



PROFILE

With a fleet of 219 vessels and an annual transport volume of 9.8 million TEU, Hapag-Lloyd is one of the leading liner shipping companies in the world. We offer our customers reliable transport solutions in 125 countries. These comprise the shipping of containers by sea as well as door-to-door transport. With around 12,500 employees, we are on hand for our customers wherever they are in the world.

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CAST OFF!

The changes in container shipping continue. We see this as an opportunity for us and are initiating activities that will strengthen our position as one of the leading global liner shipping companies.



COMPETITIVE- NESS FOR LONG-TERM SUCCESS



We are using the consolidation in shipping to strengthen our fleet and to expand our product portfolio. The merger with UASC and our strategic alliances will make us an even stronger partner for our customers on the world's oceans in the future.



Merger with UASC
see page 07



PEOPLE FOR A
COMMON COMMITMENT



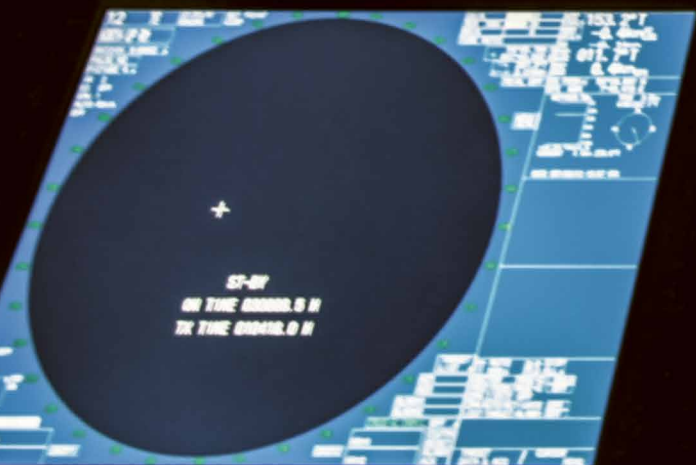
Satisfied and efficient employees are very important to us. This is why we provide them numerous employer offers, regular training and an international working environment in which they can take on full responsibility. Our Company's employees are from 94 nations and, with their cultural diversity, bring a great deal of experience to our Company.




Employer offers
see page 24

DIGITALISATION

FOR
INTELLIGENT
AND SECURE
LOGISTICS

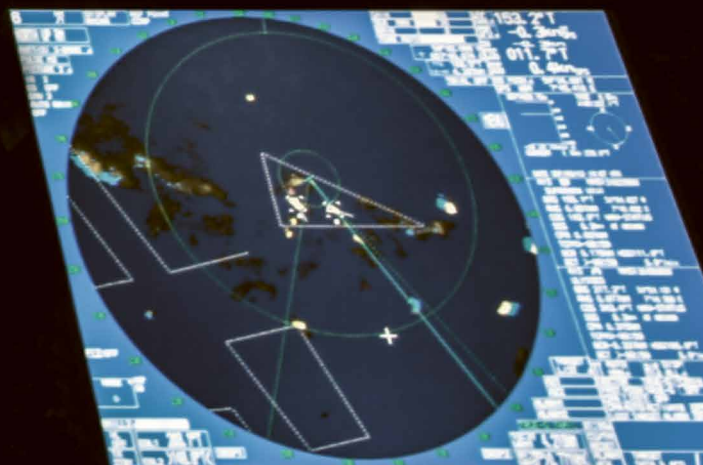


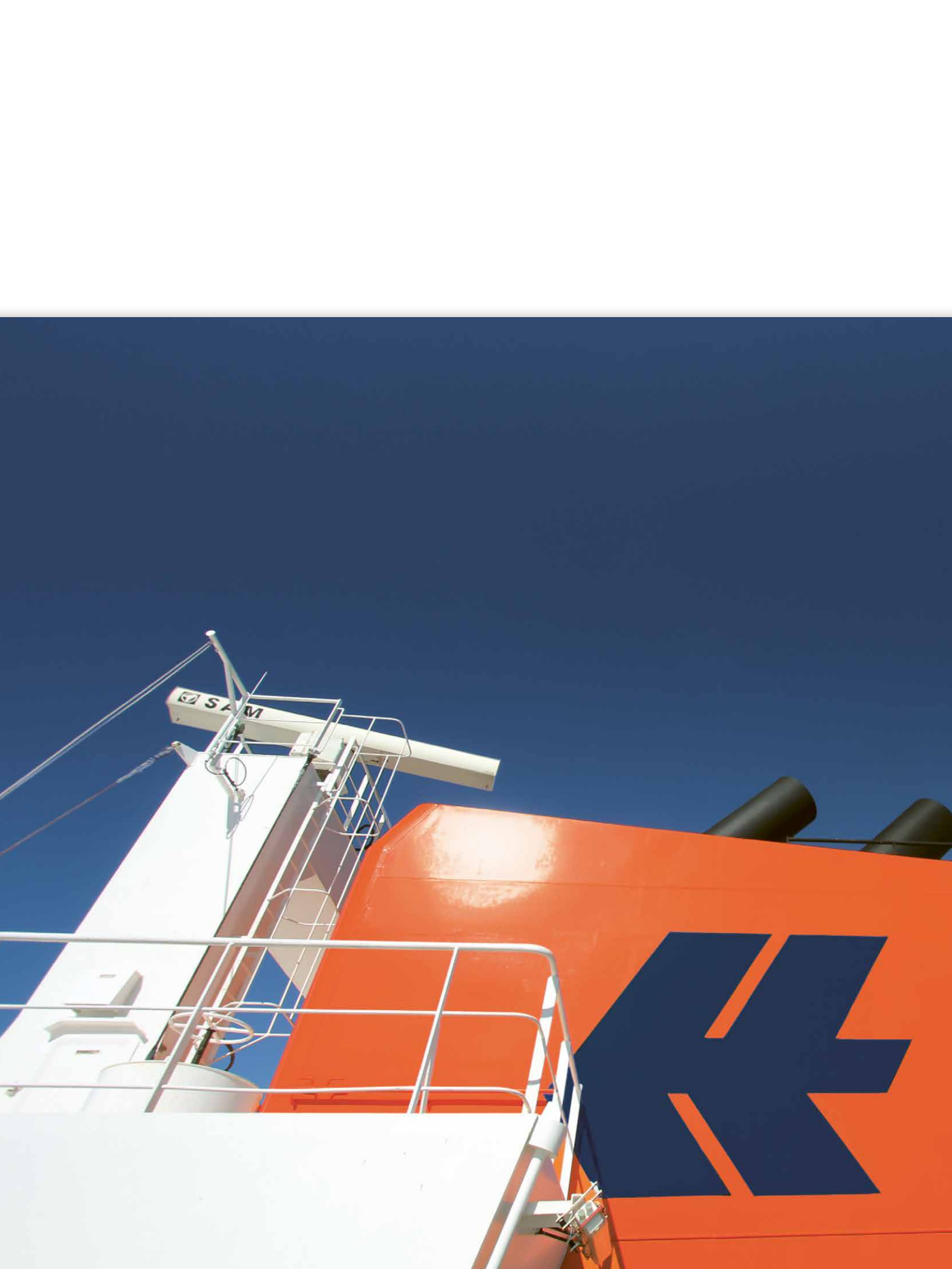


Digital possibilities help us to make our processes on land and at sea even safer. With the help of modern IT systems, we can collect data in a differentiated manner and use it for efficient ship loading and route planning in our customers' best interests. Thanks to modern IT, we are also able to react quickly and reliably to short-term events and developments.



Fleet Decision Support System
see page 41





INNOVATION FOR TRANSPORT SOLUTIONS THAT CONSERVE NATURAL RESOURCES

We are constantly working on solutions to reduce emissions and consumption. By means of an internal ship recycling guideline, we specify that potentially harmful substances built into our ships are recorded. This enables the safe and environmentally friendly recycling of the materials used.



Ship recycling guideline
see page 52





We maintain regular and structured dialogue with our stakeholders. This keeps us informed of relevant developments and enables us to make safe decisions in all areas and at all levels, on land and at sea. Our involvement in political discussions is a means to enhance the standards of our industry.



Political work
see page 61

DIALOGUE

FOR A FOCUS
ON THE ESSENTIALS

Rolf Habben Jansen, Chairman of the Executive Board



FOREWORD OF THE EXECUTIVE BOARD – 102-14

Ladies and Gentlemen,

“Navigare necesse est” – the Roman general Pompey reputedly proclaimed these words over 2,000 years ago: “We have to sail”. This sentence is as valid today as it was back then. Our complex, globalised world, based on the division of labour, is more reliant than ever on the perfectly synchronised exchange of goods. About 90% of global trade is conducted by ship. Last year alone, around 140 million containers (TEU) were transported on board of more than 5,000 container ships around the world.

Hapag-Lloyd has played a leading role in this industry for decades and significantly expanded its market and competitive position in recent years. A key strategic milestone for our Company was the merger with and subsequent integration of UASC (United Arab Shipping Company) last year. This step enabled us to substantially strengthen our presence on routes between Asia and Northern Europe and between Asia and North America – as well as in the Middle East, of course. We can now offer our global customers an even better product and even greater coverage of the world’s most important trades.

With some 10 million containers (TEU) transported annually, a fleet of 219 ships and approximately 12,500 employees, we are one of the five biggest container liner shipping companies in the world today. This means that we have a significant responsibility, not just to our more than 32,000 international customers, but to all our other stakeholders. In light of this significant responsibility, we believe it is our role and duty as a company to think and act sustainably. We do this in relation to service quality, environmental protection, social involvement, continuous dialogue with our stakeholders, and occupational health and safety for our staff on land and at sea, among other things.

How we think and act as a company is guided by our clearly defined “Global Code of Ethics”. This ensures that our employees act in a proper and responsible manner and that we engage with our global partners in the spirit of fairness and based on ethical criteria.

“In light of our significant responsibility, we believe it is our role and duty as a company to think and act sustainably.”

Our incontrovertible principles include observing human rights, respecting the personal rights and dignity of the individual, prohibiting discrimination of any kind, working with others on the basis of fairness and cooperation, and maintaining a high level of professionalism. In addition, we prioritise sincerity, loyalty, individual responsibility, integrity and respect towards fellow humans and the environment.

Continuous investment and involvement in protecting the environment is a core element of our sustainability activities. We aim to make a substantial contribution towards conserving natural resources and utilising our operating resources in a responsible and environmentally friendly manner. In the 2017 financial year, Hapag-Lloyd had one of the youngest container ship fleets in the industry.

And in recent years, we have also greatly reduced our average bunker consumption by investing in new ships, for example. With our long-standing and wide-ranging expertise on the issue of environmental protection, we are also involved in numerous regional and interregional associations and organisations as well as in innovation projects. The fundamental challenges within our industry – namely, a volatile market environment, excess capacities and the low freight rates that they result in – will remain with us in 2018. However, we believe that developments in the medium term will be positive. Container shipping will continue to be an industry characterised by healthy growth and a well-balanced trade dynamic. And Hapag-Lloyd will continue to be a company with a strong focus on customers and on value creation for our shareholders, and will maintain its clear commitment to sustainable thinking and action.

Hamburg, 26 March 2018

Kind regards,



Rolf Habben Jansen
Chairman of the Executive Board

ABOUT THIS REPORT

– 102-1, 102-5, 102-45, 102-48, 102-49, 102-50, 102-51, 102-52, 102-53, 102-54

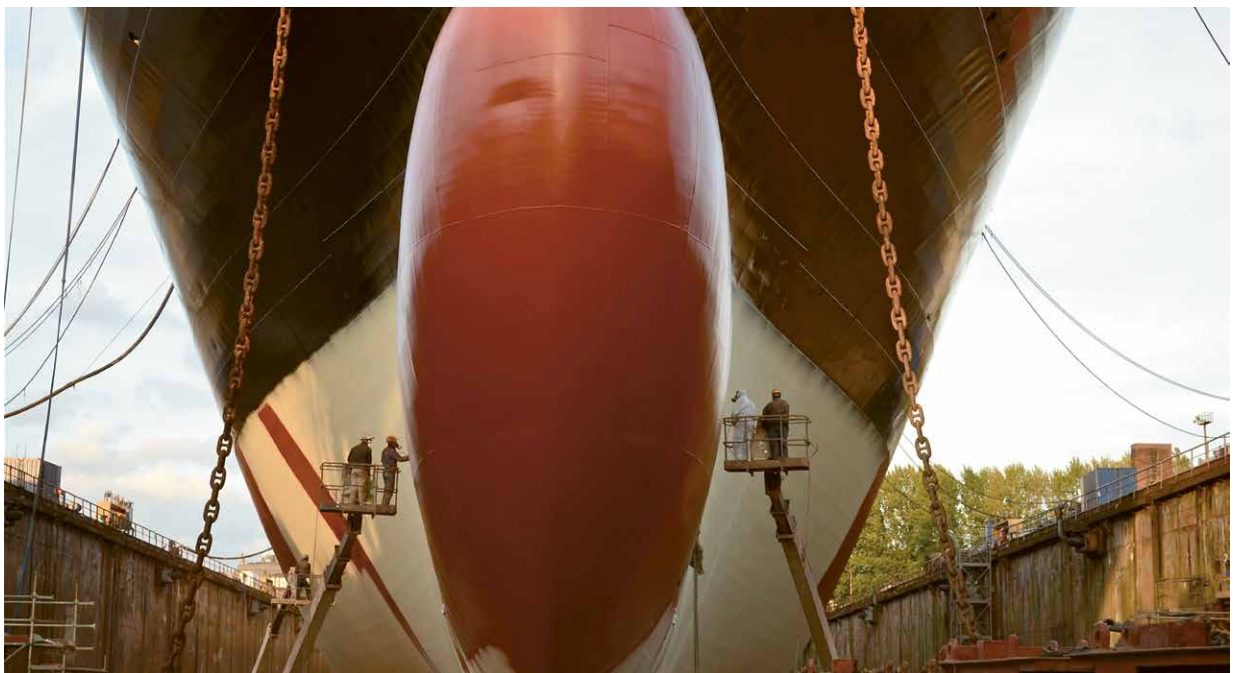
This first sustainability report (SR) contains the combined, separate non-financial report (NfR) for the Hapag-Lloyd Group and Hapag-Lloyd AG together. In line with the requirements of the German CSR Guideline Implementation Act (CSR-RLUG), the NfR supplements the financial reporting of Hapag-Lloyd with disclosures on significant non-financial aspects in accordance with Sections 315b and 315c in conjunction with 289c to 289e of the German Commercial Code (HGB). All disclosures which are part of the NfR and therefore serve to ensure compliance with CSR-RLUG have been marked with “NfR”. In the interest of providing comprehensive reporting on the Group’s sustainability activities, the disclosures made in the SR exceed the statutory requirements of the NfR. – NfR

Unless otherwise indicated, the disclosures relate to the entire group of consolidated companies. The group of consolidated companies, which comprises Hapag-Lloyd AG and consolidated affiliates, can be found in the consolidated financial statements in the annual report (see 2017 annual report, p. 146ff.). UASC Ltd. and its subsidiaries are included in Hapag-Lloyd AG’s consolidated financial statements from the date control was transferred on

24 May 2017. The figures presented in the NfR include the effects of the transaction from this date and can therefore only be compared to the prior-year’s figures to a limited extent. References to disclosures outside the Group management report constitute additional information and are not part of the NfR. The issue of supplier management is regarded as a cross-sectional issue relating to the aspects which have been identified as subject to mandatory reporting in accordance with CSR-RLUG. However, the issue itself is not an aspect subject to mandatory reporting. Furthermore, the issue is addressed in its own chapter of the sustainability report which is not part of the NfR. – NfR

The NfR outlines the progress in the 2017 financial year, i. e. from 1 January to 31 December 2017, and from now on will be published annually in English and German on the Hapag-Lloyd website by 30 April of the following year at the latest. – NfR

The content of the NfR was subjected to a voluntary operational audit in accordance with ISAE 3000 (Revised) with limited assurance by PricewaterhouseCoopers GmbH



Wirtschaftsprüfungsgesellschaft. The audit assignment and result can be found in the *opinion of the independent auditor on an operational audit to obtain limited assurance of the non-financial reporting* at the end of the SR. The NfR is based on the internationally recognised Sustainability Reporting Standards of the Global Reporting Initiative (GRI Standards). We based our reporting on GRI Standard 103 as regards the concepts for the NfR-related aspects. For these aspects, we also reported non-financial indicators which are based on the GRI Standard suitable for the topic, provided that a corresponding GRI Standard exists. Some of the content of the report is marked for the NfR as well as for the GRI Standards. This content was not checked against the requirements of the GRI Standards. – NfR

The information was requested by electronic means and the data were predominantly recorded using area-specific software. It is not yet possible to present a three-year trend for many of the indicators, although the aim is to achieve this in the future. When adding up data, rounding differences may occur. All forward-looking statements in the NfR are based on the assumptions valid at copy deadline. Due to unknown risks, uncertainties and other factors, the actual results, developments or performance of the

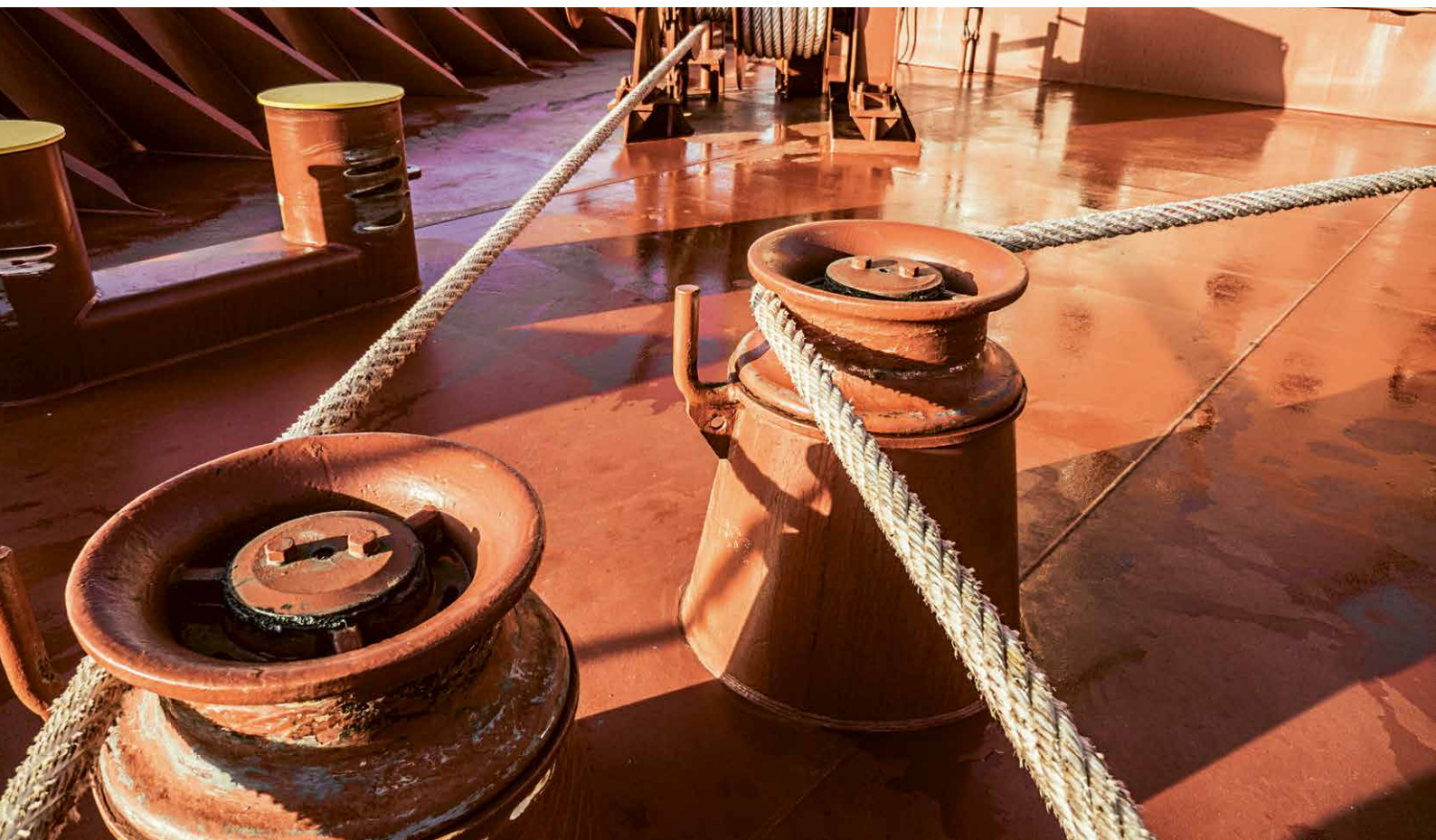
company may differ from our forecasts, assessments and announcements (see management report, p. 54ff.). – NfR

To ensure ease of legibility, we do not use gender-specific double pronouns in the NfR. This is not intended as indicative. All pronouns should be regarded as gender-neutral. – NfR

The statements on the group of consolidated companies and on the reporting period as well as on the gathering of information and on legibility also apply to the SR.

Our assessment is that the sustainability reporting complies with the requirements of the Core Option of the GRI Standards.

You can find further information at hapag-lloyd.com/en/ and in the annual report. The next sustainability report is scheduled for publication in April 2019.



HAPAG-LLOYD



LLOYD'S LIST AWARD 2017:

Hapag-Lloyd was awarded “Deal of the Year” for its merger with UASC at the renowned Lloyd’s List Global Awards in London. The jury acknowledged that our Group was able to implement its good strategic decision and thus position itself among the top five largest liner shipping companies in the world.

