



Contents

01 Key Figures – Financial, ESG and Rating Results

02 Foreword of the CEO

04 Who We Are

- 07 HCOB at a Glance
- 08 Transformation Programme
- 09 Business Segments

10 Sustainability Strategy

- 12 What Sustainability Means to Us
- 14 Guiding Reporting Frameworks
- 14 Our Sustainable Business Strategy
- 15 Responsible Corporate Governance and Sustainability Management
- 17 Dialogue with Our Stakeholders
- 20 Material Topics
- 22 Our Sustainability Goals and Commitment to the Sustainable Development Goals
- 27 Holistic Risk Management

30 Products and Business Impacts – ESG on Portfolio Level

- 32 Our Contribution in the Business Segments
- 33 Business Segments and their ESG Impact
- 42 How We Manage ESG Risks in Our Lending Business
- 48 EU Taxonomy Regulation
- 50 ESG in the Capital Markets and Treasury Business
- 51 Liability Side – Green Funding
- 51 Further Business Activities

52 Banking Operations – ESG on Corporate Level

- 54 We Apply High ESG Criteria to Our Own Business Activities
- 55 Our Consistency in Dealing with Rules and Standards
- 59 What We Do to Protect the Environment (Resource Protection)
- 64 How We Safeguard the Interests of Our Employees
- 72 How We Engage in Society

77 Sustainability Frameworks

- 78 Task Force on Climate-Related Financial Disclosures (TCFD)
- 79 Principles for Responsible Banking (PRB)
- 82 Deutscher Nachhaltigkeitskodex (DNK)

84 Contact/Imprint

Please note:

This 2021 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

	31.12.2021	31.12.2020
Net income before taxes (€ m)	299	257
Total assets (€ bn)	30.3	33.8
CET1 capital ratio (%) ¹	28.9	27.0

Key ESG Figures

	31.12.2021	31.12.2020
New business loans scored against ESG criteria (%) ²	100	100
Average ESG scoring results of loan portfolio ²	2.65	2.71
Gross new business volume (€ bn)	5.4	2.9
Total energy consumption (GJ)	31,125	44,061
Share of electricity from renewable energy sources (%) ³	100	100
Total fresh water use (m ³)	7,218	15,543
Paper consumption (t)	6.0	13.5
Total waste (t)	100	152
Employees in the Group ⁴	919	1,122
Percentage of women in the workforce (%)	38.8	41.0
Percentage of female managers across all levels (%) ⁵	21.3	21.1
Number of apprentices/dual students/trainees (headcount)	39	39
Proportion of disabled employees (offices in Germany) (%)	4.2	5.0

Sustainability Ratings⁶

	Latest rating as at	Rating/Score
Sustainalytics	12/2021	Risk score 13 (Low risk)
MSCI	11/2021	BBB (Range AAA-CCC)
Vigeo Eiris	4/2021	46/100
ISS	1/2021	C- (2 nd decile) (Range A+ - D-)

Rounding may result in minor differences in totals and percentages in this report.

¹ CET1 capital ratio as at 31.12.2021 on a not-in period basis, i.e. excluding the income after taxes in 2021 in Common Equity Tier 1 Capital

² Evaluated with our internal ESG-Scoring methodology: 2021 results based on individual loan reviews, 2020 results based largely on proxy-profile-based classification (» see page 47)

³ Direct purchase of renewable electricity

⁴ Total number of employees excluding dual students, temporary staff and interns calculated on a full-time equivalent basis

⁵ Active employees Germany

⁶ For further information (» see page 16)

Foreword of the CEO



Stefan Ermisch
Chief Executive Officer

DEAR READERS,

Hamburg Commercial Bank has successfully completed the third and final year of its comprehensive transformation. Improved balance sheet productivity, declining operational costs, the absence of material risk charges and additional new business have resulted in a pre-tax profit of 299 million euros in 2021; after taxes, the figure is 351 million euros. At the same time, we again made great progress on the issue of sustainability.

Our core activities – Commercial Real Estate, Shipping, Project Finance and Corporates – performed very well. After years of optimising our balance sheet and improving our efficiency, we are now strengthening new business again, as this is our key to future earnings. At the same time, like any bank, we must maintain stringent cost management in the future. In addition, we are continuing to work on the already good quality of our loan portfolio. Within a year, our NPE ratio, which describes the number of loans at risk of default, has fallen from 1.8 percent to 1.4 percent, in addition, our coverage ratios remain strong and above industry averages. This means that the Bank is resilient, future-oriented and sustainably positioned. We are also equipped for any more difficult times that may emerge in light of the terrible war in Ukraine and the associated political and economic upheavals – in addition to the immeasurable human tragedies taking place there, which shock and stun us all.

Last year, Hamburg Commercial Bank not only worked on improving its financial ratios, but also intensively on the further implementation of ESG criteria in its business activities – the abbreviation ESG stands for Environment, Social and Governance. For us, it is clear that we are addressing one of the major challenges facing humanity: climate change. In addition, we are committed to social and cultural issues, promote diversity and place the highest value on good corporate governance. Following the successful work of our Sustainability Project to date, we have now started to transfer the project to the line functions. With the establishment of a dedicated ESG department at the beginning of 2022, which will report to me as CEO, we are focusing and strengthening our efforts in this area in the long term.

Many of our customers are working to operate more sustainably and transform their own business models toward carbon neutrality – we support them with financing and our expertise. The transition of the economy toward greater climate protection is a key social concern and a major growth area in which we want to further increase our expertise. Change requires investment – as a bank, we have a special responsibility here as an important link in the chain, which we accept. We actively support our customers in operating more sustainably and preparing for the competition and requirements of tomorrow.

After Hamburg Commercial Bank had already made various efforts in the area of sustainability in 2020, the ESG governance structure was established at both the strategic and operational level last year and ESG aspects were increasingly implemented in the lending process. The main focus here is on the further refined Black List and the ESG scoring tool developed in-house. The Black List defines which countries, industries and companies are out of the question for us: For example, countries that engage in warfare or have a high level of corruption are excluded. The same applies to industries such as the tobacco industry or coal mining. HCOB also does not do business with companies that do not comply with minimum social standards. In other words, the Bank only enters into new business if it meets clearly defined ESG requirements.

At the same time, we analysed our entire loan portfolio with our ESG scoring tool on an individual loan basis, thus obtaining a holistic overview with regard to the three dimensions of environment, social issues, and governance. No problematic loans were identified in the process. We have also developed and implemented sustainability standards for the investment area; these are set out in the HCOB Investment Policy.

Last year, the Bank also defined the required IT architecture of ESG data management and joined the Partnership for Carbon Accounting Financials (PCAF) initiative which is an international standard for measuring and disclosing greenhouse gas emissions financed by loans and investments. Internally, we have further developed tools for stress testing and have achieved the capability to issue green bonds as applicable to our funding strategy.

But sustainable management also applies to our own day-to-day activities. For us, this means that our company cars meet up to date environmental standards, that energy is used efficiently in our buildings, and that we compensate for the CO₂ emissions caused by this and by our flights. We are committed to diversity at the Bank, promote women and offer

our employees comprehensive health management, including social counseling. As a responsible corporate citizen, the Bank promotes culture and sports, and we support a wide range of social institutions with extensive donations. Over the past two years, from these donations have benefited those in the Hamburg metropolitan region and the Kiel area who have suffered most from COVID-19-related burdens, and they are now being targeted to benefit those suffering from the terrible war in Ukraine.

Overall, we have done a great deal and made visible successes and progress in the area of ESG. The success of our efforts is reflected, among other things, in the ESG Self-Assessment of the European Central Bank, which HCOB completed with a very good “Best in Class” rating, and in our significantly improved ESG rating positions.

For a specialist financier like Hamburg Commercial Bank, compliance with ESG criteria and their further development is an absolute necessity – both out of a sense of social responsibility and for reasons of economic sustainability. Our goal and promise was and is to align the Bank with the Paris Climate Agreement and the UN’s Social Development Goals and to anchor ESG as part of the Bank’s DNA. We remain committed to working on this.

With warm regards



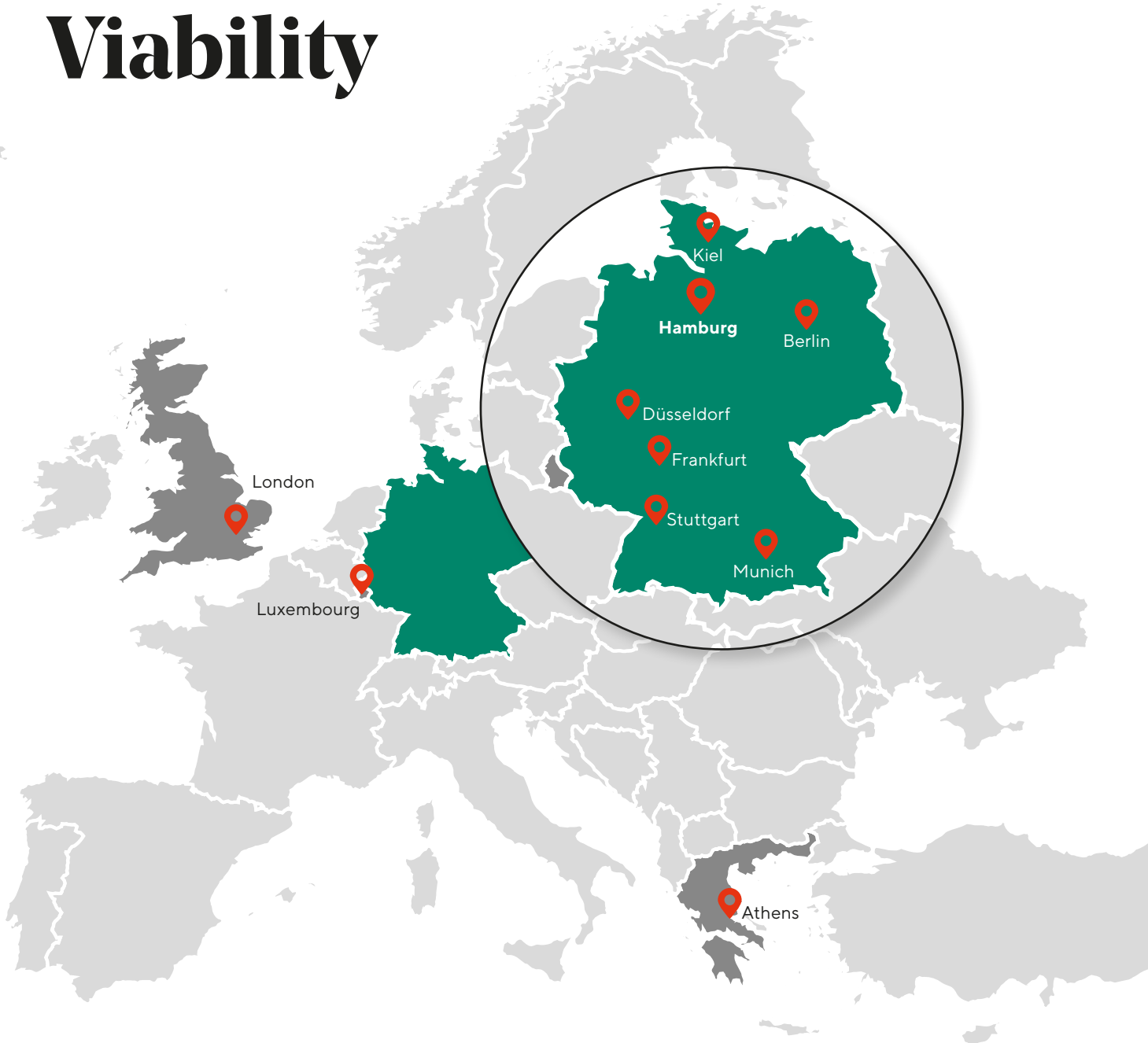
Stefan Ermisch
Chief Executive Officer

Who We Are





For Us, Sustainability Means Future Viability



HCOB at a Glance

Hamburg Commercial Bank (HCOB) is a private commercial bank and specialist finance provider with its headquarters in Hamburg. It is managed in the legal form of a German public limited company.

The Bank offers its clients a high level of structuring expertise in the financing of commercial real estate projects with a focus on Germany, as well as neighbouring European countries. It also has a strong market position in international shipping. The Bank is one of the pioneers in Europe-wide project financing for renewable energies. It is also committed to the expansion of digital and other key infrastructure sectors. HCOB offers individual financing solutions for international corporate clients, as well as a focused corporates business in Germany. Digital products and services for reliable, timely national and international payment transactions and trade finance round off the Bank's offering.

Locations

The Bank has branches abroad, namely in Athens and Luxembourg, as well as a representative office in London in line with its focused direction. In the Athens branch, the

Bank serves international shipping clients. The focus of the Luxembourg branch is on the International Corporates 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 its Hamburg headquarters, but also in Berlin, Düsseldorf, Kiel, Frankfurt am Main, Munich and Stuttgart.

Objectives and Strategy

Following the completion of its far-reaching transformation programme and successful transition to the deposit guarantee fund of private banks, Hamburg Commercial Bank is further developing its business model as a profitable and focused specialist finance provider. For the coming years, the Bank is aiming to achieve moderate and risk-conscious growth, with new business in Germany and the diversification of its international business, especially in Europe.

Shareholder Structure

Since 28 November 2018, Hamburg Commercial Bank has been owned by renowned, globally active, institutional private investors that have a high level of expertise in the banking business, in particular. The shareholder structure is as follows:

Shareholder Structure

Several funds initiated by Cerberus Capital Management, L.P.			One fund advised by J.C. Flowers & Co. LLC	One fund initiated by GoldenTree Asset Manage- ment LP	Centaurus Capital LP	BAWAG P.S.K. Bank für Arbeit und Wirtschaft und Österreichische Postsparkasse Aktien- gesellschaft	HCOB 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		
9.87%	13.87%	18.71%					
42.45%			34.96%	12.49%	7.49%	2.50%	0.11%

Transformation Programme

With the change of ownership completed at the end of December 2018, which marked the first successful privatisation of a Landesbank in Germany, Hamburg Commercial Bank AG, supported by the strong commitment of its international owners, had embarked on a comprehensive and far-reaching transformation programme spanning a period of several years. The strategic objective associated with the transformation programme was successful realignment to create a sustainably profitable and efficient specialist finance provider, as well as the achievement of a seamless transition to the deposit guarantee fund of private banks on 1 January 2022. With regard to the targeted financial ratios, the strategic objective for 2022 set at the start of the transformation phase was a CET1 capital ratio of at least 16 percent, an NPE ratio of no more than 2 percent, a maximum cost-income ratio of 40 percent and pre-tax profitability of more than 8 percent.

The positive effects of the systematic implementation of the individual packages of measures forming part of the transformation programme since the end of 2018 can be seen throughout the Bank as a whole at the end of 2021 in the following developments that the Bank has undergone in key categories during the transformation period:

- **Operational profitability:** Systematic price discipline focusing on the shareholder value added concept in business transactions, de-risking and deleveraging of the legacy portfolio, optimisation of asset allocation and lower funding costs have led to a significant increase in profitability ratios, such as the net operating interest margin.
- **Client business:** The Bank has developed new profitable and risk-oriented growth strategies (e.g. for international corporates), which has served to diversify its income sources and reduce concentration risks. At the same time, the client franchise has been strengthened in the Bank's core business areas. Transactions and product lines that did not meet the profitability requirements set out above were wound down whilst minimising losses.
- **Efficiency and cost culture:** Hamburg Commercial Bank has implemented and established a stringent and efficient cost culture on the basis of which administrative expenses have decreased on an ongoing basis while at the same time allowing the Bank to make value-enhancing investments in IT/digitalisation and in strategic initiatives. Within this context, the Bank has simplified its business model and processes, streamlined its organisational structure and consolidated its locations/branches and portfolio of buildings.

- **Risk:** The transformation phase was characterised by proactive risk management. This primarily featured a tightening of risk standards, risk-conscious restraint in new business and, in particular, forward-looking de-risking of the loan and derivatives portfolio, a move that was initiated at an early stage. As a result of proactive risk management, the Group's total assets and RWA have been substantially reduced, significantly strengthening the Bank's capital position among other things. The risk profile of the credit and derivatives book was reduced considerably despite the macroeconomic headwind from the economic environment triggered by the COVID-19 crisis that occurred halfway through the transformation phase.
- **Liability management:** In addition to the asset side, the liability side of the balance sheet was also fully revamped. Key milestones included the restructuring of the capital structure, the optimisation of the deposit structure and the Bank's return to the capital market through a series of successful benchmark bond issues. All in all, these changes have led to a significant reduction in funding costs.
- **Corporate culture:** The Bank has established a corporate culture characterised by flat hierarchies, fast decision-making processes and pragmatic solutions, and focusing on performance and agility as its key elements. At the same time, the very challenging staff reduction measures, which have served to substantially reduce the number of FTEs in the Group, were implemented successfully. The reduction in the workforce was carried out in agreement with the social partners.

By the end of the 2021 reporting year, the Bank had exceeded the strategic goals set at the beginning of the transformation period overall. Hamburg Commercial Bank has a CET1 ratio of 28.9 percent, an NPE ratio of 1.4 percent, a CIR of 50 percent and return on equity after tax of 18.4 percent as at 31 December 2021.

Based in particular on this strong set of financial ratios, the seamless transition to the deposit guarantee fund of private banks was achieved as planned on 1 January 2022, which marks the official end of the transformation phase at the same time.

Business Segments

Hamburg Commercial Bank's operating business activities are divided into four market-oriented segments, Real Estate, Shipping, Project Finance and Corporates, as well as the Treasury and Group Functions segment. The latter segment includes the Bank's capital market activities, as well as the other staff and service functions.

Strategic Direction for the Business Areas

The **Real Estate** segment has a risk-conscious focus, taking the development of the real estate markets into account. 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 and selective business in the US.

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.

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 financing infrastructure projects, on the area of renewable energy and on projects 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, for example the fast-growing digital infrastructure market.

In the **Corporates** segment, the Bank continues to pursue its established nationwide distribution strategy. The northern German core region has traditionally been a particular focus of these activities. To diversify the portfolio, the Bank also operates in international markets in addition to its German domestic market, with a focus on Europe (mainly western Europe) and North America (mainly the US). In addition to geographical diversification, the Bank is also aiming to increase the granularity of the loan portfolio through participation in securitisation and fund structures, also via the indirect financing of North American corporates.

Activities in the **Treasury and Group Functions** segment focus 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. The Global Sales and Syndicate business area combines the sales activities for capital market-related products, as well as payment transaction products with an adapted future-oriented product range, syndication activities and also customer service for savings banks, banks and institutional clients.



Sustainability Strategy



What Sustainability Means to Us

Our Guiding Principles



In 2021, HCOB's sustainability work and sustainability management have reached a new level. The 'sustainability@hcob' project, initially launched at the end of 2019 under the auspices of the CEO, showed dynamic development in the course of the year and integration into the Bank's line functions has started. With the foundation of the Sustainability Committee and the Sustainability Office within the BU Strategy and Transformation, a centralised function as part of the ESG governance structure, the sustainability project has been further strengthened and anchored in the organisation. For us, sustainability means future viability. With this we further reinforced the importance of this topic.

The goal of the project was to identify specific recommendations for action for the future strategic orientation of Hamburg Commercial Bank (HCOB), focusing on the opportunities and risks involved. The aim remained unchanged and was achieved by strategic alignment through a comprehensive materiality analysis. This has resulted in an even stronger focus on execution and implementation.

The Sustainability Office 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 to ensure that HCOB is fully compliant with all applicable ESG dimensions and regulations.

Furthermore, the Sustainability Office has taken all necessary steps to drive the integration of sustainability 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 2021: The milestones defined in the ESG roadmap for 2021 were successfully completed. In HCOB's efforts to develop best practices in terms of sustainability in the German banking market, the topic of ESG plays an integral part in all the Bank's business processes and is also an important foundation for its future viability. The comprehensive Sustainability Framework was anchored at the highest level of the Bank's strategic architecture. The Sustainability Committee, with full Management Board representation, as a steering committee and the Sustainability Office with responsibility for operational management were also successfully established in 2021. At the portfolio level, the comprehensive ESG scoring was carried out for the entire loan and investment portfolio on an individual basis, the Black List has been enhanced, and the Investment Policy has been adapted.

Other milestones on the comprehensive ESG roadmap achieved in 2021 include: the development of green bond issuance capability, the improvement of risk inventory and stress test capabilities, signing the Partnership for Carbon Accounting Financials (PCAF) initiative, and defining the IT architecture for ESG data management.

All these activities lead to the following Guiding Principles:

Our Guiding Principles (full version)

- » 1 As a leading banking partner, we take on responsibility to carry out sustainable business activities, as a lasting investment in a sustainable future and a world that needs to be preserved.
- » 2 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, the members of our Management Board take active responsibility. We are characterised by our culture of effective, responsible and transparent management.
- » 3 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. We intend to have a green loan portfolio and to achieve compliance with the Paris Climate Agreement and the UN Sustainable Development Goals.
- » 4 We actively support the transformation of our clients' business models towards greater sustainability.
- » 5 As a signatory of the United Nations Principles for Responsible Banking (PRB), we set a clear commitment to climate protection and sustainable action. We aim to implement sustainability aspects in all of the Bank's business areas and therefore commit to reduce the Bank's impact on climate change in all business operations and strengthen internal company awareness for ecological sustainability and resource protection.
- » 6 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.
- » 7 We combine sustainability in our operating business with technology, digitalisation and innovation.

Guiding Reporting Frameworks

In order to achieve transparent and comprehensive management and reporting on the Bank's sustainability implementation, HCOB uses the framework of the German Sustainability Code (Deutscher Nachhaltigkeitskodex, DNK) combined with the GRI Performance Indicators as the basis for reporting. In this way, we ensure appropriate reporting in accordance with Section 289b of the German Commercial Code (HGB). In this report, we address the issues we see as important for understanding the impact of our activities on the aspects considered 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 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 in 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 in the Annual Report. Under Section 161 of the German Stock Corporation Act (Aktiengesetz, AktG), the Management Board and Supervisory Board of a listed company have to declare annually that the GCGC recommendations have been, or will be, complied with, and which recommendations have not been, or will not be, applied. As a non-listed company, we issue this Declaration of Conformity voluntarily. Please also refer to our Annual Report 2021 and our website.

