insolvency (special assets). The new structure enables the Bank to make targeted investments from a wide range of investments based on risk-return considerations and thus to generate the necessary funds to cover its pension obligations. In the balance sheet, the assets held in the trust are classified as plan assets, which are offset against the existing pension obligations. As of 31 December 2020, the fair value of plan assets was € 949 million.

### Outsourcing management

The Bank is in the midst of a transformation phase to increase its efficiency and profitability. It is necessary to focus the Bank's activities on HCOB's core competencies. Based on a make-or-buy decision, other activities can also be outsourced to other companies if they specialise in these activities in order to execute these operations efficiently and successfully. For this purpose, the Bank has implemented a central outsourcing management system to manage and monitor these outsourcing arrangements.

The Bank's organisation meets the requirements set out in the EBA Guideline on outsourcing arrangements, which expect financial and payment institutions to take appropriate steps to ensure that service providers act in a manner consistent with their values and code of conduct. In particular, with regard to service providers located in economically developing nations and, where applicable, their subcontractors, financial and payment institutions should be satisfied that the service provider acts in an ethical and socially responsible manner and adheres to international standards on human rights, environmental protection and appropriate working conditions, including the prohibition of child labour.

In line with these principles, HCOB has included this topic in the due diligence process for evaluating business partners for new outsourcing arrangements.

# How we manage sustainability aspects

## Sustainability governance structure

### Organisational structure, policies & procedures

#### Sustainability Governance Model

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

To empower sustainable action as a formative component of our 'HCOB-DNA' and ensure achievement of our ambitious sustainability goals, the Bank is planning to establish a **Sustainability Committee (SC)** to act as a decision-making body in Q2/2021. In accordance with the importance Hamburg Commercial Bank attributes to this topic, the plan is for the SC to be chaired by our CEO, with our CRO as deputy. The planned SC is responsible for the following:

1. HCOB's Sustainability Strategy  
The SC is responsible for the development and management of the bank's sustainability strategy with regard to ESG criteria
2. Monitoring of the execution of the sustainability (ESG) plan of the bank
3. Initiation of appropriate corresponding counter or mitigating measures in case of significant plan deviations
4. HCOB's Green Bond Framework and its facilitation & implementation

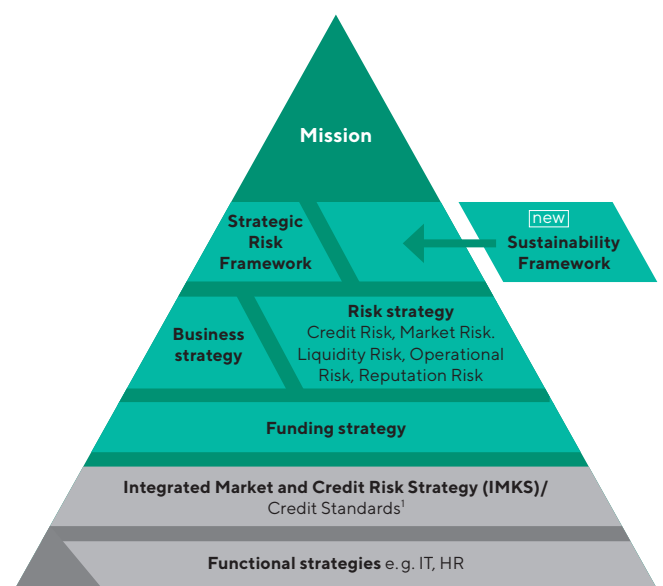
Operational and strategic sustainability management is to be the responsibility of the **Sustainability Office (SO)**, which is intended to be established as a centralised function within the BU Strategy & Transformation, also in Q2/2021. The remit of the SO will include the following:

- Group-wide steering, coordination and monitoring of ESG topics
- Development of sustainability goals in cooperation with relevant business units (ESG planning)
- Coordination, reporting & advisory of, and acting as spokesperson to, the Sustainability Committee
- External and internal central point of contact for all sustainability issues
- Enhancement of sustainability culture

A working group consisting of expert members from several affected business units is to support the Sustainability Office and the Sustainability Committee.

We have integrated **strategic approaches and objectives based on sustainability aspects** as defined in Section 289c HGB into the various components of our strategy architecture, which has now been supplemented by the **Sustainability Framework**.

### Strategy architecture



<sup>1</sup> IMKS (German: Integrierte Markt- und Kreditrisikostategie) focuses on the definition of credit standards and operationalising business and risk strategies.

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

#### Sustainability Framework

ESG factors have to be recognised in all activities, processes and decisions in the bank; therefore the newly established Sustainability Framework has been implemented on a high level to ensure a holistic integration of all subordinate strategies of the Bank (i.e. Business Strategy, Risk Strategy, Funding Strategy, Market and Credit Risk Strategies, and Functional Strategies). Thus, the integration of the Sustainability Framework within the strategy architecture on the same level as HCOB's Strategic Risk Framework took place.

## Strategic Risk Framework

The Strategic Risk Framework (SRF), which serves as the foundation of the risk culture, sets out the focus of the Bank's risk management activities and defines the objectives of risk management based on the planned development of key business activities and measures taken to achieve these objectives. The focus is on securing and allocating the scarce resources of capital and liquidity and on optimising earnings in the long term, taking into account the risk appetite, business strategy objectives, sustainability goals, the market environment and both the existing and planned portfolio.

The continuous enhancement of the SRF 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 considering 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 embedded as a financial goal in our overall bank objectives. Compliance with the requirements is ensured via the target-setting process and annual performance review for top management, with targets being cascaded 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 optimising earnings in the long run and avoiding any risk concentrations that could pose a threat to the Bank's survival. 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 survival. In addition, the objective is to ensure sufficient liquidity and, as a result, safeguard the Group's solvency at all times through a balanced and closely monitored refinancing structure in combination with appropriate limits.

Risks that have the potential to significantly impair our net assets (including capital adequacy), earnings or liquidity position are reviewed as part of the annual risk inventory. Sustainability aspects are considered as possible risk drivers for the risk types within the risk inventory process.

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 embedding the Strategic Risk Framework in the strategy, planning, reporting, management and remuneration process.

## Non-financial risks

In addition to operational risk, non-financial risk (NFR) at Hamburg Commercial Bank includes business strategy risk and reputation risk.

Operational risk is defined as the risk of loss resulting from inadequate or failed internal infrastructure (including IT infrastructure), internal processes, employees, or external events. The definition of operational risk includes business process risk, legal risk, compliance risk (incl. conduct risk), HR risk, model risk, information risk, outsourcing/insourcing risk and project risk.

The objective of non-financial risk management within Hamburg Commercial Bank is to keep these risks under adequate control to prevent unfavourable events that could result in unexpected losses, damage to reputation or could have a negative impact on our clients and other stakeholders.

### Organisation of non-financial risk management

HCOB has adopted a Non-Financial Risk Framework that takes into account the diversity of the various sub-risk types. It defines the scope of non-financial risk management and describes the roles and responsibilities in line with the Three-Lines-of-Defence model.

The individual organisational units of the Bank – as the first line of defence – are responsible for identifying and managing risks and for establishing effective controls in day-to-day business operations. The second line of defence defines the framework for managing non-financial risk by specifying uniform rules and methods and monitors their implementation. Within this context, the Risk Control business unit acts as the overarching NFR function. The second line of defence also consists of the specialised non-financial risk functions for which responsibility lies – in accordance with the individual risk types – mainly within Compliance, Human Resources, Legal, Board Office & Taxes, Risk Control, Strategy & Transformation as well as IT/Digital. Internal Audit, as the third line of defence, is responsible for the independent review of processes, etc.

### Management of non-financial risk

The identification, analysis, assessment and monitoring of non-financial risk are key success factors for HCOB. Various methods and procedures are used for this purpose. For example, risk events arising from operational risk for the Bank and the relevant subsidiaries are recorded in a central risk event database.

As part of the annual risk scenario assessment, each business unit evaluates its risk situation based on defined scenarios in order to identify necessary measures to mitigate risks. The main scenarios are then compiled and aggregated to form the overall risk profile. In addition, risk indicators are collected and evaluated on a regular basis in order to identify risks at an early stage and prevent their causes.

The results from the risk event data, risk scenario assessments and risk indicators are used for the preventive management and monitoring of non-financial risk. They are analysed in order to avoid future risk events as far as possible by means of appropriate mitigation strategies. For the purpose of risk-bearing capacity management, operational risks are determined using a modified standardised approach and the results of the risk scenario assessment.

In addition to the methods referred to above, specific procedures are in place for identifying and managing individual categories of non-financial risk.

### Reputational risk management

#### CONTROLLING REPUTATION RISK

The Compliance business unit uses various tools for the purposes of controlling reputation risks. First, there are clear instructions and regulations for the Bank as to how such risks are to be avoided and reduced and, where necessary, how the required coordination is ensured in the Bank in cases of doubt.

Second, reputation risk is assessed annually by means of two different surveys. In one survey, the internal units responsible for the different stakeholder groups are asked to assess the expectations of the group concerned, as well as to prepare a current evaluation. The other survey is conducted bank-wide and is aimed at obtaining an overall impression of our reputation and any potential for improvement.

In addition, Compliance periodically collects individual reputation-related indicators based on the SREP Guidelines.

The internal NFR Committee, which is also the decision-making body for the assumption of reputation risk, reviews the quarterly report on reputation risk.

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

#### REPUTATION RISK STRATEGY

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

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

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

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

The guidelines for business relationships and transactions are based on the requirements that apply to 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 as part of 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 German Money Laundering Act and the German Banking Act.

The initiating units confirm that the review has been carried out in accordance with the reputation risk strategy/reputation risk guideline, which includes the aspects referred to above. Exclusion criteria and requirements apply to these aspects, as does a uniform framework for assessing identified reputation risks in the form of what is known as the RepRisk matrix. The structure of the RepRisk matrix takes account of the fact that reputation risks can have a different impact depending on the stakeholder concerned.

### Consistency in dealing with rules and standards

The trust of our clients and employees, as well as public perception, is vital for us. One prerequisite for achieving this objective is that all employees act in accordance with the law and the applicable regulations at all time. A compliance culture that is applied throughout the Bank is essential in order to strengthen our compliance with the law and the applicable regulations. The external auditing firm PwC monitors our adherence to regulations and standards on a yearly basis.