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OUR PROFILE

Hapag-Lloyd is one of the world's leading container liner shipping companies and a high-performance transport service provider for its customers and business partners. We have a global presence in attractive markets and niche businesses and a strong position worldwide thanks to a well-balanced service network. – NFR

OVERVIEW OF THE GROUP

In terms of global market coverage, transported container volume and transport capacities, Hapag-Lloyd is one of the world's leading container liner shipping companies. Our core business is the shipping of containers by sea. In addition, we offer transport services from door to door. We also have many years of experience in pre-carriage and on-carriage by inland waterway, rail and road. When it comes to transport planning, we always aim to use the most environmentally friendly mode of transport. Our long-standing partnerships and reliable service providers enable us to meet our high quality standards. – NFR – 102-2

Our Company has been headquartered in Hamburg since it was founded in 1847. We have 219 modern container ships (previous year: 166) and an annual transport volume of 9.8 million TEU. We are also an employer for around 12,500 (Hapag-Lloyd AG: approximately 3,300) people in 54 countries. Our 120 liner services provide fast, safe connections worldwide. – NFR – 102-3, 102-7

STRUCTURE OF HAPAG-LLOYD'S CONTAINER SHIP FLEET

	31.12.2017		31.12.2016	31.12.2015	31.12.2014	31.12.2013
	Hapag-Lloyd Konzern	Hapag-Lloyd AG				
Number of vessels	219	208	166	177	191	151
thereof						
Own vessels	102	56	72	68	77	57
Leased vessels	14	14	3	3	5	7
Chartered vessels	103	138	91	106	109	87
Aggregate capacity of vessels (TTEU)	1,573		963	966	1,009	729
Aggregate container capacity (TTEU)	2,349		1,576	1,564	1,619	1,072
Number of services	120		128	121	119	97

The data for 2017 relates to Hapag-Lloyd's fleet, including UASC. The figures from 2014 onwards relate to Hapag-Lloyd's fleet, including the container activities acquired from CSAV. The figures for 2013 relate to Hapag-Lloyd only and do not include CSAV's container shipping activities.

Our services – 102-2, 102-6

In the 2017 financial year, our 387 sales offices (previous year: 366) worldwide took care of transport contracts for approximately 32,400 customers (previous year: approximately 23,100). We position ourselves in the market as a premium service provider that focuses on reliability and high-quality services. – NfR

Our fundamental aim is to maintain a diversified customer portfolio consisting of direct customers and freight forwarders. In order to plan as effectively as possible, we place great value on long-term contractual relationships. Our 50 biggest customers account for significantly less than 50% of our cargo volume, which demonstrates that we have a well-balanced customer base. – NfR

WORLDWIDE DOOR-TO-DOOR CONTAINER TRANSPORT



The goods transported by us can be divided into eleven product categories. These include food and mechanical engineering products, for example. The product categories are relatively well-balanced: The smallest category accounts for 5% of the transport volume, while the biggest category accounts for 16%. This makes our business relatively unaffected by economic cycles within individual industries and allows us to maintain a steady performance under normal economic conditions. – NfR

The merger created a range of challenges for both companies' employees. In particular, the move from the G6 Alliance and Ocean Three Alliance to THE Alliance as well as the commercial cut-over after the transaction closed involved particular efforts. With regard to the latter, the change-over from the UASC bill of lading to the Hapag-Lloyd bill of lading as well as the integration of UASC's business into our booking system has been completed. There have also been numerous office relocations, IT changeovers, the migration of freight rates and a capital increase (see 2017 annual report, p. 56 ff.).



GROUP RESTRUCTURING AND MERGERS – 102-10

In May 2017, we completed our merger with UASC (United Arab Shipping Company) and established the Region Middle East as well as three new areas. We now have five regions (previous year: 4) – Latin America, North America, Europe, Asia and Middle East – and 35 areas (previous year: 32). As a result, we have grown internationally, strengthened our market position and become a company with a younger, more efficient fleet. – 102-4, 102-6

The merger went smoothly, which was mainly down to two factors. Firstly, the open, professional communication from managers from the outset, the high degree of acceptance of other cultures among our employees (see Open corporate culture, p. 29f.) and the strong willingness to succeed among all stakeholders played a significant role in helping the two organisations to unite despite differences in their corporate cultures and structures. And secondly, we provided specific training on our processes and systems to around 2,000 new employees at more than 400 events.

Aside from this training, our other employees actively supported their new colleagues in their day-to-day activities, with the result that we were able to provide our customers with the usual service during the integration.

Our organisation and number of employees had already grown as a result of the merger with CSAV (Compañía Sud Americana de Vapores) in 2014. This merger enabled us to establish the Region Latin America and significantly increase our market share in South and Central America.

As a result of the mergers, we have been able to expand our presence on all the main East–West and North–South trades by means of a very well-balanced range of services. We firmly believe that our employees' expertise and our systematic organisational structure based on the scalable blueprint were instrumental in making the amalgamation of the three shipping companies possible within this short period of time and with this level of success.

Merger with UASC is “Deal of the Year”

Our merger with UASC was awarded “Deal of the Year” in 2017 at the Lloyd's List Global Awards in London. We were chosen ahead of six other finalists for the accolade. The jury highlighted in particular that the merger represented a good strategic decision in a challenging environment.

Strong partner in THE Alliance

We established THE Alliance with four Asian partners. It commenced its activities on 1 April 2017 for a period of at least five years. A total of 244 ships operate on all the main East–West routes as part of the alliance. They connect 76 important ports worldwide via an extensive network of 32 routes. The alliance allows us to offer our customers extensive port coverage, efficient ships and fast transit times. In order to deploy the ships as effectively and flexibly as possible in line with demand and ensure structured communication with our partners, the representatives from the companies in the alliance communicate with each other regularly. – 102-7, 102-13

FINANCIAL INDICATORS

– 102-7, 201/103, 201-1

Wide-reaching efficiency gains and cost improvements achieved

We continuously work on making our processes more efficient and achieving cost savings. To enable this, we have established a range of projects, which are already having an impact.

The completion of the implementation of the CUATRO (synergies from the integration of CSAV) and OCTAVE (cost-cutting programme) projects in the first quarter of 2017 laid the foundations for generating annual synergies, efficiency improvements and cost savings of approximately USD 600 million as against the comparable cost base in the 2014 financial year, and assuming that external factors remain the same. The business performance and development of earnings in 2017 was correspondingly positive and in line with expectations.

It is anticipated that the synergies from the merger with UASC will contribute approximately USD 435 million per annum from the 2019 financial year onwards. The Executive Board of Hapag-Lloyd AG expects that the bulk of the synergies can be achieved in the 2018 financial year. The most important efficiency driver here is the merging of service networks. Further cost savings are expected to come from the integration of sales and administrative functions.

As a result of the UASC merger, our fleet increased in the year 2017 from 166 ships (31 December 2016) to 219. We now have one of the largest and most modern container ship fleets in the world. The rise in the number of container ships increased our transport capacity to 1.57 million TEU (previous year: 0.96 million TEU) and our total container volume to around 2.35 million TEU. Our transport volume also grew as a result of the merger from 7,599 TTEU in the previous year to 9,803 TTEU in 2017. This is an increase of around 29%.

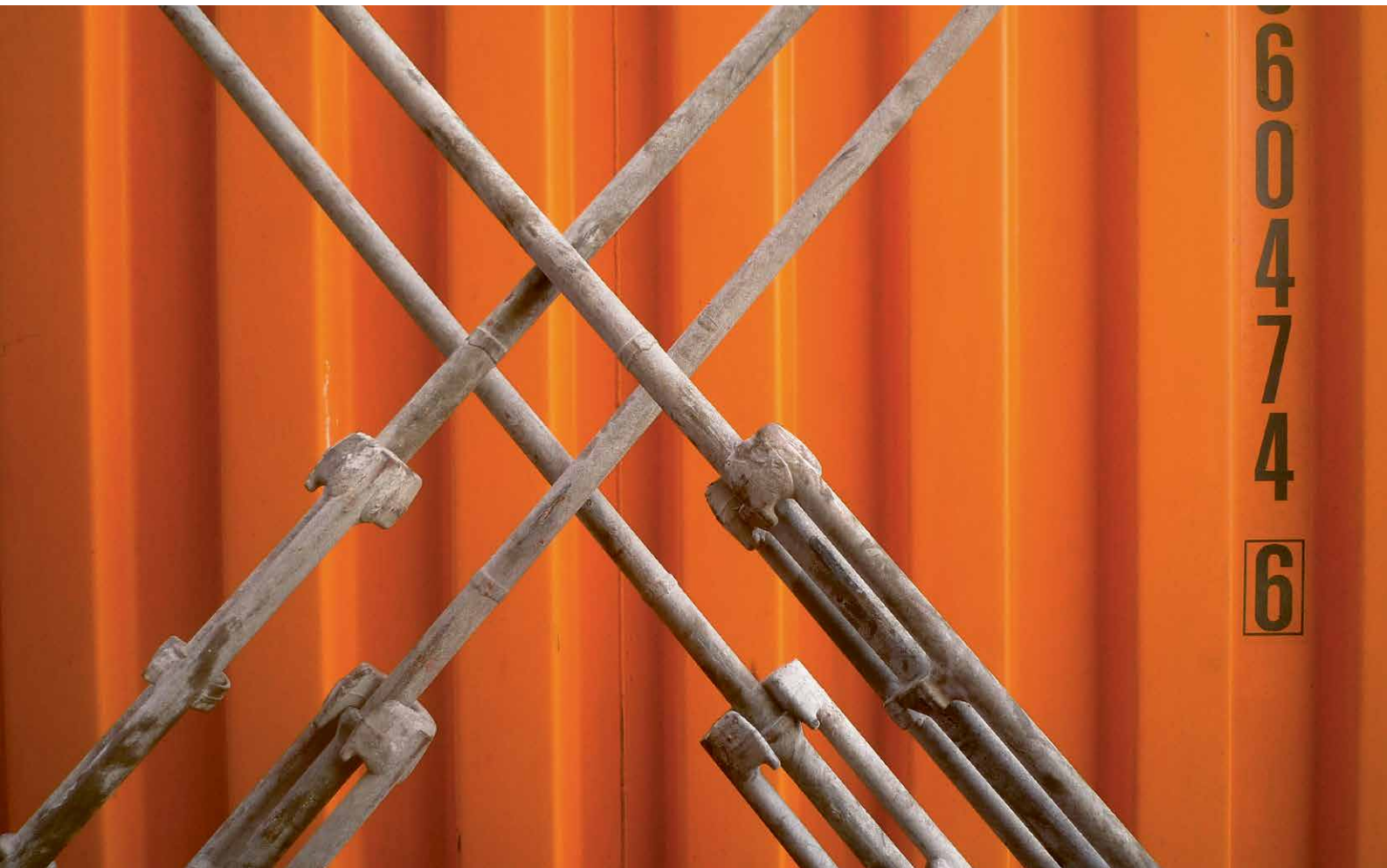
As a result, we were able to increase our revenue to EUR 9,973 million (previous year: EUR 7,734 million).

In the 2017 financial year, we achieved a positive EBITDA of EUR 1,054.5 million (prior year: EUR 607.4 million). Our operating result (EBIT) of EUR 410.9 million in 2017 was also significantly higher than in the previous year (EUR 126.4 million).

The freight rate was USD 1,051/TEU in the 2017 financial year, up on the previous year's level of USD 1,036/TEU.

CONSOLIDATED INCOME STATEMENT (MILLION EUR)

	1.1.–31.12.2017	1.1.–31.12.2016
Revenue	9,973.4	7,734.2
Other operating income	133.0	97.1
Transport expenses	7,990.0	6,364.0
Personnel expenses	679.8	496.1
Depreciation, amortisation and impairment	643.6	481.0
Other operating expenses	439.1	386.2
Operating result	353.9	104.0



SUSTAINABILITY MANAGEMENT

We base our day-to-day actions on the principle of sustainable development. This means that our business activities today should not impinge upon or jeopardise the prospects and opportunities of future generations. The Executive Board subscribes to this principle and derives from it the framework within which our Company and our employees act in relation to the four dimensions of sustainability, i. e. the environment, social involvement, the economy and quality. – NfR

SUSTAINABILITY STRATEGY AND OBJECTIVES

The issue of sustainability is treated with great importance within our Company. We believe that it is our duty to protect the environment now and in the future, to provide our customers with the highest quality, to secure satisfactory returns and to ensure the health and safety of our employees. To fulfil these obligations, we have established principles and objectives to guide our actions and incorporated them into our sustainability policy.

For us, complying with all laws as well as the rules of conduct specified in our “Global Code of Ethics” forms the basis for all sustainable action. Our management regularly defines measures to ensure that our environmental and quality objectives are met and to heighten awareness of them. Furthermore, we continuously improve our high environmental, quality and safety standards through active and open dialogue with our stakeholders (Chapter 1).

We provide our employees worldwide with the option of further training and other benefits (Chapter 2) and a safe and healthy work environment (Chapter 3) because healthy, well-trained and motivated employees form the basis for our commercial success.

We employ digital solutions in a targeted way in order to continually improve the quality of our services and protect the environment (Chapter 4).

Protecting the environment from negative effects is a top priority for us. We therefore use the most modern technology to significantly cut our fleet’s CO₂ emissions and contribute to environmental protection (Chapter 5). We also endeavour to prevent potential safety hazards to people, the environment, cargo and our property by taking proactive measures.

The high standards that we set ourselves also apply to our suppliers and subcontractors, as we represent their services with our good name as well. For this reason, we strive to improve sustainability within our transport chain (Chapter 6). In addition, we contribute to society in many different ways above and beyond our direct business activities (Chapter 7).

In 2007, our Fleet Management was awarded the “Excellence – 5 Stars” certification from the DNV GL making us the first container liner shipping company to achieve this accolade. In addition to implementing occupational safety measures (MLC 2006 certification), this standard requires certification according to ISO 9001 (quality), ISO 14001 (environment), the ISM (International Safety Management) Code and the ISPS (International Ship and Port Facility Security) Code on preventing maritime hazards, thereby combining standards such as these for the first time. The “Excellence – 5 Stars” certification also incorporates standards that go far beyond these international norms and regulations. In 2017, the certification was renewed for the third time. – NfR

We have already achieved very much over the past few years in terms of sustainability management, and we will continue to strategically develop this further in the years ahead.

ORGANISATION OF SUSTAINABILITY MANAGEMENT – 102-18

Our Sustainability Management team is responsible for activities in this area. It coordinates and supports our sustainability activities, reports directly to the Executive Board as a sub-department of Corporate Development, looks after our Group-wide QEM (quality and

environmental management) system, is responsible for certifications in accordance with ISO 9001 and 14001 and is in charge of preparing the Group's sustainability report. In 2017, 86 (Hapag-Lloyd AG: 35) out of 96 (Hapag-Lloyd AG: 45) departments¹ were certified in accordance with ISO 9001 and 14001, which together form the Hapag-Lloyd QEM certificate. This means that around 90% (Hapag-Lloyd AG: around 78%) of the Company – including the complete management of container liner service activities – falls under the certificate. A statutory audit of the annual and consolidated financial statements takes place every year. Parts of our central Finance department provide material needed for the audit and are therefore not included in the QEM system. – NfR

The Sustainability Management department is supported by 130 (Hapag-Lloyd AG: 67) contact partners worldwide, known as QEM delegates, in the regions, areas and central departments as well as on the ships. These delegates coordinate the QEM and other sustainability activities locally. – NfR

We integrate new regions, areas, locations and ships into the QEM system promptly. To ensure that these also meet our

¹ The Fleet Management department is already covered by the "Excellence – 5 Stars" certification and is therefore not included in the calculations. In addition, organisational units which were acquired as a result of the merger with UASC are not included here, as they were not yet part of the certification in the reporting period.

high quality and sustainability standards, the responsible employees will be trained accordingly. – NfR

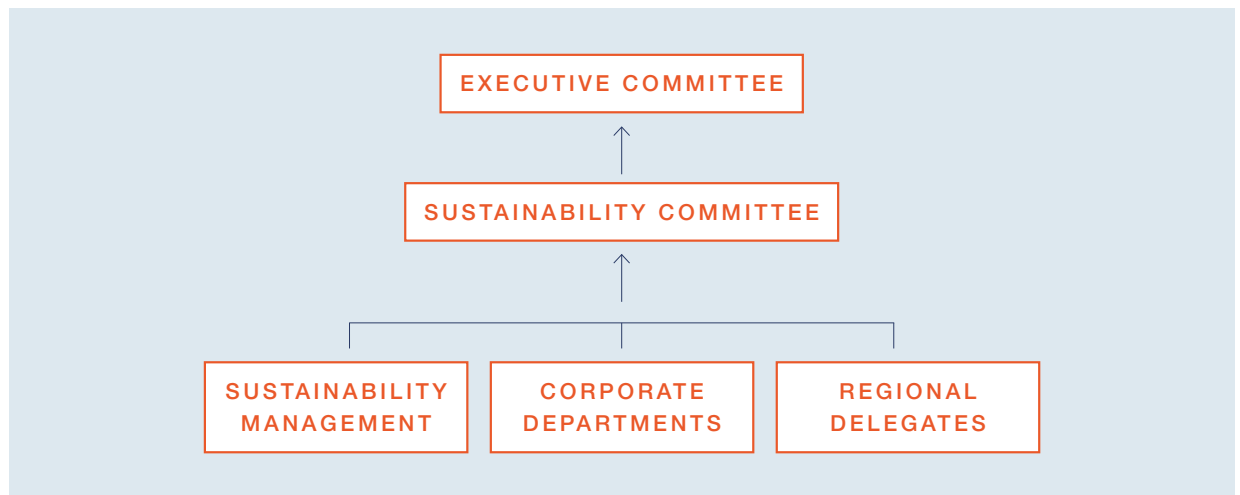
Our QEM system is audited annually, with the focus on issues such as occupational safety, customer focus, employee training and evaluation of service providers. Responsibility for other individual sustainability issues lies with the specialist departments. – NfR

Around 90%

of the departments have a QEM certificate – NfR

At the Sustainability Committee's meetings, the Sustainability Management team informs the heads of division as well as the representatives from the regions about the current sustainability activities. The committee assists with efforts to identify sustainability opportunities and risks, promotes the sharing of information across divisions and is involved in coordinating sustainability-related measures. The Head of Corporate Development chairs the meeting and reports directly to the Executive Committee, which the Executive Board is part of. – NfR

HAPAG-LLOYD'S ORGANISATION OF SUSTAINABILITY MANAGEMENT – NfR



SIGNIFICANT ISSUES AND RISKS

Hapag-Lloyd continuously addresses, in a structured manner, developments in the markets that are relevant for us and the markets that are relevant for society and the environment. To begin with, we do this from an internal, risk-based perspective. For this, we use our knowledge of the industry, our expertise and our many years of experience. Then, we do it from an external perspective. For this, we also include our stakeholders when specifying the issues that are important for us. – NfR

Together with internal and external stakeholders, we determined the materiality of selected sustainability topics for the NfR and SR (see Material topics, p. 14). Using the net method, we also examined whether there were any risks² from the perspective of our internal risk management system and internal control system and what the relevant risks were (see Risk management, p. 12). If a relevant risk is identified, the topic must be classified as material. The results of our analysis show that there are no such risks at present. – NfR

RISK MANAGEMENT – 102-11

The long-term success of our Company is directly dependent on how we manage risks that arise from our operating activities and how we take advantage of potential opportunities. In this context, the interaction between business strategy and risk strategy is particularly important. Thinking and acting with a focus on sustainability is a fixed part of our risk and business policy and is put into practice by management. – NfR

In order to identify risks at an early stage and then assess, manage and monitor them, we have established a Group-wide, multi-level risk management and internal control system based on the COSO³ Enterprise Risk Management framework. This system ensures that risks to the Company's

existence are addressed in a responsible manner. The system is also conceptually based on the Three Lines of Defence model. It enables a systematic approach to risk management. – NfR

The first line of defence is our internal control system (ICS), which consists of the internal control checklist (ICCL) and the corporate key controls. While the ICCL comprises risk-reducing management and control measures along the entire value chain for the regions and areas, the corporate key controls perform this task for the processes of the central departments. The ICS is an instrument for managing risks in the operating processes. Responsibility rests with the process owners here, enabling us either to take preventive measures to counteract the risks arising from our operating activities or to identify existing risks at an early stage and adopt countermeasures. – NfR

The second line of defence consists of Compliance Management and Risk Management, operating independently of each other. While Compliance Management aims to identify and prevent potential risks, Risk Management is also responsible for monitoring, controlling and managing our relevant risks and therefore for providing targeted support to our ICS. – NfR

We have established a risk manager in each of our regions and specialist departments. They are experts in their respective areas, and their awareness goes beyond operating risks to include social and ecological aspects, e.g. sustainable materials, ship recycling, and training and education. Their task is to aggregate and assess the risks identified by the risk management system and, if risk-reducing measures have been implemented, to continuously monitor these. Our central Risk Management

² Risks are deemed to be relevant if they are associated with Hapag-Lloyd's business activities, business relationships, products or services and are very likely to have serious negative effects on aspects such as the environment or social involvement, for example. Other issues that are relevant for the risk analysis include employee matters, observance of human rights and efforts to combat corruption and bribery.