We bear in mind the importance of ecological aspects and social sustainability in all 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:

Our Code of Conduct

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. In accordance with internal rules, we adhere to clearly defined sustainability criteria related to new business acquisition and clear guidelines on unwanted business. » **(Section 2 of the Code of Conduct, see HCOB's website)**

Our Sustainable Business Strategy

Sustainability issues present systemic challenges to the continuation of business as usual. A sustainable business strategy presents a way of changing the overall risk profile of an organisation through mitigating, minimising and removing potential flaws likely to act as obstacles to business success over the long term. Our critical challenges lie in understanding sustainability as a transformational driver rather than an operational issue and in communicating the financial implications of our sustainable behaviour to investors and markets.

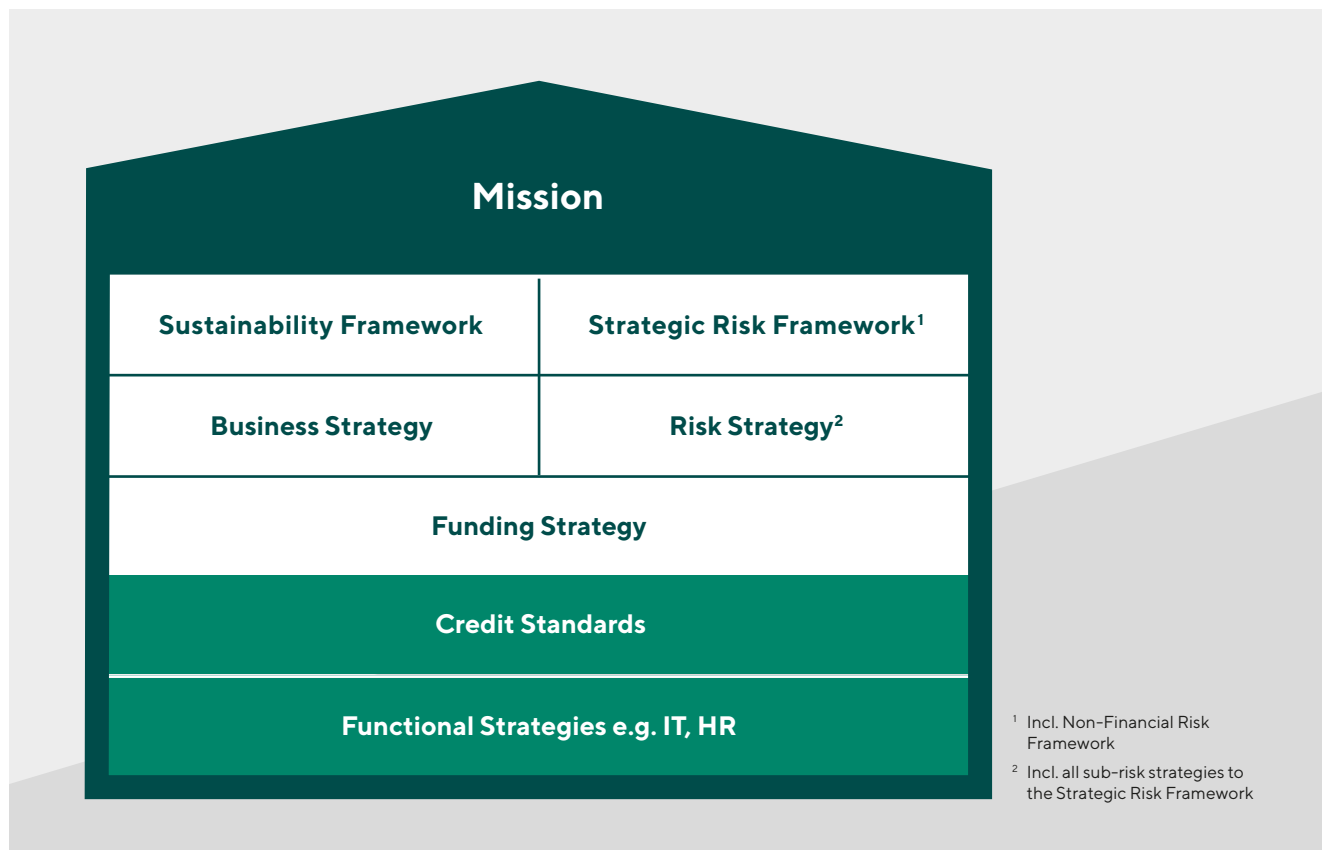
We have integrated our strategic approaches and objectives based on sustainability aspects as defined in our strategy architecture, which has now been supplemented by the Sustainability Framework.

The definition of our strategy is based on our mission statement, in which our objectives, purpose and values are combined to form a meaningful set of guidelines.

HCOB's Sustainability Framework

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

Strategy Architecture



Responsible Corporate Governance and Sustainability Management

Sustainability Governance Structure

Comprehensive and structured sustainability governance forms the basis for good sustainability work. The Management Board is responsible for the topic of sustainability. To empower sustainable action as a formative component of our HCOB DNA and ensure achievement of our ambitious sustainability goals, the Bank has established a Sustainability Committee (SC) to act on a strategic level as a decision-making body. In accordance with the importance HCOB affords this topic, the SC is chaired by our CEO, with our CRO as deputy, and 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 regards to ESG criteria
2. Monitoring of the execution of the Bank's sustainability (ESG) Roadmap
3. Initiation of appropriate corresponding counter- or mitigating measures in the event of significant plan deviations

4. HCOB's Green Bond Framework and its facilitation and implementation

The Supervisory Board forms an integrative part of HCOB's sustainability governance structure. ESG is a standing agenda item in the Supervisory Board meetings and periodically in its subcommittees. Thus, the Supervisory Board is kept well informed on the progress we are making and other key considerations related to ESG.

Operational and strategic sustainability management is the responsibility of the Sustainability Office (SO), which was established in April 2021. The remit of the SO includes the following:

- Group-wide steering, coordination and monitoring of ESG implementation
- Operationalisation of the ESG requirements and actions needed as part of the overall ESG strategy
- Development of sustainability goals in cooperation with relevant business units (ESG planning)
- Reporting and advising
- External and internal central point of contact for sustainability issues

- Enhancement of sustainability culture
- Monitor, review and approve the Green Asset Pool
- Maintain a Green Asset Pool that is larger than the total net proceeds of all Green Financing Instruments outstanding
- Develop a monitoring and escalation process to facilitate shortfall detection, take appropriate measures to remedy any shortfall

A working group consisting of expert members from several affected business units is coordinated by the Sustainability Office and supports the holistic implementation of ESG in the Bank.

Regulatory Requirements

HCOB aims to achieve full compliance with relevant national and international regulatory requirements and frameworks in order to make a significant contribution to the overall goal of the Paris Climate Agreement by respective sustainable financings.

As a result, a comprehensive, continuously updated ESG roadmap has been created. This structures and plans the implementation of regulatory requirements in detail, reveals any gaps in implementation and provides for actions to be taken. Overall, HCOB's alignment with ESG requirements includes consideration of both opportunities and risks.

Frameworks as Basis for Sustainability Management

The UN Global Compact has for several years formed the framework for our Code of Conduct. The 2030 Agenda for Sustainable Development, with its 17 Sustainable Development Goals (SDGs), will be the central pillar of HCOB's positioning with regard to ESG.

With the ambitious goals of the Paris Climate Agreement 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.

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

Since signing, extensive successes have been achieved in the six areas. A detailed description can be found in the context of PRB reporting (» see page 79). This signals the Bank's clear commitment to sustainable development in all its business activities.

Other frameworks that support the definition of risks in relation to stakeholder interests and 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, and the EBA Guidelines on loan origination and monitoring.

When it comes to the definition of key factors, measurement tools, and recommendations for process and monitoring topics, the regulators have issued the following: 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 Technical Expert Group (TEG) final report regarding the EU taxonomy.

As far as refinancing activities are concerned, HCOB established green bond issuance capability by the end of 2021, based on the Green Bond Principles (GBP) market standard, which represent the authoritative set of rules by the International Capital Market Association (ICMA).

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

Sustainability Ratings

Sustainability ratings are gaining in importance and provide a good orientation for the success of the evaluated companies' sustainability work. The dialogue with the individual rating agencies is seen as a form of independent guidance towards best practice in terms of governing sustainability aspects.

Due to its strengthened focus on ESG issues, the Bank was able to further improve its rating position with different ESG rating agencies. The agency **Sustainalytics** recognised the Bank's strengthened risk management regarding ESG by awarding an improved risk score of 13, following a rating of 14 in the previous year. The rating agency **MSCI** improved the Bank's ESG rating to BBB in the reporting year, from a rating of BB in the previous year. The rating agencies recognise the intensive efforts to achieve comprehensive and future-oriented sustainability at HCOB and underline the Bank's strengthened commitment. In addition to the above-mentioned ratings, the Bank is involved in dialogue with the sustainability rating agencies **Vigeo Eiris** from which the Bank received a rating of 46/100 and **ISS**, from which the Bank again received a more moderate C ESG rating. The Bank intends to take the valued feedback received from these agencies into account in its various actions of ESG implementation. The current rating results are listed in the overview of our key figures, as well as on our website.

“ Dialogue with Our Stakeholders ”

One of the core elements of our comprehensive sustainability work is regular and active stakeholder involvement. With a broad stakeholder analysis, we identified our clients, creditors, owners and employees, as well as supervisory authorities and the public, rating agencies and media representatives, as our main stakeholder groups (see also our reputation risk guideline). We maintain an active and continuous dialogue with our stakeholders and respond to different interest groups with various stakeholder-specific dialogue formats. The results of the dialogue are incorporated into our sustainability work and the further development of our sustainability strategy.



●●● **Clients:** Clients are at the centre of our activities and we engage in regular dialogue with them as part of the customer relationship process.



●●● **Creditors:** We hold a stable base of investors across Europe and the US with a focus on Germany and maintain an intensive dialogue with them.



●●● **Owners:** Our owners are some of the most experienced financial investors in the banking sector worldwide. And as a German public limited company we are liable to our shareholders.



●●● **Employees:** As an important employer in the north of Germany we act responsibly towards our employees by maintaining an active and constant dialogue with them. This includes continuous and open dialogue with the works council.



●●● **Supervisory authorities:** For ongoing dialogue with the supervisory authorities we have within the Legal, Board Office and Taxes business unit a Regulatory Affairs function that acts as our central key account for these stakeholders.



●●● **The public:** We work on a long-term basis with selected non-profit organisations, particularly in the areas of social welfare and sports, because we are committed to benefiting society beyond our core business. Moreover, we attempt to ensure transparency to the public by engaging with key members of the media.



●●● **Rating agencies:** We maintain dialogue with credit rating agencies, which focus primarily on our financial resilience. Apart from these credit rating agencies, our performance in terms of ESG is also evaluated in greater detail by sustainability rating agencies.



●●● **Media representatives:** Our media and public relations work is founded on experience and a strong network of contacts with journalists.



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 even have strengthened during the coronavirus pandemic. Due to the challenging environment for many of our clients, discussions focused on their financial position and credit relations, and on 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 that 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

Our Centralised Complaint Management function ensures that client complaints are processed systematically in accordance with the statutory requirements. The remit and objective of the Centralised Complaint Management in the business unit Compliance is also to:

- establish and be responsible for a process to ensure that complaints are identified clearly and unambiguously, processed systematically and 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. An example is the study ‘Corporate Power Purchase Agreements – Green electricity for corporate consumers’.

Creditors

The bank has a stable institutional investor base across Europe and the US and in particular also in its home market Germany which it is continuously expanding and diversifying due to the regular issuance of capital market instruments in benchmark format.

Owners

We are a German public limited company and, as such, 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, as well as the Austrian company BAWAG P.S.K., are the main owners of HCOB.

Our owners are some of the most experienced financial investors in the banking sector worldwide. 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 an important employer in the north of Germany and, as such, act responsibly towards our employees. We maintain an active and constant dialogue with our employees. In the reporting year several communication measures on ESG took place to further sharpen the sustainability culture and an employee survey was carried out.

At HCOB, a long tradition of co-determination forms the basis of our cooperation. Employee participation through works councils and employee representatives on the Supervisory Board are, for us, a matter of course (see separate section of this report).

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, and also with the supervisory authorities of our international branches and subsidiaries. Within the Legal, Board Office and 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 also in this context.

STATE AND GOVERNMENT RELATIONS

HCOB, which operated as HSH Nordbank AG until it was successfully privatised in November 2018 and renamed in February 2019, sees northern Germany as its home region and the responsible state governments as 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 € 10 bn 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 Annual Report 2018). Following the termination of the guarantee, HCOB did not receive any state support. Like most other banks in Europe, we are participating in the targeted longer-term refinancing operations (TLTRO) of the ECB. The Bank is arranging KfW facilities on behalf of its clients to support them during the COVID-19 crisis.

Public

HCOB is committed to benefiting society beyond its core business. A particular focus is on the north German region. We therefore work on a long-term basis with selected non-profit organisations, particularly in the areas of social welfare and sports. Additionally, we also supported the re-wetting of the Königsmoor in Schleswig-Holstein as part of our CO₂ compensation measures. The ideas and suggestions from this joint dialogue are incorporated into the concrete formulation of our corporate responsibility.

Rating Agencies

HCOB maintains dialogue with both credit rating agencies, which focus primarily on the Bank's financial resilience, and rating agencies focused on sustainability aspects.

CREDIT RATING AGENCIES

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 communication, and exchange information with the analysts at the rating agencies on a regular basis. A clear transparent approach to our work is important to us. We have further adapted our reporting to the rating requirements. The credit rating agencies are however increasingly monitoring ESG risks as part of their credit rating process. As a result, ESG risks have also become part of the issuer credit profile.

SUSTAINABILITY RATING AGENCIES

Apart from credit rating agencies, our performance in terms of ESG is evaluated in greater detail by sustainability rating agencies. We are in continuous dialogue with the rating agencies Sustainalytics, MSCI, Vigeo Eiris and ISS and see the rating agencies as an opportunity to measure the success of our sustainability work. Due to the excellent broad range of ESG achievements in 2021, HCOB's rating position has been further improved.

In 2021, the Bank's approach to handling Scope 1-3 GHG emissions reporting, data privacy and security reporting, and high staff turnover due to the transformation process were primary topics.

Media Representatives

The Press and Marketing teams are responsible for our external communications with the media and the public. Our media and public relations work is founded on experience and a strong network of contacts with journalists.

Our 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, while our membership of the guarantee scheme of the Savings Bank Finance Group (Sparkassen-Finanzgruppe, SFG) ended on 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 seamless transition to the deposit protection system for private banks with effect from 1 January 2022, our extraordinary BdB membership had been 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.

Material Topics

In 2021, HCOB conducted a materiality analysis to define and clarify its areas of activity in sustainability. The aim was to identify the sustainability issues relevant for the company and to be able to manage and control the material sustainability activities. In advance, there was extensive research and evaluation of topics from the stakeholder dialogue and the business environment.

Furthermore, during the stakeholder and business environment analysis, additional topics from HCOB’s environment were also considered and have been incorporated into the selection of possible material topics. This ensured that both external and internal perspectives were included.

In an internal workshop, the topics were selected according to their significance for the company’s business activities and determined the following topics to be material in the three areas of: Strategy and Governance, Portfolio level and Corporate level.

Strategy and Governance Level

In the area of strategy and governance, a total of five topics were defined as material for HCOB’s sustainability work.

Sustainable Business and Growth Strategy

We strive to implement a comprehensive understanding and communication of our sustainable business strategy and our (ESG) risks and opportunities.

Responsible Corporate Governance

Our goal is the integration of a transparent and documented decision-making process and a clear allocation of responsibilities and authority within the internal control framework, including business lines, internal units and internal control functions that promote informed decision-making by the management body.

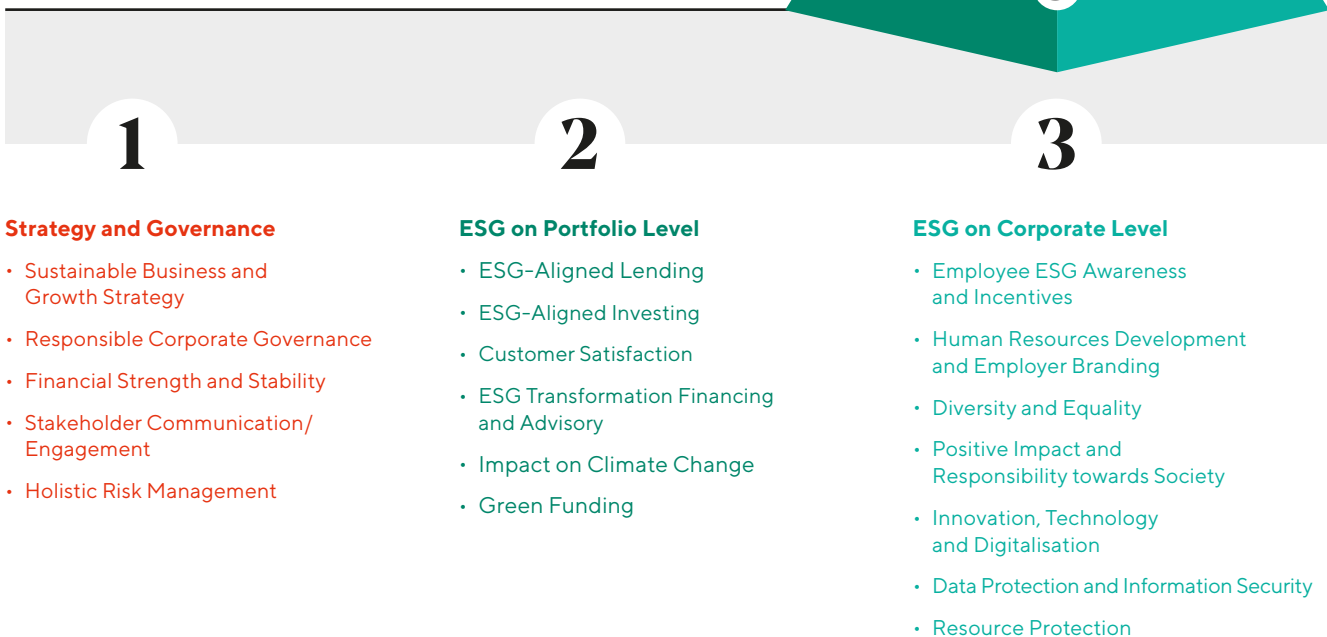
Financial Strength and Stability

Financial strength and stability is the central element and basis of our business activities. As the foundation for the sustainability of our actions, it is a key material topic for HCOB’s sustainability work.

Stakeholder Communication/Engagement

The ongoing strengthening of the dialogue with the Bank’s key stakeholders and the inclusion of their interests in the sustainability work is a key topic for HCOB.

Fields of Action



Holistic Risk Management

The incorporation of environmental, social and governance risks as drivers of existing risk categories (e.g. credit risk, operational risk, market risk or liquidity risk) in the existing risk management framework is a key factor for HCOB. Only in this way can risks be identified at an early stage with a view to managing and monitoring them in the long term.

ESG on Portfolio Level

The portfolio level area comprises all significant topics in which HCOB has an influence on sustainability issues with its business. Six topics were defined in this area:

ESG-Aligned Lending

We aim to make a sustainable contribution by further developing specific details of sustainable lending policies and procedures, which include granting loans and monitoring their sustainability.

ESG-Aligned Investing

As with lending, our goal here is to further develop procedures and strategies for sustainable investments, ensuring a positive impact related to environmental, social and economic factors.

Customer Satisfaction

To run a sustainable banking business, customer satisfaction is of the highest relevance. Only if we can ensure a high level of customer satisfaction in the long term we can guarantee high sustainability standards.

ESG Transformation Financing and Advisory

While we apply strict standards and procedures for sustainable lending and investments, it is of particular importance to us to get in an ESG related dialogue with our customers, to be a reliable financing partner on their ESG transformation journey.

Impact on Climate Change

The financial sector is one of the crucial sectors for financing the energy transition and combating climate change. We strive to optimise our impact and that of our business to best support these factors.

Green Funding

We continuously conduct an assessment of the relevant regulatory and market environment.

ESG on Corporate Level

The ESG on corporate level section summarises the main sustainability issues that have an impact on our business activities. Seven topics were identified here.

Employee ESG Awareness and Incentives

Promoting employee awareness of ESG factors and incentivising them to participate in the Bank's endeavours through clear target communication is a core issue for us. We aim to create a shared understanding of the company's climate and environmental (risk) approach and encourage sustainable culture and behaviour by training and various communication measures.

Human Resources Development and Employer Branding

Particularly in times of a shortage of skilled workers, long-term personnel development and the professional and personal development of employees is a key issue.

Diversity and Equality

The further promotion and implementation of equal opportunities between women and men and the promotion of measures to combat arbitrary unequal treatment in the company is an issue we will continue to address.

Positive Impact and Responsibility towards Society

As a large employer in northern Germany, we see our responsibility in continuing to support people and social and ecological organisations.

Innovation, Technology and Digitalisation

Not just sustainability in the operating business, but also its linkage with technology, digitalisation and innovation represents a particularly important challenge for us.

Data Protection and Information Security

Maintaining high standards of confidentiality, integrity and availability of data and information from customers and business partners is a key matter.

Resource Protection

We want to strengthen the company's internal awareness of ecological sustainability and implementation of concrete measures for resource conservation.