### Code of Conduct

Our Code of Conduct is the central framework in this regard. It focuses on essential rules and consolidates these in 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 conventional 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 tax, finance, risk management, information security, data protection and communications. It also sets out standards of behaviour that must be complied with in employees' daily interaction with their colleagues, in their dealings with clients and to fulfil our social responsibility. We have also published the Code of Conduct on our website.

### Legal and regulatory compliance

The Compliance business unit monitors legal and regulatory compliance by the Bank and its employees in accordance with the German Minimum Requirements for Risk Management (MaRisk) AT 4.4.2 and ensures that substantive legal regulations and requirements are complied with centrally, as well as across the Bank.

As part of its central legal monitoring activities, the Compliance function identifies all of the rules and regulations that are relevant to us and assigns them a clear responsibility at business unit level. All new and amended rules and regulations, including the responsibility for them, are entered into the system on a weekly basis and are communicated to all business units. The Compliance function uses the **Legal Monitoring Committee** chaired by it to ensure close communication, particularly 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 be reported on an anonymous basis using confidential reporting channels. 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.

Among other things, we have implemented rules on benefits (**benefits policy**) and donations (donations & sponsoring 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**). In addition, customer anti-corruption due diligence is part of our KYC (know-your-customer) policy and, as far as third parties are concerned, it is included in the Bank's procurement policy. Furthermore, issues relating to trading in capital market products are monitored (**prohibition of market manipulation, instructions regarding insider information, director dealings and prohibition of insider trading**). Finally, the Compliance function has established comprehensive guidelines on the management of reputation risks and is responsible for this topic as the second line of defence.

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

Insofar as prevention is concerned, we have transaction monitoring systems in place (prevention of money laundering and financing of terrorism, as well as compliance with financial sanctions and embargo rules). The Compliance business unit also conducts online and face-to-face training sessions to provide staff with information, particularly with regard to the topics of other criminal activities and corruption – with a high acceptance level (96% completion rate in 2020 without the need for escalation).

### Tax questions and issues

The guideline on the involvement of the Legal, Board Office & Taxes business unit when handling tax matters ('Guideline on Involvement of BU Tax'), which forms part of our written rules of procedure, ensures that our Legal, Board Office & Taxes business unit is involved in all tax-related transactions in a targeted and risk-commensurate manner.



We have combined the Guideline on involvement of BU Tax with an IT-supported and standardised advisory procedure in order to consistently implement the objectives set out in the Code of Conduct for ensuring tax compliance. On this basis, we comply with national and international tax laws, do not engage in abusive tax planning and avoid any forms of legally permissible aggressive tax optimisation, including stringent rules for transfer pricing with regard to intercompany transactions. When introducing new products, we ensure adherence to the requirements set out in the tax legislation. We do not support clients or our employees in actions designed to mislead the tax authorities.

### **Corporate data protection**

Responsibility for data protection lies with the Overall Management Board, which has set up a data protection organisation to implement and ensure compliance with data protection regulations. One important component of this data protection organisation is the appointment of a company data protection officer.

Our internal Data Protection Officer (DPO) can perform his or her duties independently at his/her own discretion and reports directly to the Management Board.

The DPO monitors compliance with data protection requirements, especially the European General Data Protection Regulation (GDPR) and the German Federal Data Protection Act (BDSG), as well as other data protection regulations and industry-specific requirements. He/she identifies possible weak points, acts in an advisory capacity and informs the responsible company, including its employees, as well as service providers that process personal data on the company's behalf, about opportunities for change or improvement. New requirements resulting from changes in legislation or court rulings are implemented and applied in the affected processes in a timely manner.

The DPO is obliged to treat the identity of the person affected by the processing of personal data ('data subject') and circumstances that allow conclusions to be drawn about the data subject as confidential, especially when data subjects exercise their rights.

The DPO is available to data subjects as a point of contact for any questions relating to data protection and also cooperates with the data protection supervisory authority as its contact person.

### **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. As a result, we strive to protect this information from internal and external threats, support the maintenance of business operations and minimise any losses arising from errors in handling information to the greatest extent possible.

#### **INFORMATION SECURITY ORGANISATION**

In order to achieve this objective, we have set up an organisation which is geared towards meeting the legal and regulatory requirements and applies ISO 27001 (international standard for information security management) as its guideline. An Information Security Officer has been 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 Officer reports to the management on a regular and at least quarterly basis on the status of information security within the Bank.

The Information Security team has been moved to the BU Compliance. Together with teams covering the topics of Data Protection, Internal Control System, Outsourcing Management and Business Continuity Management, it makes up the 'Information Security & Sourcing Management' unit, which forms an essential part of the second line of defence.

#### **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 planned and carried out on a regular basis to determine whether these requirements have been properly defined and effectively implemented. Any deficiencies identified are assessed, and appropriate rectification measures agreed with the divisions responsible.

#### **RAISING AWARENESS AMONG EMPLOYEES**

One important task of information security involves ongoing measures to raise awareness among our employees regarding the risks arising from cyber attacks and infringements of our protection objectives.

Current threats are reported on the Bank's intranet site on a regular basis. In addition, targeted measures are also organised for 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 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.

## Procurement principles & supplier code

We purchase services from various external service providers and vendors worth around € 140 million in 2020 to be decreasing over time.

The sourcing of these services is governed by the 'HCOB Purchasing Principles', which are a pivotal part of our written rules of procedure ('*schriftlich fixierte Ordnung*', sFO). They are based on best-practice approaches and 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 create an effective foundation and establish transparency and accountability for all purchasing transactions. They therefore support the objective of ensuring the cost-effective sourcing of all required goods and services at optimal terms and conditions and the 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 compliance with legal requirements and obligations make a valuable contribution to sustainability.

As part of demand planning, the extent to which the purchase requisition, service definition and tendering procedures comply with our systems and regulations is to be reviewed for all procurement transactions.

The following has to be taken into account in this review (amongst other criteria):

- 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 also have to comply with existing laws, rules and regulations, as well as internal organisational instructions.

The principle of sustainability applies to purchasing through our 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 procurement department works hand-in-hand with all of the internal client departments involved to exclude suppliers that refuse to accept the Supplier Code, without providing any plausible explanation, from further tendering processes. A violation of the Supplier Code can also result in the termination of the business relationship. Purchasing, together with the business unit responsible for placing the order, is responsible for making these decisions.

In addition, our suppliers are constantly compared against sanction and embargo lists so as to ensure that we only commission approved suppliers and only enter into transactions with suppliers that meet key integrity standards.

Procurement also uses a regular and systematic supplier assessment process to ensure that any irregularities in supplier quality are identified in good time and rectified if necessary by implementing supplier development plans.

Procurement 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.

Procurement carries out appropriate controls in the sourcing and tendering process with regard to compliance with tendering procedures, ensuring fair competition, preventing contracts being awarded 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 helps in particular to avoid unnecessary travel and transport costs and the resulting emissions, especially of pollutants and carbon dioxide.

## Dialogue with our stakeholders

We maintain active dialogue with our stakeholders and respond to 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).

Key topics in discussions with stakeholders in 2020 were managing the COVID-19 crisis and continuing the transformation programme to create a resilient and profitable bank, while continuing to implement sustainability aspects in our business model through relevant guidelines (for further details on these topics, please refer to the individual chapters).

### 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 – a strategy that we continued even during the coronavirus. Due to the challenging environment for many of our clients, discussions focused on their financial position, credit relations and potential public or private-sector support programmes (such as the funds provided by the German state-owned development bank KfW or the use of moratoria) or forbearance measures.

Apart from these credit-driven topics, other relationship aspects took on new forms due to the crisis. Instead of meeting clients in person, we invited them to regular digital events such as our ‘interest rate breakfast’ or our ‘interest rate dialogue’, where our experts provided information on current topics and were happy to discuss them with our clients. We also participated in several digital trade fairs – replacing face-to-face trade fairs which were cancelled – such as the ‘global summit’ (infrastructure), the ‘TSI Kongress’ (syndication), the FTTH (fibre to the home) and also the ‘Structured Finance’ trade fair, which created a full digital trade fair setting, including digital exhibition stands.

### Centralised complaint management

We have established a Centralised Complaint Management function, which ensures that client complaints are processed systematically in accordance with the statutory requirements. The remit and objective of the Central Complaints Management department is also to

- establish and be responsible for a process to ensure that complaints are identified clearly and unambiguously, are processed systematically and are documented in accordance with the law,
- be perceived and consulted as a neutral and independent centre of competence for client criticism,
- further strengthen client loyalty,

- make information regarding complaints available to the Bank’s risk management team and
- use the complaints as an information source for optimisation potential.

### Industry studies

We publish studies on various industries, either alone or with well-known partners, and make them available on our website. One example includes the study entitled ‘Corporate Power Purchase Agreements – Going Green’.

### Owners/shareholders

We are a German public limited company and, as such, we are liable to our shareholders. The four US financial investors, Cerberus Capital Management, L.P., J.C. Flowers & Co. LLC, GoldenTree Asset Management LP, Centaurus Capital LP and the Austrian company BAWAG P.S.K., are the main owners of Hamburg Commercial Bank AG.

Our 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.

For further details regarding our ownership structure, please refer to the explanatory information in the section ‘HCOB at a glance’ in the chapter ‘Who we are’.

### 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 requirements for our membership of the German Savings Bank Association (*Deutscher Sparkassen- und Giroverband e.V.*, DSGV) were no longer applicable, and our membership of the DSGV expired, whereas the membership of the guarantee scheme of the Savings Bank Finance Group (*Sparkassen-Finanzgruppe*, SFG) will continue until 31 December 2021.

As a result of our consistent focus on establishing ourselves as a private bank, we have been a member of the Auditing Association of German Banks and an extraordinary member of the Federal Association of German Banks (*Bundesverband deutscher Banken*, BdB) since 1 January 2019. With our planned seamless transition to the deposit protection system for private banks with effect from 1 January 2022, our extraordinary BdB membership 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**

Hamburg Commercial Bank maintains dialogue with both credit rating agencies, which focus primarily on the Bank's financial resilience, and rating agencies focussing on sustainability aspects (ESG – environmental, social, governance).