³ COSO = Committee of Sponsoring Organizations of the Treadway Commission

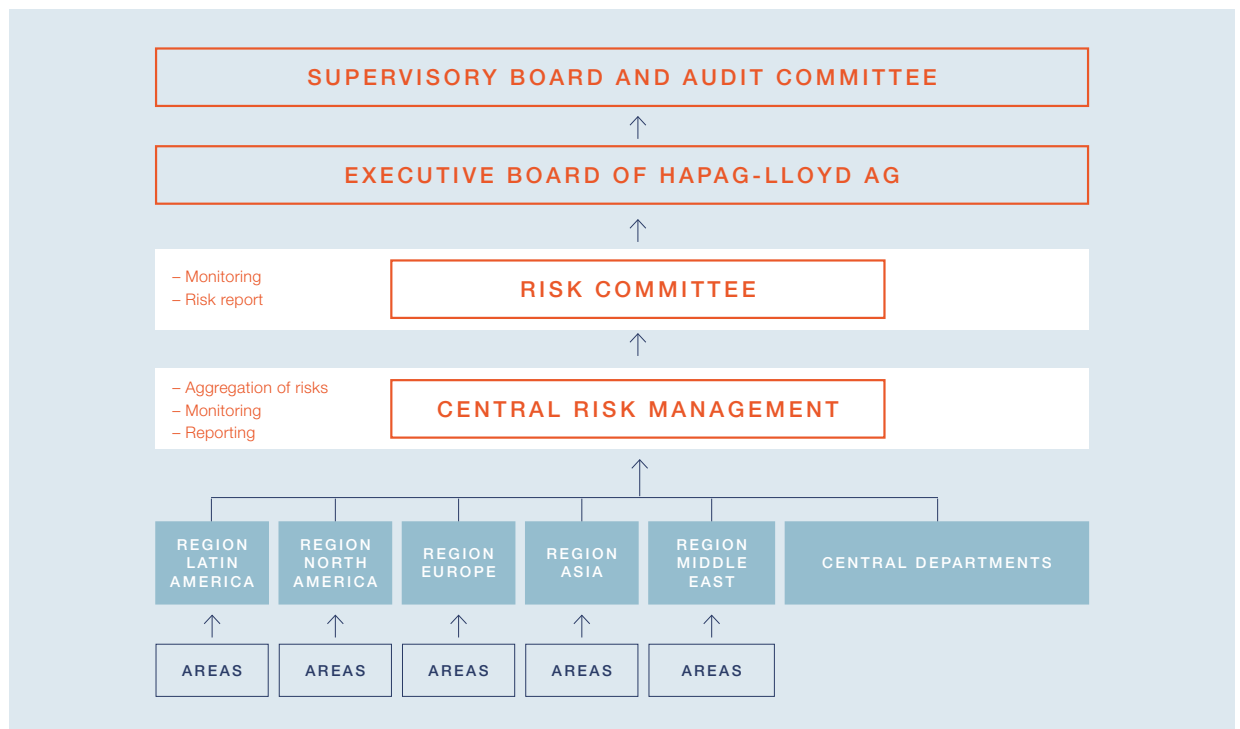
compiles the significant risks and analyses the risk structure. On this basis, the Risk Committee monitors the overall risk situation and reports quarterly to the Executive Board, or on an ad-hoc basis if necessary. The Executive Board is responsible for ensuring the effectiveness of the risk management system. The Audit Committee monitors the effectiveness of the system at the highest level and reports to the Supervisory Board. – NfR

The Corporate Audit department constitutes the third line of defence as an independent and objective consultation and audit unit. It informs the Company's boards

and committees of the operating risks and opportunities, irrespective of processes, and, in doing so, contributes to the efficiency and effectiveness of the monitoring, control, risk management and managerial processes. – NfR

With its various lines of defence, our risk management and internal control system provides a comprehensive framework for an effective control and monitoring system. It assists the company management in sustainably and effectively managing the ever-more complex risks which must increasingly also take account of ecological and social aspects. – NfR

RISK MANAGEMENT AT HAPAG-LLOYD – NfR



MATERIAL TOPICS – 102-46

In September and October 2016, we performed a materiality analysis in preparation for the German CSR Guideline Implementation Act (CSR-RLUG). This entailed identifying 26 topics in the areas of social involvement, the environment and the economy. A key element here was the expertise of Hapag-Lloyd's Sustainability Management team, whose in-depth discussions with various stakeholder groups provided it with a comprehensive overview of the topics that could potentially be material for the Company. Another key element was the detailed competition analysis which we performed in April 2016 to identify relevant topics in preparation for the sustainability report. As part of the materiality analysis, we surveyed more than 200 people from relevant stakeholder groups to obtain their opinions on the topics. The stakeholders consisted of employees, suppliers, customers, scientists, shareholders, Works Council members and representatives from general society and the business community. Among our employees, the QEM (quality and environmental management) delegates and the heads of the

specialist departments were surveyed. In order to identify relevant suppliers, we asked the area heads of each of our operating departments to name their three biggest service providers per mode of transport, i.e. terminal, truck, rail and feeder. Among the other stakeholder groups, the key selection criteria were contact in day-to-day business and regular communication. – NfR – 102-42

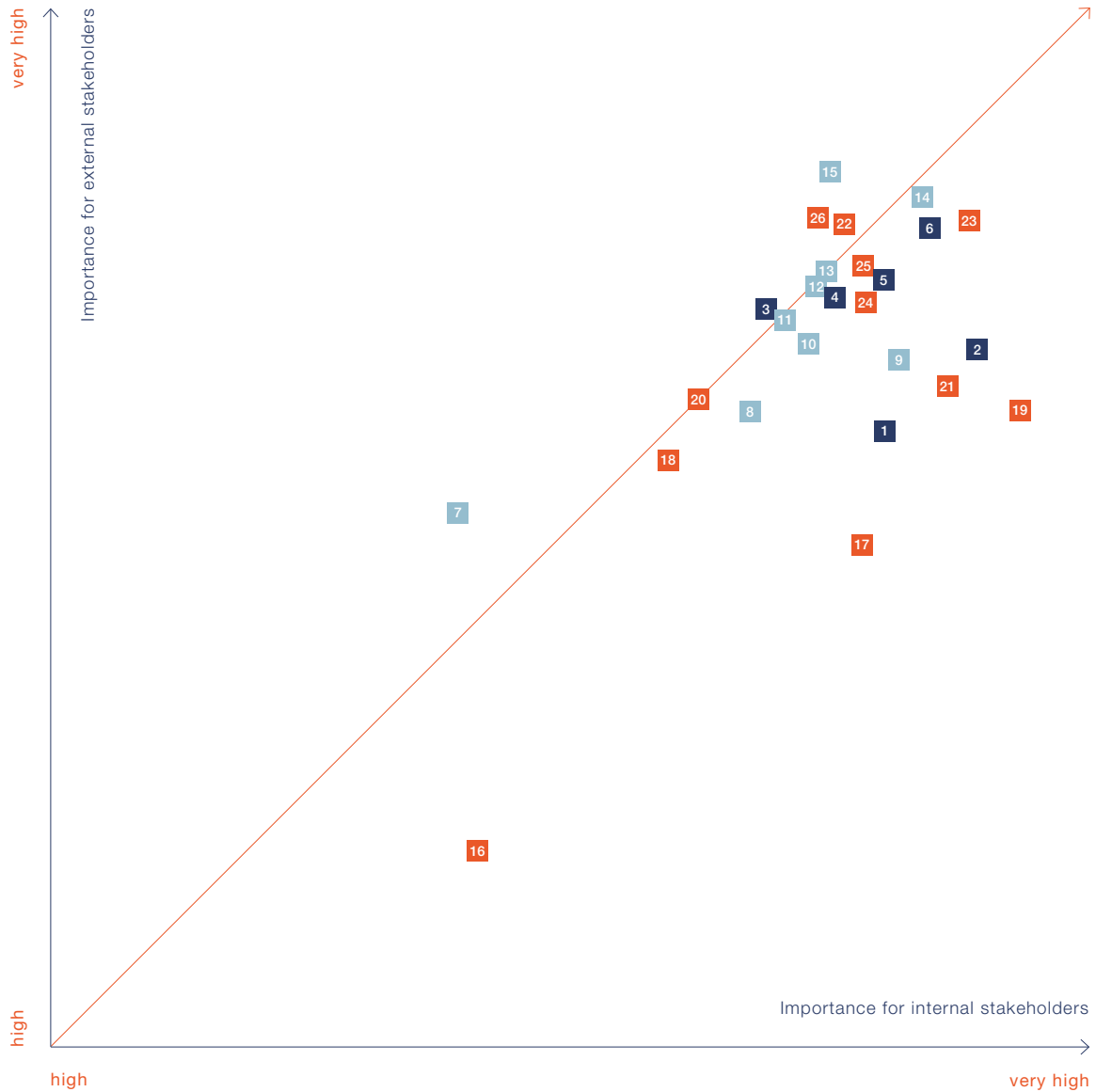
Our Sustainability Management team then evaluated the results and presented them in a matrix. – NfR

The topics identified as material form the content of this sustainability report⁴ and are explained in detail. We will conduct a stakeholder survey every three years to ensure that we continue to report extensively on all relevant topics. – NfR

⁴ The topics marked "NfR" were identified in the materiality process as being subject to mandatory reporting as part of the non-financial report in accordance with CSR-RLUG. – NfR



MATERIALITY MATRIX – 102-44, 102-47



Economy

- 1 Increasing company value
- 2 Commercially profitable actions
- 3 Involvement of suppliers
- 4 Transparent reporting
- 5 Continuous improvement in service and process quality – NfR
- 6 Business strategy, taking account of opportunities & risks – NfR

Environment

- 7 Onshore power
- 8 Ship recycling
- 9 Increasing efficiency through technology – NfR
- 10 More environmentally friendly transport chains
- 11 Sustainable materials
- 12 Low-sulphur fuel – NfR
- 13 Reduction of environmental effects – NfR
- 14 Waste prevention and disposal
- 15 Measures to reduce emissions – NfR

Social

- 16 Charitable organisations
- 17 Training and education – NfR
- 18 Social benefits at supplier companies
- 19 Social benefits
- 20 Occupational health and safety at supplier companies
- 21 Occupational health and safety – NfR
- 22 Non-discriminatory conduct
- 23 Competition law – NfR
- 24 Data protection – NfR
- 25 Compliance with laws and regulations (including human rights) – NfR
- 26 Suppliers' compliance with laws

Categorisation of the topics in the matrix is based on the stakeholder survey and should be regarded as independent of the CSR-RLUG.

In 2017, the Sustainability Management team then identified the topics under which our business activities had an impact; all the material aspects as defined by CSR-RLUG were taken into consideration here. We also examined the importance of these aspects to our business activities. The topics identified during this process form part of the NfR. Although social matters as defined by CSR-RLUG play an important role for Hapag-Lloyd, they do not meet the materiality criteria of CSR-RLUG. As part of the SR, we report on other important topics which do not meet the materiality criteria of CSR-RLUG. For example, we also describe our diverse range of activities in the social arena (see Corporate social responsibility, p. 60 ff.). – NfR



“Our stakeholders influence us in many different ways. So communication with them is particularly important for us.”

Ruby Ng, Managing Director
Area South China / Taiwan

STAKEHOLDER DIALOGUE

– 102-40, 102-42, 102-43, 102-44

As a globally operating company and employer, we have a diverse range of relationships with different stakeholders. Active communication with them helps us to understand their expectations and perspectives, identify potential improvements and translate these into measures for action.

We seek to engage directly with our stakeholders on a regular basis at various types of events such as trade fairs, conferences and our own Annual General Meeting. In our day-to-day business, we address an array of different issues and matters. These range from general questions regarding the Company’s performance to questions on issues relating to risk, our employees and the environment to enquiries about cargo and data security, and compliance.

Communication with our shareholders

The Executive Board and the Investor Relations team communicate regularly with shareholders, analysts and potential investors to inform them about the Company’s direction and business developments. They do so via investor events, discussions with investors, the Annual General Meeting and detailed information on the IR section of the Hapag-Lloyd website. We place great value on providing the capital markets with an open, transparent insight into our strategy and development prospects and on communicating relevant information in a prompt and comprehensive manner.

Communication with our employees

To foster open communication with our employees and dismantle (perceived) hierarchies, we have developed numerous – sometimes innovative – communication formats. These include weekly lunches with management representatives and meetings held every two months where employees tell their colleagues about what they do, with Executive Board members in attendance. In addition, our quarterly employee magazine has information about pertinent changes in the Company and interesting activities that are taking place. Our internal communication channels include the Executive Board’s regular discussions with the Works Council and our intranet site, which we use to keep our employees updated on developments (see Open corporate culture, p. 29f.)

Communication with customers and business partners

We are in continuous communication with our customers, business partners and suppliers. We are responding to an increasing number of enquiries from our customers about sustainability issues. We enter into cooperation agreements with our business partners, e.g. with IKEA on environmental issues and with the companies MAN, ABB and Wärtsilä on technical enhancements relating to efficiency, reliability and environmental protection. We engage in discussions with our suppliers about our code of conduct and other supply chain issues.

Political discussions

We maintain contact with various political players at the municipal, national and international level. While we focus on infrastructural and social issues in our home city of Hamburg, we primarily address environmental issues at an international level (see Involvement in political discussions, p. 61 f.).

Communication with non-governmental organisations (NGOs)

We also communicate regularly with national and international NGOs. We work in partnership with the environmental organisations OceanCare and WWF and conduct open discussions with NABU. We foster a mutual understanding of critical issues by engaging in face-to-face discussions, participating in conferences and working together on committees, thereby playing an active role in finding solutions. Key issues that we focus on here are ship recycling, pollution emissions and the transportation of controversial goods (see Environmental action, p. 60).

Communication with Hamburg and the local community

Hapag-Lloyd is a traditional Hamburg company. For this reason, we regard continuous communication with the city's citizens a duty that we are glad to fulfil. Every year, e.g., we open our doors to interested Hamburg citizens as part of the Supply Chain Day (Tag der Logistik) and the Heritage Day (Tag des offenen Denkmals) and invite them to public cultural and informational events (see Action at home, p. 61).

Our Company is a member of a large number of associations, task forces and other institutions which enable us to become involved in a range of different issues. One example is the Prevention Specialist Committee (Marine) of the German Employers' Liability Insurance Association (BG)-Transport. The committee campaigns to have the treatment of post-traumatic stress disorders among crew members included in the catalogue of services of BG-Transport. We also took charge of a work package from the European Sustainable Shipping Forum on the topic of "Distance Travelled and Speed". – 102-13

This report does not include information on all our memberships, but instead the individual chapters focus on those memberships where we made a particular contribution or where significant progress was made on key issues in the reporting period.



CORPORATE GOVERNANCE AND COMPLIANCE

Hapag-Lloyd regards corporate governance as the responsible, transparent management and control of a company. This is of particular importance to Hapag-Lloyd. Good corporate governance strengthens the trust of our customers, employees, shareholders, business partners and the general public. It increases the Company's transparency, enhances its credibility and provides the foundation for managing the Company on the basis of long-term value creation.

CORPORATE GOVERNANCE

A key aspect for ensuring responsible management of the Company that is geared towards sustainable appreciation is good corporate governance.

The Executive Board and Supervisory Board use the applicable laws, in particular the German Stock Corporation Act (AktG), and the German Corporate Governance Code (GCGC) to manage and monitor the Company. The two boards demonstrate their commitment to the GCGC by issuing an annual declaration of conformity in accordance with Section 161 of the German Stock Corporation Act (AktG) (see 2017 annual report, p. 23 ff.). In addition, the Executive Board and Supervisory Board report on corporate governance in the yearly Corporate Governance Report, which is published along with the declaration on corporate governance (see 2017 annual report, p. 22 ff.). – 102-12

COMPLIANCE

– 205/103, 206/103, 307/103, 408/103, 409/103, 412/103

We regard compliance – the adherence to laws, standards and regulations – as the key to responsible and successful corporate governance in the long term. It is of particular importance within the Company, and outside parties are also showing an increasing interest in it. – NFR

The biggest challenges we face in this area are new or revised laws and external directives and the increased level of regulation that we are expected to follow. The result of this is that new processes and measures always have to be put in place to implement the applicable laws and that compliance with these additional regulations must be continuously monitored. – NFR

Our Company expressly commits to fair competition as well as compliance with all applicable national and international laws, in particular with regard to corruption, bribery and price fixing. We strictly oppose any violations of these laws and do not tolerate them in any way. We will legally pursue any internal or external violations of applicable laws. This position was underpinned by the Executive Board's compliance statement in 2015. – NFR

Compliance organisation

The Chief Financial Officer has overall responsibility for the central Compliance department. The compliance officers in the regional centres and national affiliates ensure that our compliance programme is implemented across the Group. Our compliance organisation makes it possible to fundamentally implement measures as part of the compliance programme which ensure that the Company complies with laws and internal and external guidelines. The Executive Board and the Supervisory Board's Audit and Financial Committee are regularly updated via compliance reports. – NFR

“Global Code of Ethics”

– 102-16, 406/103, 407-1, 408-1, 409-1, 412-2

Our corporate culture is manifested in our “Global Code of Ethics”. It defines our basic values and the conduct that we expect from executives and employees, both with regard to internal and external relationships. The globally applicable code is published in German, English, Chinese and Spanish and summarises the principles for governing fair dealings with each other as well as the customers and business partners of Hapag-Lloyd. – NFR

The first basic value of the “Global Code of Ethics” is the observance of human rights. In this regard, it draws directly on the United Nations' Universal Declaration of Human



Rights. The code also reflects the content of the ILO's core labour standards, such as the prohibition of all forms of discrimination, child or forced labour and sub-standard working conditions. The right to freedom of association and collective bargaining is also incorporated in the code. – NFR

The “Global Code of Ethics” is part of a web-based training module which all employees on land are required to complete on a regular basis. Employees at sea who work on vessels managed by our Fleet Management team receive information in this regard via the so-called “fleet circular”. The values of the “Global Code of Ethics” are also reflected in numerous Group-wide and regional policies and are therefore an important basis for the Compliance department's activities. – NFR

The Ethics Committee, which comprises the heads of the Compliance, Corporate Audit and Human Resources departments, is responsible for ensuring that the “Global Code of Ethics” is adhered to. It meets on a regular basis if it learns of new suspected violations so that it can address these new reports and arrange action to be taken. In the event of serious breaches, such as suspected violations involving child or forced labour, the Ethics Committee is immediately convened. If any criminal violations occur, we always report them to the local authorities. In addition, violations are prosecuted under

labour law. The Corporate Audit department also focuses on compliance with the code when it conducts its audits and includes the provisions of the code in its audit catalogue. – NFR

We continuously examine the extent to which the “Global Code of Ethics” and the Executive Board's compliance statement satisfy external requirements as regards compliance and update them if necessary. – NFR

We are also involved with the Wittenberg Center for Global Ethics, e. g., to obtain ideas for putting ethical principles into practice in everyday business. In 2017, this audit did not identify any need for changes. – NFR

Supplier code of conduct

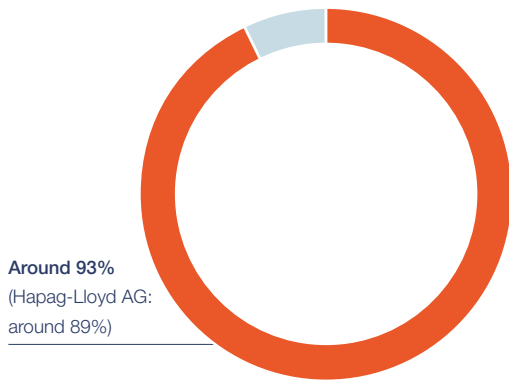
– 102-16, 308/103, 407/103, 414/103, 419/103

It is important to us that our business partners also practise our values and principles of conduct. For this reason, we require our suppliers to sign our supplier code of conduct covering aspects such as the environment, employees, observance of human rights and efforts to combat corruption and bribery. As a globally operating Company, we are aware of the time and effort involved in examining the various codes of conduct, some of which are very detailed. We therefore offer our suppliers two options. Either they can subscribe to the content of Hapag-Lloyd's supplier code of conduct or they can confirm that they possess their own code of conduct which is consistent with our values (see Supply chain, p. 53 ff.) – NFR

Compliance training and reporting mechanisms

– 205-2, 205-3, 307-1, 406-1, 408-1, 409-1, 412-2, 419-1

To prevent breaches of compliance, the Executive Board has implemented a range of measures as part of the compliance management system. These include mandatory compliance training, which every employee on land worldwide must complete, as well as a whistle-blower system, which allows violations to be reported anonymously. Employees at sea who work on vessels managed by our Fleet Management team receive information on the topic of compliance via the so-called “fleet circular”. – NFR

SHARE OF TRAINED EMPLOYEES (2017) – NfR

of our employees on land participated in web-based trainings on the topics of compliance and corruption

The purpose of the comprehensive training concept is to provide employees with the necessary knowledge and to increase their awareness of the topic of compliance. It is divided into on-site and online training modules. With regard to the training modules, we differentiate between compliance management training modules, regular on-site compliance training modules and topic-specific compliance training modules. A key component of the training modules is the topic of corruption. In addition, there are separate training modules on the topic of competition law. – NfR

If employees learn of or suspect compliance violations, they are expressly required to report them to their manager, their local compliance officer or the central Compliance department. They are assured that they will not be disadvantaged by reporting violations of applicable law, regardless of whether the violation proves to have occurred or not. The same applies to business partners that report a potential violation in good faith. – NfR

Furthermore, in almost all the countries in which we operate, external lawyers are available to employees and business partners as representatives in the event of violations. This ensures that the whistle-blower can maintain their neutrality and anonymity. In addition, the discussions are held in the local language, and the representatives have the necessary expertise to proceed competently with a report, thereby reducing the barriers to whistle-blowing. These reports are consequently forwarded to the Compliance department, in anonymised format if necessary. – NfR

No significant violations in the areas of corruption, discrimination or child and forced labour were reported via the whistle-blower system in the reporting period. – NfR

Dealing with violations – 205-3, 206-1, 307-1, 406-1, 419-1

If there are any reports of compliance violations, we pursue them immediately – e.g., by initiating an internal investigation by the Corporate Audit department. – NfR

If employees are found to have committed violations, this can lead to sanctions under employment law, such as an official warning. If a gross violation occurs, the employee's contract may be terminated, the matter reported to the relevant authorities or other legal steps taken. In the event of a serious, confirmed violation by a business partner, we reserve the right to terminate our relationship with the business partner immediately. – NfR

During the reporting year, no criminal misconduct has been determined. – NfR

At the start of 2017, our Company was involved in legal proceedings with the Peruvian competition authorities. These proceedings were settled in May 2017 without the imposition of any penalties. – NfR

EMPLOYEES



A MAJOR JOURNEY:

13 apprentices embarked on their vocational training in August 2016. At the end of the year, they then went on board the “CHICAGO EXPRESS”, one of Hapag-Lloyd’s two training ships, for their first voyage as a team. Departing from Southampton, the 8,749 TEU container ship called in at New York, Norfolk (Virginia), Charleston (South Carolina) and Savannah (Georgia) before returning to Hamburg, where the apprentices celebrated the halfway mark of their training before heading back to sea for another five weeks.