Our Sustainability Goals and Commitment to the Sustainable Development Goals

HCOB – Material Topics, Objectives and Measures



Material Topic	HCOB's Sustainability Targets
Strategy and Governance	
Sustainable Business and Growth Strategy	<ul style="list-style-type: none"> • Further development of ESG target setting with KPIs and KRIs by end of 2022 • Safeguarding ESG Rating positions (ongoing)
Responsible Corporate Governance	<ul style="list-style-type: none"> • Further transformation of ESG activities into formal line functions and fully embedded in corporate strategy by end of 2022
Financial Strength and Stability	<ul style="list-style-type: none"> • Core lending franchises positioned to capture attractive market opportunities and support clients in their transition financing • New business growth with € 7 bn+ annual originations projected, including strict risk/return levels and diversifying asset allocations¹ • Organic funding growth via corporate deposits and covered bonds • Additional cost savings driven by already contracted efficiency measures • Strategic flexibility based on substantial excess capital
Stakeholder Communication/Engagement	<ul style="list-style-type: none"> • Improve Stakeholder Dialogue in 2022 and define respective measures within the ESG road map
Holistic Risk Management	<ul style="list-style-type: none"> • Full participation in ECB climate risk stress test • Further enhancement of internal climate risk stress testing • Further improvement concerning the integration of ESG aspects across all risk types in 2022, e.g. further adaption of ESG scoring tool • Ongoing development of the monthly Risk Report to the Management board and further internal risk reporting with respect to ESG • Further development of ESG target setting with KPIs and KRIs by end of 2022 • Usage of available climate-risk-related data (esp. asset classes CRE and Shipping) for risk management purposes by end of 2022, to be further developed in 2023 • Until 2023: implement IT platform for data collection and reporting based on our defined IT target architecture
ESG on Portfolio Level	
ESG-Aligned Lending	<ul style="list-style-type: none"> • Start establishing ESG-linked customer dialogue by 2022 • Start developing ESG-linked pricing methodology by 2022 • Evaluate development of ESG-linked products by 2022 • Green new business production (as per EU Taxonomy definition) of >10 percent of the total net new business in 2025
ESG-Aligned Investing	<ul style="list-style-type: none"> • Safeguarding our strict Investment Policy (thresholds) in our investment portfolios
Customer Satisfaction	<ul style="list-style-type: none"> • Develop structured approach for measuring customer satisfaction in 2022 and conduct survey in 2022-2023

¹ These plans are subject to ongoing developments in the geopolitical situation, particularly in Ukraine.

Material Topic	HCOB's Sustainability Targets
ESG on Portfolio Level	
ESG Transformation Financing and Advisory	<ul style="list-style-type: none"> • Start strategic ESG customer dialogue on transition financings including start developing incentives for meeting green standards • Provide a significant set of cases by 2023
Impact on Climate Change	<ul style="list-style-type: none"> • Evaluation of scope 3 GHG emissions (portfolio level) according to PCAF by the end of 2022 • Development of emission reduction strategy by the end of 2023
Green Funding	<ul style="list-style-type: none"> • Ongoing assessment of the relevant regulatory and market environment
ESG on Corporate Level	
Employee ESG Awareness and Incentives	<ul style="list-style-type: none"> • Continuous enhancement of ESG training concept and ongoing roll-out in 2022 • Further enhancement of individual targets by including ESG factors on all employee levels • Ongoing internal communication measures by ESG department to further sharpen awareness for all employees once a quarter in 2022 • Enhancement of remuneration policy with ESG factors on an ongoing basis (annually); i.e. expansion of ESG targets within the scope of target agreements for Management Board members
Human Resources Development and Employer Branding	<ul style="list-style-type: none"> • Training budget to be >1,000 EUR per employee for 2022 • Initial reporting on employee satisfaction based on survey conducted in 2021 and to be renewed in 2022
Diversity and Equality	<ul style="list-style-type: none"> • Female share of 33 percent in Senior Positions and Management Level incl. Senior Experts, BU Heads and Department Heads by the end of 2025. If there was no vacancy in the target period, this will be considered accordingly
Positive Impact and Responsibility towards Society	<ul style="list-style-type: none"> • Several associations and foundations from Hamburg and Schleswig-Holstein will each receive up to 100,000 EUR to finance their valuable work. Donations are focusing on children, elderly, disabled and homeless persons
Innovation, Technology and Digitalisation	<ul style="list-style-type: none"> • Until 2023: implement IT platform for data collection and reporting based on IT target architecture
Data Protection and Information Security	<ul style="list-style-type: none"> • Safeguarding a permanently high level of Data Security
Resource Protection	<ul style="list-style-type: none"> • GHG emissions of Scope 1 and 2 to be reduced >20 percent until 2025 (vs. 683 t CO₂ emissions in 2020) • Additionally the CO₂ emissions caused are compensated on an annual basis by reliable, certificated measures • Keeping the share of renewable electricity at 100 percent • CO₂ emissions caused by flight activities are compensated on an annual basis (by reliable, certificated measures)

HCOB's SDG Contribution

HCOB endorses the UN's Sustainable Development Goals (SDGs) – a universal call to action to end poverty, protect the planet, and ensure that by 2030 all people enjoy peace and prosperity. On a step-by-step basis, the Bank will accordingly link and align all its business activities – on both, a corporate and a portfolio level.

Our business activities have the most significant impact in relation to the following SDGs:

	Corporate Level	Portfolio Level
5 GENDER EQUALITY 	✓	
7 AFFORDABLE AND CLEAN ENERGY 	✓	✓
8 DECENT WORK AND ECONOMIC GROWTH 	✓	✓
9 INDUSTRY, INNOVATION AND INFRASTRUCTURE 		✓
12 RESPONSIBLE CONSUMPTION AND PRODUCTION 	✓	✓
13 CLIMATE ACTION 	✓	✓
14 LIFE BELOW WATER 		✓
16 PEACE, JUSTICE AND STRONG INSTITUTIONS 	✓	✓

Our Business Activities Have the most Significant Impact in Relation to the Following SDGs:



Affordable and Clean Energy

Ensure access to affordable, reliable, sustainable and modern energy for all

PORTFOLIO LEVEL:

- We are a leading financier of renewable energy and infrastructure projects, with more than 25 years of expertise and operations throughout Europe.
- Our current renewable energy portfolio includes wind and solar projects totaling € 3.7 billion. With a total installed energy-generation capacity of more than 5 GW, the renewable energy projects we finance make a valuable contribution to the energy transition in Europe.

CORPORATE LEVEL:

- We only use 100 percent renewable electricity for several years already.
- The source of our energy used for heating our premises is a combined heat and power generation stemming from the district heating supply.



Decent Work and Economic Growth

Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all

PORTFOLIO LEVEL:

- By aiming to achieve lasting, broad-based and sustainable economic growth that favours full employment and decent work for all, SDG 8 is at the core of our business approach.
- Our clients are primarily medium-sized companies from all sectors that contribute greatly to job creation and overall economic growth.

CORPORATE LEVEL:

- We contribute to SDG 8 by providing a healthy and attractive work environment. We offer both flexible working arrangements that allow our employees to strike a balance between their career and family commitments, and a range of development opportunities. Discrimination or harassment of employees in any form is unacceptable to us.



Industry, Innovation and Infrastructure

Build resilient infrastructure, promote inclusive and sustainable industrialisation and foster innovation

PORTFOLIO LEVEL:

- Financing infrastructure and thus contributing to SDG 9 is one of our core businesses, in which we have been successfully active throughout Europe for many years.
- We finance several biofuel production plants and the expansion of regional power and heat grids in Europe, and provide financing to utility companies.
- Our lending activities related to optic fibre networks and data centers help to improve connections between people and businesses.
- Further, we support environmentally friendly transport solutions through our rail transport financing activities, which focus on freight cars and locomotives.
- More than 70 percent of our infrastructure portfolio meets the strict standards of 'Qualified Infrastructure'. Projects need to comply with stringent environmental, social and governance standards, besides having sustainable financial metrics.



Climate Action

Take urgent action to combat climate change and its impacts

PORTFOLIO LEVEL:

- We contribute to climate action through our loan portfolio, which contains a high proportion of development projects that have positive effects on the long-term carbon footprint and the energy consumption of underlying facilities.
- One focus of our Commercial Real Estate business area is the modernisation of office properties, where significant improvements in ecological efficiency are achieved by investing in heating, ventilation and air conditioning, in insulating building envelopes and in optimising lighting systems.
- Our Shipping segment supports the most energy-efficient form of global trade (compared to air freight and rail freight transport).
- By aligning our portfolio on EU Taxonomy criteria (climate adaptation and climate mitigation) we contribute to SDG 13.

CORPORATE LEVEL:

- In addition to the impact of our lending and investment activities, our SDG 13 contribution includes reducing our own energy consumption. We use electricity from renewable sources and pay voluntary compensation for our scope 1+2 emissions and the CO₂ generated by flights. Moreover, we actively raise awareness of sustainability issues among our staff.

Our Business Activities also Contribute to the Following SDGs:



Gender Equality

Achieve gender equality and empower all women and girls

CORPORATE LEVEL:

- As a signatory of the Diversity Charter, we promote diversity in the world of work and commit to maintaining an appreciative and prejudice-free working environment.
- We actively support women and men in all issues relating to the compatibility of career and family.
- Our women's promotion plan contributes to SDG 5 with several measures – e.g. female talents of all ages are promoted and given preference when filling positions.
- Moreover, our equal opportunities officers prepare annual comprehensive equal treatment statistics, as well as an annual 'compensation comparison' of the salaries/wages of men and women by division depending on job family, career level and work duties. The aim is to ensure that women and men receive the same pay for the same work.



Responsible Consumption and Production

Ensure sustainable consumption and production patterns

PORTFOLIO LEVEL:

- While we apply strict standards and procedures for sustainable lending and investments, it is of particular importance to us to support our customers both in meeting these standards and in sustainably optimising their business models.
- As part of our diversified commercial loan book, we initiate different kinds of project financing with clients from the energy, manufacturing, services, trade, food and health care sectors.
- In our core business, for example, we support both the modernisation of fleets to reduce fuel consumption via our ship finance activities, and the energy transition in Europe through a range of renewable energy and infrastructure projects.

CORPORATE LEVEL:

- Resource conservation has also been firmly established among our internal activities. We raise awareness of the environmental impact of our employees' daily business activities to further reduce HCOB's electricity consumption – an area that will be further influenced when we move to our new building premises.

Due to Our ESG Black List for Lending Processes, we Support:



Life Below Water

Conserve and sustainably use the oceans, seas and marine resources for sustainable development

PORTFOLIO LEVEL:

- In the shipping sector, we contribute to reducing marine pollution by avoiding ship dismantling activities that are linked with significant negative environmental impacts and would thus adversely affect SDG 14.
- We also shun business activities in the agriculture sector that have a negative impact on the climate, environment, biodiversity and animal welfare. This includes fishing with driftnets, shark finning and other harmful fishing techniques.



Peace, Justice and Strong Institutions

Promote peaceful and inclusive societies for sustainable development, provide access to justice for all and build effective, accountable and inclusive institutions at all levels

PORTFOLIO LEVEL:

- Our lending standards and decision-making processes are based on a strict Black List that defines areas in which HCOB does not participate in direct financing arrangements. This includes doing no business in countries with a high level of corruption and countries that are involved in acts of war, or with companies that violate human rights and dignity.

CORPORATE LEVEL:

- As part of our outsourcing management system, we closely evaluate business partners for new outsourcing arrangements. The aim is to ensure that service providers act in an ethical and socially responsible manner, while adhering to international standards on human rights, environmental protection and appropriate working conditions.

Holistic Risk Management

HCOB has implemented a comprehensive risk management system around its legal and regulatory obligations. This is designed to identify potential negative deviations at an early stage in order to avert damage to the Bank and prevent impairment of the Bank's continued existence by taking appropriate countermeasures. Further information on the objectives, organisation and effectiveness of the risk management system can be found in the HCOB Annual Report 2021. In addition, HCOB continues to intensify its work in the area of identifying and managing ESG risks. In particular, physical risks, which involve long-term business risks due to changes in weather and climate, as well as transition risks are considered as a risk driver for the different risk types in the risk inventory.

Risks and opportunities have been evaluated in the materiality analysis. The material topics were considered from both an indigenous and an exogenous perspective and evaluated with regard to stakeholder requirements. This created a solid foundation for risk-based sustainability work. Further information on this can be found in the individual chapters of this CSR Report.

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 portfolios.

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-strategic 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, is 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 SRF, particularly with regard to risk limits and risk guidelines, is embedded as a financial goal in our overall bank objectives. Compliance is ensured via the target-setting process and annual performance review for top management, with targets cascading down to an employee level. The link to the remuneration process and a Code of Conduct setting our 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. The objective is also to ensure liquidity adequacy 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 may materially impair our financial position (including capital resources), financial performance or liquidity position are identified as part of the annual risk inventory process.

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

Non-Financial Risks

In addition to operational risk, non-financial risk (NFR) at HCOB 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), as well as internal processes, employees, or external events. The definition of operational risk includes business process risk, legal risk, compliance risk (including conduct risk), Human Resources (HR) risk, model risk, information risk, sourcing risk and project risk.

The objective of non-financial risk management in HCOB is to keep these risks under adequate control to prevent unfavourable events that could result in unexpected losses or damage to reputation, or that 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 (NRF) that takes into account the diversity of the various types of sub-risk. It defines the scope of non-financial risk management and describes 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 setting uniform rules and methods, and monitors their implementation. In 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 with Compliance, HR, Legal, Board Office and Taxes, Risk Control, Strategy and Transformation and IT/Digital. Internal Audit, as the third line of defence, is responsible for the independent review of processes.

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 required measures to mitigate risks. The most relevant scenarios are then aggregated to form the overall risk. In addition, risk indicators are collected and evaluated on a regular basis 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 risk-bearing capacity calculation, operational risk is determined on the basis of the most relevant scenarios from the risk scenario assessment using a Monte Carlo simulation and compared with the level of the risk from a modified standardised approach. The higher value of the two determination methods is used for the economic perspective.

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

Reputation Risk Management

CONTROLLING REPUTATION RISK

HCOB uses various tools for the purposes of handling and monitoring reputation risks. First, there are clear instructions and regulations for the Bank concerning how such risks are to be avoided and reduced and, where necessary, how the required coordination is ensured in cases of doubt.

Second, reputation risk is assessed annually by the business unit Compliance via two different surveys from a second line perspective. 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.

HCOB uses various tools for the purpose of handling and monitoring reputation risks based on the SREP Guidelines.

The internal NFR Circle, 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 the business unit Strategy and Transformation rounds off the set of tools used to manage reputation risk. Its task is to present matters concerning the Bank to the public in a proactive, fast and truthful manner.

DEFINITION, STAKEHOLDER AND PROTECTIVE ENVIRONMENT

Reputation risk is defined as the risk of incurring financial losses e.g. in the form of reduced earnings or loss due to negative perceptions by relevant stakeholders. The objective of reputation risk management is to exclude or prevent scenarios such as 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 and 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 by using behavioural requirements and process-related regulations. Establishing guidelines supports all units in identifying reputation risks, so they are able to distinguish among 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 and Labour Standards
- Environmental Protection
- Anti-Corruption and Criminal/illegal activities
- Violent groups
- Arms and weapons industry
- Speculation on the agricultural commodities/food markets and 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 legal requirements. The process includes politically exposed persons (PEP) and bad guy checks, information on the source of funds, products, the basis of the business relationship and identification of the beneficial owner.

The initiating units confirm that the review has been carried out in accordance with the 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.





Products and Business Impacts – ESG on Portfolio Level



Our Contribution in the Business Segments



HCOB is fully aware and takes an active role by making key contributions to the management of sustainable development and the transition to a green economy through its lending and investment activities.

Our goal is to structure our portfolio and support clients on the basis of our conviction to support the green energy transition. We want to be a leading force, guiding partner and active supporter in this process.

We not only want to reduce our own carbon footprint, but also to support our customers in limiting their climate impact. In its actions, HCOB follows the spirit of the Paris Climate Agreement, the SDGs and the recommendations of the TCFD as well as the EU Taxonomy. We intend to deliver the planned reduction in greenhouse gas emissions in our portfolio and to monitor and steer our business even more closely in terms of ESG conformity.

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 across Europe.

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

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

The largest share of our loan book is based in the eurozone and 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 confident in our ability to successfully implement ESG standards not only for ourselves but also for and with our clients. In 2022 we are planning to further operationalise our ESG strategy by further developing our product offerings and continuing the ESG related customer dialogue with the help of our ESG-trained relationship sales team.

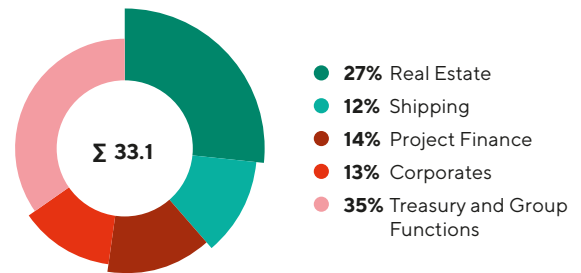
Large shares of our loan book relate to real estate, which focuses on modern and energy-efficient office, retail and residential buildings in Germany. Besides that, the Structured Finance loan book supports renewable energy and infrastructure projects throughout Europe, with a high level of ESG conformity.

Our Corporate Banking activities relate to a diverse mix of segments and clients, with only a small exposure to high-emission industries such as basic materials, transportation and electric utilities.

HCOB is Engaged in and across Various Segments and Countries

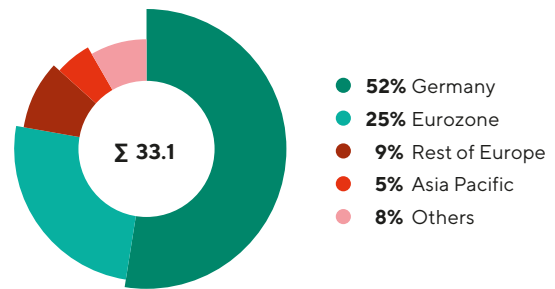
EAD by Asset Classes

(in € bn/%)



EAD by Region

(in € bn/%)



Our ship financing activities help to modernise fleets, reduce fuel consumption and pollutant emissions, and thus make today’s most energy-efficient way of global transportation of goods more sustainable.

To provide ESG transparency for the Bank’s entire portfolio we use our ESG scoring methodology which has already been applied to our whole loan portfolio.

We have made considerable progress in developing transparent monitoring of energy efficiency and carbon footprint indicators for the Bank’s entire portfolio, and have so far been able to categorise the basic standards in terms of ESG risks and develop a systematic approach for the analysis. In the 2022 financial year, we aim to initially categorise CO₂ emissions of the entire loan portfolio according to PCAF (Partnership for Carbon Accounting Financials) standards.

In the following section, we look at the key segments that contribute to the Bank’s loan book.

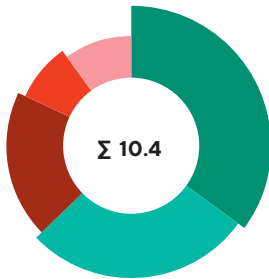


Real Estate

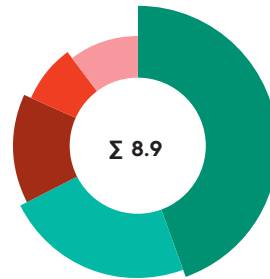
According to the German Federal Ministry for the Environment, Nature Conservation, Nuclear Safety and Consumer Protection, around one-third of resource consumption and some 15 percent of total CO₂ emissions in Germany are caused by the construction and operation of buildings. The influence of the real estate sector on sustainable development is enormous. 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.

Portfolio by Segment and Region

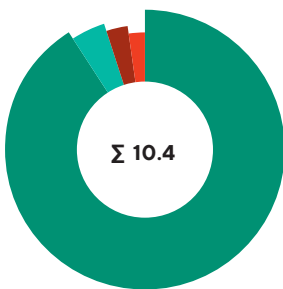
(in € bn EAD/%)



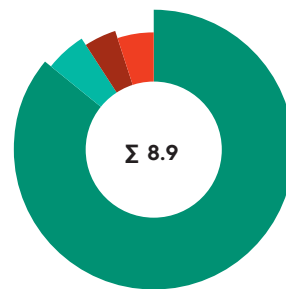
- 35% Office
- 28% Retail
- 19% Residential
- 8% Hotel
- 10% Others



- 44% Office
- 23% Retail
- 14% Residential
- 8% Hotel
- 10% Others



- 91% Germany
- 4% UK
- 3% Netherlands
- 2% Others



- 86% Germany
- 5% UK
- 4% Netherlands
- 5% Others

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

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

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

Our target clients are highly professional entities that prudently take ESG concepts into consideration and are accordingly willing and able to improve and to adjust their decisions, investments and organisations. A 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:

	<p>CAIN International/FREO Group: Development finance of the office campus Koryfeum North of Munich, Germany</p> <p>Project development financing of € 100 million to a 50/50 joint venture between Cain International's European Real Estate Opportunity Fund I and FREO Group. The financing is to realise phase one of the Koryfeum project – the development of a large-scale, innovative campus-style office park in Unterschleißheim, north of Munich. A total of 80,000 square meters of ultra-modern office space will be built in three phases in six buildings. The campus is aiming for the Gold Standard of the German Sustainable Building Council (DGNB e.V.), as well as WiredScore certification, a globally recognised standard for the digital connectivity of real estate.</p>
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	<p>Cresco Real Estate – Lux: Project development facility</p> <p>Project development financing of € 167.5 million for Cresco Capital Fund I. The financing is to realise the conversion of the former employment office from the early 1980s into the new Courthouse in the heart of Cologne. Tenants will be the higher regional court and district courts. In total, 33,000 square meters of office space will be revitalised, aiming for a LEED gold certificate to underline the sustainability of the planned measures.</p>
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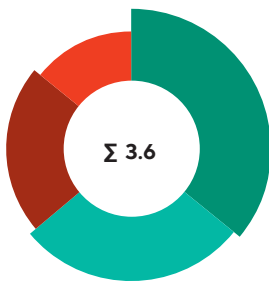


Shipping

Shipping is still the most environmentally sustainable transport system. Some 90 percent of traded goods are transported by ship, and the efficiency level (however measured – emissions per unit, tonne or TEU) is unrivaled. On average, vessels produce CO₂ emissions of 8g/tkm (tonne-kilometre).