Dialogue with the credit rating agencies Moody's and, since the end of 2018, S&P is crucial for us. We have designated contacts within the Bank Steering business unit who are responsible for this dialogue and exchange information with the analysts at the rating agencies on a regular basis. In 2020, the Bank's approach to managing the COVID-19 crisis and the resilience of its key financials were clearly the key topics. The credit rating agencies are, however, increasingly monitoring ESG risks as part of their credit rating process, too. As a result, environmental, social and governance risks have become part of the issuer credit profile as well, which is having an impact on the Bank's long-term prospects.

#### **SUSTAINABILITY RATING**

Apart from credit rating agencies, our performance in terms of ESG is evaluated in greater detail by sustainability rating agencies. We are in dialogue with the rating agencies Sustainalytics, imug and ISS. Due to its strengthened focus on ESG topics, the Bank was able to improve its rating position with imug to 'BB' from 'CCC' a year earlier. Sustainalytics acknowledged the Bank's strengthened risk management system with regard to ESG by awarding it a very sound risk score of 14. For the agencies, the explicit integration of ESG aspects in our credit processes and governance frameworks that underline the Bank's strengthened commitment were major steps forward. In addition, the Bank received from the sustainability rating agency ISS a more moderate 'C-' ESG rating. The Bank intends to incorporate the valued feedback it has received from the agencies referred to above in its relevant frameworks. The current rating results are listed in the overview of our key figures and 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 and subsidiaries. Within the Legal, Board Office & Taxes business unit,

there is a Regulatory Affairs function that acts as our central key account vis-à-vis the supervisory authority and is responsible for ongoing dialogue with these stakeholders. Sustainable Finance is an increasingly important topic within this context.

#### **State and government relations**

Hamburg Commercial Bank, which operated as HSH Nordbank until it was successfully privatised in November 2018 and renamed in February 2019, sees northern Germany as its home region and, as such, the responsible state governments and the public are natural stakeholders of the Bank. The nature of the Bank's engagement has, however, changed significantly since December 2018. A major part of the privatisation process involved the termination of a € 10bn state guarantee provided by HSH Nordbank's two former majority owners, the federal state of Hamburg and the federal state of Schleswig-Holstein (for further details, please refer to the 2018 Annual Report). Following the termination of the guarantee, Hamburg Commercial Bank did not receive any state support. Like most other banks in Europe, it is participating in the targeted longer-term refinancing operations (TLTRO) of the European Central Bank (ECB). The Bank is arranging KfW facilities on behalf of its clients to support them during the COVID-19 crisis.

#### **Media/PR**

The Press department and the Marketing department are responsible for our external communications with the media and public and ensure the necessary transparency. Our media and public relations work is founded on experience and a strong network, which consists of a wide range of contacts with journalists and decision-makers in the media industry.

## What we do to protect the environment

HCOB has a designated unit that is responsible, among other things, for environmental protection – Facility Management GmbH (FM). The FM division was reintegrated back into Hamburg Commercial Bank AG from HCOB Facility Management GmbH with economic retroactive effect from 1 January 2020, along with its workforce of around 80 employees. Further integration steps will follow in 2021.

Facility Management is responsible for secondary processes related to real estate management, energy management and real estate security. It is the responsible operator of the properties, including their technical facilities, and ensures the Bank's occupational and operational safety at its domestic locations. It performs selected banking functions, such as cost category management for land and buildings and various operating expenses. The actual banking functions also include document custody and file archiving, strategic facility management and occupancy planning.

The Bank's energy management was certified in line with the international quality management standard DIN EN ISO 50001 in 2018. The energy management rating was confirmed by a review audit conducted at the end of 2019. The Bank is currently using the validity period of the audit to revamp its future building strategy. Facility management ensures smooth operations and optimises processes while constantly reviewing their use of internal and external resources. The division was recertified in accordance with DIN EN ISO 9001:2015 in 2020.

The measures listed below underscore Hamburg Commercial Bank AG's ambition to implement a sustainable business model using available resources as effectively and sensibly as possible.

### Building stock

At the beginning of 2020, Facility Management had operational and operating responsibility for approximately 93,200 m<sup>2</sup> in net floor space, predominantly in properties owned directly and indirectly by the Bank in Germany. In addition, HCOB FM is responsible for strategic real estate management for an additional 10,000 m<sup>2</sup> in net floor space in foreign locations. It also manages over 12,000 m<sup>2</sup> in office space and approx. 50 retail spaces in Hamburg and Kiel.

As part of its transformation into a modern and successful commercial bank, the Bank disposed of its building portfolios in Kiel and Hamburg. The Bank sold a total of 12 buildings (amongst them the two headquarters), thereof 8 in Kiel and 4 in Hamburg that no longer meet the requirements of sustainable energy management and up-to-date technical equipment.

## Environment

By signing the United Nations Principles for Responsible Banking (PRB), Hamburg Commercial Bank has set a clear signal for climate protection and sustainable action. As a result, sustainability aspects have now been implemented in all of the Bank's business areas.

As one of the Bank's most important topics for the future, resource conservation and compliance with ESG criteria have been firmly established in the Bank's internal activities. This means that the Bank will raise awareness of the environmental impact that the daily business activities of its employees have in order to further reduce emissions in areas such as electricity, water, heat, CO<sub>2</sub> and mobility.

In view of the broad social consensus of the need to strengthen environmental protection, observance of the applicable environmental standards by Hamburg Commercial Bank AG is one of the cornerstones for credible and successful business.

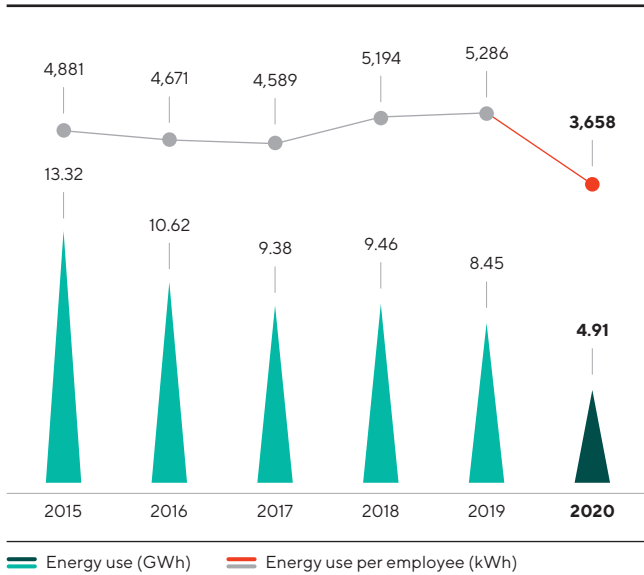
### Energy consumption

The reduction in the Bank's energy consumption in the year under review is mainly due to the downsizing within the transformation process and the reduction in the existing real estate portfolio. With regard to the existing building stock, investments in energy-related measures no longer provided an economic advantage, as these have been sold and are now under new ownership.

Nevertheless, the further reduction in the workforce and the sustainable consideration of internal value creation processes offered promising approaches to further reducing the Bank's energy consumption. The increased use of video conferencing and the options for working from home have already made a forward-looking contribution in this regard, particularly in a year characterised by COVID-19.

As part of the Bank's sustainable positioning, high standards will continue to be applied to its own actions in the future. On both a large and a seemingly small scale, this means that the vehicles used consume little fuel or feature alternative drive systems, that the building infrastructure is operated in a way that conserves resources, and that employees make their own contribution to reducing paper and water consumption.

**Energy Consumption Intensity<sup>1</sup>**



<sup>1</sup> The data used in previous years have been adjusted to reflect the consumption of the 'Perle' shopping centre (as part of HCOB's headquarter building).

**ENERGY**

Consumption is measured and controlled by facility management. As far as possible, electrical equipment with low power requirements and high energy efficiency ratings is used in construction measures and refurbishment work. Even though the majority of Hamburg Commercial Bank AG's electricity requirements are covered by CO<sub>2</sub>-neutral green electricity, the selection and procurement processes focus not only on the needs of users but also on the energy efficiency of the products purchased. As the Bank's IT transformation progresses, this goal will be clearly reflected in each and every workstation within the Bank.

**HEATING**

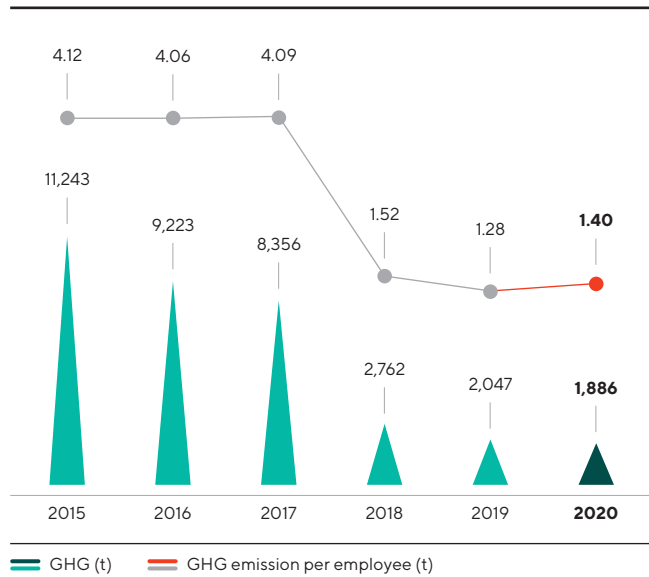
On the one hand, the consumption of district heating is difficult to quantify due to shorter or longer heating periods, and, on the other, improvements in this segment can only be achieved by making substantial investments. Due to the advanced building strategy and the high degree of complexity associated with structural measures, corresponding savings measures tend to be of secondary importance.

**CO<sub>2</sub> savings**

Despite already significant reductions in CO<sub>2</sub> emissions of around 82 % in the 2015 – 2019 period, we have continued with this positive trend and achieved a further 8 % reduction in emissions in 2020. The increase in GHG emissions per employee is due to the building space available beyond demand. The savings potential in this regard has almost been exploited in the buildings currently in use and the issue not be resolved until a more efficient building that suits the number of employees can be occupied.