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EMPLOYEE RECRUITMENT AND RETENTION 24

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Training 27

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MANAGEMENT APPROACH – 401/103

As a service company, well-trained and motivated employees are essential to us. However, we also believe that it is our duty as a responsible employer to foster the abilities and skills of the people within our Company and to offer them a safe, healthy and progressive work environment. – NfR

As a global employer, our human resources (HR) management faces a range of challenges that can differ greatly from region to region. A particular issue that we are currently addressing is demographic change in the German labour market and the lack of highly skilled workers associated with this.

The recent integration of two competitors is providing our HR management with additional challenges. The issues range from the harmonisation of remuneration structures to organisational integration to the task of amalgamating different corporate cultures. Furthermore, challenges regularly arise as a result of the work-related demands placed on our employees at sea. Increasing ship sizes and ever-widening ranges of duties are creating a growing need for further training among employees.

In order to draw the attention of highly skilled workers to our Company and maintain our employees' enthusiasm in the long term, we seek to present ourselves as an employer which is forward-looking, modern and, at the same time, aware of its history. Our efforts here centre on specific measures aimed at strengthening our attractiveness as an employer and reducing employee fluctuation.

ORGANISATION OF HR MANAGEMENT

Our HR management activities are focused on ensuring that there are globally uniform standards for the relevant employee issues and on providing appropriate support to our regional units in their own HR activities. – NfR

The Human Resources (HR) department is responsible for our employees on land. It is divided into a German HR Management department and an international Corporate HR department. The Marine Human Resources (Marine HR) department is responsible for our employees at sea. – NfR

HR Management is in charge of all HR matters in Germany, including needs assessments, job advertisements, interviews, contract preparation, and internal transfers and departures. It also manages business and commercial training for the land-based organisation. Marine HR is in charge of HR matters pertaining to the sea-based organisation, the implementation of training and further education programmes and certifications (see Occupational health and safety, p. 35f.). Both departments advise company management and managers on HR issues and work with the co-determination bodies. – NfR

Corporate HR looks after our expatriates and also is responsible for international employee development programmes and the application of global policies and guidelines. These are also implemented in the marine division if appropriate and legally possible. The department also takes care of all employee development measures for the German organisation, including advice, coaching, training and chairing, as well as international development programmes, such as the Talent Development Programme (TDP) and the Management Career Programme (MCP). It also manages the Global Staff Dialogue (GSD) (see Further education, p. 28) and coordinates the worldwide remuneration structures for employees and management. – NfR

The HR departments of the individual regions are linked to Corporate HR based on a dotted-line principle. They are responsible for HR management at regional level, are in direct communication with the HR departments at the local sites and manage the implementation of employee development measures at the local level. – NfR

The HR department agrees on the key issues and objectives of HR management together with the Executive Board regularly. In addition, the HR department is regularly audited by the Corporate Audit department and the global Compliance department. The Marine HR

department is subject to the ISM Code¹ (see Safe ship operations, p. 33f.) as well as annual internal and external audits. – NfR

STAFF STRUCTURE – 102-8, 405-1

In 2017, around 12,500 people (previous year: around 9,400 people) were employed by Hapag-Lloyd. The year-on-year change in the number of employees was primarily due to the merger with UASC. 35% of our employees on land are based in Europe (incl. the global headquarters), 11% in North America, 13% in Latin America, 31% in Asia and 10% in the Middle East. Of those around 12,500 employees around 10,400 work on land and around 2,100 at sea. We only employ a very small number of temporary workers.

EMPLOYEES

2017

BY GENDER* (IN %)

	Hapag-Lloyd Group	Hapag-Lloyd AG
Women	46	45
Men	54	55

* As at 31 December 2017: Employees on land excl. apprentices – only Hapag-Lloyd contracts

BY AGE STRUCTURE* (IN %)

	Hapag-Lloyd Group	Hapag-Lloyd AG
Younger than 30 years of age	26	19
Between 30 and 50 years of age	57	58
Older than 50 years of age	18	24

* As at 31 December 2017: Employees on land and at sea excl. apprentices – employees on land: only Hapag-Lloyd contracts

EMPLOYEES

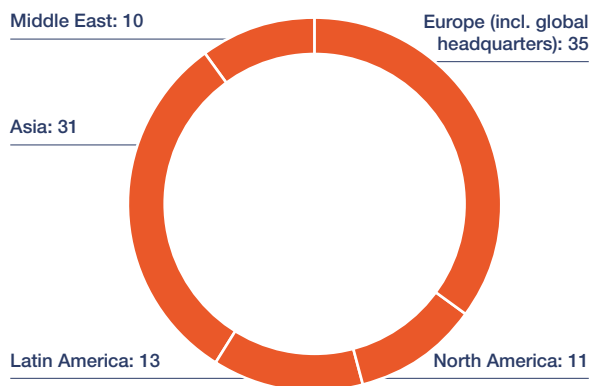
2017

ON LAND AND AT SEA

	Hapag-Lloyd Group	Hapag-Lloyd AG
On land	10,304	
At sea	2,007	
Apprentices	256	
Total	12,567	3,362

* As at 31 December 2017

EMPLOYEES BY REGION* (IN %) (2017)



* As at 31 December 2017: Employees on land excl. apprentices – only Hapag-Lloyd contracts

1 ISM = International Safety Management

EMPLOYEE RECRUITMENT AND RETENTION

One of HR management's tasks is to search for qualified employees. Here, we encounter very different challenges depending on the country and region, such as local demographic developments, levels of education and training, mobility and the availability of employees at each location.

EMPLOYEE RECRUITMENT

A key approach to recruiting employees involves focusing on young people as part of vocational training or a degree programme. Our goal is not just to train them well, but also to retain them at our Company in the long term.

The recruitment of young, new employees has changed significantly. As more and more young people in Germany opt for a degree programme, fewer and fewer take the path of conventional vocational training. In the area of IT in particular, we face major challenges when it comes to recruiting young, new employees. For this reason, we take part in a range of different career events and increasingly use digital recruitment channels. We also specifically provide information about the Company's internal social benefits which are offered to employees in addition to their salary. These include a pleasant work atmosphere, attractive social benefits and an appropriate work-life balance (see Employee retention, p. 24 ff.).



As part of our efforts to develop young, new employees, we work closely with the Hamburg School of Business Administration (HSBA) and the Nordakademie, where we are represented on the Employers' Advisory Council. We offer four places on a combined vocational training and degree programme at the Nordakademie and seven at the HSBA. With the latter, we are also involved in the company work group, speed networking events and information days, and we assist with accreditation/re-accreditation for degree programmes and international programmes, such as the HSBA Summer School.

The vast majority of our employees at sea stay with us in the Company after completing their training, which means that we rarely encounter problems staffing the ships registered under the German flag. However, the number of recent graduates is lower in the technical area than in the nautical area. In order to recruit employees in the technical area as well, we specifically target young talent at fairs, on career portals and in face-to-face meetings.

EMPLOYEE RETENTION

Once we have recruited suitable employees, our goal is to retain them at our Company in the long term.

Social benefits

An important instrument in this regard are the attractive social benefits that are specific to different countries and regions. Unlike in Germany, e.g., statutory health insurance for general healthcare in some countries is insufficient for our employees on land. We compensate for this with additional voluntary health insurance, voluntary accident insurance that exceeds statutory protection, and pension and life assurance options.



In terms of providing our employees with meals, we operate either our own staff canteens or pantries, where employees can prepare and consume their own meals or grant assistance by other means. In Germany, we also provide capital-forming benefits, an extra month's salary, paid leave in certain situations, such as after the birth of a child or the death of a parent, and assistance in emergency situations through the Präsident-Achelis-Elisabeth-Wiegand-Stiftung foundation.

Supporting sea-based employees

In addition to offering predominantly permanent positions, we employ other measures to retain our sea-based employees on the ships registered under the German flag. Before and after every sea voyage, e. g., we engage in discussions in person with the captains, the head engineers and any of the other employees if requested. We discuss the technical side of the journey, the performance of employees and further deployment planning that takes social aspects into account.

We place particular value in this context on the unrestricted contactability and expertise of the crew managers. From their work stations on land, they look after the employees at sea. Many of these crew managers have gone to sea themselves and therefore have a lot of experience and knowledge.

In order to strengthen the relationship between employees on land and at sea, we organise events such as a joint starter week for apprentices and meet-ups during the Christmas holidays. Employees are also regularly given the opportunity to visit Hapag-Lloyd ships to gain a better understanding of the work done by their colleagues at sea.

Every manager, whether on land or at sea, is required to assess how satisfied employees are in their day-to-day roles and to take suitable action if needed. Managers can obtain the support of the HR departments for this, e. g. when organising related team-building activities.

Work-life balance – 401/103, 401-3

Our employees should be able to develop to their full potential in their jobs. For this to happen, there needs to be an appropriate balance between their work and personal life.

In keeping with our corporate culture, the HR departments and local managers develop measures which also exceed

statutory requirements and which enable our employees to reconcile the demands of their work and personal life. For example, there is a parent-child office at our headquarters to provide better support to families. Outside of Germany, we also offer flexitime and other working time arrangements if this is legally possible and compatible with work processes.

EMPLOYEES

2017

BY WORKING TIME* (IN %)

	Hapag-Lloyd Group	Hapag-Lloyd AG
Full-time employees	96	89
Part-time employees	4	11

* As at 31 December 2017: Employees on land and at sea excl. apprentices – employees on land: only Hapag-Lloyd contracts

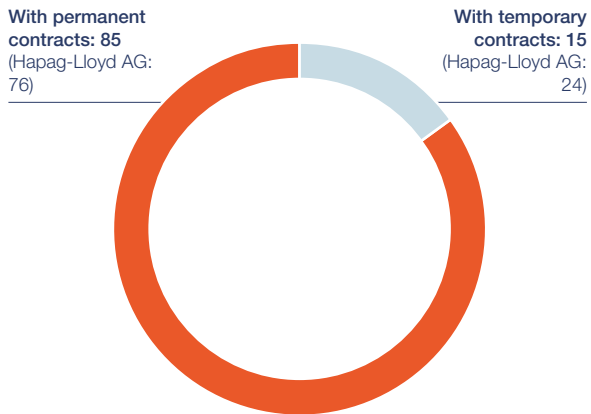
ON PARENTAL LEAVE*

	Hapag-Lloyd Group	Hapag-Lloyd AG
Women	314	106
Men	171	44
Total	485	150

* Employees on land and at sea

Our crew faces the particular challenges of long periods away from their families and social networks, irregular working hours, seven-day working weeks and limited leisure options. We counteract these with relatively short deployment times that are as flexible as possible for the crew on the ships registered under the German flag. If possible, we also take account of personal requests in our deployment planning, e. g. for special personal events such as births, confirmations, communions or special weddings. In addition, family members of the crew, such as spouses, partners or children, are allowed to travel on board with them.

EMPLOYEES BY CONTRACT TYPE* (IN %) (2017)



* As at 31 December 2017: Employees on land and at sea excl. apprentices – employees on land: only Hapag-Lloyd contracts

Co-determination – 102-41, 407/103

The opportunity for employees to take part in important decision-making processes and suggest their own ideas also have a positive impact on employee retention. Works councils and similar bodies are established in Germany and other countries that enable employee and employer representatives to communicate in a confidential and constructive manner. In principle, however, all employees can make suggestions on improvements.

In Germany, it is only possible to implement action on a lot of issues with the participation of the Works Council, e.g. integration, restructuring, reorganisation and agreement on employee appraisal systems. In other countries, works councils (mainly Europe) or similar bodies (South America and the west coast of the USA) also usually have co-determination and/or information rights in the event of reorganisations and mergers if they will result in job changes or job losses. Throughout Europe, national works councils also work closely with the local company management.

Fair wages and salaries – 102-12, 102-13

For us, an attractive work environment includes fair pay for employees. We are a member of the employers’ association Hamburg Shipowners’ Association (Verein Hamburger Rheder), which, in turn, is a member of the Community of Employers’ Associations of the Hamburg Transport Industry (Tarifgemeinschaft Verkehrsgewerbe Hamburg). The pay agreements between the Community and ver.di are applicable to our employees on land in Germany, although not to senior staff in accordance with Section 5 (3) of the German Works Constitution Act (BetrVG). The agreements include minimum working conditions and minimum salaries. Our crew on ships registered under the German flag is covered by independent pay agreements which we have entered into with ver.di and the International Transport Workers’ Federation (ITF) through our membership of the collective bargaining community of the German Shipowners’ Association (VDR). There are plans to extend the level of coverage by agreements that have been entered into with the ITF. In addition, we apply the regulations of the Maritime Labour Convention (MLC).

When calculating and agreeing on remuneration in line with duties, performance and the market in general, it is irrelevant to us whether the employee is male or female. The equal treatment of women and men means that gender cannot, of course, be a factor in determining salaries.

Under our “Global Code of Ethics”, we are committed to complying with all local guidelines on working times, minimum wages and fair pay throughout the Group. We also endeavour to expand our social partnership with employee representative organisations.

59%

of employees (Hapag-Lloyd AG: 95%) are covered by collective bargaining agreements (as at 31 December 2017) – 102-41

TRAINING AND FURTHER EDUCATION – 404/103

As a service company, our employees’ skills and qualifications are extremely important to us. Throughout the Group, our goal is to develop our employees as effectively as possible and to fill vacant positions, particularly for highly skilled workers and managers, from within our own ranks. – NfR

In 2017, we invested a total of EUR 5.2 million (Hapag-Lloyd AG: around EUR 2 million) worldwide in training and further education for our employees and also implemented a large number of other internal qualification and further training measures. – NfR

€5.2 million invested

in training and further education worldwide (Hapag-Lloyd AG: around €2 Mio.) – NfR

Our Hamburg-based apprentices at sea complete group training lasting several months, which takes place on land at a training centre and on our training ships. This training focuses on team building and occupational safety and also includes joint shore leave, leisure activities and various special training modules and courses. The Marine HR department looks after the apprentices. – NfR

The apprentices receive support in the form of interim feedback discussions as well as internal and external exam preparation courses. – NfR

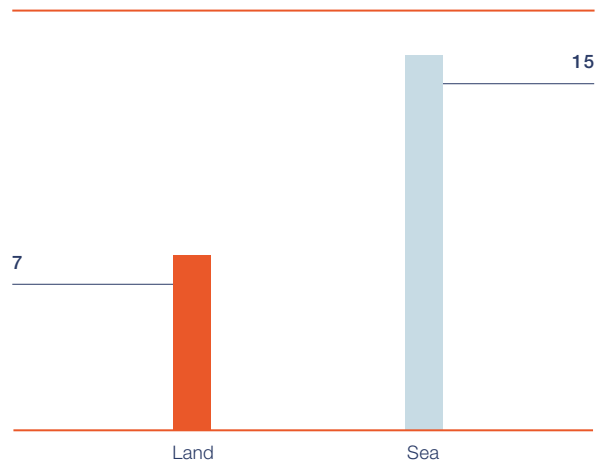
Our apprentices start performing demanding tasks, applying what they have learned in practice and obtaining valuable experience during their training. This enables us to foster not just their specialist knowledge, but also their personal development and social skills, including team spirit, autonomy and responsibility. – NfR

TRAINING

The aim of our extensive involvement in training is to retain young talent at our Company. This ensures that we have qualified employees for demanding tasks and can fill vacant positions quickly. – NfR

Our German apprentices on land initially complete a three-week starter training course and a two-week external course, including team building. The training also often includes spending time at one of our sites worldwide, and English courses and internal presentations on specialist topics are included. The apprentices are closely supported by internal coaches in this regard. – NfR

PERCENTAGE OF APPRENTICES IN GERMANY (IN %) (DECEMBER 2017) – NfR



FURTHER EDUCATION

The aim of our further education programmes is to ensure that our employees worldwide are able to meet the increasing demands of their job roles. At the same time, we see the extensive training opportunities as an instrument for increasing employee retention at Hapag-Lloyd. The range of further education options includes web-based and virtual classroom training as well as face-to-face events. In 2017, we invested an average of around 25 hours (Hapag-Lloyd AG: 20 hours) per employee in further education. The measures that are implemented individually are evaluated internally on a regular basis to review their success. – NfR – 404-1

Global Staff Dialogue (GSD) – 404-3

At the end of 2016, we launched the GSD worldwide. It helps us to obtain structured information on the need for further employee training globally and represents a milestone in our employee development measures. – NfR

The GSD is an annual discussion between employees on land and managers, where developments during the year are discussed, joint development targets are set and suitable measures for further employee development are agreed on and then implemented by the HR department. These include, e.g., advanced training such as MS Office courses, training on travel safety and intercultural skills, and customised team-building activities. The Global Business Support also offers web-based training globally, e.g. on sustainability issues. The purpose of the GSD is also to assess employees' potential in relation to their continuing professional development. – NfR

The next planned step is to incorporate the information from the GSD into a learning management system which will be used to manage and review agreed measures. – NfR

Talent Development Programme (TDP)

Our three-year TDP is managed locally by the regions and aimed at employees on land whose performance is excellent and whose potential for development is regarded by us as high. The TDP develops our employees worldwide on both an individual and collective level, and they are closely supported by instructors from the areas of HR management and development. – NfR



“The GSD is an important step in the development of our HR management.”

Renee Scholem, Senior Vice President
Human Resources Latin America

Management Career Programme (MCP)

Our multi-year MCP is centrally managed from our headquarters in Hamburg and is tailored towards managers on land who have the potential to progress from the fourth to the third management level. Each of the current 56 (Hapag-Lloyd AG: 15) participants is invited once a year to a high-calibre seminar on the topics of management, strategy, finance, project management and change management, among others. We are currently conducting a fundamental reform of the MCP and adapting both the overall concept and the content to the future needs of Hapag-Lloyd. The new manager development programme is set to be launched in 2018. – NfR

Expertise management system

To enable the targeted professional and personal development of our crew on the ships registered under the German flag, we have implemented an expertise management system for them. Together with their managers, they identify their training needs in regular staff dialogue sessions and agree on suitable measures for their further training. These range from IT training to stress management. Corresponding advanced training measures are then implemented by the Marine HR department. – NfR – 404-3

OPEN CORPORATE CULTURE

Hapag-Lloyd is an international company that has grown rapidly in recent years, partly as a result of mergers. Over the decades, we have maintained the values and traditions which are rooted in our Hamburg origins and which shape our corporate culture. They influence our daily activities and contribute to our success.

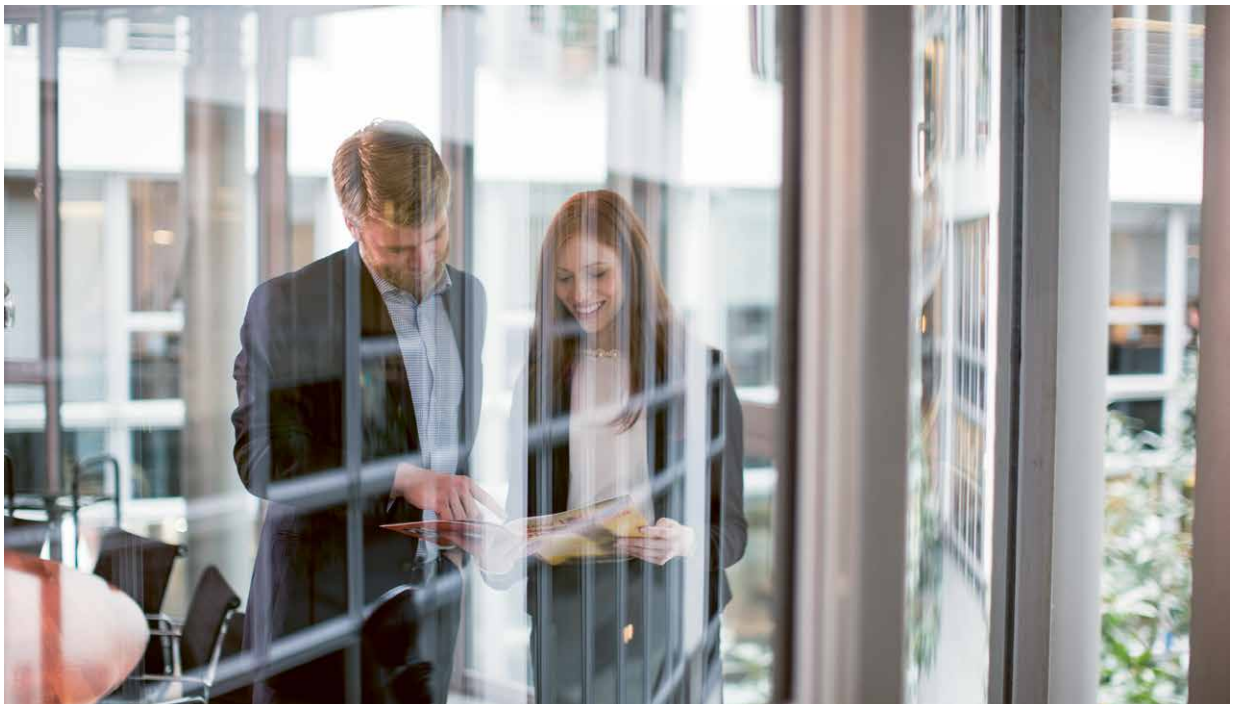
DIVERSITY AND EQUAL OPPORTUNITIES

– 405/103, 406/103

As a global company with offices on all five continents, diversity among our staff plays a central role and is a normal feature for us. With their various cultural and social backgrounds, our employees bring different perspectives, experiences and ways of thinking to our Company, thereby enriching it. We firmly believe that this allows us to progress as a Company at all levels. We benefit from the cultural, social and linguistic differences in our daily communication and achieve better results thanks to the different mentalities and perspectives. Furthermore, our employees develop a better understanding and greater

tolerance of distinctive cultural features and differences, which also benefits them outside the organisation.