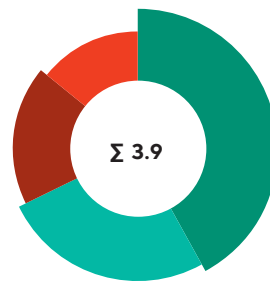
Portfolio by Segment and Region

(in € bn EAD/%)



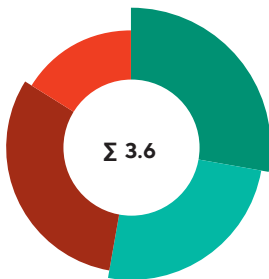
2020

- 36% Container
- 28% Bulker
- 22% Tanker
- 14% Others



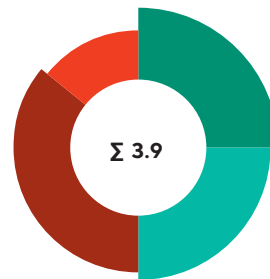
2021

- 42% Container
- 26% Bulker
- 18% Tanker
- 14% Others



2020

- 28% Germany
- 25% Greece
- 31% Rest of Europe
- 16% Others



2021

- 25% Germany
- 25% Greece
- 36% Rest of Europe
- 14% Others

**Selected recent transaction
with solid ESG credentials:**

The IMO regulation expects shipping companies to commit to the Ballast Water Management Convention, a data collection system, as well as emission reductions and low sulphur/exhaust gas cleaning systems. The industry is committed to achieving CO₂ emission reductions of 50 percent by 2050 compared to overall fleet emissions for 2008.

In this sector, we always bear sustainability in mind – e.g., supporting the modernisation of the global trading fleet by financing state-of-the-art conversions that improve environmental as well as economic efficiency. In addition, IMO covenants require our portfolio to adhere to CO₂ emission standards.

To accomplish the IMO goal of at least 50 percent fewer carbon emissions by 2050, HCOB promotes and supports investments in emission-improvement technologies and energy-efficient vessels. In addition, HCOB joined the Responsible Ship Recycling Standards (RSRS) initiative in 2020, which sets minimum standards for occupational safety and environmental protection when ships are scrapped at the end of their life cycle.



CMB

CMB Group:

Two asset-backed corporate financings

The CMB Group is one of the oldest shipping companies in Belgium, dating back to 1895 and mainly active in the dry bulk, container and chemical tanker segments. CMB has a clear focus on reducing its carbon footprint and is actively pursuing and developing hydrogen-based propulsion systems. This technology is especially useful for short distance vessels, e.g. river ferries and harbour tugs as well as for land-based applications, e.g. trucks, excavators, straddle carriers and so on.

In addition, CMB is gradually fitting part of its existing fleet with ammonia dual fuel propulsion systems. CMB is also active in supporting the offshore wind power industry through its ownership in Windcat Workboats, which provides crew transfer and shuttle services for the maintenance of wind power fields. As of 2020, CMB is offsetting its carbon and has the clear target of making all its operations carbon-neutral by 2050. CMB has also a Green Framework in place.

With these funds, CMB can proceed with its carbon-neutral newbuilding programme of ammonia dual fuelled container vessels, bulk carriers and chemical tankers, which will enable CMB to meet its 2030 emission target.

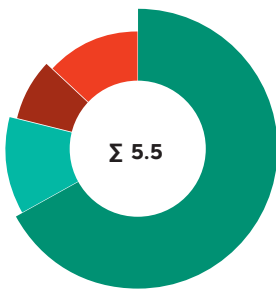


Project Finance

With its financings of renewable energies, digital infrastructure, rail and public transport, district heating and alternative fuels-based heat and power plants, Hamburg Commercial Bank's business focus in project finance includes a clear effort to provide financing beyond traditional infrastructure investments such as bridges, roads, schools, railways, pipelines and conventional heat and power plants.

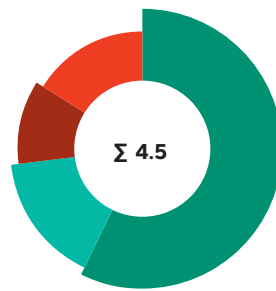
Portfolio by Segment and Region

(in € bn EAD/%)



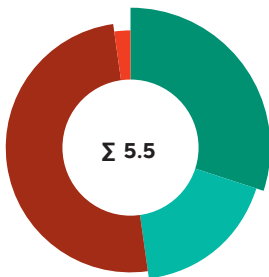
2020

- 67% Renewable Energy
- 12% Rail & PPP
- 8% Digital Infrastructure
- 13% Others



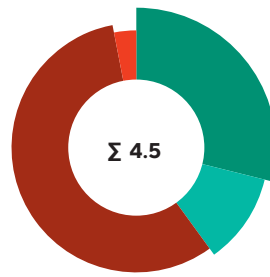
2021

- 58% Renewable Energy
- 16% Rail & PPP
- 11% Digital Infrastructure
- 16% Others



2020

- 30% Germany
- 18% France
- 50% Rest of Europe
- 2% Rest of World



2021

- 29% Germany
- 11% France
- 57% Rest of Europe
- 3% Rest of World

Our project finance business is focused on activities which contribute to the transition to a sustainable economy. Consequently, we have severely limited new business in fossil fuels-based energy generation to conversion projects based on alternative fuels.

In renewable energy and digital infrastructure, HCOB has been for many years one of the most committed and competent financial institutions in Europe. While financing wind farms and solar PV projects helps delivering direct contributions to Europe's energy

transition, the range of infrastructure projects in our business focus is also essential for the transition to a green economy. For example, financing district heating networks supplied by

biomass- or waste-fired combined heat and power plants helps to avoid less efficient decentralised burning of fossil fuels. The financing of new builds and enlargements of optic fibre networks and data centres helps to connect people and businesses, enabling employees to work more efficiently from home, while saving some of the daily travel emissions that would otherwise be incurred, is currently one of our most active fields of new business in infrastructure. Another in scope area is rail transport financings with focus on freight cars and locomotives, rail infrastructure as well as electrified public transport, supporting environmentally friendly transport.

Selected recent transactions with solid ESG credentials:



Eurofiber:

Participation in credit facility

Eurofiber is a leading ‘open access’ B2B fibre network provider operating in the Netherlands, Belgium and northern France, with 36,000 kilometres of networks and a portfolio of six Dutch data centres. Owner Antin has a strong commitment to responsible investment and achieved an A+ rating in the ‘infrastructure’ module of the UN Principles for Responsible Investment (UN PRI) assessment report in July 2019.

More than 70 percent of our infrastructure portfolio and all our renewable energy commitments meet the stringent standards for ‘qualified infrastructure’, which means they must meet strict environmental, social and governance standards in addition to sustainable financial metrics.



Energeia:

Project finance for a 11.5 MW solar farm in Leeuwarden, in the North of the Netherlands

This project benefits from a feed-in tariff of € 90/MWh. Energeia, a Norwegian project developer and manager, owns the project.



dstelecom:

Arrangement and underwriting of a € 150 million loan facility to further fibre network expansion

dstelecom owns and operates a FTTH network of currently around 550,000 homes, mostly in rural areas of Portugal. A further network buildout in low-density areas has been contracted, increasing the coverage to some 900,000 homes over the next three years.

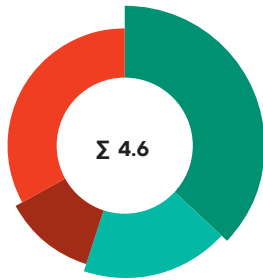


Corporates

In the business field of Corporate Banking, Hamburg Commercial Bank combines its traditional client relationship based domestic market approach based on a strong footprint in the northern German core market with an international focus on specialised lending.

Portfolio by Segment and Region

(in € bn EAD/%)



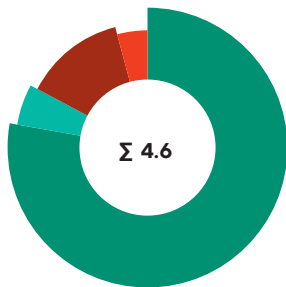
2020

- 37% Services
- 18% Industrials
- 12% Retail
- 33% Others



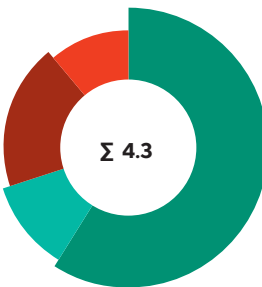
2021

- 33% Services
- 17% Industrials
- 15% Financial Services
- 35% Others



2020

- 78% Germany
- 5% Luxembourg
- 13% Rest of Europe
- 4% Rest of World



2021

- 59% Germany
- 11% Luxembourg
- 19% Rest of Europe
- 11% Rest of World

Here we increasingly use the ESG dialogue with our clients to support and finance their efforts to transform business models and production processes to climate neutrality over time. Furthermore, we are an active lending partner to the enablers of the energy transition, i.e. European companies that produce or operate technical solutions which enable end-users to reduce their carbon emissions. Besides providing financing for our clients' investments in increasing energy efficiency and improving the carbon footprint, our well recognised expertise in the health care industry with financings of hospitals and elderly care services as well as the associated infrastructure also positively contributes to social aspects.

HCOB's corporates portfolio is well diversified and is allocated predominantly in the services, trade and manufacturing industries. Traditional industries with relatively high greenhouse gas emission intensity form a rather small part of our portfolio. When looking at our corporate clients' greenhouse gas emissions which mean so-called 'financed emissions' to us, our policy for new corporate lending business continues to include financing to companies with higher greenhouse gas emission intensity – as long as the proceeds are more sustainable.

Selected recent transactions with solid ESG credentials:



Calisen: Participation in credit facility

Calisen is a leading UK Meter Asset Provider (MAP). The company owns and manages a portfolio of smart meters, which are essential energy infrastructure assets, and provides installation, meter reading and maintenance services. Calisen's business is aligned with the targets of the United Nations (UN) Sustainable Development Goal 7, which aims to ensure access to affordable, reliable, sustainable and modern energy. In particular, the smart meter business supports the UN's targets relating to modern energy services and doubling the global improvement in energy efficiency by 2030.



Polytech: Participation in credit facility

Polytech is a supplier of sustainable solutions that improve the durability and performance of wind turbines, such as systems protecting turbines from lightning strikes and soft shells mitigating blade erosion, lowering the total cost of energy production. The company is front-runner in wind power innovation and a trusted partner to major players in the wind industry, with locations in Denmark, China, Germany, the USA and Mexico. The 17 Sustainable Development Goals are a vital part of Polytech's corporate strategy, and they constantly strive to improve their global sustainability footprint.



AGL Activ Services GmbH:

Smart Lease transaction since 2019

Transaction volume € 65 million, high granularity, term up to 36 months. E-bikes on leasing basis 'Salary conversion model' as a (tax) incentive structure for the end customer Promotion of health and environmentally conscious ways of life and transportation.

How We Manage ESG Risks in Our Lending Business

It is important for us to influence the sustainable transformation of the economy and society through our business. In doing so, we not only pay attention to ecological aspects, but also consciously include social and governance aspects.

To meet this requirement, we have developed a comprehensive evaluation system based on the three core elements – our Black List, the ESG decision matrix and our ESG scoring.

With the help of this comprehensive and forward-looking process, we aim to contribute to the long-term sustainability and performance of our credit and investment portfolios.

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

ESG Risk Management in Loan Origination

With respect to sustainability, HCOB's lending standards include a rigorously applied Black List, ESG decision matrix, and ESG assessment framework.

These three key elements are tightly integrated in our loan origination process:

1. Black List¹

As a first step in our decision process, the Black List must be used as a basis for classifying new transactions. It is updated regularly and published on our website. The Black List consists of the following three levels: country, industry and company.

Based on this first step, HCOB ensures a thorough screening process for new business. The use of proceeds, the borrower or company, and the location of the project and sponsor are all taken into consideration.

2. ESG Decision Matrix

In a second step, the ESG decision matrix is used to guide the lending process. Combining the loan application's use of proceeds and the client's individual exposure to blacklisted business activities, the decision matrix allows HCOB to support also less sustainable companies in their sustainable transformation.

3. ESG Scoring

Our ESG scoring approach is based on the EBA Action Plan for Sustainable Financing and the BaFin Guideline on Dealing with Sustainability Risks, published end of 2019. HCOB has conducted the ESG scoring process in two steps for the

existing loan portfolio. In the first step in 2020, the initial scoring of the loan portfolio was performed on a proxy basis. For this purpose, 59 different ESG proxy profiles were defined, based on customer-, industry- and property-specific criteria. In a second step, the profile-based ESG proxy scores have been replaced by individually assessed ESG scores for all loans; this process was completed by the end of 2021.

Our Detailed ESG-Embedded Lending Process



¹ An adjustment of the Black List might be necessary in the view of/to reflect the latest geopolitical and macroeconomic developments.

Our Black List – Embedded in the Lending Standards

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 pursued as a matter of principle. This includes reputation risk which often is associated with specific harmful business practices and industries. Here, our Black List is a key element to prevent the financing of highly questionable companies.

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 of a transaction

are only permitted in exceptionally justified cases. As a result, they provide our client relationship managers with reliable guidelines for meetings with clients, in which ESG issues as well are discussed as part of the lending process. Each transaction also has to go through a regular, unbiased credit process (including analysis, rating, ESG scoring, credit application, decision), in which the lending standards are reviewed in connection with other decision-relevant criteria.

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

Black List checks have been implemented in all relevant parts of the Bank's lending standards and the decision-making process, e.g. the Credit Committee.

HCOB Black List

The current Black List, which defines the areas in which HCOB will not become involved in any direct financing arrangements, consists of the three country, industry and company level layers:

Country level:

No business will be conducted in countries with either a high level of corruption¹ or a very high level of conflict.²

Industry level:

No business will be conducted in the following industries

1. Energy production – Avoiding fossil fuels and nuclear energy connected to risks and negative impact on climate and environment
 - Coal mining (including thermal coal, including lignite coal) and its use for energy production including related businesses
 - Upstream oil and gas industry (including Arctic offshore exploration of oil/gas, oil sands, oil shales and respective power production)
 - Nuclear energy including mining, trading and processing of uranium
2. Mining – Avoiding controversial mining activities connected to significant negative environmental, social and health impact
 - Mountain-top removal mining
 - Mining, trading or processing of asbestos
 - Mining, trading and processing of diamonds
3. Shipping – Avoiding controversial shipbreaking activities connected to significant negative environmental, social and health impact
 - Ship breaking, including beaching of ships, shipbreaking yards, cash buyers, unless the yards are EU approved under the EU Ship Recycling Regulation

4. Activities with significant risks for human rights, health and social peace

- Manufacturing, supply, or development of weapons and ammunition, any other highly controversial or banned weapons
- Production and manufacturing of tobacco and vaping products (e-cigarettes)
- Problem gambling and its development
- Pornography and brothels
- Drugs and narcotics – except for medical purposes only, including Marijuana
- Embryonic stem cell research

5. Agribusiness – Avoiding activities with negative impact on climate, environment, biodiversity and animal welfare

- Deforestation and non-certified wood products from rainforest
- Unsustainable palm oil production
- Production, manufacturing, sales and trade of fur products
- Fishing with drift net or dynamite fishing, shark finning, other harmful fishing techniques
- Trade of any endangered species (flora or fauna and wildlife products)
- Non mandatory animal testing e.g. for cosmetic purposes
- Animal fights for entertainment

Company level:

No business will be conducted with companies that violate

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

¹ Corruption Perception Index <30, source: Transparency International

² Rating >2800, source: Global Peace Index, The Institute for Economics & Peace

ESG Decision Matrix – Bringing Together Client Profile and Financing Purpose

To be able to make decisions at company level in a systematic manner and to create a uniform and standardised basis for decision-making, HCOB has created an ESG decision matrix as a guide for lending.

With this process, we have created a basis for evaluating companies or financing that is partly unsustainable. Our goal is not to exclude companies from financing, but to reward the impulse to improve and encourage the move towards a greener economy. This means our ESG decision matrix positively highlights the willingness to improve and enables financings of such sustainable improvements even in so called ‘brown’ industries.

Group or Client ¹ Use of Proceeds/ Financing Purpose ³	Group or Client without blacklisted business activity and business practices ²	Group or Client with minor blacklisted business activity (<20% revenue/EBITDA share)	Group or Client with sizeable blacklisted business activity (>20% revenue/EBITDA share)	Group or Client with 50% or more blacklisted business activity or blacklisted business practices
Use of proceeds is supportive with regard to sustainability aspects	Financing may proceed with regular approval process	Financing is possible, if it is secured that the proceeds are not used to finance the company's blacklisted business activity	Financing is possible – Client conversation must include strong focus on clients ESG strategy	Further investigation; mitigants required ³ ; positive vote of the sustainability committee required
Use of proceeds is neutral with regard to sustainability aspects or undefined use of proceeds (financing for general corporate purposes/acquisition financing)	Financing may proceed with regular approval process	Financing is possible if it is secured that the proceeds are not used to finance the company's blacklisted business activity	Further investigation; mitigants required ³ ; positive vote of the sustainability committee required	Further investigation; mitigants required ³ ; positive vote of the sustainability committee required
Use of proceeds is negative with regards to sustainability aspects	Financing is possible – Client conversation must include strong focus on clients ESG strategy	Further investigation; mitigants required ³ ; positive vote of the sustainability committee required	Further investigation; mitigants required ³ ; positive vote of the sustainability committee required	No financing
Use of proceeds in a blacklisted business activity ⁴	No financing	No financing	No financing	No financing

¹ Only businesses compliant to our Black List filters will be evaluated into the process.

² Financial sponsors are generally ‘green’ (s.t. AML/KYC compliance).

³ Mitigants to be discussed on a case-by-case basis, may include e.g. proof of ESG compliance/undertakings or covenants in credit documentation/board minutes.

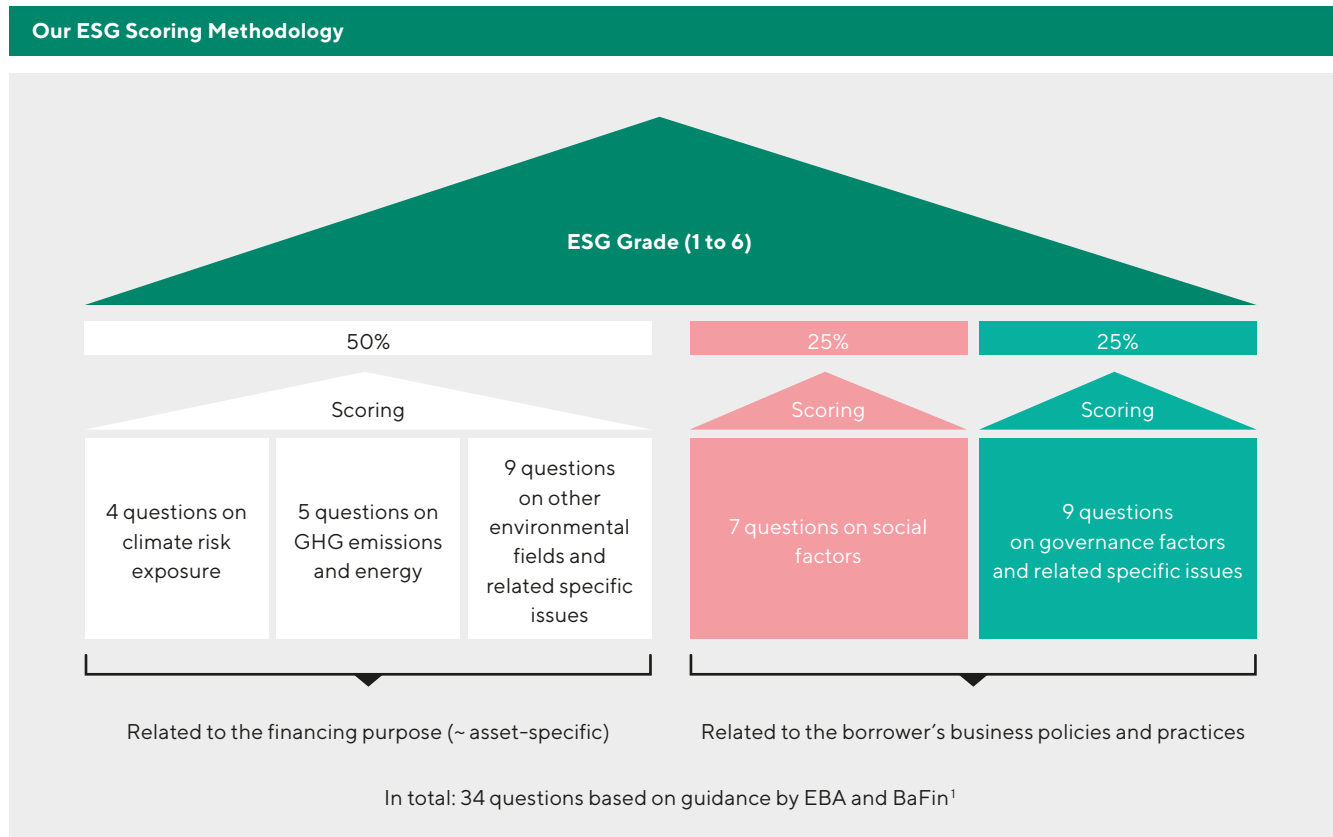
⁴ For the avoidance of doubt, proceeds may not be used to fund any blacklisted business activity.

The ESG Scoring Tool and Scoring of Existing Portfolio

In October 2020, Hamburg Commercial Bank introduced a holistic ESG-scoring tool in order to evaluate the ESG characteristics of its business activities. The model is applicable to financings for corporations across all industry sectors as well as to project and asset financings. Only governments and retail clients cannot be assessed with regard to their ESG characteristics.