As disclosed in December 2020, the Bank intends to move into a new and more energy-efficient building in 2025, reducing its resource footprint and, in particular, its GHG footprint for its own operations, significantly. It is, nevertheless, aiming for a further reduction in 2021.

**Carbon Emission Intensity<sup>1</sup>**



<sup>1</sup> The data used in previous years have been adjusted to reflect the consumption of the 'Perle' shopping centre (as part of HCOB's headquarter building).

**MOBILITY**

Operational mobility is influenced by numerous factors that cannot be controlled in their entirety. Cultivating client relationships on a face-to-face basis is an indispensable component of trust-based cooperation at Hamburg Commercial Bank AG. If a business trip is unavoidable, the relevant travel policy applies. Sustainability and environmental considerations are already taken into account in the choice of means of transport, which is also generally the most cost-effective option. Nevertheless, CO<sub>2</sub>-intensive business flights are unavoidable. As a result, Hamburg Commercial Bank is offsetting these carbon emissions for the first time in 2020 by supporting a rainforest project in Brazil.

The current progress made in communication using modern technology, which is enabling new communication channels in many places, is particularly worthy of mention. This sort of communication can be very effective both with clients and within the company, and has the potential to reduce emissions associated with normal travel activities significantly. In addition, bank-related travel between locations was prohibited as a matter of principle due to operational pandemic planning.

The Bank continues to use electric vehicles and intends to look into sustainable alternative transport solutions for the future.

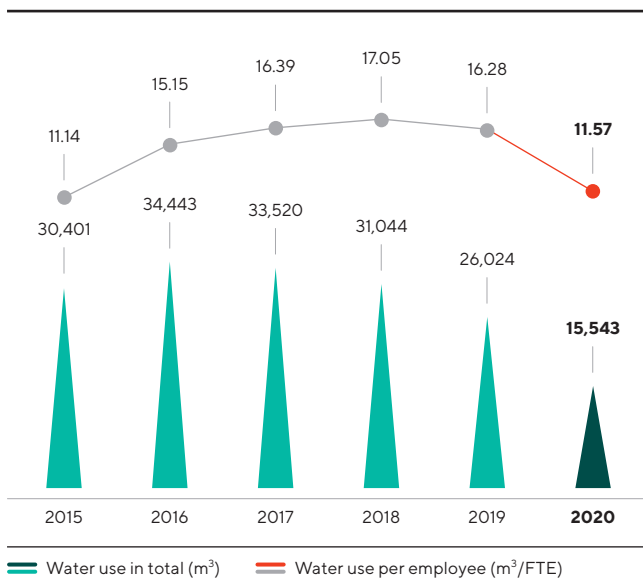
**SUBSIDY FOR THE USE OF PUBLIC TRANSPORT**

All employees of the Bank receive a monthly travel allowance for journeys to their place of work of € 15.34 gross. This requires them to prove that they use an annual public transport season ticket (e.g. HVV, KVG, Deutsche Bahn). In Hamburg, the allowance entitles employees to participate in the major customer subscription scheme offered by the Hamburg public transport operator (HVV).

**Water consumption**

Drinking water is mainly purchased from regional suppliers, and fresh water consumption in the year under review came to around 15,500 m<sup>3</sup>. This means that considerable savings were made for this valuable resource compared with the previous year. In addition to the discontinuation of canteen operations in Kiel and Hamburg, this was largely due to the small number of employees coming into the office due to the pandemic, as a large proportion of employees opted to work from home.

**Fresh Water Use Intensity**

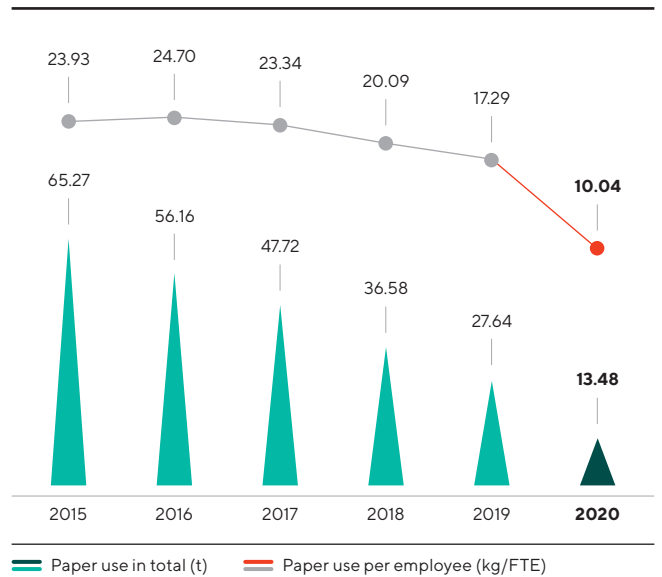


**Paper consumption**

The digital transformation of Hamburg Commercial Bank AG ensured an ongoing reduction in the volumes of paper purchased. Advances in digital signatures and other processes are replacing paper documents in business transactions. In addition, acceptance of digital formats among client groups has also increased, which has driven a reduction in conventional corporate publications. The printing paper used by the Bank is wood-free and is consistent with EU eco-standards, which require at least 50% to be made of recycled or sustainable material.

Further reducing paper consumption is and remains a stated aim of Hamburg Commercial Bank AG. We will continue to work towards this objective by further testing and introducing suitable digital work and process steps.

**Paper Use Intensity**

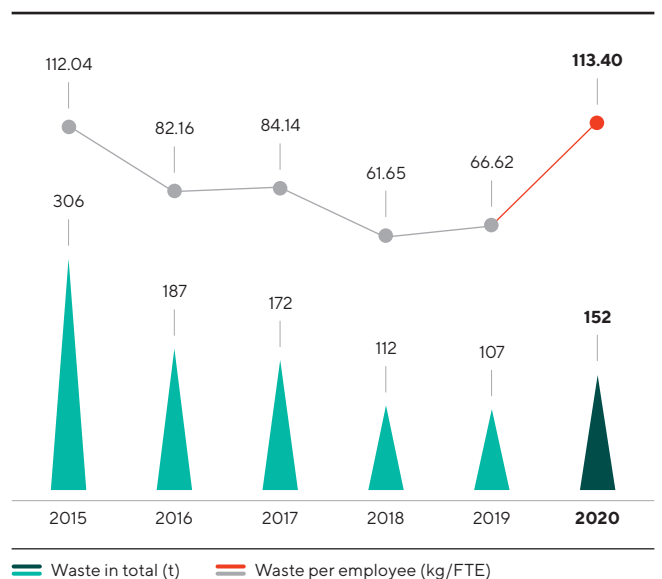


**Waste**

Waste volumes in Kiel and Hamburg have been declining on an ongoing basis since 2015, this trend is expected to continue in the future, with the exception of the current reporting year. In 2020, the waste volume increased significantly to around 152 tonnes. The increase in the total volume of waste is due to the reduction in space as part of the building sales. Before the buildings were handed over, numerous collections of waste from warehouses and archives had to be recycled. In addition, IT equipment that was no longer required, old equipment and, to a lesser extent, hazardous materials had to be sent to the appropriate disposal companies.

Wherever possible, equipment and other usable items were donated free of charge to charitable organisations.

**Waste Generation**



## How we safeguard the interests of our employees

### Our human resources strategy

The human resources strategy supports the overall bank strategy and provides the framework for operational human resources functions. It attaches a great deal of importance to ensuring that appropriate quantitative and qualitative staffing levels are in place and to managing and avoiding related personnel risks. The ability to attract and retain motivated and committed employees, in particular, given the challenges associated with the ongoing transformation process, is also very important to us as a company. In this context, the Bank's human resources strategy and the human resources tools always have to 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) business unit 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 successfully implemented again in 2020 as part of the transformation programme. We reached our target for the planned workforce reduction in 2020 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 fell significantly in line with expectations in the course of the ongoing staff reduction measures being implemented within the Hamburg Commercial Bank Group. Please refer to our 2020 combined management report for further information.

The Bank also placed a strong focus on the health of its employees in the context of the COVID-19 pandemic. The Bank reacted immediately by establishing a special working group and taking ongoing measures and has been working in split mode since March 2020.

### Employee rights and equal treatment

Co-determination in the workplace and equal treatment have a long tradition in our Bank, one that continues to apply and is still actively put into practice to this day.

#### Co-determination

We encourage and require co-determination and actively involve our employee representatives.

The work of our employee representatives includes the democratic scrutiny of laws, regulations, works agreements and collective bargaining agreements. It encourages, amongst other things, the enforcement of actual equal opportunities between women and men, the promotion of health and safety at work and measures to combat arbitrary unequal treatment within the company. Our various works agreements enshrine important rights of employees, especially in social matters, with binding requirements for the employer, the employee representatives and the employees.

In accordance with the Articles of Association, our Supervisory Board is composed of 18 members of whom twelve were elected by the shareholders in accordance with the provisions of the German Stock Corporation Act (AktG) [Sections 96 (1), 101 (1)] and six by the employees in accordance with the German One-Third Participation Act (DrittelbG) [Sections 4 (1), 1 (1)].

#### SAFEGUARDING OF EMPLOYEE INTERESTS BY THE WORKS COUNCILS

In addition to the Bank's works councils in Hamburg and Kiel, Luxembourg also has employee representatives. As a result, a General Works Council and a European Works Council have been established. The works councils in Hamburg and Kiel delegate members to the General Works Council.

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



The works councils represent the interests of the workforce in a variety of ways. These include, but are not limited to, the following:

- The works councils monitor whether laws, regulations, collective agreements and company agreements are implemented and complied with. In this context, individual works agreements with the employer are revised, if necessary. This may affect, for example, the central works agreements on remuneration systems and data protection.
- The works councils exercise their right of co-determination in matters such as recruitment, changes to employment contracts, changes to salaries and working time arrangements, including overtime and dismissals. In certain circumstances – especially in connection with the agreed and implemented staff reduction programme – requests from the HR department can be rejected.
- The scope of the restructuring and staff reduction targets previously planned by the Management Board was expanded due to the expected economic slowdown and the resulting more cautious approach to new business. These cases were negotiated and co-determined with the employee representatives as part of a reconciliation of interests and social plan. The corresponding talks had been ongoing since December 2019 as part of the transformation programme and ended at the beginning of March 2020.
- The works councils support colleagues on request during job interviews and employer-initiated separation interviews. Colleagues are supported with requests during the annual staff appraisal season.
- The works councils work to ensure compliance with environmental protection and occupational safety regulations, accident prevention and the promotion of health in the workplace. The works council participates in committee and board meetings to initiate or implement and monitor these and other issues. These include, for example, the meetings of the occupational health and safety committee or the health steering committee.
- The works council, in cooperation with the youth and trainee representation, advises the Human Resources unit on matters relating to apprenticeships and training. The works council also has a co-determination right in the selection of participants in training programmes.
- In addition, the works council members are always available for individual discussions or counselling sessions with colleagues.