We are expressly committed to the diversity recommendations of the Government Commission for the German Corporate Governance Code and have firmly incorporated the objectives of the Diversity Charter into our corporate culture. We foster the talents of all our employees irrespective of gender, nationality, ethnic origin, religion and ideology, disability, age, sexual orientation and identity. One of our goals is to include people with disabilities in our operational workflows and the social life of our Company in the same way as any employee. –102-12



We hire new employees worldwide solely on the basis of their qualifications, motivation and performance ability. We follow country-specific regulations in this respect, such as the German General Act on Equal Treatment (AGG). For our employees at sea, e. g. this can relate to their suitability for sailing, a high degree of flexibility and technical manual skills.

As at 31 December 2017, the proportion of women in management positions was around 12%. We want to continue to increase our employees' and managers' awareness of the issue of diversity across the Group through regular events, such as self-marketing for women, the Women's Business Talk, intercultural awareness simulation and other forms of intercultural training. The Women's Business Club (WBC) in Hamburg is particularly successful. Since 2015, young female managers have been offered opportunities for further training as part of this initiative and can engage with experienced female managers at the third and fourth management level. We want to roll this idea out in all regions in 2018. — 405-1



COMMUNICATION BETWEEN EMPLOYER AND EMPLOYEE

A positive relationship between employer and employee is important to us. For this reason, we place great importance on flat hierarchies, short decision-making channels and transparent communication throughout the various management levels.

Our top management practises an open-door culture. In principle, this means that every employee can get in contact with every manager. For example, employees can register for "Breakfast with the Board" every two months or invite an Executive Board member to a department meeting as part of the "Book a Board Member" initiative. They can get to know second and third level managers better at events such as the weekly "Lunch with the Management".

To ensure that mistakes do not remain undiscovered and that employees can learn from them, honest feedback is expressly desired at Hapag-Lloyd. We train our managers to provide prompt and regular feedback as well as to actively request it. And naturally, we also ask our employees to give feedback to their managers.

In 2016, we conducted a Group-wide survey of our employees on land based on the Organizational Health Index (OHI) survey developed by McKinsey, with a total of 4,154 employees taking part. The aim of the survey was to obtain an assessment of the Company's performance drivers. Out of more than 1,300 global companies, we achieved a result at the upper end of the third quartile. As a result of the survey, we launched the Global Staff Dialogue for all employees worldwide. We also discussed the OHI results with the departments on a solution-oriented basis during 67 workshops with around 800 participants worldwide.

HEALTH AND SAFETY



EXCELLENT CARE ON BOARD:

A medical emergency on the open sea is always something to be taken seriously. If a medical emergency is reported on a Hapag-Lloyd ship, it can be handled remotely by a medical advisory service. Key information such as the type of injury and the patient's vital signs are communicated by email and phone. Hapag-Lloyd is also currently testing a comprehensive telemedicine solution which involves a live (video/audio) connection being established between the ship's crew and the doctors in the event of an emergency, allowing advice to be given and a possible diagnosis to be made in real time.

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MANAGEMENT APPROACH – 403/103

Hapag-Lloyd pays a great deal of attention to workplace safety, health promotion and preventive measures. To maintain the long-term ability of our employees to work, we have implemented high health and safety standards across the Group that exceed the minimum statutory requirements. This also enhances our attractiveness as an employer. – NfR

Due to the importance of occupational health and safety, these issues primarily rest with the HR department on land both at Group level and in the individual regions. Furthermore, it is the responsibility of managers to ensure that all the relevant regulations are complied with and that the Group's internal guidelines are implemented. – NfR

We already meet very high occupational health and safety standards at present. Our goal is to continue doing so, while also transferring local best practices to other locations. – NfR

Our Occupational Safety Committee in Germany meets on a regular basis. The committee comprises the company management, the occupational safety manager, the company doctor, representatives of the Works Council and the safety officers. At these meetings, the members discuss occupational health and safety issues, agree on areas of action and take decisions on measures to be implemented. – NfR

In 2006, we implemented a Works Council agreement in Germany, which clearly subscribes to the workplace health promotion. It serves as a guidance framework enabling us to identify areas of action and implement measures to improve health promotion within the Group. – NfR



Fleet management is responsible for employees at sea. Its duty is to ensure that ship operations are safe. The Group's occupational health and safety standards also apply on board our ships. These are embedded within operational workflows via our safety management system (SMS), which encompasses all our occupational safety processes and measures. Risks and the effectiveness of the activities are also documented as part of hazard assessments, as well as in reports, such as the Occupational Health Report for our ships registered under the German flag. – NfR

Areas of action can take two forms: preventive, such as inspections, reports from our ships or the procurement of the latest safety equipment, and corrective, such as accident investigations, reporting of near accidents, changes to the law or the identification of hazards through research and scientific studies. The results of the analyses are used to develop corresponding safety measures. – NfR

SAFE SHIP OPERATIONS – 403/103

Fleet management is primarily responsible for ensuring that our ship operations are safe. We focus heavily here on our employees' health and safety on board, and this is also closely linked to protecting our fleet, cargo and the environment. – NfR

The safety management system (SMS)

In the interest of sustainable development, we have, among other things, identified four areas in our SMS that reflect the objectives of our Safety and Environmental Protection Policy: – NfR

- Safety on board: our safety system is characterised by a comprehensive package of preventive and other measures – ranging from state-of-the-art technical standards to operational workflows – which allows us to guarantee the safety of people and ships as well as cargo and our property. – NfR
- Occupational health and safety: an extensive and appropriate range of safety measures enables us to minimise as effectively as possible the risks to human life and health that result from operating a ship. – NfR
- Maritime security: with effective security systems that prevent non-authorized persons from gaining access, e. g., we can identify and minimise the risk of outside attacks. – NfR
- Environmental protection: our safety systems also include measures to prevent or minimise environmental pollution. – NfR

To ensure an efficient implementation of the SMS, it is necessary that Hapag-Lloyd managers and employees fully subscribe to our Safety and Environmental Protection Policy. There are clear processes and principles in place to ensure that employees are familiar with the content of the policy and that they apply this policy, along with the SMS and other standards and guidelines within their area of responsibility at all times. – NfR

As part of our management review system, we continuously develop our SMS – e. g., through inspections and regular meetings. Based on reports from our ships on every incident, accident or near accident, we decide whether operational workflows need to be improved. We communicate these decisions to the ships affected, implement measures and evaluate their success. – NfR

Audits

We conduct internal and external audits to ensure that all statutory and internal requirements regarding occupational health and safety are met. The internal audits to verify compliance with the ISM and ISPS Codes¹ as well as the ISO, OHSAS and MLC regulations² are conducted by us annually on all our ships. We carry out external ISM, ISPS and MLC audits on each of our ships every two-and-a-half years, and the ISO 9001 and 14001 audits occur regularly on a set number of ships. – NfR

For newly built ships, the ISM/ISO/ISPS and MLC audits take place within six months. Any deviations from the requirements are documented in audit reports. We are required within a clearly defined period to implement corresponding remedial measures, which are subsequently evaluated. – NfR

In 2017, all certificates, the so-called Safety Management Certificates (SMCs) and International Ship Security Certificates (ISSCs), which confirm compliance with the ISM and ISPS Codes were issued without any reservations. – NfR

1 ISM = International Safety Management;
ISPS = International Ship and Port Facility Security
2 OHSAS = Occupational health and safety Assessment Series;
MLC = Maritime Labour Convention

In all, we carried out more than 100 internal and 50 external audits in 2017. – NfR

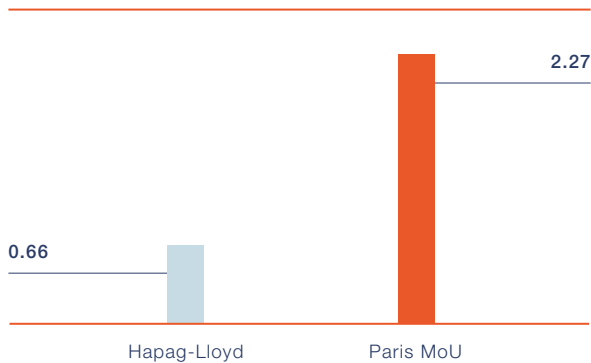
Port state control (PSC)

Every port state is permitted to check any ships docked in its ports without giving prior notice to establish whether the ships are in compliance with the applicable international agreements on occupational health and safety regulations which the port state has ratified. These port state controls (PSCs) involve examining the ships’ condition and equipment and checking that they are being operated properly by their crew. – NfR

In nine regions at present, several countries have signed Memoranda of Understanding (MoUs) and joined together to create port state controls. These regional PSC organisations also conduct concentrated inspection campaigns for certain key issues. In 2017, these were: “Safety of Navigation” (Paris, Tokyo, Viña del Mar, Indian Ocean, Abuja & Black Sea MoU), “Life Saving Appliances” (Caribbean MoU) and “Crew Familiarization for Enclosed Space Entry” (Riyadh MoU). – NfR

In 2017, 90 PSCs were conducted on our ships registered under the German flag (previous year: 71) and an average of 0.66 deficiencies (previous year: 0.69) were identified. The comparison with the average global deficiency rates (e. g. Paris MoU 2,27 (2017) and Tokyo MoU 2,57 (2016)) and the positive development of our deficiency rates in recent years are evidence of the success of our safety management system. – NfR

AVERAGE DEFICIENCY RATE* (2017) – NfR



* of Hapag-Lloyd ships registered under German flag

Crisis management

In order to prevent or minimise injuries to people and damage to ships and the Company in crisis situations, we created an Emergency Manual. It clearly specifies the following priorities: – NfR

1. Save lives
2. Save the ship
3. Protect the environment
4. Prevent damage to the Company – NfR

If an incident occurs, we deploy an Emergency Response Team (ERT) comprising representatives and experts from all the relevant Hapag-Lloyd departments as well as representatives from external institutions. The team has the necessary expertise to effectively coordinate the situation and, if necessary, provide the required assistance. The team is contactable around the clock for our own ships and for charter ships. Clear responsibilities and reporting channels ensure that, in crisis situations, the Executive Board can also be informed as quickly as possible. – NfR

Piracy and terrorism

In contrast to issues relating to (occupational) safety, where there are clear cause-and-effect relationships, piracy, and in particular terrorism, cannot be predicted. Although there are rough guidelines for averting danger, such as the IMO’s Best Management Practices for Protection Against Somalia Based Piracy (BMP4), there is no consensus on which regions exhibit which risks and how these should best be dealt with. This makes it necessary to examine each situation individually and, if necessary, adopt measures. Furthermore, we place great importance on monitoring different, unrelated sources of information, as they provide us with a comprehensive view of which risks the regions traversed might exhibit.

All our ships follow the recommendations of BMP4 as a matter of principle. In addition, we perform ship and route-specific risk assessments for every ship based on independent sources of information. We review and update these assessments continuously, at least once a year, to ensure that we can respond to changes immediately.

OCCUPATIONAL HEALTH AND SAFETY

The safety of our employees and the protection of their health are our top priority. To ensure that we fulfil this priority in the long term, we develop specific preventive and corrective measures. We maintain a continuous focus here on the different challenges faced by our employees on land and at sea. – NfR

OCCUPATIONAL SAFETY – 403/103

For the majority of our employees on land, the risk of injury or illness is not particularly high, as they primarily perform office tasks. Employees who work in facility management or in kitchens, warehouses or ports, as well as employees on business trips, receive training from us in accordance with the specific requirements and risks. Business trips, e.g., involve different safety risks depending on the destination, and we address these as part of travel safety training. In 2017, we also set up a central emergency phone line that our employees worldwide can call if they need to. – NfR – 403-3

Ship operations involve specific hazards, such as noise pollution, sun exposure, high temperatures in the workplace, irregular sleeping times and the risk of accidents occurring, e.g., as a result of the motion of the ship during travel and the physically confined conditions on board (see Safe ship operations on p. 33f.) – NfR – 403-3

We record and investigate all safety-related incidents within the Group and adopt appropriate measures to improve occupational safety and prevent accidents. In 2017, 55 (Hapag-Lloyd AG: 23) accidents were reported worldwide, 29 (Hapag-Lloyd AG: 16) of which involved employees at sea. In 2017, there were no fatal accidents either on land or at sea. – NfR – 403-2

OCCUPATIONAL ACCIDENTS AT SEA – NfR

13.6 per 1,000 employee (Hapag-Lloyd AG: 13.1)

For employees at sea, reportable accidents resulting in at least three days' absence are included.

OCCUPATIONAL ACCIDENTS ON LAND – NfR

2.5 per 1,000 employee (Hapag-Lloyd AG: 3.3)

For employees on land, accidents resulting in at least one day's absence are included.

OCCUPATIONAL HEALTH

We counteract the biggest health risks on land, including lack of movement, posture damage and vision disorders, using a wide range of health-promoting and preventive measures. We are particularly proud of the company sports club, which was set up in Hamburg in 1953 and has around 500 members. In summer, we regularly organise exercise initiatives, such as the step-counting competition in 2017. We also offer preventive medical examinations in Germany, such as eye examinations, to identify any incapacitating conditions at an early stage and counteract them.

Focusing on prevention

A particular feature of our health promotion activities is our role as a principal supporter of the company health insurance fund pronovaBKK. Through our activities on the Board of Directors, we play an active role in structuring and directing the health insurance fund. This allows us to work with the fund to develop and implement health-promoting measures and preventive medical examinations for our employees in Germany. For example, employees on land receive free preventive medical examinations such as bowel cancer screening, skin screening, cataract and osteoporosis examinations and flu vaccinations.

At our Hamburg facilities, our company doctor service offers additional health services. These include primary care for acute complaints, identification of risk factors via blood tests and individual consultation for employees, in particular on health and nutrition. In partnership with pronovaBKK, we also run health days on specific issues once or twice a year. We will continue to expand these measures and initiatives in the future.

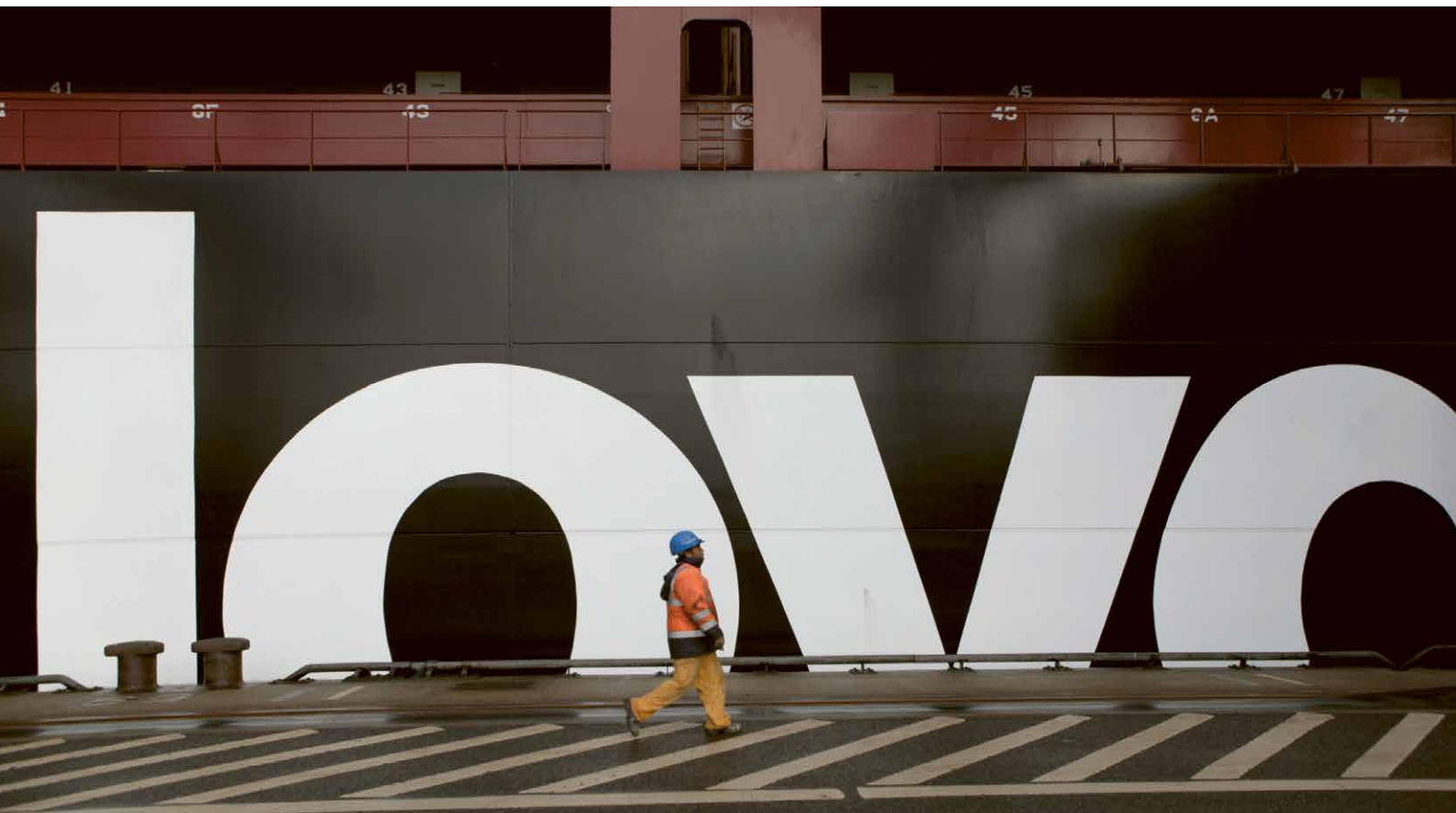
Globally we always adapt the initiatives developed and implemented by us to particular regional requirements. For instance, Region North America supported the Breast Cancer Awareness Month in the USA once again in 2017. In other countries such as the UK, we work with external consultancies which employees can contact in confidence if they are experiencing emotional difficulties.

Health management at sea

On the open sea, the physical distance from medical care poses particular challenges in terms of our health management activities. We therefore take specific measures to protect the health of our employees at sea. For example, as a basic prerequisite for deployment on our ships, employees must be certified as fit to work at sea in accordance with the requirements of the Marine Labour Convention (MLC), which are incorporated into marine labour law. We continuously monitor these through software-assisted reviews in order to assess the validity of our employees' certifications as fit to work at sea.

Furthermore, we minimise the health risks of employees at sea through preventive measures such as medical checks and voluntary vaccinations. In 2017, e.g., we administered numerous vaccinations worldwide and trained our cooks in healthy eating on board.

Our high technical communication standards on board also allow us to provide medical care with the help of land-based medical centres. In addition, we are continuously working to make improvements in the area of telemedicine, e.g., through live videos or audio links with doctors.



DANGEROUS GOODS – 306/103

Some of the goods transported by us are classified as dangerous goods under the IMDG Code (International Maritime Dangerous Goods Code). These include containerised bulk goods, mineral oil products and chemicals. To guarantee the safety of people and ships when transporting these types of goods, we ensure that both our employees on land and at sea, and our customers adhere strictly to applicable laws and internal guidelines. – NfR

For the transportation of dangerous goods, our most important principle is that we do not transport any dangerous goods unless they meet all international, national and local laws and guidelines in full. These include the IMDG Code, 49 CFR (US regulations), the German Ordinance on the Transport of Dangerous Goods by Sea (GGV-See) and the German Dangerous Goods Officer Ordinance (GbV). Apart from these, there is a range of additional laws and regulations which are specific to transportation companies and which we adhere to. – NfR

Various aspects of a particular good are used to identify the potential danger that it exhibits. These include the dangerous goods class, the global UN number, the chemical composition, the external temperature and the moisture content. This potential danger determines the specific requirements for transportation. – NfR

Regulations and processes

To overcome the complex challenges arising from the transportation of dangerous goods, we have implemented further regulations that exceed statutory requirements in line with the “Rules of Good Seamanship”. For example to protect crew members and the cargo in the event of a fire, dangerous goods may not be stored behind or in front of superstructures in which the crew members live. Dangerous goods may not be stored on the outward sides of the ships either in order to protect the cargo from being struck by waves, from pirate attacks or in the event of a ship collision. – NfR

All mandatory regulations and work processes relating to dangerous goods are detailed in our Hapag-Lloyd Dangerous Goods Manual. This manual is used by our dangerous goods experts as well as by all relevant parties, such as ship planners and Port Terminal Operations. – NfR

“The international transportation of dangerous goods is a particular challenge due to the large number of local, national and international laws and regulations.”

