

Sustainability is Future Viability

CSR Report Hamburg Commercial Bank 2022



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Please note

GRI 2-5

The sections marked by »...« of this 2022 Corporate Social Responsibility Report of Hamburg Commercial Bank (CSR Report) are intended to meet the requirements set forth in Sections 315b and 315c in conjunction with Sections 289c to 289e of the German Commercial Code (Handelsgesetzbuch, HGB) and are therefore the Bank's combined separate non-financial report, which was subject to limited assurance by PricewaterhouseCoopers GmbH Wirtschaftsprüfungsgesellschaft.

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

Key Figures – Financial, ESG and Rating Results

» Financial Key Figures «

	31.12.2022	31.12.2021
Net income before taxes (€ m)	363	299
Total assets (€ bn)	31.8	30.3
CET1 capital ratio (%)	20.5 ¹	28.9 ²

» ESG Key Figures «

	31.12.2022	31.12.2021
Green new business production (%) ³	9.3%	n/a
Number of new loans with an ESG Scoring of 5 or 6 ⁴	0	0
Share of electricity from renewable energy sources (%) ⁵	100%	100%
Scope 1 and 2 GHG emissions (t CO ₂ e)	541	418
Percentage of female business unit heads (%) ⁶	26.7	18.8
Percentage of female senior experts and management functions (%) ⁷	28.7	26.3

» Other ESG Figures «

	31.12.2022	31.12.2021
New business loans scored against ESG (criteria) (%) ⁴	100	100
Average ESG Scoring results of loan portfolio ⁴	2.64	2.65
Total energy consumption (GJ)	29,389	31,167
Employees in the Group (FTE) ⁸	868	919
Percentage of women in the workforce	38.3	38.8
Number of dual students/trainees (Germany, headcount)	46	39
Proportion of disabled employees (offices in Hamburg and Kiel) (%)	3.3	4.2

» Sustainability Ratings⁹ «

	Latest rating as at	Rating/Score
Sustainalytics	11/2022	Risk score 13 (Low risk)
MSCI	11/2022	BBB (Range AAA–CCC)
Moody's	04/2021	46/100
ISS	06/2022	C- (2 nd decile) (Range A+ to D-)

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

¹ The proposed dividend payment of €1.5 billion in 2023 was taken into account with the effect of reducing Common Equity Tier 1 capital; the dividend payment is subject to the approval of the Annual General Meeting.

² Profits were not included on a voluntary basis, i.e. without including the income after taxes in 2021 in Common Equity Tier 1 capital.

³ Indicative internal validation in accordance with economic criteria of EU Taxonomy on best effort basis, e.g. with calculations irrespective of clients' NFRD obligation

⁴ Evaluated with HCOB's internal ESG Scoring methodology with results based on individual loan reviews » see page 64ff.

⁵ Direct purchase of electricity from renewable energy sources

⁶ Active employees Germany, based on Head Count

⁷ Excl. BU Heads; senior experts and management functions, meaning employees with competency levels 4 & 5, active employees Germany, based on Head Count

⁸ Total number of employees excluding trainees and interns

⁹ For further information » see page 18

Foreword of the CEO

GRI 2-22



Ian Banwell
Chief Executive Officer

Ladies and Gentlemen,

Hamburg Commercial Bank can look back on a very successful 2022. Consolidated profit after tax rose by 21% to €425 million, while pre-tax profit also increased by 21% to €363 million. Return on equity increased from 18.4% in the previous year to 20.8% in 2022. At the same time, HCOB's portfolio quality continued to improve. The NPE ratio (non-performing exposure; loans and securities in default) decreased from 1.4 to 1.2% at the end of 2022. The Bank's capital position remains strong. Even after allowing for a

possible dividend payment of €1.5 billion in the second quarter of this year, the core capital ratio (CET1) was a very robust 20.5% at year-end 2022, well above regulatory requirements, compared with 28.9% in the previous year. The Group's total assets grew slightly in 2022, increasing by around 5% to €31.8 billion.