The works council usually meets weekly and discusses, or makes decisions on, the above-mentioned issues.

Regular meetings are held with the Human Resources unit to prepare and follow up on these issues. In addition, the chairpersons of the works councils hold periodic meetings with Board members or managing directors.

The works council members endeavour to resolve differences of opinion and conflicts within the Bank. If this remains unsuccessful, clarification is sought before industrial tribunals or through arbitration measures.

The works council members have a wide range of network contacts, especially with the Verdi trade union responsible for the Bank, but also with works councils from other banks.

The works council members provide regular information on their activities, decisions and work. This information is usually provided in monthly publications on dedicated pages of the Bank's intranet and at two to three works meetings at individual locations. In addition, other information events such as 'Aktuelle Stunde', 'Cafeteria Talk' or 'Afterwork' are organised.

Appropriate offices with the necessary resources are available to allow the works councils to carry out all of their tasks and duties. The administrative offices in Hamburg and Kiel are staffed with assistants.

There is also a representative body for severely disabled employees in Kiel and Hamburg. Both form the central representative body for employees with disabilities. The representative for severely disabled employees attends the meetings of the works councils or the General Works Council and has his/her own agenda item at the meetings.

The representative for severely disabled employees advises colleagues on applications for severely disabled and equivalent status. They advise on the design of workstations for the severely disabled and also participate in the meetings of the occupational health and safety committee.

### **Diversity and equal opportunities/treatment**

Equal treatment has a long tradition in our Bank. The Management Board members and works councils voluntarily ensured that the issue of equal treatment was permanently established in a works agreement, which still applies to our Bank today. Aspects of the relevant federal state legislation on equal treatment of the federal states of Hamburg and Schleswig-Holstein were incorporated into this agreement. The stakeholders, however, went far beyond this legislation 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 his/her normal duties, and a part-time one in addition. The equal opportunities officers have been given extensive rights and act independently.

Every four years, we work with a bank-wide working group to draw up an equal opportunities 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. The current promotion plan applies until 2020 and will be replaced by a new plan. This topic is actively supported by the Chairman of the Management Board. We are also required to actively support women and men in all issues relating to the reconciliation of work and family commitments and buy in external expertise in this area. Female talent at all age levels is actively promoted when filling positions and in target group programmes for personnel development, and women working part-time who are looking to increase their hours 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 prepare annual comprehensive equal treatment statistics, which are updated on a quarterly basis, discussed with the Chairman of the Management Board and made available to all managers and employees on the intranet. Our equal opportunities officers have also prepared an annual '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 being to ensure that women and men receive the same pay for the same work. The results of the analysis are submitted to the relevant business unit heads and responsible works council members for acknowledgement and further action.

Since 2008, the issue of equal treatment has been associated with significant challenges due to the Bank's extensive restructuring and related reduction in headcount. We have taken this into account by raising the issue with the Chairman of the Management Board and establishing 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).

In April 2020, Hamburg Commercial Bank also made a commitment to the issue of diversity. The Bank recently signed the '**Diversity Charter**', making a voluntary commitment to ensure a working environment that is free of prejudice and guarantees equal opportunities for all.

In addition, the Management Board made the decision on 4 November 2020 to support the issues of equal opportunity and diversity even more intensively by taking a wide range of measures, including specific target quotas for the respective underrepresented gender in management and senior positions. The Management Board attaches particular importance to making even greater improvements at divisional management level in the future.

### Selected key figures regarding equal treatment

(%)	31.12.2020	31.12.2019	31.12.2018
Percentage of women in the workforce	41.0	42.2	42.5
Women on the Supervisory Board	16.7	11.0	15.0
Percentage of women managers across all levels <sup>1</sup>	21.1	23.0	22.0
Percentage of women in top specialist functions	27.1	35.0	35.7
Remuneration structure – women's share within the respective salary category: <sup>2</sup>			
Tariff salaries	58.2	67.0	66.5
Non-tariff salaries	31.6	32.4	32.1
Use of paternity leave by fathers <sup>2</sup>	28.3	34.0	25.0
Part-time working ratio <sup>2</sup>	21.2	24.5	26.5

<sup>1</sup> Head office excl. Management Board.

<sup>2</sup> Head office.

**Statistics on equal opportunities as at 31.12.2020<sup>1</sup>**

	Number			Ratio	
	Women	Men	Total	Women	Men
Managers reporting directly	4	16	20	20%	80%
Heads of department	11	40	51	22%	78%
<b>Total</b>	<b>15</b>	<b>56</b>	<b>71</b>	<b>21%</b>	<b>79%</b>

<sup>1</sup> 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**

The year 2020 was a special year for the Bank – it was the second year of transformation and was affected by the COVID-19 situation. The focus of the internal programme was on supporting employees during the change process – in their professional and personal development. For the first time, most seminars were held virtually in small groups. Despite minor technical challenges, the response to these measures was very positive, such that these formats will be continued in the future. 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 by making use of external training sessions or conferences.

The annual performance review between every manager and employee at the beginning of the year includes not only feedback on performance but also a discussion and agreement for further development. The training plans are linked to both the individual needs and employees’ objectives and are consistent with the overall Bank strategy. The average budget per head is used for individual as well as for overall training programs and amounted to € 950 in 2020 (2019: € 765).

A leadership programme comprising several modules has been launched for our managers in which all managers – from the Management Board to department heads – participated, attending sessions of varying durations.

The #pushforresult leadership events continued in 2020. The Management Board used digital channels to provide input on current challenges facing managers and the progress made in the transformation process.

**Fostering young talent**

We offer different options for young professionals to start their career in our Bank.

We offer school students a dual study programme leading to a Bachelor of Science in Business Administration in cooperation with the Hamburg School of Business Administration (HSBA), a state-accredited private university. In the dual study programme, it normally takes three years to complete the Bachelor’s degree. There are currently 9 dual students in this programme; they started in autumn between 2018 and 2020. Everyone who completes their dual study programme study with a grade of ‘very good’ or ‘good’ receives an offer of a permanent contract from us to fill an existing vacancy.

For university students/graduates, we offer internships or an individual 18-month trainee programme in different divisions. 21 trainees are currently completing the programme; they started in the autumn of 2019 and 2020.

For several years now, we have been recognised by trendence Institut GmbH as a ‘provider of high-quality career-promoting and fair trainee programmes’.

We offer annual internships to around 50 undergraduates and students to enable them to get to know us and provide career development to them.

Our programmes are characterised by the following:

- intensive support during the entire study and training period
- working in a team and project-based tasks
- extensive on-the-job training
- individual support from a mentor for trainees
- needs-based further technical and personal development
- networking

We also launched a digital young talent exchange in 2020. This format is open to all young employees within the Bank. As part of the ‘Young Talent Exchange’, we give our young talents the opportunity to come into closer contact with the top management level, business unit heads/department heads or also interesting, important personalities within the Bank, and to exchange ideas on various topics.

### Health and work-life balance

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

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

### Health promotion

Our corporate health management (CHM) system is aimed at promoting the health and well-being of employees in the workplace and thereby to maintain or increase their motivation and performance. In organisational terms, all health activities are managed by the Occupational Safety and Health Protection and healthcare manager (HR).

The topics covered include, 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 hand, we provide behavioural health 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 topics including 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.

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.

### Protecting employees against health risks resulting from the coronavirus

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 assess 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 high-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 hand sanitiser were installed and masks also provided. Events involving a large number of people were cancelled, and access to the Bank's premises was restricted for externals. The biggest measure is the Bank's split-mode operations, which were introduced in March and are still ongoing to ensure operational processes within the Bank. Employees working on the same topic/process that is relevant for business continuity are not allowed to meet in person – these employees alternate between working within the Bank and working from home.

Our employees were provided with extensive information and the very latest updates on COVID-19 and its impact on the Bank via the 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 conventional occupational health topics (such as reintegration after prolonged illness), the company doctor's remit 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 team, the company doctor makes an important contribution to the health of all employees. Our company doctor is also part of the coronavirus working group and gives medical advice regarding any questions that arise among the employees and the working group.

### Social counselling

Three individuals working part-time in Hamburg and Kiel respectively make up our social counselling service. Employees can get professional help here on the issues of stress, conflict and difficult situations in the workplace but also on topics such as mental illness, addiction and personal matters. Social counselling also offers psychological emergency help – also for relatives. Referrals are made to external counselling centres, hospitals or psychotherapists on a case-by-case basis.

Both employees and managers use social counselling. Demand remains high and shows the trust placed in the service.

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

### Occupational safety

We meet the legal requirements and safety standards for occupational safety and health protection at all our German sites. Our guiding principle of state-of-the-art, preventive occupational safety is a comprehensive, holistic understanding of the health and safety of all employees.

In order to be able to implement this, the occupational safety specialists advise and support our managers and employees in all matters so that they can work and act in a safe, ergonomic and healthy manner.

Area inspections were carried out in several departments of the Bank. In addition to advising our managers on their responsibility for occupational health and safety, the inspections also included the identification of psychological stress and department-specific hazards. This year, for the first time, mental stress was assessed in cooperation with TÜV Rheinland using a digital questionnaire from 'Dear Employee'.

Furthermore, the occupational safety specialists provided ergonomic advice directly at the workplace for more than 60 employees in order to prevent ergonomic strain.

The 5% quotas for first aiders and fire safety assistants were met.

The risk assessment in accordance with the Occupational Health and Safety Act was expanded to include COVID-19 and was made available to the Hamburg Occupational Health and Safety Office.

For our contributions to keeping employees healthy, the Hamburg Office awarded us the title 'Company with an exemplary occupational health and safety system' for occupational health and safety in 2010 and 2016. The certificate is valid for six years in each case.