Ken Rohlmann, Senior Director
Cargo Service / Dangerous Goods



It also includes the Restricted List, which contains all the goods that we do not transport for risk-related reasons even though it would be legally permissible to do so. We continually update this particular part of the manual, if it is necessary to do so as a result of changes in risk assessments. – NfR

We ensure that dangerous goods are properly handled in ports and on ships by our dangerous goods experts in the various regions. They examine every single dangerous good to check that it complies with statutory requirements and that it is loaded on board in accordance with the applicable laws. The dangerous goods experts report regularly to the central Hapag-Lloyd dangerous goods officer. – NfR

The Cargo Patrol System

We are also the only shipping company to have established a system that can search for undeclared dangerous goods using key words. Our Cargo Patrol System, as it is called, has received several international awards. In 2017, we inspected our cargo for dangerous goods, and in 2,711 cases we refused to transport what were undeclared dangerous goods. Our long-term aim is to make Cargo Patrol available to our competitors in partnership with IBM in order to improve safety in the transport chain across the industry. – NfR

Dangerous goods training

Well-trained employees are a key factor in identifying irregularities and conspicuous features. The Hapag-Lloyd dangerous goods officer therefore provides the relevant employees, e. g., captains and cargo officers, with regular training in accordance with the IMDG Code, GGV-See and 49 CFR. – NfR

From 2013 to 2017, Hapag-Lloyd has transported over 1.6 million TEU of dangerous goods. Since January 2012, there has been no reportable accident involving dangerous goods transported by Hapag-Lloyd. – NfR – 306-3

Since 2012: Zero

reportable dangerous goods accident – NfR

Initiatives and memberships

We are both a founding member and an active Board member of the Cargo Incident Notification System (CINS). CINS is a unique association of carriers, insurers and experts which was established in 2011 to collect and analyse worldwide information about accidents involving cargo or containers in a shared database. It also provides companies with a platform to engage in a transparent exchange of experiences and best practices. The initiative aims to identify positive developments at an early stage, as well as those requiring critical action, and to improve operational safety in the transport chain. – NfR

The high number of leaks and incorrect declarations is the biggest challenge in this area. To overcome this problem, CINS draws up specific sets of guidelines, three of which have been published to date. Another four are in the process of being drawn up. Within this context, we also report all our Cargo Patrol findings in order to warn our competitors about incorrectly declared cargo. – NfR

In addition, we are involved in the dangerous goods unit of the German Shipowners' Association (VDR). – NfR

THE TRANSPORTATION OF CHARCOAL – NfR

Charcoal poses an increased fire hazard to our ships, though it does not have to be declared as a dangerous good. An internal requirement therefore stipulates that charcoal cargo which is not labelled as a dangerous good must always be declared as special cargo. This enables us to take special preventive measures, such as storing it on deck in an accessible manner to ensure that a potential fire can be tackled effectively.

DIGITALISATION AND DIGITAL SECURITY



ALWAYS IN THE KNOW:

The Fleet Support Center has been compiling and analysing information about Hapag-Lloyd fleet operations and processing it for further use within the Company since 2013. For example, it assists with optimising ship utilisation, creating consumption profiles or avoiding non-operational time at ports, thereby making a significant contribution to lowering costs.

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DIGITALISATION

Digitalisation provides us with opportunities to make our business operations and processes more efficient and secure and to optimise communication with our customers. We carefully examine the associated risks and rewards in order to make optimal use of the potential offered by technological developments. – NfR

It is our fundamental aim to increase quality and revenue by means of digital solutions and, at the same time, reduce costs. In this regard, we have been successfully supported by digital systems for decades. In the 1990s, e. g., we introduced the freight information system (FIS), in which we systematically record key data about cargo along the transport chain and make it available to our business partners, customers and other related parties. Based on the “one file per shipment” system, we ensure that data for each shipment is only entered once and that it can be easily retrieved by any users in our global network.



*“The FSC helps us
to optimise processes
and reduce costs.”*

Nikhilesh Bhatia,
Manager Fleet Support Center

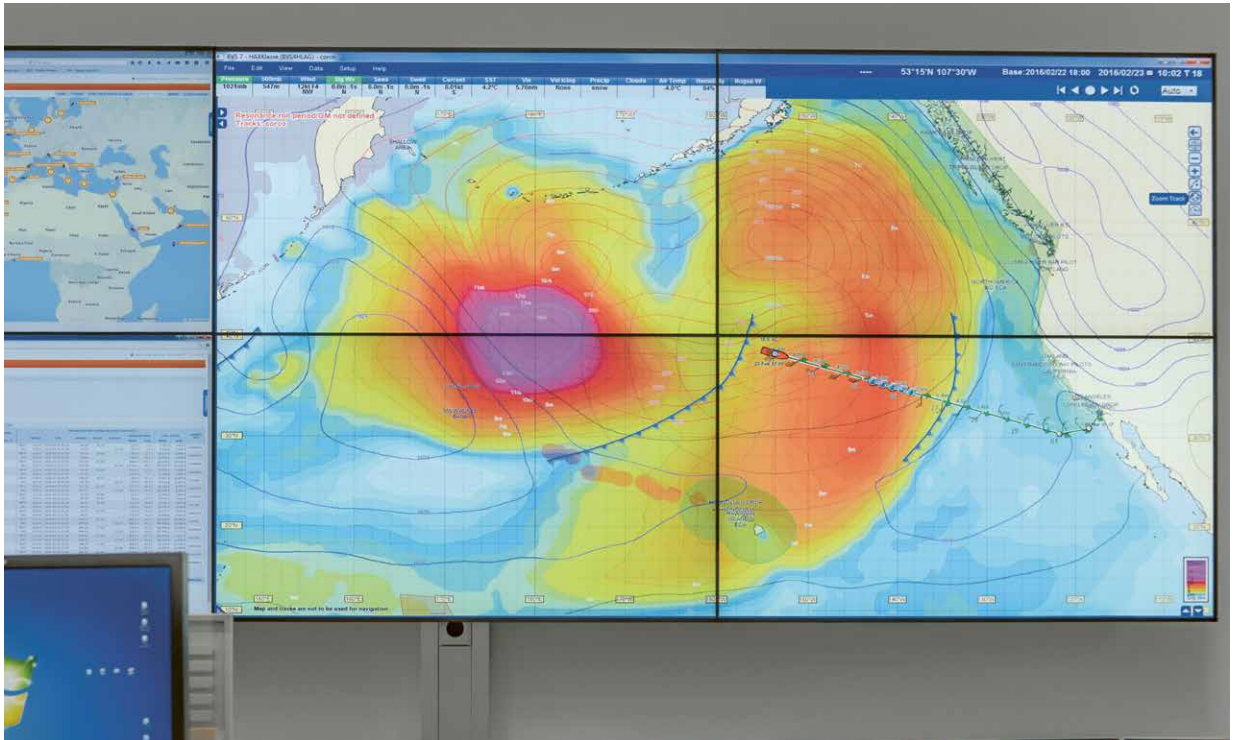
We established the Digital Channel & Incubation Unit (DCIU) in 2017. This new specialist department will work together in the future with the various regions and our IT department to develop new, digitally available services and business models.

Digital solutions at the Fleet Support Center (FSC)

The FSC was established in 2013 and serves as a point of contact for issues relating to ship operations. Among other things, it coordinates the issues for which the responsibilities have not been clearly defined and for which the regions or specialist departments have pursued different approaches, such as in stowage planning, i. e. planning the loading of ships, and in speed and trim management, i. e. optimising the ship’s speed and trim at sea. The FSC enables us to make our processes more efficient and reduce costs. – NfR

Using business intelligence tools, such as QlikView, Tableau and Navigator Insight (NI), the FSC manages the Group-wide reporting of issues relating to ship operations. It continuously works on improving data quality in the systems, and in 2017 it implemented data availability in the different areas. – NfR

The NI software can be used to create detailed consumption profiles of our ships. At least once every 24 hours, the system uniformly records fuel-related data, such as quality, bunker supplies, daily consumption, time of fuel conversion on journeys in protected areas and event-related information, such as arrival, departure, waiting times at sea and bunker processes. The data is automatically validated when it is being entered. With this tool, we can also ensure that reporting is standardised for charter ships. – NfR



The fleet decision support system (DSS)

The FSC uses the fleet DSS to collate weather, geographical, route and operating data from various different tools, including from the NI system, and to visualise this data if needed. This enables us to monitor our fleet in port and at sea with relatively little input. – NfR

The system alerts us to any discrepancies between actual and expected values, such as a deviation from the suggested route or from the expected bunker consumption. Based on this, we develop improvements and evaluate their success using the fleet DSS. In addition, we can use the data evaluated to optimise the capacity utilisation of our ships while in port, whereby the system suggests structural changes on board the ships based on the cargo mix. – NfR

The data analysis also helps us to reduce operating idle times. Effective stowage planning facilitates swift loading and unloading, enabling us to implement a lower speed profile when the ship is at sea. The system also provides

our captains with a range of information, including on weather and currents, so that they can optimise the ship's trim, speed and route. – NfR

Positive results

In 2017, these measures saved us a double-digit million-euro amount in bunker purchases and increased the capacity utilisation of our ships by 4,000–5,000 TEU per month. The FSC also plays a key part in ensuring that routes are provided as scheduled, which has a major effect on adherence to timetables and customer satisfaction. – NfR

We share information about the data recorded in the fleet DSS with relevant business partners on a transparent basis. This enables us to use the empirical data regarding structural changes on chartered ships for our own fleet and to examine the extent to which our business partners adhere to the contractually agreed minimum performance of their ships. – NfR

ROUTE OPTIMISATION

Ensuring that our fleet operates efficiently and as scheduled is a challenging task for us, since other factors continually arise in day-to-day operations and have to be coordinated. For example, currents and water depth have a major effect on the speed selected. Improved digital solutions enable us to incorporate these variables into our decision-making at an early stage and coordinate our routes accordingly. – NFR

Every day, our ships cover vast distances on the world’s oceans. When planning these journeys, we have to take into consideration both strict timetables and the significant volume of bunker consumed. By selecting an optimal route, we can ensure that delivery is on time and that costs and emissions are reduced. When choosing an optimal route, we incorporate strategic, tactical and operational factors into our considerations, although the safety of people, ships and cargo is always the top priority. – NFR

Strategic aspects include the arrangement of the schedule, timetable planning and the distance to the destination. Here, we always use the best-possible data basis, as the same route can have distinctive seasonal features, e.g., which we must take into account when arranging the schedule. – NFR

We incorporate tactical aspects into route optimisation at shorter notice, e.g. if difficult weather conditions mean that alternative sea routes are better. – NFR

We primarily decide on operational aspects in day-to-day operations during the journey, e.g. by taking advantage of favourable winds or currents. – NFR

The Fleet Support Center provides assistance at all stages of the route planning and implementation process. It makes important data available (see Digitalisation, p. 40f.) and communicates with service providers, such as companies that specialise in weather forecasts. If needed, it also acts as a qualified point of contact for the fleet and various specialist departments. – NFR



DATA PROTECTION AND DIGITAL SECURITY – 418/103

The importance of protecting personal and operational data and maintaining digital security has increased significantly in recent years, both for our customers and suppliers, and for our employees. And also for us, as a global service company, these issues are extremely relevant for ensuring smooth and secure business operations. – NfR

A particular challenge for us in the area of data protection is the heterogeneous nature of the legal situation in individual countries. In this regard, the EU General Data Protection Regulation, which comes into force in May 2018, is one of the most stringent regulatory frameworks in the world and provides us and our customers with a further important basis for ensuring data protection. – NfR

We are also continuously confronted with new IT threats which we have to protect ourselves and our customers against. For us, this means that we not only review our technical infrastructure on a continuous basis, but also train our employees on these issues. – NfR

We have already implemented very high technical and procedural standards in many areas of our Company, enabling us to differentiate ourselves from our competitors. The standards relate not just to people, ships and cargo, but also to the security of our IT landscape and to data protection. They enable us to meet our customers' specific requirements, such as those placed on us by the central Compliance and Legal departments of major customers as a result of the introduction of the EU General Data Protection Regulation. Furthermore, sensitive data, such as employee data and information about cargo, is subject to separate technical and legal requirements which we factor into all our measures. – NfR

Our employees and external service providers are always required by us to comply with the highest security standards. Whenever we handle sensitive data, such as through the use of cloud solutions, we use special processes to ensure the greatest-possible data security. Here, we decidedly analyse, assess and document the risks being entered into. – NfR

Organisational integration of IT security and data protection

Responsibility for data protection and data security within our Company does not lie with one individual organisational unit, but rather with the respective business units worldwide. The Corporate Data Protection Office, which is located at our headquarters in Hamburg, advises the central departments, regions and areas, on compliance with standards under data protection law. – NfR

Almost every region and every area has a data protection officer. This person ensures that the Group's standards and the local regulatory requirements are implemented, and is available to employees and external parties on site as a point of contact. – NfR

An IT security team is responsible for the security of our central IT systems and for monitoring, managing and improving them. In order to stay up to date with current threats, the team maintains continuous communication with external security experts. Security incidents, such as cyberattacks and emails containing malware, are logged via a ticket system and processed by the team. – NfR

Security of the operating systems

A separate security review is conducted for the security of the operating systems on our ships. The systems essential for ship operations are not connected to our IT system on land, which means that there is currently no risk of cyberattacks. However, we will prospectively have to take preventive security measures as soon as we acquire new ships that have technical external access capability. – NfR

We are aware of these new requirements and are actively preparing for them – also so that we can meet the requirements of the ISM Code in 2021 (see Safe ship operations, p. 33f.). In addition, the International Association of

Classification Societies, which sets the minimum technical standards in shipping, has decided to prospectively incorporate a cybersecurity test into its classification programme. The initiative aims to implement mandatory security standards in 2021 which, among other things, address the increased risk caused by operational technology applications on ships, such as remote access to the main engine. As such, cybersecurity will in future join the other conventional aspects of a ship's security and seaworthiness. – NfR

Informing and training employees

We place great value on ensuring that our employees are aware of security issues and we train them accordingly on how to handle information and data responsibly. Here, we pursue a blended-learning approach which combines several methods of learning. When changes to the law occur or new employees are hired, we generally conduct web-based training and on-site training with our data protection experts. Areas that handle sensitive data receive training from us on specific issues as part of risk-oriented corporate management. – NfR

At the start of 2018, we will introduce a new web-based training concept worldwide which will be supplemented by other blended-learning tools, such as virtual team meetings and FAQ sessions. – NfR

Data protection enquiries

Both our employees and local citizens contact us with questions on the issue of data security. Usually, they are looking for more information about how their data is processed by our Company. We are developing new processes so that we are prepared for an increase in enquiries and can promptly provide detailed information to those concerned. – NfR

We did not record any concrete complaints about violations of data protection policies in 2017. – NfR – 418-1



We received an enquiry from the authorities in Hamburg about our video surveillance system at our Ballindamm offices. We were able to resolve the situation in dialogue with the authorities. – NfR

Outlook

The experiences of the last year, in particular the NotPetya ransomware attack in summer 2017, have highlighted that the shipping sector is exposed to the same risks as other areas of the logistics industry. In future, it will therefore become more and more important for us to devote significant attention to the integrity and accessibility of our IT systems – and to go beyond legal requirements in terms of maintenance and security. The only way we can achieve sustainable success with digital business models and processes is by having sufficient data protection and IT security measures. To enable this, we will increasingly implement measures in the areas of endpoint security, security detection and security response. – NfR

ENVIRONMENTAL AND CLIMATE PROTECTION



LOW EMISSIONS THROUGH THE PANAMA CANAL:

Since 2015, the company that operates the Panama Canal has been using a specially developed tool to calculate the carbon emissions of the ships passing through the canal. It then publishes a monthly ranking. The canal operators also calculate the emissions the ships save by using the canal. As at November 2017, Hapag-Lloyd was ranked first among the 25 shipping companies listed.

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Ship recycling 52

MANAGEMENT APPROACH – 302/103, 305/103, 306/103

We are keenly aware of our responsibility to protect the environment and the climate as a result of our business activities. For more than 30 years, we have been implementing measures to reduce and prevent CO₂ emissions. We also have a “no garbage into the sea” policy, which we have been practising. Against the backdrop of changes in the global economic, legal and political environment, we regularly evaluate our measures and modify them where necessary. – NfR

Our responsibility towards the environment centres on our sustainability policy. This stipulates, among other things, that we should all take practical measures at our Company to prevent or reduce negative effects on the environment. We ensure that this happens by adhering to a range of environmental standards and certifications both at our sites and on our ships. The certifications include the global environmental and quality management standards ISO 9001 and 14001 as well as certifications on energy efficiency (EEDI¹ certification) and the prevention of oil, sewage and air pollution (including IOPP, ISPP and IAPP² certifications). – NfR

In organisational terms, environmental management for land-based operations is centralised with the Sustainability Management team, although the QEM delegates at the various locations ensure implementation globally. For sea-based operations, the Fleet Management area, and in particular the Environmental Management department, are responsible. – NfR

We regularly assess our compliance with the requirements of the standards and certifications as well as with applicable environmental laws and regulations by means of clearly defined processes and audits. With the Hapag-Lloyd blueprint approach, we can ensure, e.g., that our sites worldwide have identical organisational structures and integrated IT systems. – NfR

The external ISO 9001 and 14001 audits³ take place annually, in all regions and at our headquarters. The certification for our integrated quality and environmental management system was renewed in 2015 for the fourth time and reviewed in 2017 as part of the annual monitoring audit by DNV GL. The audits for our quality and environmental management system focus on issues such as occupational safety, employee training, customer focus and evaluation of service providers. In 2017, a total of over 140 (Hapag-Lloyd AG: over 90) internal and external audits were conducted worldwide. We use the results of the audits to continuously revise our processes. – NfR

We quantify the success of our measures by the degree to which both Group-wide and local environmental and quality objectives are achieved. We review these annually and update them if necessary. In addition, the specific CO₂ emissions per TEU-kilometre⁴ are expected to be cut by 20% by 2020 compared with the base year of 2016. – NfR



1 Energy Efficiency Design Index

2 IOPP = International Oil Pollution Prevention Certificate, ISPP = International Sewage Pollution Prevention Certificate, IAPP = International Air Pollution Prevention Certificate

3 Organisational units which were acquired as a result of the merger with UASC are not included here, as they were not yet part of the certification in the reporting period.

4 In accordance with the calculation method of the Clean Cargo Working Group (CCWG)

CLIMATE PROTECTION AND REDUCTION OF EMISSIONS – 102-11

Reducing the greenhouse gases released by our ships is the core aspect of our actions to protect the climate. Even though we currently have a relatively young fleet, we are continuously working to increase the climate friendliness of our ships. – NFR

EFFICIENT SHIPS – 302/103

We place great value on using the latest technologies and designs for the construction of new ships. However, we also adhere to this principle when it comes to modernising our fleet, and our excellent level of maintenance means that our ships can remain in operation for longer than average at up to 25 years. We have seen that investing in the efficiency of our ships has a positive impact in the long term on the environment and our competitiveness. – NFR

Specifications for newbuilds – 302-5

For every new ship that we build, we develop a design based on the latest technical efficiency and environmental standards. We use the energy efficiency design index (EEDI) category to determine the success of these efforts. It expresses the relationship between the engine output, specific fuel consumption and CO₂ factor on the one hand, and the capacity and speed of the ship on the other, so that an assessment of the energy efficiency can be made. In 2017, we put three new ships in the Valparaiso Express class into operation as well as two new ships in the A15 class. Due to the installation of the latest technologies, their EEDI rating was around 40% to 60% below the IMO reference line for similar ships. – NFR

Modernising the fleet to increase efficiency – 302-5

In order to increase the energy efficiency of our existing fleet, we are gradually retrofitting our ships with the “cold ironing” ship-to-shore connection on certain routes. This means that power is supplied from the on-shore electricity grid while the ship is docked at the port. As a result, the auxiliary engine is no longer used to produce electricity, and therefore almost no emissions are released. In 2017, we finished retrofitting the Yantian Express, and a further four ships are currently being retrofitted. In doing so, we are complying with the provisions of Californian



“By using the latest technologies and designs, we can continuously increase the efficiency of our ships.”