The scoring tool is built alongside the guidance from EBA and BaFin to integrate ESG factors into the lending process. It supports us to intensify the sustainability dialogue with our clients, allowing us to

- systematically evaluate Environmental/Social/Governance aspects of the clients, assets and projects we finance,
- assess physical and transitory risks from climate change in our lending and investment portfolio,
- better understand our clients’ challenges on their path towards a sustainable future and provide financing solutions that suit their needs.



¹ EBA Action Plan on Sustainable Finance, December 6, 2019; BaFin Guidance Notice on Dealing with Sustainability Risks as of December 20, 2019/January 16, 2020

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

The scoring model provides Environment, Social and Governance sub-grade as well as an overall ESG grade. Hereby, the 'Environmental' factor has a double weighting assigned, with a special focus on climate risk, energy consumption, energy efficiency and carbon footprint.

The overall ESG grade ranges from 1 to 6 (1 being the best score) and is assigned to each new business opportunity presented to the Bank's Franchise and Credit Committees. A new business opportunity with a score of 5 and 6 requires an additional board approval, helping to limit such transactions.

The ESG scoring tool has been and will be refined and improved further over time, e.g. with newly developed methods for quantifying physical and transitory climate risk, evolving standards and best practice in the different sustainability factors as well as the adaption and reflection of EU taxonomy requirements.

ESG Scoring

	1	2	3	4	5	6
Environmental Standard	Client's economic activity is fully in line with relevant environmental standards, including carbon reduction and DNSH ¹	Company has an environmental policy in place and follows it, achievement within the next few years realistic, including reduction of carbon footprint	Environmental policy being developed and company in general follows carbon reduction and DNSH targets in its economic activity	No steps taken yet, but company shows willingness to improve the carbon footprint and environmental impact of its economic activity	Harmful environmental issues exist, economic activity is below necessary standards but could be improved	Economic activity of the company is not compliant with environmental standards and is unable to achieve such compliance
Social Standard	Client actively uses the requested social standards	Solid social 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 fall significantly short but improvement possible within defined timeframe	Non-compliance with social standards and uncertainty that standards will be achieved
Corporate Governance Standard	Corporate governance in place which is actively followed	Solid corporate governance in place with certain requirements still missing	Most of the standards are followed but no governance in place yet	No corporate governance accepted and some important factors are not followed yet	Relevant corporate governance standard not followed yet but improvement possible	Non-compliance with governance standards and uncertainty that standards will be achieved

¹ Do no significant harm.

ESG Scoring for Client Portfolio and EAD per Asset Class

ESG Scoring Results

In addition to applications for new loans, the entire loan book has been ESG-scored on an individual basis over the course of 2021, with very few exceptions. These exceptions apply to a Corporates sub-portfolio of € 1.1 bn which is actively managed down. The exposure in this sub-portfolio is and will be scored until redemption by using a proxy-based methodology instead. We hereby mapped the respective credit exposure to in total 19 clusters of industry sectors, each with specific average characteristics representative for the respective credit clients and financings in place. For each of these clusters a so-called ESG proxy profile has been evaluated via the ESG scoring tool in place – using the same approach as the individual scoring – and the results were then assigned to the respective financings. Overall, ca. 99 percent of Hamburg Commercial Bank’s client credit portfolio has been ESG-scored as of 31 December 2021.

Furthermore, the Bank’s investment portfolio and the trading book has also largely been ESG-scored as of FY end 2021. However, an amount of € 3.3 bn, comprising government bonds and loans, derivatives as well as exposure to retail clients could not be scored with the tool and is excluded from scoring. Overall an EAD of € 29.6 bn was assessible for ESG scoring.

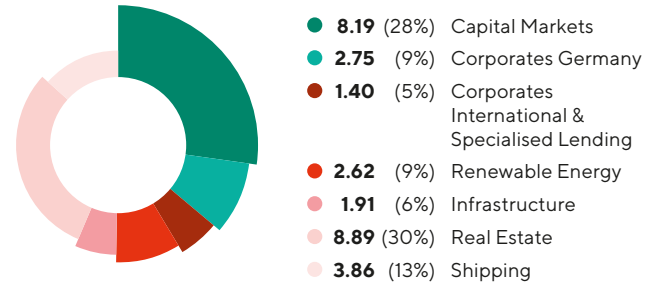
The bottom line is an average ESG score of 2.65 (2020: 2.71). In total, 40 percent of the ESG-scored credit exposure (measured in EAD) is scored in the top category of ESG grades 1 and 2 (2020: 43 percent) and 60 percent in the intermediate category of ESG scores 3 and 4 (2020: 55 percent). There are no financings in the portfolio that are assessed as having unfavorable ESG quality (grades 5 or 6).

This shift towards a slightly higher share of EAD with an intermediate ESG grade is attributable primarily to the first time inclusion of the investment portfolio. Looking deeper into the ESG scoring results, most of our clients and financings show solid governance assessments and profit from the high social standards in most of our core business regions such as Germany.

In total the scoring results across our business sectors unsurprisingly show an ESG ranking with Renewable Energy financings at the top (average grade 1.9), followed by Infrastructure (average grade 2.1). Commercial Real Estate (average grade 2.5) performs slightly better than average, Capital Markets, Corporates International & Specialised Lending as well as Corporates Germany are slightly below average, and Shipping (average grade 3.3) is at the end of the ESG ranking.

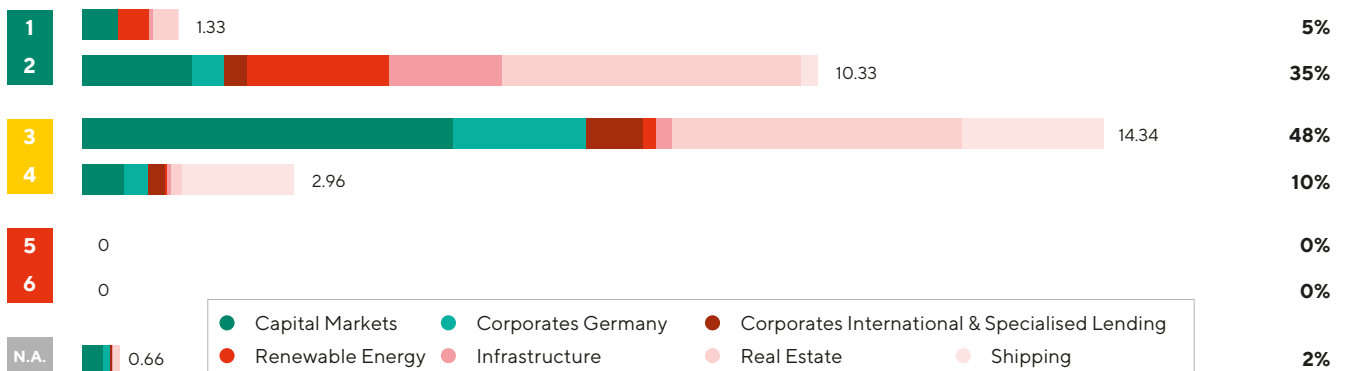
ESG-scoreable EAD per Asset Class (31.12.2021)

(in € bn/in %), [Total: € 29.6 bn]



ESG Scoring of Credit and Investment Portfolio (31.12.2021)

Coverage: 97.8%, average score: 2.65
(EAD by score in € bn), [Total: € 29.6 bn] (in %)



In its 2021 new business volume with credit clients, Hamburg Commercial Bank realised an average ESG score of 2.8 (2020: 2.65). This was largely caused by the higher share of new business in ship financing.

The overall goal for 2021 as the first full year of ESG scoring, the replacement of the largely proxy profile-based 2020 ESG assessments by individually assessed ESG scorings, has been reached. The individual ESG scores now are going to be updated on an annual basis. The aim for 2022 with respect to ESG scoring is to further enhance the scoring tool as well as to have an increasingly in-depth dialogue with our clients on transition pathways to climate neutrality.

EU Taxonomy Regulation

Mandatory Reporting

In accordance with Article 8 of the EU Taxonomy Regulation and the underlying Disclosures Delegated Act, Hamburg Commercial Bank is required to disclose the proportion of taxonomy-eligible and taxonomy non-eligible activities related to the environmental objectives of climate change adaptation and climate change mitigation as of 31 December 2021. Such reporting has to be based on actual information by NFRD-obliged counterparties only, meaning that only exposure to financial and non-financial corporates that are subject to the Non-Financial Reporting Directive (NFRD) qualifies for inclusion as Taxonomy eligible assets and Taxonomy non-eligible assets. As of the reporting date such exposure covered 12 percent of Hamburg Commercial Bank's total assets.

As the EU Taxonomy is still being developed and because data from our clients on Taxonomy-aligned activities is often not yet available, Hamburg Commercial Bank does not fully utilise taxonomy alignment in e.g. its business strategy, target setting processes or in its engagement with customers.

Information by NFRD-obliged clients on their taxonomy eligibility has not been available as of the reporting date. Hence, the exposure qualifying as Taxonomy eligible is very low, resulting primarily from commercial real estate financings with NFRD-obliged clients. As of 31 December 2021, the share of Taxonomy-eligible activities stood at 1 percent. Hamburg Commercial Bank's mandatory Taxonomy KPIs are listed in the table on the next page. Denominator for all ratios is the Bank's total assets. As Taxonomy-eligible assets only specialized loans to non-financial corporations falling under NFRD are included. Other exposure to financial and non-financial corporations falling under NFRD is classified as Taxonomy non-eligible assets. For information with regard to data quality and data availability please see 'Limitations in Data' at the end of the chapter.

Voluntary Reporting

The mandatory Taxonomy KPIs shown in the table on the next page don't reflect the extent of Hamburg Commercial Bank's activities towards industry sectors with particular relevance to GHG emissions and climate change. To give a more realistic picture of the Bank's exposure with regard to financed Taxonomy-relevant economic activities, additional information is provided below on a voluntary base. Here, internal assessments of the Bank's financings with respect to the financing purposes and the economic activities defined for Taxonomy eligibility have been used while the counterparties' NFRD status is disregarded.

As a result, Hamburg Commercial Bank's Taxonomy-covered assets amount to € 26.1 bn (86 percent of total assets) at year-end 2021, comprising of € 16.4 bn eligible assets as well as € 9.7 bn non-eligible assets. Only the Bank's exposure to central banks, central governments and supranational entities as well as trading book assets are excluded from this figure.

Taxonomy-eligible assets without limitation on NFRD-obliged clients primarily relate to asset-based lending (commercial real estate and shipping) and project finance (energy and infrastructure). Taxonomy non-eligible assets primarily consist of securities investments and exposure to domestic and international corporate clients. Including counterparties not subject to NFRD, the share of Hamburg Commercial Bank's exposure to Taxonomy eligible economic activities is estimated at 54 percent of the Bank's total assets.

As a result of Hamburg Commercial Bank's business focus on specialised lending, the overall share of exposures to non-financial corporations that are subject to the NFRD is below 5 percent of taxonomy covered assets. For further details on the EU Taxonomy coverage of Hamburg Commercial Bank's total assets, please see the explanatory graphic on the next page.

The provided metrics in Hamburg Commercial Bank's mandatory and voluntary Taxonomy reporting are unaudited and have been prepared to the best of our ability. Due to the EU Taxonomy's formal focus on NFRD-obliged corporations the ratio of Taxonomy-eligible assets should not be regarded by any means as representative for Hamburg Commercial Bank's share of materially 'green assets'.

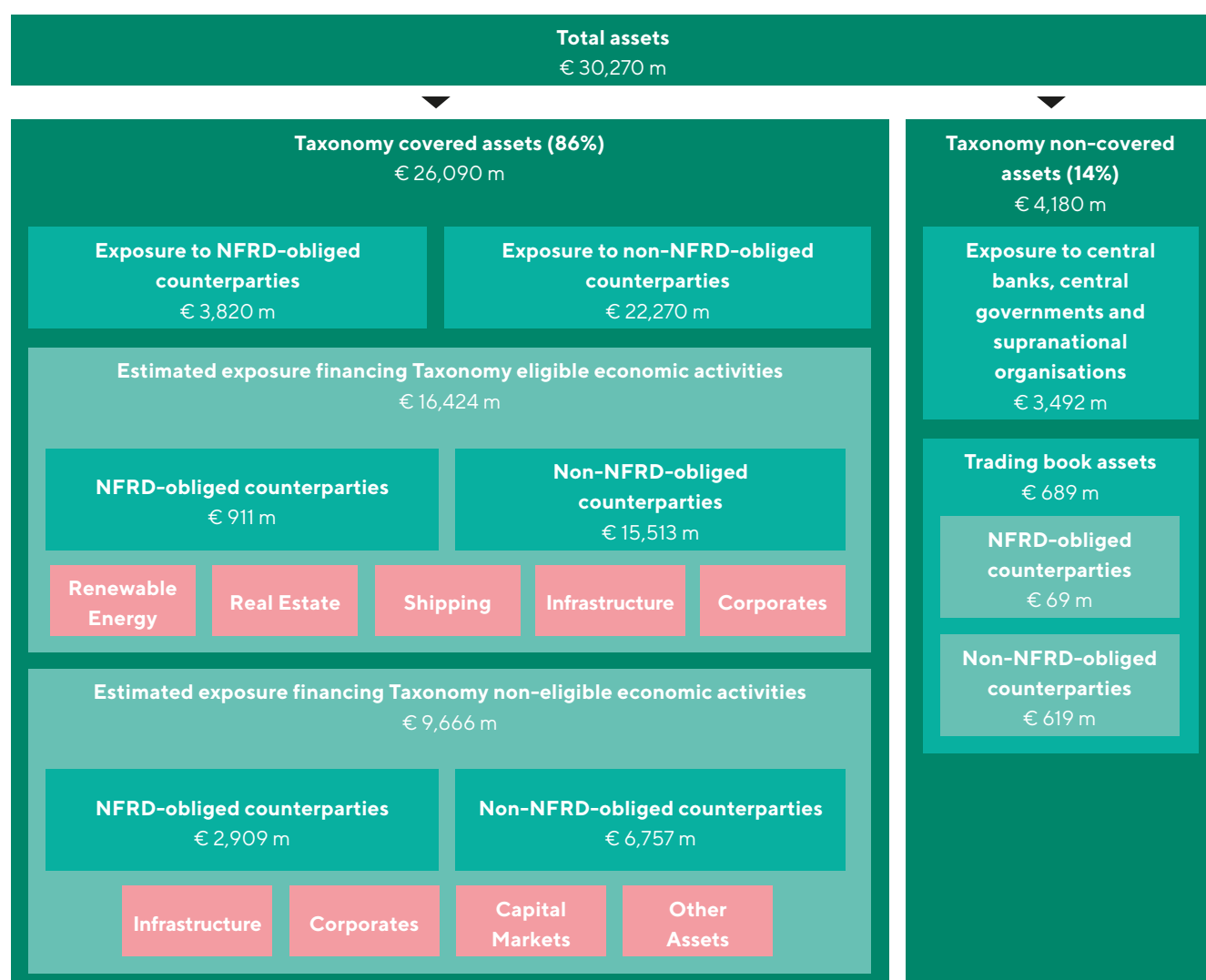
Reporting Principles

The preparation of mandatory taxonomy reporting is based on the prudential consolidation for the Hamburg Commercial Bank AG, excluding assets held under CTA (pension plan). The consolidation is in accordance with the supervisory reporting of institutions according to Regulation (EU) No. 575/2013 of the European Parliament and of the Council, and the Commission Implementing Regulation (EU) 2021/451 (FINREP). Furthermore, the preparation is based on the Delegated Act supplementing Article 8 of the EU Taxonomy Regulation (Disclosures Delegated Act C2021/4987).

Mandatory reporting under the EU Taxonomy Regulation, Article 8 and Disclosures Delegated Act, Article 10

As of 31 December 2021	in € m	in %
Total assets	30,270	100%
Taxonomy-eligible exposures as a proportion of total assets	160	1%
Taxonomy non-eligible exposures as a proportion of total assets	3,660	12%
Exposures to central governments, central banks and supranational issuers as a proportion of total assets	3,492	12%
Non-trading book derivative exposures as a proportion of total assets	0	0%
Trading book exposures as a proportion of total assets	689	2%
On-demand interbank exposures as a proportion of total assets	586	2%
Exposures to non-financial corporations not subject to NFRD as a proportion of total assets	17,227	57%

Taxonomy-Relevant Assets



Limitations in Data

When assessing taxonomy-eligible activities for financial and non-financial corporates, actual information provided by the counterparties is required. Entities subject to the NFRD will have to publish on their eligible activities according to the EU Taxonomy Regulation from 2022. In its mandatory first-time Taxonomy reporting as of year-end 2021, Hamburg Commercial Bank AG has therefore not included information from clients on taxonomy eligibility of their economic activities. Nevertheless, the Bank has internally assessed eligibility to EU Taxonomy for all of its total assets.

The assessment of corporations that are subject to NFRD is based on internal data. Local implementation of NFRD differs in the EU countries, and the classification may change in the future.

The lack of data as well as taxonomy-related reporting by clients in general affects the presentation and accuracy of ratios for taxonomy-eligible activities, taxonomy non-eligible activities and non-NFRD entities to some extent.

ESG in the Capital Markets and Treasury Business

In addition to our lending business, HCOB is also an active investor. Here, the decision-making processes are closely aligned with the standards in our lending business and our sustainability guidelines. In the investment process we pay particular attention to our Black List.

We distinguish between three different product classes in our investment business:

When investing in passive or semi-passive instruments, a full implementation of the Bank's Black List definition in the instrument's investment policy may not be feasible with regard to our detailed definitions of blacklisted business activities for the third-party asset manager. By accepting a somewhat less precise mapping of issuers to a widely used industry sector classification and limiting exposure to such sectors, we take a simplified approach to identifying issuers that might be involved in controversial economic activities that are on HCOB's Black List. Due to the less precise

1. Active Investments

Checking routines for investments in bonds from well-known issuers like governments, state agencies and major banks (also named as **active investments**) are seen as rather uncritical with regard to sustainability factors. Active investments constitute the largest part of our investment portfolio.

2. Passive Investments

With so-called **passive investments** HCOB also invests in securities and other structured financial instruments to build up diversified portfolios of loans or similar financial instruments (indirect financing). Such portfolios are actively managed by independent portfolio managers acting in accordance to issue-specific investment policies and rules. Examples for such passive investments are managed CLOs and ABS. But also investment funds, separate externally managed accounts, ETFs and hedge funds would fall into this category.

3. Semi-Passive Investments

In addition, HCOB also strategically invests in semi-passive products. These are products exclusively for HCOB by an independent external portfolio manager. Therefore, HCOB has more influence in the development of the product's basic investment policy (compared to a passive investment), especially with regard to the adherence to the Bank's Black List. Therefore, a key criterion of the semi-passive nature is that HCOB does not have the right to instruct the purchase of any blacklisted securities or assets within the portfolio. This is intended to avoid the possibility of circumventing ESG restrictions applicable to active investments.

mapping, we allow grace thresholds for passive and semi-passive investments. In case of passive investments, there is a preference for instruments with an investment policy that is fully or at least largely in line with the Bank's sustainability guidelines plus definition of a grace threshold (max. 5 percent each) for blacklisted BICS sectors as well as an overall limit of 15 percent for all potentially blacklisted investments in the portfolio identified by their BICS classification. This approach keeps the ESG assessment effective and simple.

Due to the active management of a passive or a semi-passive investment, its underlying portfolio composition changes with each portfolio reallocation, as well as with each reinvestment of installment payments from the portfolio that the manager undertakes over time. As a consequence, the portfolio's composition may change in an undesirable way with respect to our ESG preferences, resulting in an unintended portion invested in business activities and practices blacklisted by HCOB. Hence, a monitoring of the underlying portfolios is set up. Each case of non-compliance with the internal grace thresholds is red-flagged, reported and, in case of two consecutive threshold breaches, triggers a review of the investment decision which has to be presented to the Bank's Sustainability Committee for approval. In the case of semi-passive investments, we have the right to implement a Black List of investees for the investment vehicle forcing the investment manager to sell-off undesired investments. Also we will where necessary make use of our agreed rights to realign the fund's investment policy with changes to our Black List.

Liability Side – Green Funding

Within our strategic approach towards sustainability, the requisite internal infrastructure has been established to ensure readiness for green issuances, when and if appropriate. In this context, we conduct an ongoing assessment of the relevant regulatory and market environment.

Further Business Activities

Management of HCOB Pension

As of 2020, Hamburg Commercial Bank has implemented an active pension management strategy. For this purpose, a legally independent, registered association, the HCOB Trust e.V. ('Trust'), was established, which has concluded a trust agreement with the Bank ('Contractual Trust Agreement' or 'CTA').

The assets independently held by the Trust provide additional protection for HCOB pensioners in the event of the Bank's insolvency. The Trust's assets are classified as pension 'plan assets', which are offset against the Bank's existing pension liabilities and hence are taken off the balance sheet of the Bank.

The Trust's main investment is in an alternative investment fund domiciled in Luxembourg, HCOB SCA SICAV-RAIF-C1 ('Fund'). The Fund is managed by an authorised alternative investment fund manager ('AIFM') in Luxembourg, HCOB Investment Management S.à r.l.

Given the off-balance character of the Trust's assets, the different regulatory status, the domicile of the Fund and the AIFM involved, the Fund and the AIFM are subject to ESG laws and regulations that may vary relative to those which apply to the Bank. Because the Fund remains in the 'ramp-up' phase and in consideration of its current investment policy, it has been classified as an Article 6 fund (a conventional fund) pursuant to the Regulation (EU) 2019/2088 ('SFDR'). Nevertheless, the AIFM is committed to include sustainability risks as defined in the SFDR within the investment due diligence process of the Fund and AIFM's internal processes, in compliance with the Commission Delegated Regulation (EU) 2021/1255, as from 1 August 2022.

As of 31 December 2021, the fair value of the Trust's plan assets was € 968 million.