The pending recertification according to DIN ISO 9001:2015 had to be postponed to 2021 due to COVID-19.

### 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 that involves the caring for children has been a matter of course for us for a long time. Supporting employees who look after relatives requiring care is becoming increasingly important due to the aging population.

### CARING FOR RELATIVES

The need to strike a balance between work and family life will become increasingly relevant over the coming years as a result of demographic change. The average age of our employees is currently 46.9 years (as at 31 December 2020).

We support our employees with a range of services. We have an external service provider in 'pme Familienservice', which advises our employees in all matters regarding nationwide care needs and supports them personally. The information package is rounded off by a comprehensive intranet website, which makes it easy to get an initial overview and prepares useful information in a well-structured manner.

Over and above the statutory regulations regarding long-term care leave and family leave, we have found that, in practice, individual solutions for family carers are often a great help. This is why we give our employees the option of working from home occasionally and structuring their working hours, also for a fixed term, so as to reconcile their work and care commitments flexibly in the best possible way.

#### **ALL ABOUT THE CHILD: CHILDCARE AND OTHER SERVICES**

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

We provide emergency childcare free of charge in Hamburg and Kiel – but also for employees in our other branches in Germany – to cover periods during which standard childcare services are not available. In addition, we also subsidise various holiday programmes for nursery school children and school children, in particular also for teenagers. The external service provider 'pme Familienservice' also offers counselling regarding childcare.

In order to make it easier for employees to return to work following a leave of absence, we offer various measures for maintaining contact during parental leave – also during long-term care leave. Our Equal Treatment Officer keeps the employees informed of the 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 as part of the 'audit berufundfamilie' (audit of work and family) carried out by the non-profit Hertie foundation. Certification via the seal is to be retained.

#### **Flexible organisation of working hours**

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 working from home' is a very flexible and non-bureaucratic option for working from home. Employees only require the agreement of their direct manager to make use of this option.

#### **PART-TIME WORKING MODELS**

As part of parental leave, employees can work part-time for between 15 and 30 hours, which can be allocated individually in consultation with the 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 can also be given priority if they wish to increase their working hours.

#### **Employee compensation**

Our compensation is in line with standard market conditions and 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 paid to our employees, as well as that of the Management Board and Supervisory Board, in our combined management reports/notes to the Group financial statements. We also refer in this regard to the separate Remuneration Reports required under the *InstitutsVergV*, which are published on Hamburg Commercial Bank's website. Information on our Remuneration Officer and Remuneration Control Committee can also be found there.

#### **Staff turnover rate**

The Bank is still undergoing a comprehensive transformation process. This is also reflected in the total staff turnover rate, which came to 25.9% (group level as of 31 Dec 2020; 31 Dec 2019: 15.6%) and is mainly caused by the comprehensive transformation programme, as the rate of voluntary resignations outside of the transformation programme is only at a low level of 4.3% (group level; 31 Dec 2020; 31 Dec 2019: 4.2%). The Bank is on the home stretch in terms of its restructuring process and is very confident that it will be able to achieve its ambitious goals – the reduction measures are proceeding according to plan. It is important to mention that all separations are being achieved through voluntary agreements and not through enforced redundancies for operational reasons, which is in line with the Bank's strong values.

## Selected key personnel figures

### Employees in the Group

	31.12.2020	31.12.2019	31.12.2018	31.12.2017
<b>Full-time equivalents (FTEs) in the Group<sup>1</sup></b>	<b>1,122</b>	<b>1,482</b>	<b>1,716</b>	<b>1,926</b>
of which: Women	408	545	631	719
of which: Men	714	937	1,085	1,207
of which: Employees in Germany	1,095	1,421	1,648	1,838
of which: Employees abroad	27	61	68	88
<b>Total number of employees in the Group ('headcount')</b>	<b>1,343</b>	<b>1,705</b>	<b>2,021</b>	<b>2,295</b>
<b>Key employee figures</b>				
Part-time employees (%)	22.0	24.8	26.7	26.7
Ratio of employees on fixed-term contracts (%)	6.5	3.8	4.1	4.1
Average age in years <sup>2</sup>	46.9	46.8	46.5	46.2
Average period of employment (years)	15.2	15.5	14.8	14.5

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

<sup>2</sup> Head offices only; does not include branches or subsidiaries.

### Part-time working model allocation in 2020

(Figures represent number of employees)										
Designation	Male			Female			Male and female			Proportion of women
	PT <sup>1</sup> (m)	FT (m)	Total (m)	PT <sup>1</sup> (f)	FT (f)	Total (f)	PT <sup>1</sup>	FT	Total	
Head office	74	658	732	255	242	497	329	900	1,229	40.4%
ALS/branches	4	9	13	1	3	4	5	12	17	23.5%
Consolidated subsidiaries	14	22	36	44	2	46	58	24	82	56.1%
Group (consolidated)	92	689	781	300	247	547	392	936	1,328	41.2%

<sup>1</sup> 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 in 2019

(Figures represent number of employees)										
Designation	Male			Female			Male and female			Proportion of women
	PT <sup>1</sup> (m)	FT (m)	Total (m)	PT <sup>1</sup> (f)	FT (f)	Total (f)	PT <sup>1</sup>	FT	Total	
Head office	67	752	819	324	282	606	391	1,034	1,425	42.5%
ALS/branches	0	23	23	1	12	13	1	35	36	36.1%
Consolidated subsidiaries	19	113	132	66	27	93	85	140	225	41.3%
Group (consolidated)	86	888	974	391	321	712	477	1,209	1,686	42.2%

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

## How we engage in society

As a Hamburg-based company, cosmopolitanism and an international view of things are part of our self-image. This applies not only to our business activities but also to the areas in which we assume social responsibility. Culture and sports – are therefore particularly close to our hearts. We make a contribution to this here in our region with our sponsoring.

### Culture

In times of crisis like these, culture is usually quickly forgotten. This is not the case for Hamburg Commercial Bank, which has always been convinced of the beneficial, society-building power of culture and remains loyal to artists and musicians even in difficult times. HCOB is one of the founding members of the Elbphilharmonie Foundation and, with the foundation's support, has provided support for a large number of excellent concerts in the new Hamburg landmark since 2005. Our company is still involved as a 'Classic Sponsor' today.

### Sports

Some of our traditional social, cultural and sporting activities have been cancelled due to the COVID-19 pandemic in 2020 – these include, for example, the **Hamburg Commercial Bank Run**, which we have supported since 2004. Since then, the charity run has raised about € 1.8 million for the 'Kids in die Clubs' initiative. This money has made it possible for around 10,000 socially disadvantaged children and young people to take part in club sports and experience a new community.

On the other hand, we were able to support the tennis tournament at the Rothenbaum stadium, which strengthens Hamburg's standing as a city of sport. At the 114th edition of Germany's oldest tennis tournament – the '**Hamburg European Open**' – in September 2020, Hamburg Commercial Bank was a sponsor for the first time. The logo of our Bank adorned, among other things, the players' benches on the centre court and the match court, and was prominently displayed on an advertising panel on the centre court. Subject to stringent COVID-19 regulations, 2,300 spectators were able to watch the exciting matches on the centre court.

### Donations for people suffering most

Especially in times of crisis, it is important to show social commitment. Hamburg Commercial Bank is very aware of its social responsibility and, in 2020, it donated to a number of aid organisations in its home region. In some cases, the Bank cooperated closely with its employees and ultimately doubled their private donations. The staff also fulfilled a wish for the socially disadvantaged with their repeated Christmas campaign – in total, more than € 1.5 million in donations were collected in this way.

Since the outbreak of the COVID-19 pandemic, social and economic life in Germany has been associated with a large number of restrictions and enormous challenges. Often, the people suffering the most are those whose needs go unnoticed or who are dependent on help in their daily lives. In the current time of crisis, the situation is deteriorating for many people, as non-profit and charitable institutions have had to significantly reduce their aid programmes for health protection reasons or even close their facilities. Hamburg Commercial Bank has made a very specific contribution to those people who need help most urgently in these difficult times and has launched an extensive donation package for a number of non-profit organisations in the north. In total, around a dozen associations, societies and foundations from Hamburg and Schleswig-Holstein have received between € 70,000 and € 150,000 from Hamburg Commercial Bank for their valuable work. The sponsors focus on different areas and are committed to helping needy elderly people, children in need or from socially disadvantaged backgrounds, the homeless, as well as disabled people and their families. The following institutions received financial support in 2020:

### Better opportunities for all children



In the fight against child poverty, '**Project Arche**' is particularly committed to helping children from socially disadvantaged backgrounds. It reaches more than

4,000 children and young people throughout Germany. In Hamburg, there are currently two locations with children's and youth centres, as well as an after-school care centre, and a third is under construction.



The '**Help for Children of Drug Addicts**' (HiKiDra) unit of the addiction support centre in Kiel has DIAKO Nordfriesland

as its sponsor and helps children from families with addiction problems. Estimates suggest that there are at least 1,500 children living with drug-addicted parents in Schleswig-Holstein.



The guiding principle of Hamburg's '**Kinderjahre Foundation**' is to support disadvantaged children until they can

make their own decisions. Kinderjahre cooperates with schools to enable equal opportunities. The projects are varied and include a children's podcast, cookery courses or spontaneous help for children starting primary school so that everyone has a satchel on their back when they start school.



'**Löwenherz**' is an initiative of pro familia Schleswig-Holstein against violence in the family. The project is dedicated to

children and young people who were, or are, witnesses or victims of domestic violence, including physical, psychological or verbal violence. Löwenherz also targets parents or caregivers.





The initiative **'Kinder helfen Kindern' (Children Help Children)** of the association 'Hamburger Abendblatt hilft e.V.' (Hamburger Abendblatt Helps) has been supporting projects in the area of

school and tutoring, therapies and leisure activities in the Hamburg metropolitan region in particular since 1975. The support primarily benefits young people from socially disadvantaged families, as well as sick children and young people.

### Support in everyday life for the elderly



The **'Stadtkloster Kiel'** foundation operates care facilities where more than 1,000 people are cared for. In addition to seven residential homes for the elderly and nursing homes, the Stadtkloster, with its more than 700 employees, offers a meals service and an outpatient service.