Lutz-Michael Dyck, Director
Technical Management

legislation. However, modernisation work is still needed in many ports in order to put in place the necessary technical prerequisites. – NFR

We can also significantly reduce fuel consumption and therefore CO₂ emissions by modifying the bow shape and propeller in line with the ships’ deployment profiles. These alterations reduce water resistance, making it possible to use engines with a lower output. In 2017, we modified the propeller on the Hamburg Express and optimised the bow shape on three ships in our fleet. – NFR

We are also installing more and more LED lights on board and switching our seawater pumps to frequency control, which enables optimised load-dependent pumping. These measures are also helping to cut CO₂ emissions by lowering electricity consumption on board. – NfR

However, our activities in this area extend beyond our own fleet. In 2017, e.g., we successfully lobbied the World Shipping Council (WSC) to commission an EEDI/ Safe Speed Study. Its purpose is to make a submission to the IMO Marine Environment Protection Committee (MEPC) on guaranteeing safe ship operations while maximising the reduction of emissions. – NfR

Energy consumption in fleet operations – 302-1, 302-3

With our Safety Management Manual (SMM) and Ship Energy Efficiency Management Plan (SEEMP), we have set clear guidelines to keep our bunker consumption, i.e. our fuel consumption, as low as possible. We continuously monitor adherence to the guidelines. – NfR

Our bunker consumption in 2017 totalled 3.93 million metric tonnes, which was a rise of around 25% on the previous year (previous year: 3.14 million metric tonnes). This increase was due to the growth of our fleet as a result of the merger with UASC. Around 13% of total consumption (previous year: 16%) consisted of low-sulphur bunker (MFO low sulphur and MDO). – NfR

Bunker consumption per slot (in terms of the container TEU capacities on an annual average on a weighted

monthly average of all ships operated for us in 2017) also decreased from 3.28 metric tonnes in 2016 to 2.85 metric tonnes. – NfR

2.85
tonnes

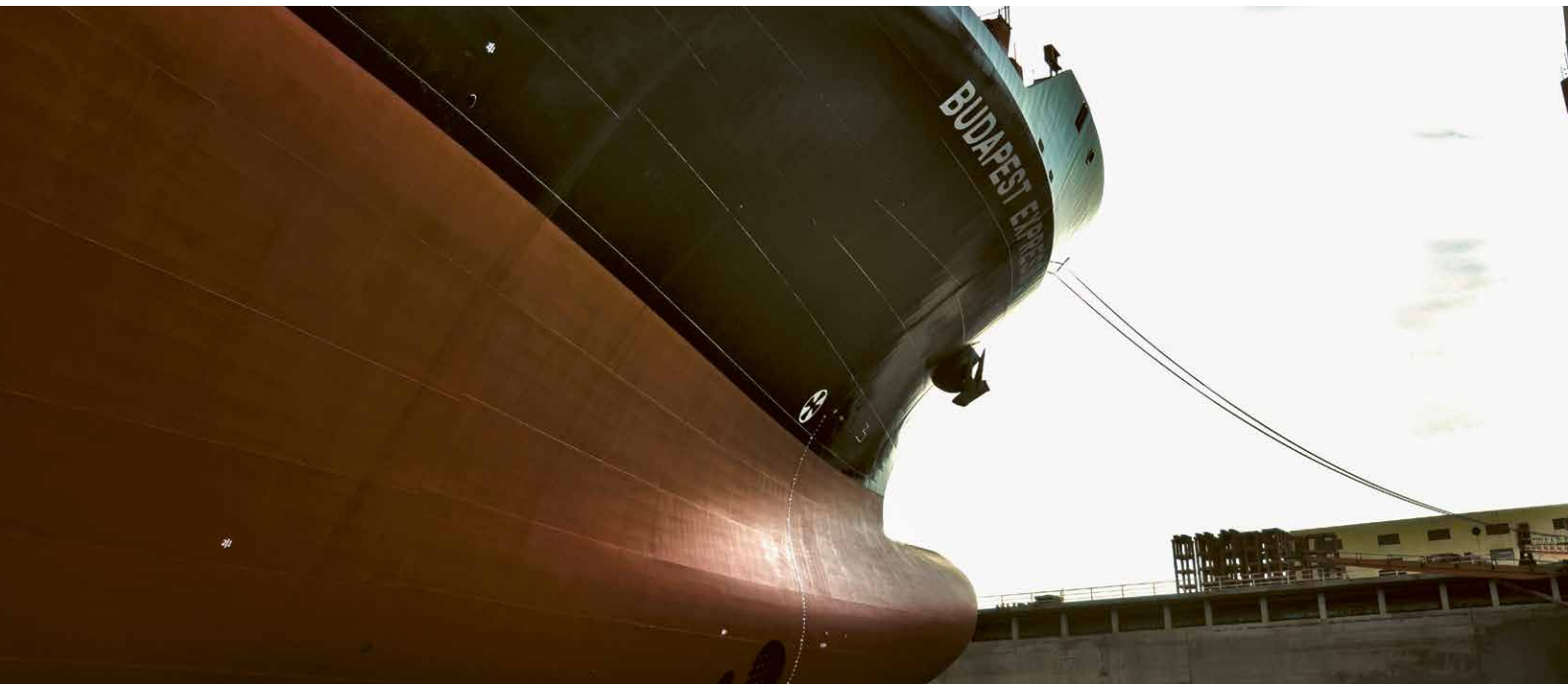
Bunker consumption per slot (in terms of the container TEU capacities on an annual average on a weighted monthly average of all ships operating for us in 2017) – NfR

CUTTING EMISSIONS – 305/103

The main drivers of our emissions are bunker consumption and bunker quality. Since 2007, we have cut our specific CO₂ emissions by around 46%⁵ through numerous measures. We want to ensure that this positive trend continues. Our expressed target is to reduce CO₂ emissions per TEU-kilometre⁶ by 20% by 2020 (base year 2016). – NfR – 305-1, 305-4

5 The reduction in specific CO₂ emissions based on the CCWG method relates to 2016. The value for 2017 was not yet available at copy deadline, as the external calculation was conducted downstream. – NfR

6 The value is calculated based on the CCWG method. – NfR



12,248,466 tonnes CO₂

in total (based on the bunker consumption of the fleet) – NfR

We have been a member of the CCWG for more than ten years now. This business-to-business initiative includes large shipping companies, global traders and producers that want to promote responsible shipping through standardised reporting. The shipping companies represented in the CCWG account for around 85%⁷ of the volume of the global container fleet. The CCWG publishes a yearly report that details the aggregated emissions of all members. It shows that we have continuously improved – by around 3% compared with 2015⁸. – NfR

Together with our partner Kühne + Nagel, we have undertaken to reduce CO₂ emissions in joint container transportation as part of our Carbon and Sustainability Pact launched in 2017. Our aim here is to cut CO₂ emissions

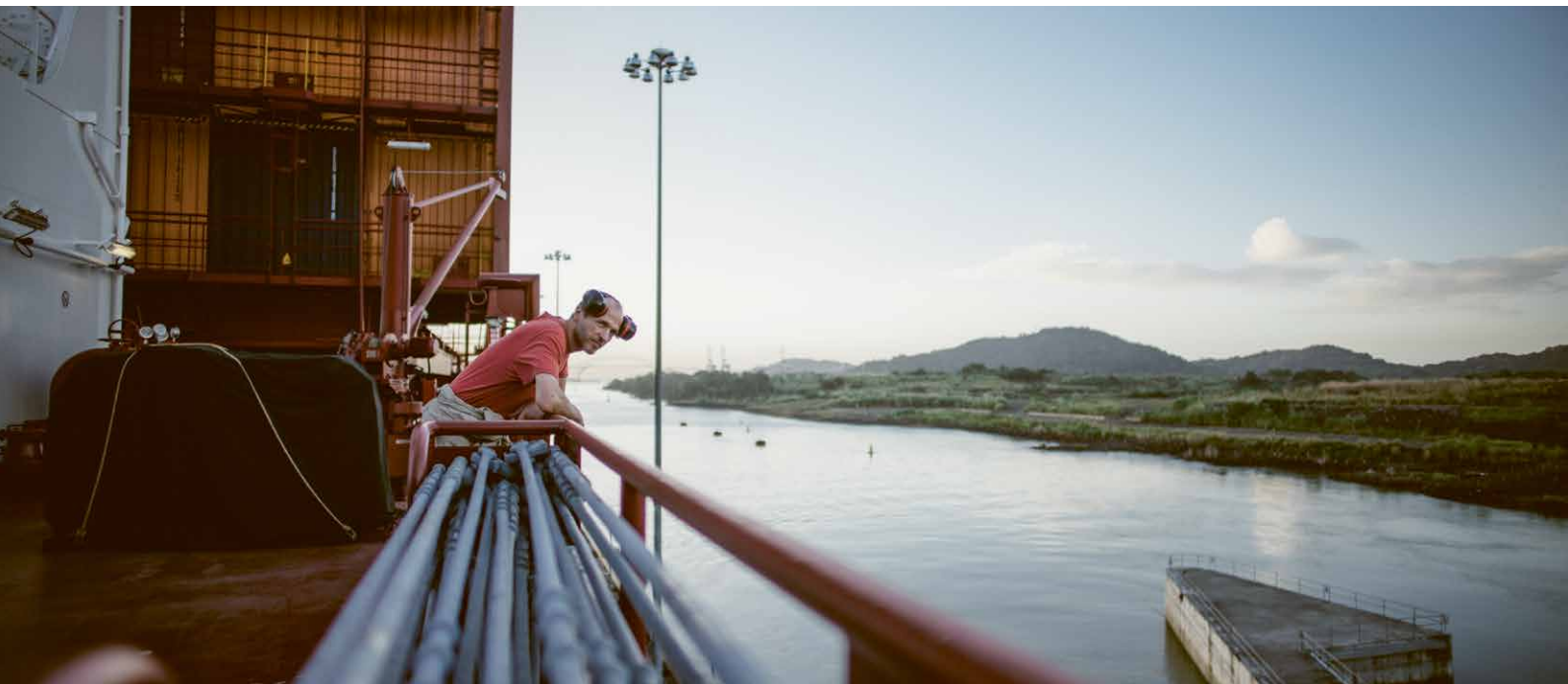
per container transported by Hapag-Lloyd by 17% between 2017 and 2020. We also want to implement additional measures to protect the environment, such as optimising empty container movements and using the latest reefer containers. – NfR

Furthermore, we are a member of the Global Logistics Emissions Council (GLEC) and the EcoTransIT World Initiative (EWI), an independent platform for transport companies, shipping agents and logistics service providers. In both of these initiatives, we are working to develop transparent evaluation criteria for the industry's impact on the environment, such as uniform calculation standards for emissions. – NfR – 102-13

We also support the objectives of the International Chamber of Shipping (ICS) as well as of the WSC and the BIMCO for the reduction of CO₂ emissions in current negotiations with the IMO and the United Nations Framework Convention on Climate Change (UNFCCC) in order to find the most effective ways of further reducing emissions in the shipping industry. – NfR – 102-13

⁷ This value may fluctuate due to market conditions and changes in membership. – NfR

⁸ The reduction in specific CO₂ emissions based on the CCWG method relates to 2016. The value for 2017 was not yet available at copy deadline, as the external calculation was conducted downstream. – NfR





48.3 grammes CO₂

per TEU-kilometre⁹ (based on the bunker consumption of the fleet) – NfR

The bunker that we purchase has an average sulphur content of 2.26%. This puts us well below the maximum amount of 3.5% required by the IMO for marine areas outside emission control areas (ECAs). Special statutory regulations on fuel quality apply to many of these special protection zones in order to improve air quality in coastal areas. As a member of the Trident Alliance and a participant in political forums, we campaign to ensure that the IMO's decision to restrict sulphur content to 0.5% throughout the industry from 2020 is adhered to. We are currently developing measures for global implementation on various expert panels¹⁰. – NfR

⁹ The specific CO₂ emissions based on the CCWG method relate to 2016. The value for 2017 was not yet available at copy deadline, as the external calculation was conducted downstream. – NfR

¹⁰ Including our own seat in the EC ESSF (European Sustainable Shipping Forum) and, as part of the WSC delegation, on the IMO MEPC (Marine Environment Protection Committee) and the IMO PPR (Pollution Prevention and Response) sub-committee. – NfR

We are also involved in the Maritime LNG Platform initiative, which examines the possibilities for using LNG (liquefied natural gas) as a fuel. In addition, we participate in voluntary environmental protection programmes at various ports. For instance, all of our ships are registered in the Environmental Ship Index (ESI). As part of this initiative, port companies reward ships with ESI scores significantly lower than those specified by the local port authorities.

Our customers can obtain transparent information about the various emissions in their transport chain using the EcoCalculator available on our website free of charge. The emissions are calculated based on data from the CCWG and EcoTransIT World.

We received accolades for our environmental action again in 2017. For the second time in a row, we were awarded the GoGreen Carrier Certificate of DHL Global Forwarding. The evaluation criteria were amongst other things CO₂ efficiency, transparency, ecological action and cooperation. We received the VFPA Blue Circle Award of Port Metro Vancouver for particularly environmentally friendly ships for the seventh time. The Panama Canal Authority also awarded us the Green Connection Award for the prevention of emissions.

ENVIRONMENTAL AND WATER PROTECTION – 306/103, 307/103

The waters that our ships travel through are sensitive ecosystems. We believe that we have an obligation to protect them to the extent that we are able to. For this reason, we not only comply with statutory requirements, but also attempt to exceed them wherever this is possible and practical. We also require our partners to follow suit in this regard. – NfR

BALLAST WATER

Ballast water enables ships to maintain their stability. To protect maritime ecosystems and prevent the spread of invasive species via ballast water, the IMO's Ballast Water Management Convention came into force in September 2017. It requires all container ships to implement a specific ballast water management plan. Our entire fleet already meets this requirement in full. In addition, a ballast water treatment system to purify ballast water must be installed on every ship within a mandatory time period of up to seven years. – NfR

The US Coast Guard had already issued regulations to protect American waters above and beyond the IMO's requirements. Only six ballast water treatment systems worldwide currently meet these stringent requirements, which is why exemptions are granted for a transition period in individual cases. We obtained authorisation from the US Coast Guard for our existing systems to be used as alternative management systems for a transition period. Meanwhile, we are in the process of gradually retrofitting all our ships so that they meet the requirements of the IMO and the US Coast Guard on time. – NfR

We regularly examine the water protection management systems that we have already implemented. Here, e.g., we draw on the number of substances released which are listed under the International Convention for the Prevention of Pollution from Ships (MARPOL) as well as on breaches of ballast water guidelines. During the reporting period, no such substances were released by our own ships, which are managed by our Fleet Management unit, nor were there any breaches of this kind. – NfR – 306-3, 307-1

Zero spillages

(including oil) affecting the maritime environment – NfR



SHIP RECYCLING – 301/103

The protection of people and the environment is a high priority for us that extends beyond the end of a ship's operations. Our Hapag-Lloyd Ship Recycling Policy reflects our objective of minimising negative effects on society and the natural environment when it comes to recycling our ships as well. We therefore insist that every newly built ship is equipped with an inventory of hazardous materials (IHM). In addition, the shipyard which recycles our ships must be certified in accordance with ISO 14001 and guarantee that it provides positive and safe working conditions. Furthermore, it must adhere to the guidelines of the Hong Kong International Convention for the Safe and Environmentally Sound Recycling of Ships even though they are not yet mandatory. And finally, to ensure that downstream disposal is environmentally sound, the shipyard should also fulfil the requirements of the EU SRR (Ship Recycling Regulation) insofar as possible.

In 2017, we recycled six ships in total. We selected a suitable shipyard for this purpose and drew up an IHM for each ship. We also appointed a recognised neutral organisation to determine the entire recycling process with the shipyard and to monitor and document this process as well.

Our Hapag-Lloyd Ship Recycling Policy highlights our objective of minimising the effects on society and the natural environment when it comes to recycling our ships as well.



SUPPLY CHAIN



CONTAINER FLOORS MADE OF STEEL:

In consultation with the customers and based on their expectations, Hapag-Lloyd seized the initiative in the area of shipping container development and developed a container floor made of steel. The solution, which has already been certified by, among others, DNV GL, boasts some considerable improvements in the areas of environmental friendliness, hygiene, stability and safety.

MANAGEMENT APPROACH 54

ENVIRONMENTALLY FRIENDLY PROCUREMENT 57

Bunker procurement 57

Container procurement 57

MANAGEMENT APPROACH – 102-9, 102-10, 301/103, 307/103, 308/103, 414/103

In order to provide our services, we source a significant volume of goods and services from numerous suppliers worldwide. With procurement volumes that are often large, in both material and financial terms, our sourcing activities make a value-adding contribution to Hapag-Lloyd.

The goods procured range from office materials and replacement parts for ships to containers, bunker and even 19,870-TEU container ships. Services primarily include transport and terminal services, but also maintenance, training and consultancy services. Due to the high technical standards and legal requirements, which often vary from region to region, as well as diversified market structures in individual industries and regions, our procurement structures are very complex. When making decisions on sourcing, we also have to take into consideration our agreements with partners in THE Alliance as well as any effects on the Group's capital structure.

In 2017, we procured goods and services worth around EUR 8,335 million (Hapag-Lloyd AG: EUR 3,555 million) (previous year: around EUR 7,336 million). The increase of EUR 999 million was mainly due to the rise in our procurement volumes as a result of the merger with UASC.

Our core business consists of services. For this reason, we do not calculate the percentage of renewable or recyclable materials for externally procured materials. However, when we decommission our ships, nearly all the component parts are recycled (see Ship recycling, p. 52). – 301-1, 301-2

Procurement organisation

When it comes to procurement, our main aim is to ensure availability and quality at the best-possible price.

Our procurement activities are primarily organised in line with demand and market structures. In order to optimally manage our procurement activities, we have a Global Procurement department which works with mandated procurement organisations to ensure the best-possible penetration of our purchased goods and services. Specifically,

this means harmonising procurement processes, utilising the potential for pooling and creating transparency.

For make-or-buy/sell-or-lease or invest decisions which require specialised knowledge, we have established our own organisational units and put them in charge of procurement.

For other needs, responsibility for procurement remains with the regions and areas, although functional management here is also ensured by Global Procurement. In this case, procurement managers from Global Procurement provide staff in the different regions with strategic and methodological support or actively assist them with the implementation of suitable measures.

This organisational structure allows us to ensure the best-possible quality of goods and services and to effectively combine it with organisational cost responsibility. Furthermore, the standardised global processes and systems, combined with the regional knowledge of the markets and their requirements, ensure that we can make optimal procurement decisions based on quality, availability and cost.

The mergers in recent years have significantly increased the complexity of our supplier structure due to the larger number of suppliers and purchased goods and services. This increased again with the latest merger. For this reason, we launched an extensive restructuring process for Global Procurement. In 2017, e.g., we established the new Methods, Processes and Controlling (GP MPC) department. GP MPC assists the procurement areas, e.g., in clearly assigning roles and responsibilities, creating efficiency in the procurement processes and increasing the effectiveness of procurement activities.

Supplier management — 308-2, 407-1, 414-2

Maintaining structured selection processes, assessing and developing our suppliers and systematically identifying and evaluating risks in the supply chain play a significant part in developing long-term and trustful relationships with our partners.

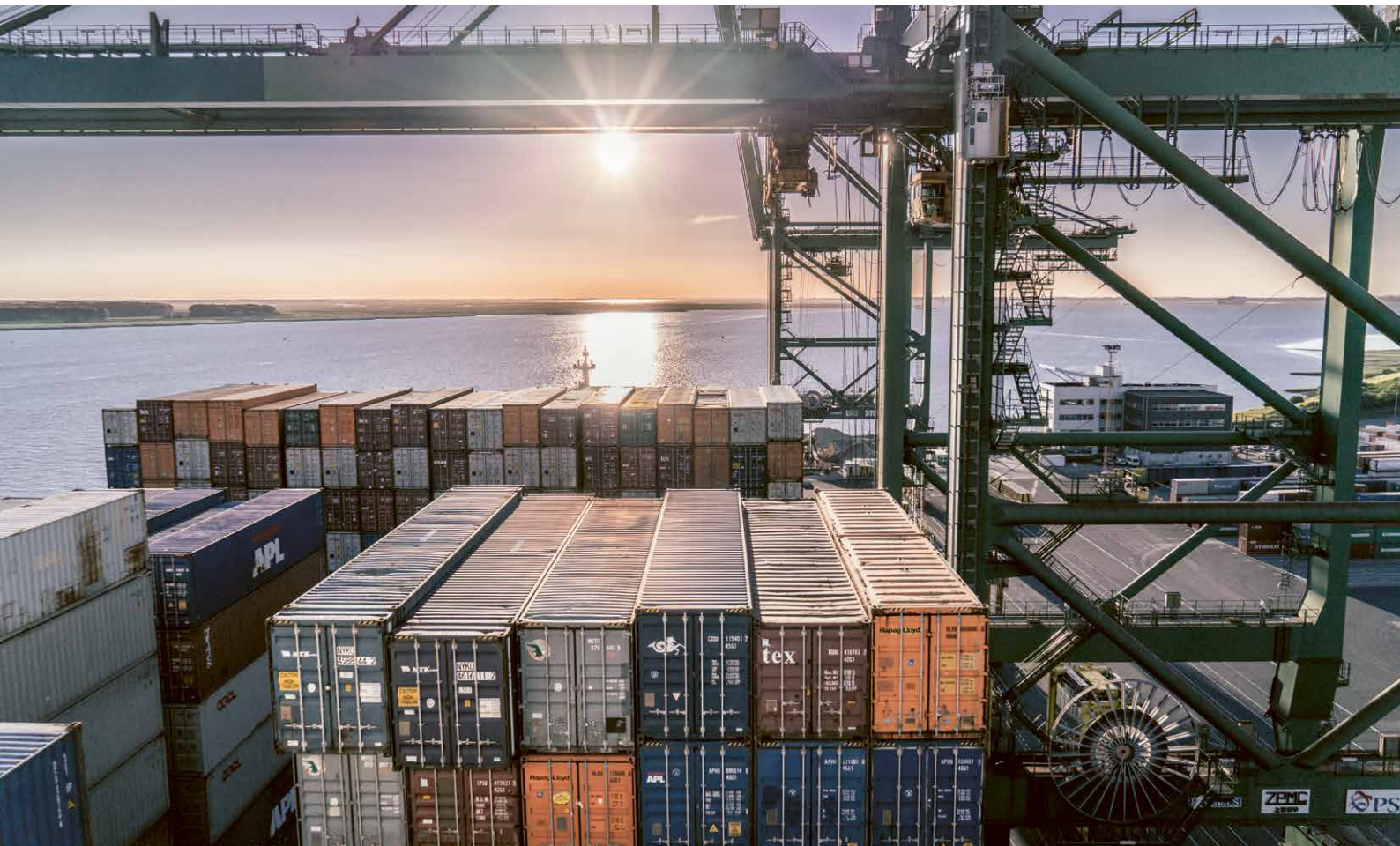
Our sustainability policies and QEM Manual are key foundations of our supplier management system. Our QEM Manual establishes a standardised approach for qualifying and assessing suppliers. This ensures that our suppliers have the same understanding of the basic values of our partnership, irrespective of whether the procurement responsibility is regionally or globally based.