Banking Operations – ESG on Corporate Level



We Apply High ESG Criteria to Our Own Business Activities



Hamburg Commercial Bank represents people with foresight, passion and initiative. We are where our clients are: in our home region of North Germany, in the metropolitan regions of Germany and in selected foreign locations. Here we align all of our activities with ESG criteria and have anchored sustainability aspects in our business model as well as in our operations. The trust of our clients and employees, as well as public perception, are vital for us and we want to have a positive impact and show responsibility towards society.

Our Consistency in Dealing with Rules and Standards

The trust of our clients and employees, as well as public perception, are vital for us. To achieve this objective, all employees must act at all times in accordance with the law and relevant regulations. At HCOB, a strong focus is placed on a compliance culture throughout the Bank. On an annual basis, the external auditing firm PricewaterhouseCoopers (PwC) monitors our adherence to regulations and standards.

Code of Conduct

Our common goal is the sustainable success of HCOB as a high-performing bank.

We believe that the personal integrity of all employees is a crucial component of avoiding risks – contributing to the success of HCOB and to achieving our goals. This principle is anchored in our Code of Conduct, which shows how we live up to the high standards of our corporate values.

An indispensable key to the success of our company is a consistent approach to those rules and standards that apply to us. Our Code of Conduct creates a reliable framework for responsible action by all employees that meets both legal requirements and ethical and social standards. It covers the classic compliance rules, along with the requirements for our conduct in the areas of tax, finance, risk management, data privacy and communications. It also contains the standards of conduct we apply in our day-to-day collaboration with colleagues, in our dealings with customers and in fulfilling our social responsibility. Compliance with these standards enhances the Bank's reputation among customers, investors, regulators, rating agencies, the public, employees and shareholders.

As an international commercial bank, it is especially important to us that we always act lawfully in a rapidly developing market, and that everyone can be sure of our personal integrity.

Each one of us at the Bank has a responsibility to prevent financial harm to the Bank and protect the Bank's reputation.

The Code of Conduct, available on the intranet for all employees, provides guidance for decisions in our daily work. Besides conventional compliance rules regarding, among other things, sanctions and the prevention of money laundering and terrorism, the prevention of other criminal activities, and capital market compliance, it also sets out mandatory standards of behaviour for employees' daily interactions with colleagues, for their dealings with clients and for their overall role as part of society. 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. The Compliance business unit reports directly to the CRO, and the Management Board on at least a quarterly basis. There are regular meetings between Head of Compliance and CRO and other members of the Management Board. In addition, there is an ad hoc reporting process implemented with the Chairman of Supervisory Board before each session of the Supervisory Board. Finally, there is an ad hoc reporting implemented with the Chairman of the risk committee if required. There is also an ongoing exchange between Compliance and Internal Audit, and Compliance is both an owner of the Investigation Committee and a member of the Malus Committee.

As part of its central legal monitoring activities, the Compliance function identifies all the rules and regulations that are relevant to us and assigns them a clear responsibility at the business unit level. All new and amended rules and regulations, including the responsibility for them, are entered into the central legal monitoring system on a weekly basis and communicated to all business units.

We do not tolerate any illegal activities, and we sanction such misconduct in a resolute manner. Internal contact points have been set up at 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. 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 and sponsoring process), as well as secondary employment and mandates (conflict of interest policy). We also have binding rules and procedures in place to clarify suspected cases relating to other criminal activities, including competition and antitrust offenses (anti-fraud policy). In addition, customer anti-corruption due diligence is part of our KYC policy and, for third parties, 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 owned by Compliance, 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 on topics such as corruption and other criminal activities.

Overall, there were no cases of non-compliance with national, regional or local laws and/or regulations in the social and/or economic area, and there have been no confirmed cases of corruption.

Political Influence

HCOB does not exercise any direct political influence. Donations of money and goods to political parties or party-affiliated political associations are categorically excluded. As of 01.01.2022, the Bank is a member of the Association of German Banks (BdB), which acts as a lobby group and represents HCOB's interests politically in legislative procedures.

An overview of current topics and positions can be found on the BdB website (<https://en.bankenverband.de>).

Tax Questions and Issues

The guideline on the involvement of the Legal, Board Office and Taxes business unit when handling tax matters ('Guideline on Involvement of BU Tax') forms part of our written rules of procedure and ensures that our Legal, Board Office and 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 improper tax planning and avoid any forms of legally permissible aggressive tax optimisation. We have 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 Management Board, which has set up a data protection organisation to implement and ensure compliance with data protection regulations. One important component is the appointment of a company Data Protection Officer (DPO), who 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 HCOB and our 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 a 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 cooperates with the data protection supervisory authority as its contact person at the Bank.

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 as far as possible minimise any losses arising from errors in handling information.

Information Security Organisation

To achieve this objective, we have set up an organisation geared towards meeting the legal and regulatory requirements and that applies ISO 27001 (international standard for information security management) as its guideline. An Information Security Officer has been appointed for this purpose. The Information Security Officer reports directly to the Chief Risk Officer (CRO) to safeguard the independence of this function in accordance with regulatory requirements, and also reports to the Management Board on a regular (at least quarterly) basis on the status of information security at the Bank.

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

Information Security Management System (ISMS)

The ISMS is a key element of the Information Security Organisation. Basic requirements for information security, which cover parts of the MaRisk, banking supervisory requirements for IT (BAIT) and ISO 27001, are defined in the Information Security Guideline, which forms 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 regularly reported on the Bank's intranet. In addition, targeted measures are organised for employees of the Bank, particularly to illustrate the possible consequences of reckless and gullible behaviour by individuals. Online training about information security is taken on a regular basis by each employee.

Products

A guideline for transactions in new products and new markets (NPNM) is in place, 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 to determine the relevant responsibilities. This guideline also governs the regular review of all products. In this context, ESG aspects are already considered at an early stage within the NPNM application process.

Procurement Principles and Supplier Code of Conduct

In 2021 we contracted services from various external service providers and vendors worth around € 132 million compared to € 136 million in 2020 (both numbers including VAT).

As a bank, our purchasing is primarily services and office supplies. No relevant social or environmental problems were identified in these areas. Nevertheless, extensive monitoring instruments are used to prevent such problems at an early stage.

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). These are based on best-practice approaches and on numerous recommendations from 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 required goods and services at optimal terms and conditions and the operational implementation of internal and external compliance requirements, in particular for the purpose of preventing reputation damage and financial loss. Conscious resource management and compliance with legal requirements and obligations make an especially 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 reviewed for all transactions.

The following has to be taken into account in this review (among 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 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 (including requirements under ISO 14001, current EU emission standards).

Our procurement department works hand in hand with all the internal client departments involved to exclude suppliers that refuse to accept the Supplier Code of Conduct from further tendering processes if they do not provide any plausible explanation. A violation of the Supplier Code of Conduct can also result in the termination of the business relationship. The Supplier Code of Conduct is based on our Code of Conduct and in addition to the classic compliance it includes data protection rules also the suppliers must comply to and sign. 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 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 and for complying with embargo and financial sanction requirements, as well as for preventing money laundering in connection with 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 service providers and producers in the region. Besides supporting the local economy, this helps to avoid unnecessary travel and transport costs and the resulting emissions of pollutants and carbon dioxide.

Outsourcing Management

In 2021, the Bank was still in a transformation phase to increase its efficiency and profitability. The Bank's activities have been focused on HCOB's core competencies. Based on a make-or-buy decision, other activities were outsourced to companies that specialise in these activities in order to efficiently and successfully execute these operations. For this purpose, the Bank has implemented a central outsourcing management system to manage and monitor such arrangements.

The Bank's organisation meets the requirements set out in the EBA Guideline on outsourcing arrangements, which expects 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. Particularly with regard to service providers 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 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 and the fulfilment of sustainability criteria is part of all outsourcing contracts.

What We do to Protect the Environment (Resource Protection)

Protecting resources and the climate is important to us not only with the help of our influence in our lending and investment portfolios, but especially in our day-to-day business activities. We take also care to reduce our own resource consumption and to further optimise.

HCOB's Facility Management is the unit responsible for our own environmental protection, secondary property management processes, energy management and property security. It is the responsible operator for the properties, including technical facilities, and ensures the Bank's occupational and operational safety at the domestic sites. In this context, this unit also has the key area of responsibility for monitoring respective energy and environmental indicators. As HCOB is not a manufacturing company, the majority of direct resource consumption in bank operations takes the form of energy and water consumption as well as waste.

As one of the Bank's critical topics for the future, resource conservation and compliance with ESG criteria have been firmly established in the Bank's internal activities. The Bank will therefore raise awareness of the environmental impact of its daily business activities by its employees in order to further reduce emissions and resources in areas such as electricity, water, heat, and mobility.

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

Resource Consumption

In the reporting year, we introduced the "Verein für Umweltmanagement und Nachhaltigkeit in Finanzinstituten e.V." (VfU) tool as a well-known market standard to record environmental indicators for our corporate portfolio. This calculation tool is a globally recognised standard tool for the accounting of operational environmental indicators at financial institutions. The VfU tool allows us to increase the transparency and validity of the key figures and we are now well positioned for reporting. Due to the conversion of systems, the previous reporting years were recalculated and there may be deviations in the results.

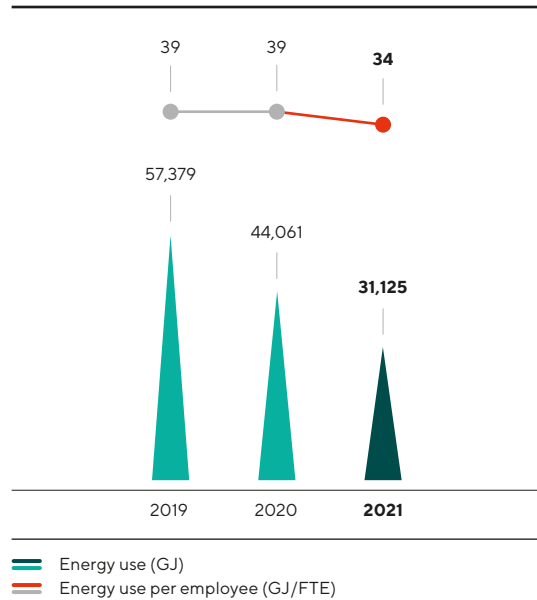
Building Stock

At the beginning of 2021, HCOB had operational and operating responsibility for approximately 50,220 m² (2020: 93,200 m²) in net floor space, predominantly in properties owned directly and indirectly by the Bank in Germany. In addition, HCOB is responsible for strategic real estate management for an additional 4,576 m² (2020: 10,000 m²) in net floor space in foreign locations, especially in Luxembourg. Compared to the previous years, the management of further office spaces is minor with a total of 451 m².

Energy Consumption

Energy consumption is measured and controlled by facility management. The Bank's energy consumption is down to 31,125 GJ in 2021 (2020: 44,061 GJ), which is mainly based on the downsizing of premises within the transformation process. With regard to the existing building stock, investments in energy-related measures are no longer within the responsibility of HCOB, as these have been sold and are now under new ownership.

Energy Consumption/Intensity



Energy Consumption/Intensity

In kWh/km	2019		2020		2021	
Category	Consumption in respective unit	Conversion to GJ ³	Consumption in respective unit	Conversion to GJ ³	Consumption in respective unit	Conversion to GJ ³
Fuel consumption (diesel)	-	-	1,450	5	1,347	5
Fuel consumption (petrol)	143,728	356	83,164	206	44,528	110
Total electricity consumption: electricity from supplier mix	8,433,661	30,361	4,894,797	17,621	4,106,896	14,785
Total electricity consumption: electricity from market-typical mix ¹	17,960	65	17,861	64	-	-
District heating from combined heat and power	4,942,002	17,791	7,267,934	26,165	4,507,021	16,225
District heating ²	2,446,183	8,806	-	-	-	-
Total energy consumption	-	57,379	-	44,061	-	31,125
Energy intensity: GJ/FTE ⁴	-	39	-	39	-	34

¹ In 2021, we switched to full electricity from supplier mix

² In 2020, we switched to full heating from combined heat and power

³ GJ stands for Gigajoule

⁴ Calculation based on following FTE: 2019=1,482; 2020=1,122; 2021=919

The COVID-19 pandemic, which continues to be very relevant, and the increased use of videoconferencing and home working options have again contributed to relatively low office presence, resulting in lower energy and especially heat consumption.

The decrease in energy consumption is particularly due to the reduction in district heating consumption from 7,267,934 kWh in 2020 to 4,507,021 kWh in 2021. Due to the reduction in the building stock and the lower occupancy rate of the office buildings, an exact permanent decrease cannot be determined.

Electricity consumption has also been reduced from 4,894,797 kWh in 2020 to 4,106,896 kWh in 2021. In order to achieve a constant reduction in electricity demand, electrical appliances with low electricity demand and high energy efficiency are used as far as possible in construction measures and renovations. Even though HCOB's electricity needs are provided entirely by CO₂-neutral green energy, the selection and procurement process focuses not only on the needs of the users, but also on the energy efficiency of the products procured. As the Bank's new IT hardware has been rolled out in 2021, this goal of reduction is reflected at every single workstation in the Bank.

Solid energy management is the basis for energy-efficient business operations. The Bank's energy management has been certified according to the international quality management standard DIN EN ISO 50001 since 2018. The energy management is currently being examined and a suitable system evaluated in order to adequately record the current building stock. Building management ensures smooth operations and optimises processes, constantly reviewing the use of internal and external resources.

As part of the Bank's sustainable positioning, we will continue to set high standards for our own energy consumption in the future. We want to further reduce our energy consumption and keep it as low as possible even after the COVID-19 pandemic. We are continuously examining measures that can have an influence on this. For example, we want to further reduce our vehicle fleet and are considering the use of more and more electric vehicles.

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 the energy consumption of its own operations. It is, nevertheless, aiming for a further reduction even in 2022.

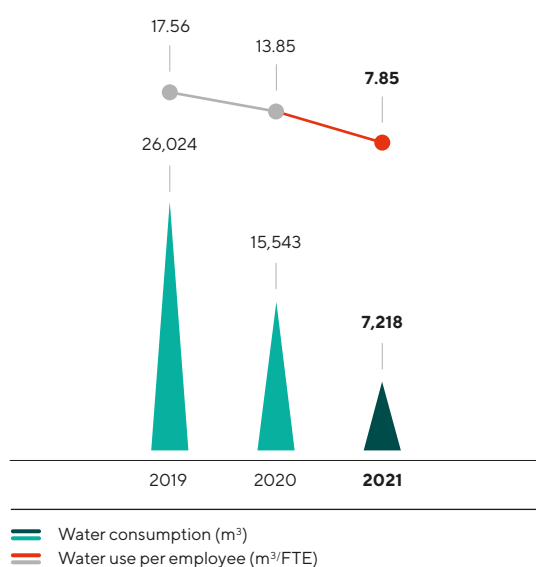
Water Consumption

Drinking water is mainly purchased from regional suppliers, and fresh water consumption in the year under review came to around 7,218 m³ (2020: 15,543 m³). Although significant reductions were already achieved in 2020 compared with 2019, water consumption was more than halved in the year under review. This sharp decline is in particular due to pandemic-related reductions. In addition, there was discontinuation/limitation of canteen operations in Kiel and Hamburg in pandemic times.

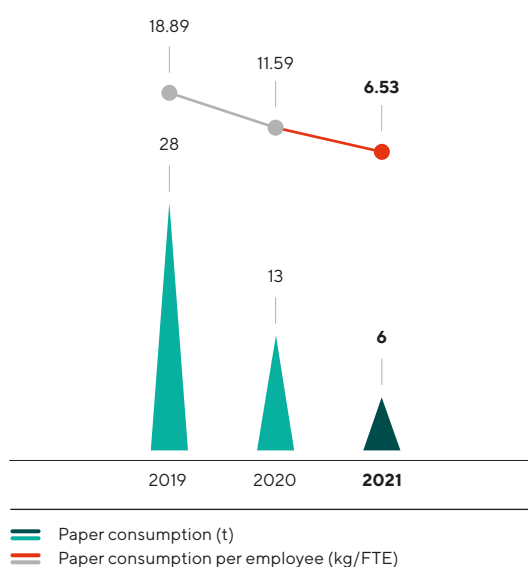
Water Consumption

In m ³	2019	2020	2021
Water withdrawal by source: Drinking water	26,024	15,543	7,218
Total water consumption	26,024	15,543	7,218

Water Consumption/Intensity



Paper Consumption/Intensity



Paper Consumption

The ongoing digital transformation of HCOB as well as effects of the ongoing COVID-19 pandemic lead to a constant reduction in the volumes of paper purchased. In 2021, the Bank further significantly reduced overall paper consumption down to 6 tons (2020: 13 tons). Advances in digital signatures and other processes continue replacing paper documents in business transactions. In addition, acceptance of digital formats among different client groups has further increased, which leads to a reduction in printed corporate publications.

The printing paper used by the Bank is wood-free and is consistent with EU eco-standards, which require at least 50 percent to be made of recycled or sustainable material.

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

Paper Consumption

In tons	2019	2020	2021
Total paper consumption	28	13	6

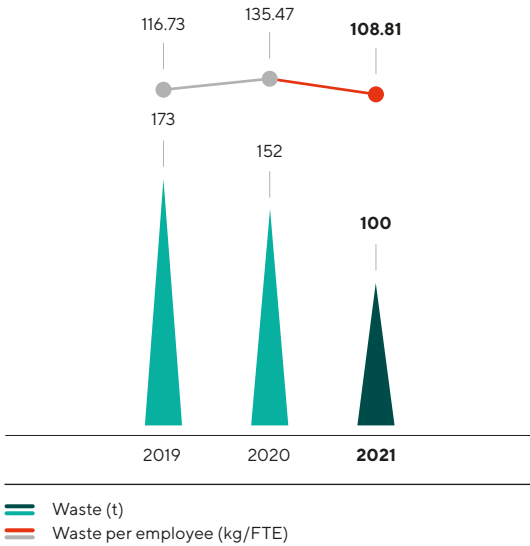
Waste

Waste volumes in Kiel and Hamburg have been declining on an ongoing basis since 2015. This trend is expected to continue in the future. While the previous year was marked by an increase in waste volume due to numerous waste collections when buildings were handed over, waste volumes in 2021 decreased once more. Waste for recycling was high due to waste collections from warehouse archives, but waste for incineration was significantly reduced.

Waste

In tons	2019	2020	2021
Waste for recovery/ recycling	16	14	63
Waste for incineration	157	138	37
Total waste	173	152	100

Waste



MOBILITY

Operational mobility is influenced by numerous factors which are not controlled in their entirety. Cultivating client relationships on a face-to-face basis, if possible, is an indispensable component of trust-based cooperation at HCOB. If a business trip is necessary, 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, business flights are unavoidable. 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 Germany-based employees of the Bank receive a monthly allowance of € 15.34 gross for their commute to work. In Hamburg, the allowance entitles employees to participate in the major customer subscription scheme offered by the Hamburg public transport operator (HVV).

In order to compensate its greenhouse gas emissions, HCOB contributes to the restoration of the "Königsmoor" in Schleswig-Holstein, Germany.

CO₂ Emissions

HCOB so far has comprehensively recorded CO₂ emissions in Scope 1 (direct emissions) and Scope 2 (indirect emissions). In Scope 3 emissions, the result of activities from assets not owned or controlled by the reporting organisation, we have so far only recorded emissions resulting from the purchase of paper, water and transport. We are currently analysing our entire portfolio in order to make our Scope 3 emissions even more transparent in the future. Furthermore, we want to achieve an analysis of the total CO₂ emissions of our portfolio, in accordance to the internationally recognised PCAF methodology, in 2022.

Besides halving direct emissions from petrol, the Bank achieved additional significant reductions in indirect emissions from heating and electricity consumption. This is also reflected in our CO₂ emissions per employee, which fell from 980 kilograms of CO₂e to 696 kilograms of CO₂e. This shows clear improvement in our direct emissions.

HCOB is on track to further reduce emissions in the future and to become climate-neutral in the long term, in alignment with the Paris Climate Agreement.

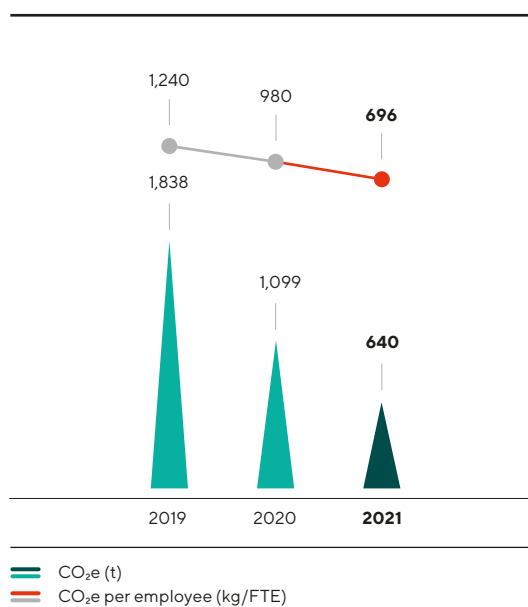
To demonstrate our commitment, we are working together with the TÜV Rheinland certified "Ausgleichsagentur Schleswig-Holstein" (Schleswig Holstein Compensation Agency), a fully state-owned organisation. By this, we contribute to the restoration of the "Königsmoor" in the Rendsburg-Eckernförde district, and thus to protect the climate by capturing CO₂. We are part of actively encouraging the former raised moor to become a living habitat again and are at the same time making a valuable contribution to CO₂-equivalent avoidance. With the help of this co-creation, we are able to fully offset our CO₂ emissions in Scope 1 and 2 as well as in the previously mentioned part of Scope 3 emissions caused by business flights in a local climate protection project. Finally, this means we are climate neutral with regard to Scope 1 and 2 emissions and also partially with regard to Scope 3 emissions.