The Bank has made progress not only in terms of financial ratios, efficiency and portfolio quality, but also in the further implementation of environmental, social and governance

(ESG) criteria in its business activities. This is evident in a number of ways, including the positive results achieved in the ESG Self-Assessment conducted for the European Central Bank (ECB), and the ECB Climate Risk Stress Test. ESG aspects play an important role in all business activities as well as in the Bank's organisational processes. This can be seen, for example, in the fact that the entire Management Board is a member of the Sustainability Committee, which meets regularly and is the highest decision-making body for sustainability issues at the bank.

In order to have clear guidelines for its business decisions, HCOB has, among other things, drawn up a Black List that identifies the countries, industries and companies that it will not do business with. For example, countries that instigate armed conflicts are excluded, as are those with high levels of corruption. Companies in the tobacco and coal-mining industries are also excluded. HCOB also does not do business with firms that do not meet minimum social standards.

The Bank checks every transaction before it is concluded using the Bank's own ESG Scoring Tool. HCOB has also implemented sustainability standards for its investments that are set out in the HCOB Investment Policy and that closely align with the criteria for its lending business. The Bank attaches particular importance to actively supporting its customers in achieving greater sustainability. One example is the financing of real estate projects that enable new-build properties to be constructed in an especially climate-friendly way or existing properties to be refurbished to increase their energy efficiency. In its other core business areas – in addition to Commercial Real Estate, these are Shipping, Corporates and Project Finance – the Bank is also involved in financing activities that strengthen sustainability.

The transformation of the economy toward greater climate protection is a key social concern and a major economic growth area. Only companies that adapt to the dynamically changing ESG environment will be successful in the long term. Yet change requires investment. As a bank, we have an important role to play here and we want to actively seize the relevant opportunities.

Sustainability management is also a topic that applies to our in-house activities. At HCOB, this means the company's fleet of vehicles has been continuously reduced, energy is being used efficiently in its buildings, and other savings measures are constantly being identified. The Bank offsets the remaining CO₂ emissions from its operations and those caused by business flights by supporting local projects. We are committed to increasing diversity at the Bank, promoting women and offering our employees numerous health management options, including counselling services.

As a responsible corporate citizen, the Bank promotes culture and sports and supports a wide range of social institutions by making numerous donations. In 2022, these donations benefited various groups, including people affected by the ongoing war in Ukraine and socially disadvantaged children and young people.

Hamburg Commercial Bank is fully committed to complying with ESG criteria and developing them further. The Paris Climate Agreement and the United Nations Sustainable Development Goals serve as key guidelines for the Bank's efforts here. In 2023, the Bank has set itself the goal of developing a Sustainable Finance Framework and the associated segment specific climate strategies – in order to take a further step towards sustainability.

Sincerely,



Ian Banwell
Chief Executive Officer



HCOB at a Glance

For HCOB, Sustainability Means Future Viability



About HCOB

GRI 2-1

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

HCOB offers its clients a high level of structuring expertise in real estate financing and has a strong market position in international shipping. The Bank is one of the pioneers in Europe-wide project financing for renewable energies and digital infrastructure. The Bank offers individual financing solutions for international corporate clients, as well as a focused corporates business in Germany. Reliable and timely payment transactions and products for foreign trade round off the Bank's range of services. HCOB ensures its actions are consistent with established ESG criteria. «

Locations

» The Bank has branches abroad, namely in Athens and Luxembourg, as well as a representative office in London in line with its focused direction. In the Athens branch, the Bank serves international shipping clients. The focus of the Luxembourg branch is on the International Corporates division. In Germany, the Bank has offices not only in Hamburg, but also in Berlin, Dusseldorf, Kiel, Frankfurt am Main, Munich and Stuttgart. «

Objectives and Strategy

» As a private commercial bank and specialist finance provider, Hamburg Commercial Bank makes clear, binding commitments and supports its clients in the long term. The Bank is committed to its clients and stands for reliability and honesty, taking decisive and timely action. A focused and entrepreneurial approach, which creates value added for clients, the Bank and its employees, shareholders and society, is at the heart of the Bank's self-image and identity.