If we enter into a partnership, we require our business partners to sign our supplier code of conduct or to have their own standards in place with the same minimum requirements which ensure that they share our company values.

Our sourcing decisions are influenced by very different factors. Depending on the nature of the regional market

and flexibility of the services available on the route, we are sometimes only able to rely on a limited number of business partners, e.g. terminal service providers. Here, the decision on whether we serve a particular route is followed by a sourcing decision on how to cater for this service. We continuously communicate with our selected service providers in order to define and implement standards or KPIs for optimising productivity and reducing occupational safety incidents, for example. However, our sourcing decisions are also influenced by more fundamental restrictions, such as political embargoes.

As part of the partnership, our service providers (vendors) regularly inform our Procurement department of their measures to improve the ecological and social effects of their business activities and therefore differentiate themselves from their competitors. For instance, port and terminal operators highlight how they lower the diesel consumption of cranes, produce electricity in a way that conserves resources or reduce truck waiting times. When selecting vendors, we factor these criteria into our sourcing decision as well.



Suppliers with large supply volumes currently fill out a self-assessment every two years or are audited on issues such as quality, compliance, employee matters, the use of sub-contractors, IT security and the environment. Only suppliers that fulfil our requirements are added to our approved supplier list (ASL). If a supplier does not fulfil our requirements, we make a record of deficiencies and remedial measures. If these measures are not satisfactorily implemented, we terminate the contract.



*"It is important to us that
our partners share
our company values."*

Octavia Burnett, Transport Dispatch
Coordinator Area Gulf Pacific

Procurement guidelines – 307-1, 419-1

We are also reviewing our procurement guidelines as part of the restructuring. This currently involves a revision of our present procurement guidelines and the introduction of new reporting guidelines. To accommodate regional differences, regional appendices that have been coordinated with Global Procurement will be added to the guidelines if necessary.

One of the aims of our new Company Car Policy, e.g., is to reduce the CO₂ emissions of our company car fleet. We incentivise employees who are entitled to a company car to choose one with lower CO₂ emissions by granting them a higher subsidy on their company car lease rate.

In 2017, there were no significant breaches of our ecological or social standards in our supplier relationships managed by Global Procurement. If the regions or areas identify potential breaches in their areas of responsibility, remedial measures are established here as well and subsequently reviewed.

Future development of procurement

The introduction of a global eProcurement tool is planned for 2018. Its purpose is to harmonise processes, increase efficiency and further professionalise our procurement activities. The tool enables us to make information available globally about the business relationship with our suppliers, assess them and manage both the process for the agreement on objectives and the development of suppliers. The eProcurement solution should in particular create transparency and help us to develop sustainable improvement measures or identify focus topics for areas of activity. This will enable us to incorporate performance criteria into future decisions on the awarding of contracts, thereby ensuring that these decisions have been subject to total-cost review. The measures for qualifying suppliers will become transparent, which means that all mandated procurement areas can use this information. As a result, the eProcurement project will play an active part in establishing and maintaining sustainable partnerships with Hapag-Lloyd's suppliers.

ENVIRONMENTALLY FRIENDLY PROCUREMENT

Containers and fuel are a particularly important element of our procurement processes. We have to take a range of different factors into consideration to ensure that we adhere to the technical requirements, safety standards and environmental regulations in these areas. At the same time, the changing requirements also lead to sustainable innovations which we develop with the help of our strict selection criteria.

BUNKER PROCUREMENT – 302-3, 302-5

In order to keep costs and emissions low, the bunker that we procure must contain as much energy as possible. For our fuels, we differentiate between distillates (MDO/MGO¹) and residual oils (IFO/HFO/ULSFO²), which have different heating values. These heating values are calculated from analysed ISO specifications, and we request them from potential suppliers at the tendering stage so that we can factor them into the selection process. Furthermore, an independent assessor examines the volumes delivered and takes samples for laboratory testing. Using the laboratory values on aspects such as sulphur, ash, water and density, the assessor can calculate the heating values. – NfR

In 2017, we obtained laboratory analyses for around 97% of deliveries. During the year, we procured a total of 272,766 metric tonnes of distillates with a weighted average of 42.54 MJ/kg and 3,399,819 metric tonnes of residual oils with a weighted average of 40.39 MJ/kg. This means that energy needs from bunker purchases were around 149 million GJ. – NfR

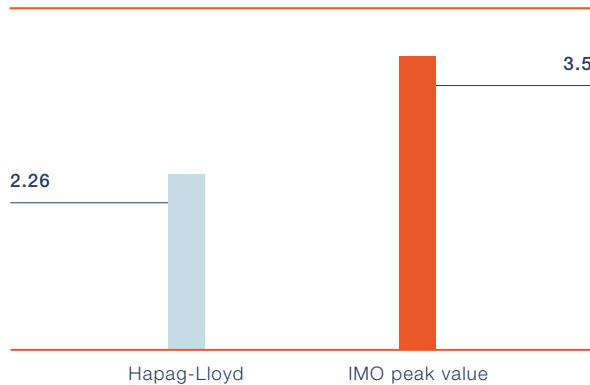
CONTAINER PROCUREMENT

Container floors

The floors of containers are traditionally made of tropical wood. The floors are the part of the container that becomes damaged most often, from transporting heavy goods, e.g., and has to be replaced. Both the demand for tropical wood and environmental regulations have increased worldwide. At the same time, the availability of tropical wood is decreasing, which is pushing up the cost. Furthermore, greater importance is being placed on environmental considerations in relation to the use of wood and adhesives, which have to be disposed of as hazardous waste. As a result of these factors, the development of alternative types of container floors is becoming more and more important.

In light of this, we have examined whether floors made of recyclable used plastic or fast-growing bamboo, e.g., could be an alternative. However, we decided in favour of our own internally developed containers with steel floors, as they are environmentally friendly, clean, stable and secure.

WEIGHTED AVERAGE SULPHUR CONTENT (IN %) (2017) – NfR



1 MDO = Marine Diesel Oil, MGO = Marine Gas Oil
 2 IFO = Intermediate Fuel Oil, HFO = Heavy Fuel Oil, ULSFO = Ultra-Low-Sulphur Fuel Oil

Around 25,000 TEU

of steel floor containers since 2015

Since 2015, we have procured around 25,000 TEU with steel floors – around 1% of our total fleet. Our aim is to further increase the percentage of our container fleet with steel floors. At present, there are not enough suppliers that are able to manufacture containers with steel floors. By increasing the level of demand, we can incentivise producers to expand their capacities. We are therefore engaging in open discussions with competitors and container leasing companies so that the use of steel floors becomes more widespread. So far, we have been able to convince two carriers and one leasing company in workshops to order their first series of the containers.

In partnership with the Institute of International Container Lessors (IICL) and the Container Owners Association (COA), we are also working to develop innovative container standards.

Reefer containers

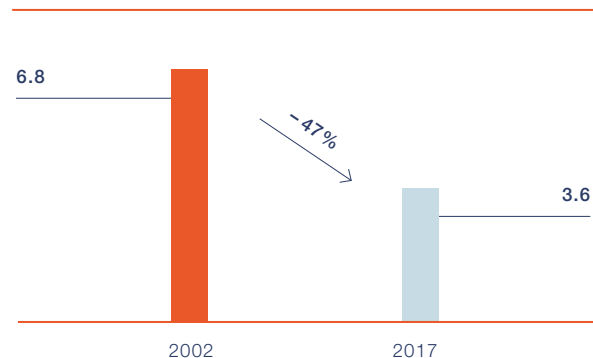
Reefer containers are essential for transporting goods, as they have a unit that can maintain the container at temperatures between -30°C and $+30^{\circ}\text{C}$. The total capacity of our fleet of reefer containers is around 176,600 TEU. Two sustainability-related issues here are energy efficiency and environmentally friendly cooling agents.

Energy efficiency – 302-3

We have been investing for many years exclusively in units with a high level of energy efficiency. The units are classified as “efficient” or “inefficient” and have varying degrees of effectiveness. In order to ensure that classification is independent and robust, we also conduct our own tests

on most of the models in addition to the manufacturer’s specifications. Here, we test the efficiency of the types of units used for various container models under specific stress conditions. This also includes various external and simulated operating temperatures. Based on this, we can determine the optimal category of usage for each reefer container, thereby improving our energy efficiency further. The average energy consumption per 40-foot reefer container has decreased in the last 15 years from 6.8 kWh/unit (2002) to 3.6 kWh/unit (2017). In 2016, there was a slight interruption to this trend, which was due to the acquisition of CSAV’s fleet of reefer containers. – NfR

AVERAGE ENERGY REQUIREMENT PER 40-FOOT REEFER CONTAINER (IN KWH/UNIT) – NfR



Environmentally friendly cooling agent

The strict legislation on preventing greenhouse gases, including the Montreal Protocol and the EU regulation on fluorinated greenhouse gases, requires us to take action in terms of selecting cooling units and the cooling agents used.

A challenge for us is that a uniform solution has not yet been found within the industry, and manufacturers are still pursuing different approaches in the development of environmentally friendly solutions. We are supporting these measures by testing new technologies and alternative cooling agents. Since 2010, e.g., we have been testing containers that use CO_2 as a cooling agent.

SOCIAL



TACKLING EL NIÑO TOGETHER:

More than 130,000 people in Peru lost their homes in spring 2017 due to torrential rainfall. The country's infrastructure was also seriously damaged. Hapag-Lloyd employees immediately got involved in the spontaneous aid activities. They organised two donation drives in order to source food and goods which are crucial to survival. Furthermore, the transportation of goods and people was organised in cooperation with the Peruvian government.

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CORPORATE SOCIAL RESPONSIBILITY

As a traditional Hanseatic company, we place a strong emphasis on values. They define our ethos and are deeply embedded within our corporate culture. For us, there is no question that we should fulfil our social responsibilities and become involved in causes beyond our Company's boundaries – both financially and through our employees' active efforts. Our focus here is on those areas which are most familiar to us: shipping, and all the activities associated with it.

DONATIONS AND SPONSORSHIP

Our donation and sponsorship activities are centred on maritime organisations such as seafarers' missions, the German Maritime Search and Rescue Association (DGzRS) and museums and memorials with a maritime dimension. As such, we primarily support organisations that are directly or indirectly involved in the well-being of the shipping industry.

As a company operating with economic responsibility, our donation activity is guided by our economic success and is transparently regulated by a policy that applies to the entire Company. Among other things, this policy stipulates that no donations may go to political parties. Furthermore, the Corporate Communications department must be notified of any financial expenses in advance. In coordination with the Executive Board, it sets the annual budget at the start of every year.

In the 2017 reporting year, we spent a total of EUR 412,600 on our CSR activities worldwide. EUR 310,700 of this was for donations and EUR 101,900 was for sponsoring third parties.

€412,600

spent on our CSR activities

ENVIRONMENTAL ACTION

Since 2017, we have been engaged in dialogue with OceanCare, an organisation that works to protect marine animals and oceans, and WWF Hong Kong, which champions the protection of nature and animal species. As a result of our discussions with these organisations, we decided to implement a worldwide ban on the transportation of several controversial goods, including shark fins and hunting trophies, for ethical reasons. In 2017, we supported OceanCare with a donation of EUR 50,000.

Our membership of the World Shipping Council (WSC) enabled us to relocate the traffic separation scheme off Sri Lanka's southern coast in 2017 in order to protect blue whales on their migration routes. The proposal has been communicated to the government of Sri Lanka and is being negotiated by the IMO.

We also champion the interests of society and the environment and conduct frequent discussions with environmental organisations such as BUND and NABU.

GLOBAL ACTION

Our Company and employees are involved in a wide range of social initiatives and projects worldwide.

In the Region North America, we have taken part in the annual Breast Cancer Awareness Month for over ten years. We organise events to raise awareness of the issues and, with our employees, collect donations to support the fight against breast cancer. In the immediate aftermath of Hurricane Harvey, we collected donations and sent them to the Houston Food Bank. With the help of our employees,

we also enabled a school in Cali, Colombia, to purchase new school equipment.

In Mumbai, we organised the Cataract Eye Surgery Camp for the third time in succession, where 200 eye operations were performed on those in need. Our employees assisted the patients with transport, and supported them before and after the operation. In addition, we are also involved in the prevention of child labour, e.g. by providing around 2,800 meals to schoolchildren so that they can go to school.

In Dubai, we organised two blood donation initiatives with the Dubai Health Authority and Latifah Hospital, with over 100 employees taking part.

In the Region Europe, we collected donations for various institutions such as a hospice in Antwerp, and a school and an orphanage in Nepal.

ACTION AT HOME

In addition to our global involvement, we want to contribute to local causes. As such, we also participate in numerous projects in our home city of Hamburg.

Since 2015, we have been a member of UmweltPartnerschaft Hamburg, an environmental initiative launched in 2003, and have championed efforts to promote voluntary environmental protection among companies in Hamburg.

We are also active in education in Hamburg. In 2000, we launched Hamburger Ausbildungs-Netzwerk (HANZ) in

partnership with the Otto Group. The goal of HANZ is to prepare secondary school students for apprenticeships. Thanks to the support provided by advisory services and internships, a large number of secondary school students have obtained entry-level qualifications and been accepted as apprentices at our Company.

We have been working with the Gymnasium Johanneum in Hamburg and other schools, including some international schools, for several years now. In 2017, we worked with these schools to put a number of projects into action that focused on areas such as internships, career presentations and ship visits. The employees who took part were relieved from their own work activities for the duration.

We also contribute to the fields of culture and sport. We are partners of Filmfest Hamburg, support horse racing in Hamburg-Horn every year and, since 2017, have been the main sponsor of the premier league ice hockey team, the Hamburg Crocodiles. In addition, we organise events for local clubs and initiatives such as the Rotary and Lions Clubs. In May of last year, we organised a public discussion evening with the Mayor of Hamburg, Olaf Scholz, at our headquarters on Ballindamm as part of "Lange Nacht der Zeit".

INVOLVEMENT IN POLITICAL DISCUSSIONS



As one of the world's most important container liner shipping companies and Germany's largest liner shipping company, we are in continuous communication with politicians at EU, state and municipal level.

At the European Union (EU) level, we are actively involved in the political decision-making process. To ensure that this happens in a clear and comprehensible way, we are listed in the Transparency Register of the European Commission. Our aim is to participate in the formation of sustainable environmental legislation and to bring our stringent Group-wide environmental standards into the industry. In doing so, we also want to ensure that our investment in more efficient and environmentally friendly ships does not put us at a competitive disadvantage. Furthermore, we want to prevent a situation whereby modernisations no longer meet newer environmental requirements after just a short period of time. As part of this, we took charge of a work package from the "Air Emissions from Ships" sub-group



of the European Sustainable Shipping Forum within the Commission in 2017. — 102-13

At state and municipal level, we conduct frequent discussions with the City of Hamburg, the co-owner of our Company. As part of our accountability obligations, we regularly provide the City of Hamburg with information about the Company's economic performance and our strategic objectives. We also communicate our views on infrastructural matters to those involved in policy-making. This includes the expansion of the port, the fairway adjustment of the Elbe and the modernisation of rail infrastructure.

We publish a political newsletter three times a year called "Hapag-Lloyd Inside", which is sent to around 3,000 people in various associations, chambers and the field of politics. Once a year, we organise a Parliamentary Evening for the members of the Hamburg parliament as well as the members of the German parliament representing Hamburg, and we regularly seek to engage in discussions with the political parties throughout the year. Our Chief Executive Officer, Rolf Habben Jansen, is also frequently invited as a speaker to events in the field of politics or those held by politically active associations.

REFUGEE COMMITMENT

We have been involved in refugee assistance since 2015. As part of this, we launched the "Hapag-Lloyd helps" project, which is the responsibility of Corporate Communications and is coordinated with the help of three student employees. Their role is to put employees and refugees in contact with each other. In 2017, our work focused on an accommodation facility in Hamburg, where our employees conducted a range of different activities with the residents. For example, a world café takes place there every Wednesday. Employees and refugees also cook together every other week under the guidance of a Syrian cook, and individual mentoring also takes place, with employees teaching German to refugees and assisting them with official matters.



"We have implemented stringent environmental standards across the Group. Our goal is to establish them across the industry through our involvement in political discussions."

Wolfram Guntermann, Director
Environmental Management

As part of our refugee work, we also maintain regular contact with voluntary helpers, the housing and assistance organisation "Fördern und Wohnen" and municipal authorities.

DISASTER AID

When natural disasters occur, it is essential that aid arrives quickly. In these situations, we help by providing free transport services so that urgently needed relief can reach its destination as quickly as possible. Our departments in the regions affected coordinate our disaster aid efforts here. Aid shipments of this kind must always be approved by the Hapag-Lloyd Executive Board.

In 2017, we were able to help people in emergency situations by donating food in Venezuela and providing relief to flood victims in Texas and Peru.

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* Comprises GRI 103-1, GRI 103-2 and GRI 103-3 (Explanation of the material topic and its boundaries, components and evaluation of the management approach)

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* Comprises GRI 103-1, GRI 103-2 and GRI 103-3 (Explanation of the material topic and its boundaries, components and evaluation of the management approach)

INDEPENDENT PRACTITIONER'S REPORT

INDEPENDENT PRACTITIONER'S REPORT ON A LIMITED ASSURANCE ENGAGEMENT ON NON-FINANCIAL REPORTING¹

To Hapag-Lloyd AG, Hamburg

We have performed a limited assurance engagement on the combined separate non-financial report pursuant to §§ (Articles) 289b Abs. (paragraph) 3 and 315b Abs. 3 HGB ("Handelsgesetzbuch": "German Commercial Code") of Hapag-Lloyd AG, Hamburg, (hereinafter the "Company") for the period from 1 January 2017 to 31 December 2017 which comprises the sections marked with the acronym NfR in the Sustainability Report 2017 of the Company (hereinafter the "Non-financial Report").

Responsibilities of the Executive Directors

The executive directors of the Company are responsible for the preparation of the Non-financial Report in accordance with §§ 315b and 315c in conjunction with 289c to 289e HGB.

This responsibility of Company's executive directors includes the selection and application of appropriate methods of non-financial reporting as well as making assumptions and estimates related to individual non-financial disclosures which are reasonable in the circumstances. Furthermore, the executive directors are responsible for such internal control as they have considered necessary to enable the preparation of a Non-financial Report that is free from material misstatement whether due to fraud or error.

Independence and Quality Control of the Audit Firm

We have complied with the German professional provisions regarding independence as well as other ethical requirements.

Our audit firm applies the national legal requirements and professional standards – in particular the Professional Code for German Public Auditors and German Chartered Auditors ("Berufssatzung für Wirtschaftsprüfer und vereidigte Buchprüfer": "BS WP/vBP") as well as the Standard on Quality Control 1 published by the Institut der Wirtschaftsprüfer (Institute of Public Auditors in Germany; IDW): Requirements to quality control for audit firms (IDW Qualitätssicherungsstandard 1: Anforderungen an die Qualitätssicherung in der Wirtschaftsprüferpraxis - IDW QS 1) – and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Practitioner's Responsibility

Our responsibility is to express a limited assurance conclusion on the Non-financial Report based on the assurance engagement we have performed.

Within the scope of our engagement we did not perform an audit on external sources of information or expert opinions, referred to in the Non-financial Report.

We conducted our assurance engagement in accordance with the International Standard on Assurance Engagements (ISAE) 3000 (Revised): Assurance Engagements other than Audits or Reviews of Historical Financial Information, issued by the IAASB. This Standard requires that we plan and perform the assurance engagement to allow us to conclude with limited assurance that nothing has come to our attention that causes us to believe that the Company's Non-financial Report for the period from 1 January 2017 to 31 December 2017 has not been prepared, in all material aspects, in accordance with §§ 315b and 315c in conjunction with 289c to 289e HGB.

¹ PricewaterhouseCoopers GmbH has performed a limited assurance engagement on the German version of the separate non-financial report and issued an independent assurance report in German language, which is authoritative. The following text is a translation of the independent assurance report.

In a limited assurance engagement the assurance procedures are less in extent than for a reasonable assurance engagement, and therefore a substantially lower level of assurance is obtained. The assurance procedures selected depend on the practitioner's judgment.

Within the scope of our assurance engagement, we performed amongst others the following assurance procedures and further activities:

- Obtaining an understanding of the structure of the sustainability organization and of the stakeholder engagement
- Inquiries of relevant personnel involved in the preparation of the Non-financial Report regarding the preparation process, the internal control system relating to this process and selected disclosures in the Non-financial Report
- Identification of the likely risks of material misstatement of the Non-financial Report
- Analytical evaluation of selected disclosures in the Non-financial Report
- Comparison of selected disclosures with corresponding data in the consolidated financial statements and in the group management report
- Evaluation of the presentation of the non-financial information

Assurance Conclusion

Based on the assurance procedures performed and assurance evidence obtained, nothing has come to our attention that causes us to believe that the Company's Non-financial Report for the period from 1 January 2017 to 31 December 2017 has not been prepared, in all material aspects, in accordance with §§ 315b and 315c in conjunction with 289c to 289e HGB.

Intended Use of the Assurance Report

We issue this report on the basis of the engagement agreed with the Company. The assurance engagement has been performed for purposes of the Company and the report is solely intended to inform the Company about the results of the limited assurance engagement. The report is not intended for any third parties to base any (financial) decision thereon. Our responsibility lies only with the Company. We do not assume any responsibility towards third parties.

Frankfurt am Main, 26 March 2018

PricewaterhouseCoopers GmbH
Wirtschaftsprüfungsgesellschaft

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