Carbon Emission Intensity

In tons	2019	2020	2021
Direct (Scope 1)			
GHG emissions	27	16	9
Fuels: Petrol	27	16	9
Energy indirect (Scope 2)			
GHG emissions (Market Based)	806	667	409
Power consumption – Market Based	8	8	-
District heating	798	660	409
Other indirect (Scope 3)			
GHG emissions	1,005	416	222
Electricity (incl. home office electricity if charged)	-	19	31
Heating	288	169	105
Transport	587	131	56
Paper	30	15	6
Water	17	10	5
Waste	82	72	19
Total CO₂e emissions (Scope 2 Market Based)	1,838	1,099	640
Carbon emission intensity (kg CO ₂ e/employee)	1,240	980	696

Carbon Emission/Intensity



How We Safeguard the Interests of Our Employees

Our employees are central to our success. Promoting individual strengths as well as collective cohesion is therefore an important part of our future development.

For this reason, we not only support our own employees in their ongoing development and lifelong learning, but also actively seek qualified young talent to strengthen our bank in the future.

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 is very important to us as a company. In this context, the Bank's human resources strategy and tools were always fundamental and have contributed to the Bank's objective to become a member of the Federal Association of German Banks in 2022, which has taken place 1 January 2022.

The 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. The headcount reduction associated with the transformation process was further progressed in the reporting year. Socially acceptable measures were found for the workforce reduction, as part of a social plan developed in collaboration with the works council.

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 actively put into practice today and in the future.

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, among 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 employee rights, 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, 12 of whom 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

The Bank has works councils in Hamburg and Kiel. The works councils in Hamburg and Kiel delegate members to the General Works Council.

The Works Constitution Act forms the basis for the activity of the works council. In addition, there are various labour laws that have an influence on co-determination in the representation of interests. 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 and changes to salaries and working time arrangements, including overtime and dismissals.
- 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 process.
- 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 councils participate in

committee and board meetings to initiate or implement and monitor these and other issues. These include, for example, meetings of the occupational health and safety committee or the health steering committee.

- The works councils, in cooperation with youth and trainee representatives, advise 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.

Works council members endeavour to resolve differences of opinion and conflicts within the Bank. If this is unsuccessful, clarification is sought before industrial tribunals or arbitration measures are taken.

Works council members have a wide range of network contacts with works councils from other banks.

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. Other information events, such as 'Campus Talk', are also organised.

Appropriate offices with the necessary resources are available to allow the works councils to carry out their tasks and duties.

There is also a representative body for severely disabled employees in Kiel and Hamburg. Together they 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 the severely disabled and those of equivalent status. They advise on the design of workstations for the disabled and also participate in the meetings of the occupational health and safety committee.

Human Rights

Respecting and upholding human rights is a matter of course for HCOB. To prevent human rights violations, we take extensive measures at all levels. Through our Code of Conduct, we commit ourselves and our employees to a special focus on preventing human rights abuses. In addition, at the corporate level through our HCOB Purchasing Principles, we ensure a comprehensive review of the products and services purchased for banking operations (» see page 57).

Furthermore, at portfolio level, we ensure that human rights violations can be ruled out as far as possible through extensive screening and our Black List (» see page 42).

Due to our cross-level measures and high regulatory and European standards, the risk of human rights violations in our direct supply chain or within the Bank itself is considered low.



Diversity and Equal Opportunities/Treatment

Equal treatment has a long tradition in our Bank. Members of the Management Board and works councils voluntarily ensured that the issue of equal treatment was permanently established in a works agreement, which still applies at our Bank today.

Aspects of the relevant state legislation on equal treatment from the federal states of Hamburg and Schleswig-Holstein were incorporated into this agreement. HCOB, however, went beyond this legislation by maintaining the function of equal opportunities officers also after the transformation to a privately owned bank. There is a full-time equal opportunities officer, who is released from his/her normal duties, and also a part-time one. The equal opportunities officers have been given extensive rights and act independently.

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 among the objectives of the overall Bank.

The Bank signed the Diversity Charter, making a strong commitment to ensure a working environment that is free of prejudice and guarantees equal opportunities for all.

To further promote women at the Bank, the Women Network HCOB was rebranded by female employees of the Bank. This takes care of the active networking of the women of HCOB within the Bank. The network holds regular meetings and organises events. The aim in particular is to exchange experiences, provide inspiration and discuss current relevant topics within and outside the business. Additionally, the aim is to ensure the visibility of women in banking and beyond, and to empower individuals through the community.

Experience diversity@hcob

To further promote an understanding of diversity and equal opportunities, the Bank, in cooperation with the Institute for Diversity Management, temporarily set up what's called a DiversityParcours in the reporting year. The DiversityParcours is a mixture of informative travelling exhibition, experimentation area and think tank. The topic of diversity at the Bank could thus be explored at various stations in an uncomplicated way – for example, during lunch break experiences could be exchanged and new ones gathered.

The aim was to emotionalise, inform and arouse employees' enthusiasm for the topic. Thanks to the popularity and success of the project, the Bank is planning further campaigns.

Every four years, we work with a Bank-wide working group to draw up an equal opportunities' promotion plan, which ensures that every employee is supported with appropriate measures on the road to equal treatment at work.

Extensive gender-specific figures, data and facts are reviewed and gender-specific disparities investigated. 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 bring 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. We are also a member of Gender Dax, the gender and diversity project for highly qualified women initiated by Helmut Schmidt University in Hamburg.

Our equal opportunities officers prepare comprehensive equal treatment statistics, which are updated and discussed on a regular basis. Our equal opportunities officers have also prepared an annual employee compensation comparison since 2010 – inspired by the nationwide Equal Pay Day – which compares the average salaries/wages of men and women, the aim being to ensure they 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.

To represent the entire spectrum of genders in written documents in German-speaking countries, different gender signs are often used. At HCOB the gender colon (:) will be used uniformly in the written language from now on in order to achieve more gender equality and inclusion.

In addition, the Management Board made the decision 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 underrepresented gender in management and senior positions. The Management Board attaches particular importance to making even greater improvements at the divisional management level in the future.

No cases of discrimination were reported to the AGG Complaints Office in the reporting year.

Selected Key Figures Regarding Equal Treatment

(%)	31.12.2021	31.12.2020	31.12.2019
Percentage of women in the workforce	38.8	41.0	42.2
Percentage of women on the Supervisory Board	16.7	16.7	11.0
Percentage of female managers across all levels ¹	21.3	21.1	23.0
Percentage of women in top specialist functions ¹	26.8	27.1	35.0
Remuneration structure – women's share within the respective salary category ²			
Tariff salaries	53.0	58.2	67.0
Non-tariff salaries	31.0	31.6	32.4
Percentage of those entitled that used the possibility of paternity leave ²	35.4	28.3	34.0

¹ Active employees Germany excluding Management Board

² Active employees Germany

Active Employees Germany (headcount)

	Number			Ratio	
	Women	Men	Total	Women	Men
Executive Board	0	5	5	0%	100%
<30 years	0	0	0	0%	0%
30–50 years	0	0	0	0%	0%
>50 years	0	5	5	0%	100%
Business unit heads	3	13	16	19%	81%
<30 years	0	0	0	0%	0%
30–50 years	1	8	9	11%	89%
>50 years	2	5	7	29%	71%
Department heads	10	35	45	22%	78%
<30 years	0	0	0	0%	0%
30–50 years	3	17	20	15%	85%
>50 years	7	18	25	28%	72%
Employees without management responsibility	349	525	874	40%	60%
<30 years	27	51	78	35%	65%
30–50 years	177	260	437	41%	59%
>50 years	145	214	359	40%	60%
Total	362	573	940	39%	61%

¹ Active employees Germany; due to a changeover and alignment of the HR systems, the different management levels were renamed.

HR Development and Employer Branding

Only with the commitment of our employees can we perform in the long term in an increasingly demanding and competitive environment. This is why we support the personal development of all our employees. 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 from trainee to seasoned employee.

Employee Survey with Valuable Feedback

Our employee survey during the year provided valuable feedback for HCOB. With a participation rate of 75 percent, many employees actively provided their opinion on management's implementation strength in vision and strategy, team cohesion and the HCOB COVID-19 measures. Responses included that 99 percent of participants were very satisfied with the scope of the COVID-19 measures taken, and 93 percent see good team collaboration despite mobile working and contact restrictions. It is also notable that the leadership of our managers is appreciated by their teams. Results include that 90 percent of participants feel encouraged by their superiors and 95 percent are convinced that managers share and implement our common vision and strategy.

HR Development

Our employees are the foundation of the Bank, which is why we promote their talents in the best possible way. Our managers encourage and motivate their employees, provide regular feedback on their performance, and support them in their personal and professional development. The basis for this is our feedback culture.

In concrete terms, this means regular assessment and development meetings for all employees, a modern and comprehensive performance management and target agreement system for many employees and targeted management development.

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. Lifelong learning has become a core virtue for every company and its employees, because markets and technologies are developing ever more rapidly – not least in the financial sector. The training plans are linked to both individual needs and employees' objectives and are consistent with the overall Bank strategy. The average budget per employee is used for individual as well as overall training programmes and amounted to € 1,120 in 2021 (2020: € 950).

Fostering Young Talent

We offer different options for young professionals to start their career in the Bank. For school students we offer 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 nine students in this programme; they started in autumn between 2019 and 2021.

Everyone who completes their dual study programme with a grade of 'very good' or 'good' receives an offer of a permanent contract from us to fill an existing vacancy. To give young talents an opportunity for their first professional experience, we offer annual internships to around 50 undergraduates so they can get familiar with us and to set the foundation for their future career.

For university students/graduates, we offer internships or an individual 18-month trainee programme in different divisions. 31 trainees are currently completing the programme; they started in the autumn of 2020 or 2021. Since 2016, the Trendence Institute GmbH has been giving awards to Hamburg Commercial Bank for its 'fair and career-enhancing' trainee programme. In close cooperation with the Ludwig-Maximilian-University Munich, the Süddeutsche Zeitung and other cooperation partners from the private sector, the Trendence Institute GmbH has been examining the content and quality of the trainee programmes offered by companies on the basis of various scientific criteria. The award is given to companies that are committed to high-quality programmes and design them accordingly.

Mentoring, the targeted advice and support of promising talents by experienced managers, has also long been part of our personnel development program. The mentoring program in 2021 was aimed exclusively at ten selected female colleagues, who are talented and already doing excellent work in their careers as experts or managers, in order to promote diversity at the Bank and to bring the Bank closer to its target, to fill 33 percent of management or senior management positions with women.

Health and Work-Life Balance

As a modern employer we offer our employees various opportunities to improve their health or work-life balance. We support them with both wide and individual ranges 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 thus to maintain or increase their motivation and performance. In organisational terms, all health activities are managed by the Head of Occupational Safety and Health and healthcare manager.

The topics covered include, on the one hand, behavioural areas: 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 and conflict management, as well as 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 extensive occupational safety activities addressing topics including risk assessments and inspections, as well as 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.

Furthermore, we address various health-related matters and offer a variety of services, including free annual flu vaccinations provided by our company doctor on the Bank's premises.

Protecting Employees against Health Risks Resulting from COVID-19

HCOB takes the health of its employees, clients and business partners very seriously. Since the emergence of COVID-19 in 2020 and the resulting increased health and infection risks, the Bank has been closely monitoring its development and spread.

Following successful crisis management in the previous year, which was also highlighted positively by employees in the employee survey, HCOB successfully continued its crisis management in the year under review.

Our health and crisis experts continue to assess the current risk situation on a regular basis, taking measures to protect employees and prevent the spread of the Corona-virus. The management team and the expert working group set up specifically for this purpose took various precautions to protect everyone. Among other things, vaccination appointments were organised, business trips to high-risk areas were prohibited, extensive test offers were created, 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 provided. Events involving a large number of people were cancelled, and access to the Bank's premises was restricted for non-employees. The biggest measure is the Bank's split-mode operations, introduced in 2020 and still ongoing to safeguard operational processes at the Bank. Employees working on the same topic/process that is relevant for business continuity are not allowed to meet in person – they alternate between working at the Bank and working from home.

In 2021, the Bank initiated a company-wide vaccination programme to provide employees with the possibility to receive a first, second and booster vaccination. In cooperation with different partners, several vaccination appointments were organised through the year for employees and their relatives.

Our employees are given extensive information and the 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 at the Bank.

Company Doctor

As the primary contact person, the company doctor advises and supports all employees in questions regarding occupational and socio-medical needs, while 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 COVID-19 working group and gives medical advice regarding questions that arise among employees and the working group.

No work-related illnesses were reported in 2021 (2020: 0 cases).

Social Counselling

Three individuals working part-time in Hamburg and Kiel make up our social counselling service. It offers employees professional help with stress, conflict and difficult workplace situations, and also with topics such as mental illness, addiction and personal matters. Social counselling also offers emergency psychological help – including 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. High demand demonstrates the trust placed in the service.

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

Occupational Safety

We meet the legal requirements and safety standards for occupational safety and health protection at all our 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.

Occupational health and safety concerns are discussed at regular meetings of the Occupational Safety Committee (Arbeitssicherheitsausschuss – ASA). For example, they evaluate the effectiveness of implemented occupational safety

measures or aspects of occupational safety. Through the ASA, employees are actively involved in occupational safety management and can make suggestions for improvement. Employees are regularly informed about the work of the ASA on the Bank's intranet. Work-related injuries are relatively rare in the everyday office life of a bank. No work-related injuries were recorded in the reporting year 2021 (2020: 0 cases).

To implement this, the occupational safety specialists advise and support our managers and employees in all matters so they can work and act in a safe, ergonomic and healthy manner.

Area inspections were carried out in several Bank departments. In addition to advising managers on their responsibility for occupational health and safety, the inspections also included the identification of psychological stress and department-specific hazards.

Furthermore, the occupational safety specialists provided ergonomic advice directly at the workplace for more than 97 employees. The 5 percent quotas for first-aiders and fire safety assistants were met, reaching 7.6 percent and 5.9 percent, respectively.

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

For our contributions to keeping employees healthy, the Hamburg Office designated us a '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.

Reconciling Work and Family Life

We consider a good balance between work and family life essential to remain healthy, satisfied with the job and effective in the workplace. Support in the phase of life that involves caring for children has long been a matter of course for us. Supporting employees who look after relatives requiring care is becoming increasingly important due to the aging population.

CARING FOR RELATIVES

Demographic change means the need to strike a balance between work and family life will become increasingly relevant in the coming years. The average age of our active employees is currently 46.5 years (2020: 46.9 years).

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

Over and above 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 occasionally

working from home and structuring their working hours, also for a fixed term, so as to flexibly reconcile work and care commitments 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 everyone's satisfaction.

We provide emergency childcare free of charge in Hamburg and Kiel – and also for employees in our other German branches – to cover periods when standard childcare services are not available. We also subsidise various holiday programmes for nursery school children and school children, and particularly for teenagers.

The external service provider pme Familienservice also offers counselling on childcare. 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 or long-term care leave. Our Equal Treatment Officer keeps employees informed of the current news and, for example, job advertisements 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.

This certifies that the award-winning employers are strategically and sustainably committed to a family- and life-phase-conscious HR policy, thus making an important contribution to their employees in the 'new normal', positioning themselves as an attractive employer.

Flexible Organisation of Working Hours

A family-friendly human resources policy requires working hours to be flexibly organised. We offer a high degree of flexibility in terms of working hours, work locations and work organisation. Working from home is stipulated in a company agreement.

PART-TIME WORKING MODELS

As part of parental leave, employees can work part-time for between 15 and 30 hours (up to 32 hours for employees whose children were born after August 2021), which can be allocated individually in consultation with management. Outside of parental leave, the rights of employees are governed by the Act on Part-Time Work and Fixed-Term Employment (Teilzeit- und Befristungsgesetz) and also by the Act on Bridge Part-Time Work (Brückenteilzeitgesetz). Here, too, we strive for high degrees of flexibility in the distribution of working hours. Part-time employees can also be given priority if they wish to increase their working hours.

Compensation and Remuneration Policies

At HCOB the compensation system offers fixed and variable payments for all employees. This is a compensation framework in line with our relevant market with various components for managers as well as experts, including an annual bonus payment for all employees. In some cases, aspects related to sustainability are integrated directly and indirectly into the variable compensation components.

The remuneration policy for the Management Board has been adjusted to ensure that ESG (environmental, social and governance) objectives are appropriately taken into account, and are included in the assessment of compensation. Compliance with these objectives is monitored by the Supervisory Board.

By integrating ESG criteria into both the remuneration of the Management Board and the variable components of employees, active incentives are created to drive the sustainable transformation of the Bank even further.

Our compensation is a critical success factor when it comes to attracting and retaining first-class employees. This is why our compensation framework contains various components to ensure appropriate compensation that rewards sustained performance and enables career development, especially for experts.

We report on the compensation paid to our employees, as well as the remuneration 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 HCOB'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 reflected in the total staff turnover rate, which came to 20.6 percent (group level as of 31 Dec 2021; 31 Dec 2020: 25.9 percent) and is mainly caused by the comprehensive transformation programme, as the rate of voluntary resignations outside the transformation programme is at a level of only 3.6 percent (group level as of 31 Dec 2021; 31 Dec 2020: 4.3 percent). The Bank is on the final stretch in terms of employee restructuring and is confident that it will achieve its ambitious goals – reduction measures are proceeding according to plan. It is important to mention that all separations are being achieved through voluntary agreements rather than enforced redundancies, in line with the Bank's values.

Selected Key Personnel Figures

Employees in the Group

	31.12.2021	31.12.2020	31.12.2019	31.12.2018
Full-time equivalents (FTEs) in the Group¹	919	1,122	1,482	1,716
of which: Women	325	408	545	631
of which: Men	594	714	937	1,085
of which: Employees in Germany	877	1,095	1,421	1,648
of which: Employees abroad	42	27	61	68
Total number of employees in the Group ('headcount')	1,052	1,343	1,705	2,021
Key employee figures²				
Part-time employees (%)	17.6	22.0	24.8	26.7
Ratio of employees on fixed-term contracts (%)	6.5	6.5	3.8	4.1
Average age (years)	46.5	46.9	46.8	46.5
Average period of employment (years)	14.9	15.1	15.5	14.8

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

² Active employees

Part-Time Working Model Allocation in 2021¹

(Figures represent number of employees)

Designation	Male			Female			Male and female			Proportion of women
	PT ¹ (m)	FT (m)	Total (m)	PT ¹ (f)	FT (f)	Total (f)	PT ¹	FT	Total	
Head office	20	558	578	149	213	362	169	771	940	38.5%
Branches/foreign offices	0	21	21	1	5	6	1	26	27	22.2%
Consolidated subsidiaries	0	9	9	3	4	7	3	13	16	43.8%
Group (consolidated)	20	588	608	153	222	375	173	810	983	38.1%

¹ Active employees (excluding 69 inactive employees).

Part-Time Working Model Allocation in 2020

(Figures represent number of employees)

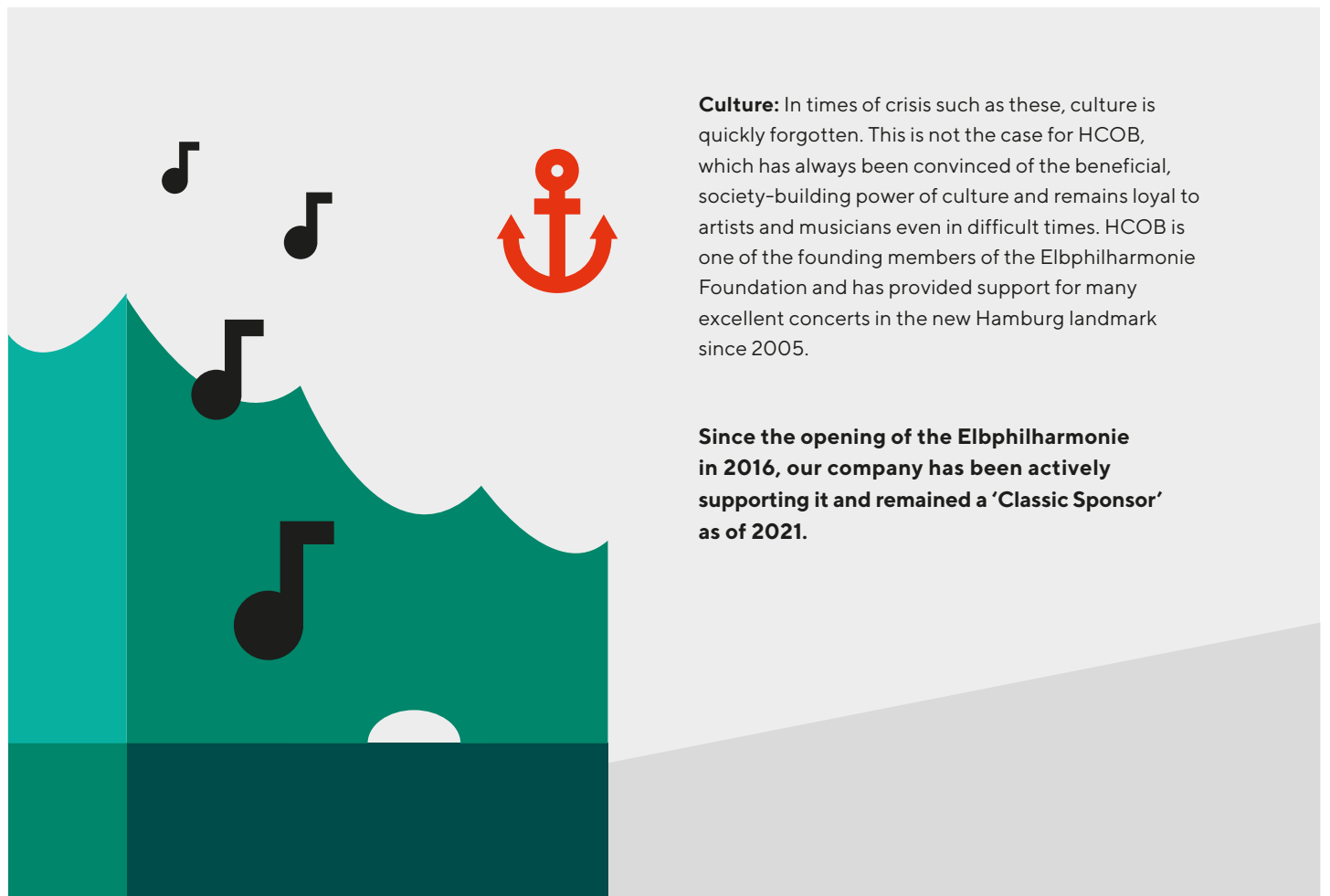
Designation	Male			Female			Male and female			Proportion of women
	PT ¹ (m)	FT (m)	Total (m)	PT ¹ (f)	FT (f)	Total (f)	PT ¹	FT	Total	
Head office	74	658	732	255	242	497	329	900	1,229	40.4%
Branches/foreign offices	4	9	13	1	3	4	5	12	17	23.5%
Consolidated subsidiaries	14	22	36	44	2	46	58	24	82	56.1%
Group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

¹ 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 are part of our self-image. This applies to both our business activities and the areas in which we assume social responsibility. We want to have a positive impact and show responsibility towards society. Social issues, culture and sport are therefore close to our hearts. In line with our Corporate Social Responsibility guidelines, we are dedicated to making a significant contribution as a partner, sponsor and promoter in our region.