In addition, volunteers are brought together with elderly people living in their own homes so that they can play together, talk and assist with smaller tasks.



The **'Jung & Alt'** association from Hamburg is all about promoting the willingness to help between the generations. Parents are happy when their children have regular contact with the generation

of grandparents, and for seniors, interaction with children is often an elixir of life. As part of the granny help service, 'surrogate grannies and grandpas' look after children in emergency situations; conversely, young people are there for the older generation, for example after a stay in hospital.



The **'Elbdiakonie'** of the St. Pauli parish church combines the services of several diaconal wards under one roof. It does

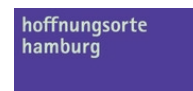
everything in its power to enable people who need care and support to lead as independent and high-quality a life as possible. Outpatient care is the central task. The wide range of services also includes a youth centre and a hospice service.

As early as the 1950s, the **'Jubiläumsstiftung'** was established by the City of Hamburg with the aim of improving living conditions in residential and nursing homes for the elderly. To this day, the foundation ensures that needy residents receive items for their personal needs – without excessive bureaucracy – and that they are offered a programme of leisure activities.



In Schleswig-Holstein, the Ministry of Social Affairs is planning a state-wide project for the care of elderly people in the home, which is supported by a donation made by the Bank to **Diakonisches Werk Schleswig-Holstein**. The project **'Help in Sight'** aims to give caring relatives easy access to assistance in their daily tasks, especially given the difficult conditions created by the COVID-19 pandemic.

### Hope for people without shelter – help for people with disabilities



The **'hoffnungsorte hamburg'** shelters have traditional roots in the Hanseatic city – their predecessor, the Inner Mission, founded as early as 1848, is considered

the cradle of social welfare work in this country and bundles numerous projects. One example is **Haus Jona**, located between the central railway station and Deichtorhallen, a shelter with overnight accommodation and food kitchen for people without shelter. The **railway station mission** is also one of the projects that is there for everyone and where everyone is helped. Be it in the form of transfer assistance, support for people with little command of German or the offer of a place to stay overnight: the service is always free of charge and offers people help for problems big and small at Hamburg's central station, as well as at the stations in Altona and Harburg.



The **'GoBanyo'** shower bus is unique in Hamburg and is aimed at people who live on the streets and often have no other way to wash themselves. Started as a crowd-funding initiative on St. Pauli,

the colourful GoBanyo bus goes wherever showers are needed in the city at the moment. Use is free, and visitors are given clean laundry.



Families with disabled children often face special challenges. The old saying that life with children is both a joy and

sometimes exhausting also holds true for these families in particular. The **'Hamburger Gemeinschaftsstiftung für behinderte Menschen' (Hamburg Community Foundation for Disabled People)** is here to help. It enables special purchases for the child to make everyday life easier or even treatment on which great hopes are pinned; it also provides respite for relatives. The foundation takes action when self-help and legal claims have been exhausted.

# Progress made in PRB implementation

The Principles for Responsible Banking (UN PRB) constitute an overarching framework for ensuring that signatory banks' strategies and practices are aligned with the vision society has set out for its future in the Sustainable Development Goals and the Paris Climate Agreement. Although HCOB only recently joined the group of signatories in September 2020, we have

already made progress and achieved initial results in implementing the principles. On the basis of the Reporting and Self-Assessment Template of the UNEP FI Initiative, we would like to provide an overview of the first few steps we have taken towards achieving full compliance with the PRB in the following table:

Principle	Self-Assessment	Disclosure References
<b>Principle 1: Alignment</b> <b>HCOB will align its business strategy to be consistent with and contribute to individuals' needs and society's goals, as expressed in the Sustainable Development Goals, the Paris Climate Agreement and relevant national and regional frameworks.</b>		
1.1 Business Model Description	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. 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.	HCOB Annual Report 2020, p36-40 HCOB CSR Report 2020, p6-7
1.2 Business Strategy Alignment	We started to implement sustainability as a core part of our business strategy. The key messages of sustainability frameworks such as the UN Global Compact, SDGs and the Paris Climate Agreement have already been, or are in the process of being, embedded in our sustainability policies, making them integral part of our decision-making processes. These principles have already been established in the lending process, for example, in 2020, and we are aiming to activate our holistic Sustainability Framework by 1 April 2021.	HCOB Annual Report 2020, p50-51 HCOB CSR Report 2020, p10-11, 16-17, 21 HCOB Website (Sustainability)
<b>Principle 2: Impact and Target Setting</b> <b>HCOB will continuously increase its positive impacts while reducing the negative impacts on, and managing the risks to, people and environment resulting from our activities, products and services. To this end, we will set and publish targets where we can have the most significant impacts.</b>		
2.1 Impact Analysis	Although a full impact analysis has not yet been carried out, preparatory measures have already been initiated and partially implemented. Examples here include the full classification of new business carried out in 2020 from an ESG perspective, using a newly developed ESG scoring tool on a deal-by-deal basis. The entire loan portfolio has been scored using approximation methodology and should have been evaluated overall on a deal-by-deal basis by the end of 2021. With regard to our investment portfolio, our impact analysis will also start in 2021.	HCOB CSR Report 2020, p17-19
2.2 Target Setting	Due to the fact that the impact analysis has not yet been carried out in full and should serve as the basis for setting the final quantitative and qualitative targets in those areas where HCOB can achieve the most significant ESG impact, the final operationalised targets have not yet been defined. However, there is no doubt that, on the basis of the extensive measures already initiated and taking into account the results of the impact analysis to be finalised in 2021, HCOB will set itself ambitious and measurable targets in all relevant areas with regard to ESG to demonstrate our strong commitment.	HCOB CSR Report 2020, p44-45
2.3 Plan for Target Implementation and Monitoring	Due to the early stage of the process, this sub-principle is currently not applicable.	
2.4 Progress on Implementing Targets	Due to the early stage of the process, this sub-principle is currently not applicable.	

Principle	Self-Assessment	Disclosure References
<b>Principle 3: Clients and Customers</b>		
<b>HCOB will work responsibly with its clients and customers to encourage sustainable practices and enable economic activities that create shared prosperity for current and future generations.</b>		
3.1 Policies and Practices to Ensure Sustainable and Responsible Relationships with Clients and Customers	Our day-to-day business decisions and interactions with clients and customers are guided by established principles and policies set out in various frameworks (e.g. our Code of Conduct). HCOB's overarching Sustainability Framework, which will be established in the strategy process at a high level in 2021, is currently being worked out in detail. However, core pillars of the Sustainability Framework, such as our Guiding Principles, the black list and the mandatory ESG scoring of every new credit transaction, have already been implemented in our daily business.	HCOB Annual Report 2020, p50-51 HCOB CSR Report 2020, p8-9, 16-19, 21, 24-26
3.2 How Sustainable Practices are Encouraged with Clients and Customers to Enable Economic Activities that Create Shared Prosperity	In 2020, we have been building capacity among employees who are client-facing to enable them to engage with clients, especially those in high-impact sectors, and customers regarding the impact associated with their activities. As already mentioned, we started our ESG scoring process to arrive at an in-depth overview of the ESG impact of our loan book. Also taking into account the intermediate results of this scoring process, we have identified clients in high-impact sectors (e.g. in regard to GHG emissions) and have started to engage with them to discuss their transition plans and identify ways of supporting them.	HCOB CSR Report 2020, p12-19
<b>Principle 4: Stakeholders</b>		
<b>HCOB will proactively and responsibly consult, engage and partner with relevant stakeholders to achieve society's goals.</b>		
4.1 Stakeholder Engagement and Partnerships	Engaging with all relevant stakeholders permanently and in a proactive manner is elementary to our ambition to achieve sustainable growth. Our main stakeholder groups are our clients, creditors, owners/investors and employees, as well as supervisory authorities and the public, rating agencies and media representatives. In 2020, one focal point of the activities in the ESG Implementation Process was the review of all relevant regulations and frameworks of critical relevance for HCOB and the operationalisation of their requirements, gap analysis and implementation of the respective measures – either on an ad hoc basis or via a structured plan over time.	HCOB Annual Report 2020, p50-51 HCOB CSR Report 2020, p27-28
<b>Principle 5: Governance and Culture</b>		
<b>HCOB will implement our commitment to these Principles through effective governance and a culture of responsible banking.</b>		
5.1 Governance Structure	Based on the extensive preparatory work performed in 2020, the Bank will implement a holistic Sustainability Governance Structure in 2021 which takes into account the extraordinary importance of ESG for the Bank and its stakeholders and which will provide a strong foundation for effective ESG governance.	HCOB CSR Report 2020, p21
5.2 Initiatives and Measures	Our strong approach to responsible and sustainable banking is led by our CEO, who is a passionate advocate of the concept and regularly addresses employees on this topic. The development of mandatory training for employees on sustainability and the Principles for Responsible Banking is scheduled for 2021. By including the Sustainability Framework at a very high level in our strategy pyramid for 2021, the ESG topic is established even more prominently in our future business strategy, although it was already an integral part of the 2020 strategy update.	HCOB Annual Report 2020, p39, 50-51 HCOB CSR Report 2020, p4-5, 8-11, 21
5.3 Governance Structure for Implementation of the Principles	HCOB's sustainability governance and corporate governance structure are in the process of being brought into line with the relevant regulations and frameworks which already guide us.	HCOB CSR Report 2020, p8-11, 21
<b>Principle 6: Transparency and Accountability</b>		
<b>HCOB will periodically review its individual and collective implementation of these Principles and be transparent about and accountable for its positive and negative impacts and its contribution to society's goals.</b>		
6.1 Progress on Implementing the Principles for Responsible Banking	As HCOB only became a signatory to the PRB in September, we are still in an early stage of the implementation process. Nevertheless, we worked on implementation in a very focused manner and, in 2021, the main aspects of the Principles will be further refined and firmly established in the Bank's processes and strategy.	HCOB CSR Report 2020, in particular p42-43

# Outlook for 2021

Against the backdrop of global warming, sustainability has been in the public eye for quite some time now. Building on this, political players, as well as regulatory bodies, are addressing the issue and its concrete implementation. In 2015, for example, the Paris Climate Agreement was adopted, the essence of which is to limit global warming to well below, or no more than 1.5 degrees, above pre-industrial levels. In addition to the Paris Climate Agreement, the UN has adopted the Agenda 2030 with the 17 Sustainable Development Goals (SDGs) at its heart. As part of the financial industry, HCOB is aware of its strategic position and, as a result, the role that it has to play in the implementation and achievement of these goals.