Elbphilharmonie Foundation



Culture: In times of crisis such as these, culture is quickly forgotten. This is not the case for HCOB, 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 has provided support for many excellent concerts in the new Hamburg landmark since 2005.

Since the opening of the Elbphilharmonie in 2016, our company has been actively supporting it and remained a 'Classic Sponsor' as of 2021.

Hamburg European Open

Sports: For the second year in a row HCOB has sponsored Germany's oldest tennis tournament – the currently so-called Hamburg European Open. The tournament at the Rothenbaum stadium strengthens Hamburg's standing as a city of sport. In addition to the traditional men's tournament, for the first time the company also sponsored the women's tournament.

The bank has sponsored the Hamburg European Open for the second consecutive time.



Donations for Those Suffering Most



The Hamburg Commercial Bank offered for the second time since the start of the COVID-19 crisis a comprehensive donation package for a number of charitable organisations in its home region.

While the disruptions to social and economic life caused by the pandemic continue, it remains important for us as a company to show solidarity and social commitment. Often those suffering most are people whose needs go unnoticed or who are dependent on help in times of crisis. The situation is deteriorating for many, as non-profit and charitable institutions have had to reduce their aid programmes for health protection reasons or even close their facilities. Therefore, Hamburg Commercial Bank offered for the second time since the start of the crisis a comprehensive donation package for a number of charitable organisations in its home region. Several associations and foundations from Hamburg and Schleswig-Holstein have each received between 40,000 and 100,000 euros to finance their valuable work. Donations are focused on children, elderly, disabled and homeless persons.

The following institutions received financial support in 2021:

Better Opportunities for all Children



The **Stiftung Mittagskinder** (Children Lunch Foundation) provides more than 200 children in two childcare places in financially deprived areas of Hamburg with regular and healthy free meals. The children are also supported with their homework and receive expert socio-educational care.



Since 1975, the association **Hamburger Abendblatt hilft e.V.** (Hamburger Abendblatt helps) has been supporting children, young people and adults in need in the Hamburg metropolitan region. Among other things, the association finances sport and leisure projects, counselling and support services, child protection centres and youth welfare facilities.



Since 2008, **Ankerland e.V.** has been committed to helping traumatised children who have experienced violence or abuse. Injuries caused by natural disasters or accidents can also have a serious and lasting impact on children. In 2015, Ankerland opened Germany's first intensive trauma therapy centre for children and young people in Hamburg-Eppendorf.



Corona Familienhilfe is a joint fundraising campaign by Diakonie Schleswig-Holstein and the Kieler Nachrichten and Segeberger Zeitung. The organisation primarily counsels and supports families directly affected by the COVID-19 pandemic. The counselling centres help to establish direct contact with the affected families so that Diakonie employees can quickly and directly provide appropriate professional support.

Support for the Elderly in Daily Life



KULTURISTENHOCH2 was founded in Hamburg in 2016 and is a socio-cultural initiative for old and young to combat loneliness and isolation in old age. It is directed at senior citizens and young people from the age of 16. More than 125 students from Hamburg schools have already signed up and accompany the older participants on visits to the theatre, concerts or museums. The joint activities bring people from the same neighbourhood closer together and promote dialogue between generations.



Karl-Heinz-Howe-Simon-Fiedler-Stiftung
Die Stiftung für Kieler. Mehr Lebensqualität im Alter.

The **Karl-Heinz-Howe-Simon-Fiedler Foundation** helps women and men in Kiel who have reached retirement age and are dependent on the support of others. In addition to financial grants for necessities such as spectacles, clothes or furniture, the foundation organises projects, excursions and readings in which senior citizens, especially those living alone, can participate free of charge.

GARBE.
Immobilien-Projekte

TERRAGON
Immobilien für Generationen

In 2021, HCOB started providing funds to the project development of 186 premium apartments for senior citizens in Hamburg's HafenCity – the Senior Living Project, initiated by the joint venture of **Garbe Immobilien-Projekte and TERRAGON**. With this project funding, the Bank is continuing its ambition to accompany innovative projects in our home region and make a contribution to the development of Hamburg districts, such as the integrative Überseequartier.



Hope for People without Shelter – Help for People with Disabilities



The **Bergedorfer Impuls Foundation** emerged from Bergedorfer Impuls e.V., which developed the first employment and rehabilitation services for people with disabilities in the Hamburg district of the same name. The foundation and its two affiliated non-profit GmbHs have set themselves the goal of enabling people with mental illnesses to participate in working life by supporting them in building personal and professional networks.



The **Diakonie Hamburg**, the Alimaus homeless day centre and the Hamburg street magazine Hinz&Kunzt make it possible for homeless people to stay overnight in hotels, with meals, through their interagency project Hotels for Homeless. The project is also supported by social workers from the Caritas Association Hamburg.

HEMPELS

The non-profit organisation **HEMPELS e.V.**, based in Kiel, has been publishing the street magazine of the same name since 1996 and offers homeless people practical, everyday support with projects such as a soup kitchen and social services. The association helps to alleviate personal hardship and is committed to combating social exclusion and disadvantage in Schleswig-Holstein.



Brücke SH offers a wide range of assistance for women and men with mental and social impairments. Since its founding in 1984, the organisation, with around 60 facilities, has focused on helping people in Schleswig-Holstein overcome obstacles in everyday life and build social contacts. With some 60 facilities, Brücke SH offers more than 2,500 care places.



Sustainability Frameworks



Task Force on Climate-Related Financial Disclosures (TCFD)

The Task Force on Climate-related Financial Disclosures (TCFD) is a global industry-led initiative on corporate reporting of climate-related financial opportunities and risks. It takes a different look at climate-related disclosure and can be seen as complementary to the DNK and GRI. Even if the information to be reported is the same, it is worthwhile to take a closer look at the framework. We believe this universal framework is an important approach as it forces a strong focus on risks and opportunities related to the transition to a more sustainable economy. TCFD focuses on the impact of climate change on businesses and the resulting financial risks. TCFD is a valuable extension of our existing reporting, particularly because of the forward-looking elements it provides. For this reason, we have committed to cover the TCFD approach with our report as well. This year's reporting includes information within the TCFD recommended core areas of governance, strategy, risk management, and key performance indicators and targets. The tables below refer to the respective contents in the report.

Governance

We see the organisation's governance around climate-related risks and opportunities as a fundamental pillar of our business model.

- A) Describe the board's oversight of climate-related risks and opportunities. » see page 15
- B) Describe management's role in assessing and managing risks and opportunities. » see page 15

Strategy

Our strategy takes into account the potential impact of climate-related risks and opportunities on our business activities and financial planning.

- A) Describe the climate-related risks and opportunities the organisation has identified over the short, medium, and long term. » see page 27 f.
- B) Describe the impact of climate-related risks and opportunities on the organisation's businesses, strategy, and financial planning. » see page 27 f.
- C) Describe the resilience of the organisation's strategy, taking into consideration different climate-related scenarios, including a 2 °C or lower scenario. » see page 14 f., 27 f.



Risk Management

In order to manage climate-related risks in a targeted approach we have a TCFD compliant system. The holistic risk management system analyses the company's processes in order to identify and prevent climate-related risks at an early stage.

- A) Describe the organisation's processes for identifying and assessing climate-related risks. » see page 27 f., 42 ff.
- B) Describe the organisation's processes for managing climate-related risks. » see page 27 f., 42 ff.
- C) Describe how processes for identifying, assessing, and managing climate-related risks are integrated into the organisation's overall risk management. » see page 27 f., 42 ff.

Metrics and Targets

We have metrics and targets that are used to assess and manage relevant climate-related risks and opportunities. We disclose and report on these in accordance with TCFD.

- A) Disclose the metrics used by the organisation to assess climate-related risks and opportunities in line with its strategy and risk management process. » see page 42 ff.
- B) Disclose Scope 1, Scope 2, and, if appropriate, Scope 3 greenhouse gas (GHG) emissions, and the related risks. » see page 62 f.
- C) Describe the targets used by the organisation to manage climate-related risks and opportunities and performance against targets. » see page 42 ff., 47 f.

Principles for Responsible Banking (PRB)

The Principles for Responsible Banking 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. As a signatory of the PRB since September 22, 2020, HCOB is committed to these two predominant pillars in regard to ESG alignment. In the reporting year, we have made strong progress and achieved numerous results in implementing the principles. On the basis of the Reporting and Self-Assessment Template of the UNEP FI Initiative, we 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
Principle 1: Alignment		
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.		
1.1 Business Model Description	<p>Hamburg Commercial Bank (HCOB) is a private commercial bank and specialist financier headquartered in Hamburg, Germany. The bank offers its clients a high level of structuring expertise in the financing of commercial real estate projects with a focus on Germany as well as neighbouring European countries. It also has a strong market position in international shipping. The bank is one of the pioneers in European-wide project financing for renewable energies and is also involved in the expansion of digital and other areas of important infrastructure. HCOB offers individual financing solutions for international corporate clients as well as a focused corporate client business in Germany. The bank's portfolio is completed by digital products and services facilitating reliable, timely domestic and international payment transactions as well as for trade finance.</p> <p>Hamburg Commercial Bank aligns its activities with established ESG (Environment, Social, and Governance) criteria and has anchored sustainability aspects in its business model. It supports its clients in their transition to a more sustainable future.</p> <p>The bank's specialists are as experienced as they are pragmatic. They act in a reliable manner and at eye level with their customers. They provide in-depth advice in order to jointly find efficient solutions that are a perfect fit – for complex projects in particular. Tailor-made financing, a high level of structuring and syndication expertise and many years of experience are just as much a hallmark of the bank as are our profound market and sector expertise.</p>	<p>HCOB Annual Report 2021, » see page 36</p> <p>HCOB CSR Report 2021, » see page 7</p>
1.2 Business Strategy Alignment	<p>We implemented sustainability as a core part of our business strategy and a comprehensive sustainability governance. 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.</p>	<p>HCOB Annual Report 2021, » see page 39</p> <p>HCOB CSR Report 2021, » see page 14 f., 24 ff.</p> <p>HCOB Website (Sustainability)</p>

Principle	Self-Assessment	Disclosure References
Principle 2: Impact and Target Setting		
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.		
2.1 Impact Analysis	In 2021, HCOB conducted a materiality analysis to define and clarify its areas of activity in sustainability. The aim was to identify the sustainability issues relevant for the company and to be able to manage and control the material sustainability activities. In advance, there was extensive research and evaluation of topics from stakeholder dialogue and the business environment. As a bank we have identified CLIMATE CHANGE MITIGATION and CLIMATE CHANGE ADAPTATION as the most significant impact areas as a result of our impact analysis' carried out in 2021 successfully. In addition, HCOB has worked intensively on the further analysis and management of the portfolio's impacts by again conducting a comprehensive ESG scoring and adjusting the investment policy and the Black List.	HCOB CSR Report 2021, » see page 20 f.
2.2 Target Setting	We have set quantitative and qualitative targets along the themes identified in the materiality analysis. The focus is on the areas in which HCOB can achieve the greatest ESG impact. By setting these ambitious targets, we are taking another step towards becoming a more sustainable bank.	HCOB CSR Report 2021, » see page 22 f.
2.3 Plan for Target Implementation and Monitoring	We have set ourselves a tight schedule to achieve our sustainability goals. Detailed information can be found in the relevant chapter.	HCOB CSR Report 2021, » see page 22 f.
2.4 Progress on Implementing Targets	In 2021, we have developed an initial set of KPIs along ESG for both internal and external usage. In addition, through the adjustments to the Black List and our Investment Policy, as well as the tremendous progress in the ESG scoring of our portfolio, we have achieved important goals in 2021.	HCOB CSR Report 2021, » see page 47 f.
Principle 3: Clients and Customers		
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.		
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 has been implemented with the core pillars of the Sustainability Framework, such as our Guiding Principles, the Black List and the mandatory ESG scoring of every new credit transaction. In particular, we have made further progress in refining our Black List, which has been updated, and in the ESG scoring process. Detailed information can be found in the relevant chapter.	HCOB Annual Report 2021, » see page 39 HCOB CSR Report 2021, » see page 13 f., 42 ff.
3.2 How Sustainable Practices are Encouraged with Clients and Customers to Enable Economic Activities that Create Shared Prosperity	In 2021, 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. We implemented several layers of ESG-linked check-routines within the loan origination process, e.g. (i) Black List, (ii) decision matrix, (iii) ESG scoring. As already mentioned, we further conducted our even more enhanced 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. In addition, we have initiated an extensive training programme that includes strategy workshops for the sales units and ESG training for all employees.	HCOB CSR Report 2021, » see page 42 ff.

Principle	Self-Assessment	Disclosure References
Principle 4: Stakeholders		
HCOB will proactively and responsibly consult, engage and partner with relevant stakeholders to achieve society's goals.		
4.1 Stakeholder Engagement and Partnerships	One of the core elements of our comprehensive sustainability work is regular and active stakeholder engagement. With a broad stakeholder analysis, we identified our clients, creditors, owners and employees, as well as supervisory authorities and the public, rating agencies and media representatives, as our main stakeholder groups. We maintain an active and continuous dialogue with our stakeholders and respond to different interest groups with various stakeholder-specific dialogue formats. The results of the dialogue are incorporated into our sustainability work and the further development of our sustainability strategy.	HCOB CSR Report 2021, » see page 17 ff.
Principle 5: Governance and Culture		
HCOB will implement our commitment to these Principles through effective governance and a culture of responsible banking.		
5.1 Governance Structure	Comprehensive and structured sustainability governance forms the basis for good sustainability work. The Management Board is responsible for the topic of sustainability. To empower sustainable action as a formative component of our HCOB DNA and ensure achievement of our ambitious sustainability goals, the Bank has established a Sustainability Committee (SC) to act on a strategic level as a decision-making body. In accordance with the importance HCOB affords this topic, the SC is chaired by our CEO and with our CRO as deputy. Operational and strategic sustainability management is the responsibility of the Sustainability Office (SO), which was established at the beginning of April 2021.	HCOB CSR Report 2021, » see page 15 f.
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 was carried out in 2021. By including the Sustainability framework at a very high level in our strategy pyramid, the ESG topic is established even more prominently in our business strategy.	HCOB Annual Report 2021, » see page 39 HCOB CSR Report 2021, » see page 22 f.
5.3 Governance Structure for Implementation of the Principles	HCOB's sustainability governance and corporate governance structure in line with the relevant regulations and frameworks.	HCOB CSR Report 2021, » see page 15 f.
Principle 6: Transparency and Accountability		
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.		
6.1 Progress on Implementing the Principles for Responsible Banking	We have been very focused on the implementation of the PRB and the key aspects of the principles have been further refined and firmly embedded in the Bank's processes and strategy. We have taken an important step through our new sustainability governance structure, the definition of material topics and ambitious targets. By implementing our goals in the future and further embedding sustainability into our core business, we will actively contribute to further integration of the PRB.	HCOB CSR Report 2021, in particular » see page 15 f., 20 ff.

Deutscher Nachhaltigkeitskodex (DNK)

Sustainability Code Criteria	Description	HCOB Chapter	Page
DNK 1: Strategy	The company declares whether or not it pursues a sustainability strategy. It explains what concrete measures it is undertaking to operate in compliance with key recognised sector-specific, national and international standards.	Our Sustainable Business Strategy	» see page 14
DNK 2: Materiality	The company discloses the aspects of its business operations that have a significant impact on sustainability issues and what material impact sustainability issues have on its operations. It analyses the positive and negative effects and provides information as to how these insights are integrated into the company's processes.	Material Topics	» see page 20
DNK 3: Objectives	The company discloses what qualitative and/or quantitative as well as temporally defined sustainability goals have been set and operationalised and how their level of achievement is monitored.	Our Sustainability Goals and Commitment to the SDGs	» see page 22
DNK 4: Depth of the Value Chain	The company states what significance aspects of sustainability have for added value and how deep in the value chain the sustainability criteria are verified.	Procurement Principles and Supplier Code of Conduct	» see page 57
DNK 5: Responsibility	Accountability within the company's management with regard to sustainability is disclosed.	Sustainability Governance Model	» see page 15
DNK 6: Rules and Processes	The company discloses how the sustainability strategy is implemented in the operational business by way of rules and processes.	HCOB's Sustainability Framework	» see page 14
DNK 7: Control	The company states how and what performance indicators related to sustainability are integrated into its periodical internal planning and control processes. It discloses how suitable processes ensure reliability, comparability and consistency of the data used for internal management and external communication.	Guiding Reporting Frameworks	» see page 14
DNK 8: Incentive Schemes	The company discloses how target agreements and remuneration schemes for executives and employees are also geared towards the achievement of sustainability goals and how they are aligned with long-term value creation. It discloses the extent to which the achievement of these goals forms part of the evaluation of the top managerial level (board/managing directors) conducted by the monitoring body (supervisory board/advisory board).	Banking Operations (How we Safeguard the Interests of Our Employees)	» see page 70
DNK 9: Stakeholder Engagement	The company discloses how the socially and economically relevant stakeholders are identified and integrated into the sustainability process. It states whether and how an ongoing dialogue takes place with them and how the results are integrated into the sustainability process.	Sustainability Strategy (Stakeholder Communication)	» see page 17 f.
DNK 10: Innovation and Product Management	The company discloses how innovations in products and services are enhanced through suitable processes which improve sustainability with respect to the company's utilisation of resources and with regard to users. Likewise, a further statement is made with regard to if and how the current and future impact of the key products and services in the value chain and in the product life cycle are assessed.	How We Manage ESG Risks in Our Lending Business	» see page 42 ff.
DNK 11: Usage of Natural Resources	The company discloses the extent to which natural resources are used for the company's business activities. Possible options here are materials, the input and output of water, soil, waste, energy, land and biodiversity as well as emissions for the life cycles of products and services.	What We do to Protect the Environment (Resource Protection)	» see page 59 ff.

Sustainability Code Criteria	Description	HCOB Chapter	Page
DNK 12: Resource Management	The company discloses what qualitative and quantitative goals it has set itself with regard to its resource efficiency, in particular its use of renewables, the increase in raw material productivity and the reduction in the usage of ecosystem services, which measures and strategies it is pursuing to this end, how these are or will be achieved, and where it sees there to be risks.	What We do to Protect the Environment (Resource Protection)	» see page 59 ff.
DNK 13: Climate-Relevant Emissions	The company discloses the GHG emissions in accordance with the Greenhouse Gas (GHG) Protocol or standards based on it and states the goals it has set itself to reduce emissions.	What We do to Protect the Environment (Resource Protection)	» see page 62 f.
DNK 14: Employee Rights	The company reports on how it complies with nationally and internationally recognised standards relating to employee rights as well as on how it fosters staff involvement in the company and in sustainability management, what goals it has set itself in this regard, what results it has achieved thus far and where it sees risks.	Safeguarding of Employee Interests by the Works Council	» see page 64
DNK 15: Equal Opportunities	The company discloses in what way it has implemented national and international processes and what goals it has for the promotion of equal opportunities and diversity, occupational health and safety, participation rights, the integration of migrants and people with disabilities, fair pay as well as a work-life balance and how it will achieve these.	Diversity and Equal Opportunities/Treatment	» see page 65
DNK 16: Qualifications	The company discloses what goals it has set and what measures it has taken to promote the employability of all employees, i.e. the ability of all employees to participate in the working and professional world, and in view of adapting to demographic change, and where risks are seen.	HR Development and Employer Branding	» see page 67
DNK 17: Human Rights	The company discloses what measures it takes, strategies it pursues and targets it sets for itself and for the supply chain for ensuring that human rights are respected globally and that forced and child labour as well as all forms of exploitation are prevented. Information should also be provided on the results of the measures and on any relevant risks.	Human Rights	» see page 65
DNK 18: Corporate Citizenship	The company discloses how it contributes to corporate citizenship in the regions in which it conducts its core business activities.	How We Engage in Society	» see page 72
DNK 19: Political Influence	All significant input relating to legislative procedures, all entries in lobby lists, all significant payments of membership fees, all contributions to governments as well as all donations to political parties and politicians should be disclosed by country in a differentiated way.	Political Influence	» see page 56
DNK 20: Conduct that Complies with the Law and Policy	The company discloses which measures, standards, systems and processes are in place to prevent unlawful conduct and, in particular, corruption, how they are verified, which results have been achieved to date and where it sees there to be risks. The company depicts how corruption and other contraventions in the company are prevented and exposed and what sanctions are imposed.	Our Consistency in Dealing with Rules and Standards	» see page 55 f.
EU Taxonomy	The company discloses the proportion of taxonomy-eligible and taxonomy non-eligible activities related to the environmental objectives of climate change adaptation and climate change mitigation.	Products and Business Impacts	» see page 48 f.

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Notice

The 2021 Corporate Social Responsibility Report was published on 7 April 2022 and is only available as a download at www.hcob-bank.com.

This 2021 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 Annual Report 2021 and the current Remuneration Report. This report was also published in German.

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.

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