In this context, HCOB has the ambition to be considered as one of the best in sustainable business practice in the (German) finance market, a status that is well recognised by clients and all other stakeholders, including regulatory authorities, and is certified by independent rating agencies.

As a signatory of the UNEP FI 'Principles for Responsible Banking', Hamburg Commercial Bank is and will continue to be focused on its contribution to aims of the global community by empowering the creation of a better future through the development of sustainable economies. In line with its ESG approach, the Bank will not focus exclusively on environmental issues in 2021 and beyond, but will also take social and corporate aspects into account, as it has done in previous years.

In the course of 2021 and beyond, HCOB will concentrate among other things on meeting the requirements set out in the different frameworks the Bank has made a voluntary commitment to, as well as other regulatory and mandatory legal requirements. As an overarching document, the ESG Roadmap is continuously supplemented and updated to track the progress made in the implementation of the above-mentioned requirements. In order to make information on our progress available to the public, the Bank will also regularly update its ESG Factbook on the corporate website, as an additional document to the annual CSR Report.

Sustainable action is a formative component of HCOB's 'DNA'. This clearly reflects the Bank's business orientation and its management of risks. With this in mind, HCOB has set itself specific targets for 2021 on how it will adapt its governance structure and business strategy to reflect its sustainability goals. The Bank will drive forward and finalise the integration of sustainability aspects and targets into the business strategy and, in doing so, will implement the Sustainability Framework and update the Strategic Risk Framework, as well as its other policies and procedures. The dedicated work of the Sustainability Project Team will be transferred to the line functions with the launch of the new centralised Sustainability Office, as well as of the Sustainability Committee as the monitoring and decision making body for anchoring the implementation of sustainability, within the first half of the year. To support operational implementation in all aspects and the further development of our sustainability approach on a group level, a permanent working group with decentralised sustainability management will be established as well.

Furthermore, HCOB regards motivated and qualified employees as a key to achieving sustainability. As a result, the Bank offers flexible forms of work to promote the compatibility of career and family commitments. Discrimination or harassment of employees in any form is unacceptable for HCOB. Building on this guideline, the Bank is forging ahead with the broad implementation of sustainability aspects in HR and in its remuneration policies, both for its employees and for its Management Board. HCOB will also inform all employees about the contents and the impact of the 'Charta der Vielfalt' (Diversity Charta) that the Bank signed in April 2020 on a regular basis. In addition, to support the process of change within the company associated with its aim of becoming a leading financial institution in Germany, an ESG training concept is currently being developed and will be finalised in the course of this year.

As stated in HCOB's Guiding Principles, promoting the country as a whole and the common good beyond HCOB's business activities is also very important to the Bank. With this in mind, the Bank aims to even further improve its high level of social engagement during this year.

HCOB also aims to link sustainability in its operational business with technology, digitalisation and innovation. In 2021, the Bank address questions of how to measure its corporate CO<sub>2</sub> footprint and how to offset these GHG emissions. Consequently, it is essential for the Bank to be able to track these figures in quantitative terms, allowing HCOB to evaluate the progress it is making in becoming more sustainable. In 2021, HCOB will be working towards establishing an IT infrastructure to consolidate and analyse all of this relevant ESG-related data. The Bank will define KPIs to manage and steer all ESG-linked dimensions. Therefore HCOB will focus on the development of the respective data architecture.

As another part of its business strategy, HCOB aims to increase the financing it provides for sustainable business activities and projects (e.g. in the field of renewable energies). Therefore the Bank will develop both quantitative and qualitative targets and respective measures to be reached within its strategy process. Furthermore, the Bank will focus in the course of 2021 on further monitoring the applicability of the ESG scoring tool it has developed. The overall goal for 2021 is to replace the so far proxy profile-based ESG scores with individually assessed ESG scores on a step-by-step basis. Furthermore, in order to comply with the requirements of HCOB's ESG approach, the Bank will continue to incorporate social and governance factors into the evaluation of (individual) clients and continuously develop the ESG scoring tool in the process.

As HCOB also wants to support the transformation of its clients' business models towards more sustainable approaches, it will once again highlight the importance of strengthening the relationship with our clients in 2021, and supporting their efforts in becoming greener and more sustainable. This means that HCOB will continue to proactively seek dialogue and discussion in supporting our client's transition to more sustainable business models.

Another undertaking for 2021 is to drive forward the expansion of ESG-oriented products on both the asset and liability side (e.g. green bonds), for HCOB's investors. In the first quarter of 2021, the Bank is going to finalise its Green Bond Framework and Green Bond Reporting. Furthermore, HCOB will allocate specific green assets to be able to issue green bonds. As a result, the Bank aims to develop specific tools which will enable it to collect the necessary data. In addition, HCOB will run a verification process and assessment of the concept with an Second Party Opinion (SPO) provider to be ready for Green Bond issuance within Q4 2021.

Finally and yet importantly, HCOB has set itself the goal of speaking openly and transparently about its strengths as well as its weaknesses. In this context, the Bank will undergo a second sustainability rating assessment this year with the aim of at least confirming its overall sound result from 2020. Furthermore, the Bank is aiming to intensify the dialogue with its internal and external stakeholders.

Finally, the quintessence of all of our endeavours over the next few years is to develop continuously as a Bank and as one of the first elements in the financing value chain. With these efforts, we aim not only to meet our own expectations but also to meet the requirements of key internal and external stakeholders and thereby contribute to the overarching aim of helping to create a more sustainable and conscious society.

# Supplementary information

## German Sustainability Code

This Corporate Social Responsibility Report 2020 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 business developments, business results, the 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 applies (Section 289b et seq. HGB, in particular Section 289c [4] HGB), i.e. fulfilling the reporting aspects or declaring why these are no longer reported.

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

- 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)**

<b>No.</b>	<b>Criterion</b>	<b>Section name in report</b>
0.	General information	Who we are
1.	Strategy	What sustainability means to us; How we manage sustainability aspects
2.	Materiality	ESG impact on business activities; How we manage sustainability aspects
3.	Objectives	What sustainability means to us; ESG impact on business activities; How we manage sustainability aspects
4.	Depth of the value chain	ESG impact on business activities; How we manage sustainability aspects
5.	Responsibility	How we manage sustainability aspects
6.	Rules and processes	What sustainability means to us; ESG impact on business activities; How we manage sustainability aspects
7.	Control	ESG impact on business activities; How we manage sustainability aspects
8.	Incentive schemes	What sustainability means to us; How we safeguard the interests of our employees
9.	Stakeholder engagement	How we manage sustainability aspects
10.	Innovation and product management	ESG impact on business activities; How we manage sustainability aspects
11.	Usage of natural resources	How we manage sustainability aspects
12.	Resource management	How we manage sustainability aspects
13.	Climate-relevant emissions	How we manage sustainability aspects
14.	Employee rights	How we manage sustainability aspects
15.	Equal opportunities	How we manage sustainability aspects
16.	Qualifications	How we manage sustainability aspects
17.	Human rights	What sustainability means to us; ESG impact on business activities; How we manage sustainability aspects
18.	Corporate citizenship	How we manage sustainability aspects
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
HCOB Facility Management GmbH <sup>1</sup>	DIN EN ISO 9001:2015	Quality management system
Hamburg Commercial Bank AG	Urkunde UmweltPartnerschaft Hamburg	Member through further environmental energy audit DIN EN 16247
Hamburg Commercial Bank AG	Occupational safety – recognition	Operation with exemplary occupational safety
Hamburg Commercial Bank AG	Audit Workandfamily Seal	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

<sup>1</sup> HCOB Facility Management GmbH was merged with Hamburg Commercial Bank AG (entry in the commercial register on 1 December 2020) with retroactive economic effect from 1 January 2020.

The DIN EN ISO 50001 energy management standard is still being adhered to (certificate expired at the end of 2019). The Bank was audited (DIN EN 16247) at the end of 2019 to bridge the period until the future building strategy is implemented. Recertification will also depend on the future building strategy.

The recertification of the quality management system under DIN EN ISO 9001:2015 has been postponed for six months due to COVID-19.

HCOB works in line with standards in various areas although these have not been certified.

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 and exemplary occupational safety.

### Other information

The HCOB website provides various additional sources of information relating to sustainability and ESG. Visit our website to find information, for example, about our corporate governance, our Code of Conduct or our commitment to sport, culture, science and art.



# Audit of the non-financial report

Under Section 171 of the German Stock Corporation Act (*Aktiengesetz, AktG*), the **Supervisory Board** is required 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 2020, which is our combined separate non-financial report, at its meeting held on 31 March 2021 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.

# Contact/Imprint

## Contact

### Hamburg Commercial Bank AG

Gerhart-Hauptmann-Platz 50  
D-20095 Hamburg  
Telephone +49 40 3333-0

info@hcob-bank.com

[www.hcob-bank.com](http://www.hcob-bank.com)

### Project sustainability@hcob

Telephone +49 40 3333-11229/-11500  
sustainability@hcob-bank.com

### Investor Relations

Telephone +49 40 3333-11500/-25421  
investor-relations@hcob-bank.com

### Press & Public Relations

Telephone +49 40 3333-11130  
presse@hcob-bank.com

### Marketing & Digital Media

Telephone +49 40 3333-12171  
marketing@hcob-bank.com

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### Notice

The 2020 Corporate Social Responsibility Report was published on 1 April 2021 and is only available as a download at [www.hcob-bank.com](http://www.hcob-bank.com).

This 2020 report on our Corporate Social Responsibility was prepared in accordance with the requirements set forth in Sections 315b, 315c in conjunction with 289b to 289e of the German Commercial Code (HGB) and therefore makes up 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 2020 Annual Report and the current Remuneration Report.

This is an English translation of the original German report. In cases 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 to an inappropriate degree on forward-looking statements. We cannot accept any liability for the accuracy or completeness of these statements or for the actual materialisation 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, the 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**

Gerhart-Hauptmann-Platz 50  
D-20095 Hamburg