Looking ahead to the coming years, the Bank is aiming to achieve moderate and risk-conscious growth, with continued diversification that extends to its business activities as well as to regions and its earnings structure. In view of the demands placed on the Bank by a dynamically changing banking environment, Hamburg Commercial Bank continues to focus on a business model that is viable and agile in the long run based on the following strategic approaches: Growth in HCOB's core markets

- Focus on individual solutions
- Striving for efficiency
- Resilient and balanced risk profile «

Shareholder Structure

» Since 28 November 2018, Hamburg Commercial Bank has been owned by renowned, globally active, institutional private investors that have a high level of expertise in the banking business, in particular. The shareholder structure is as shown in the graphic (percentages rounded). «

Scope of Consolidation

GRI 2-2

» The scope of consolidation of the CSR Report 2022 including the combined separate non-financial report is analogous to that of the group financial statements, unless explicitly stated otherwise in specific sections of this report. Statements thus refer to the Group. «

Business Segments

GRI 2-6

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

Strategic Direction for the Business Areas

REAL ESTATE SEGMENT

» HCOB is a renowned German real estate financier with strong market and client coverage. In addition to its presence in Germany, international activities are also being expanded with selected experienced and internationally active clients so as to achieve further diversification. The focus here is on European metropolitan regions and selective business in the US. The Real Estate segment mainly comprises the financing of existing properties, refurbishment projects and project developments in the commercial sector. Growth opportunities for HCOB arise, among other things, from supporting real estate clients in their ESG transformation. HCOB's product portfolio in the Real Estate segment is characterised by tailor-made and custom-fit services, with an entrepreneurial eye for deals and transactions that offer value enhancement potential. HCOB has experienced market specialists with in-depth knowledge and a high level of structuring expertise in the field of commercial real estate financing, allowing the Bank to achieve prices that are above the market level despite its risk-conscious orientation. «

Shareholder structure

Several funds initiated by Cerberus Capital Management, L.P.			One fund advised by J.C. Flowers & Co. LLC	One fund initiated by GoldenTree Asset Manage- ment LP	Centaurus Capital LP	BAWAG P.S.K. (incl. P.S.K. Beteiligungsver- waltung GmbH) Bank für Arbeit und Wirtschaft und Österreichische Postsparkasse Aktiengesellschaft	HCOB Current and former Management Board Members (who are or were in office from November 2018)
Promontoria Holding 221 B.V. 9.87%	Promontoria Holding 231 B.V. 13.86%	Promontoria Holding 233 B.V. 18.69%	JCF IV Neptun Holdings S.à r.l.	GoldenTree Asset Management Lux S.à r.l.	Chi Centauri LLC		
42.41%			34.93%	12.47%	7.48%	2.49%	0.20%

Percentages include rounding differences

SHIPPING SEGMENT

» HCOB is one of the leading institutions in global ship financing, with a focus on second-hand ship financing. The successful business model in the Shipping segment is based on comparatively short financing terms and high collateralisation ratios. This improves the risk profile on the one hand and ensures that HCOB can react promptly to changing market conditions on the other. The composition of the Shipping portfolio is characterised by a healthy mix of asset-backed and corporate financing. The broadly diversified portfolio mainly comprises the asset classes of container vessels, bulkers and tankers. The Bank operates worldwide in the Shipping segment, with a focus on mostly long-term cooperation with clients with strong credit ratings from Greece, Germany and other European countries. The Bank is also, however, active in the US and Asia. By providing financing, HCOB consciously supports its clients from the maritime industry in their transition to more sustainable business practices, with ESG criteria playing a key role. «

PROJECT FINANCE SEGMENT

» In the Project Finance segment, HCOB focuses on financing attractive projects in the areas of infrastructure (including the fast-growing market for digital infrastructure) and energy. The Energy segment comprises the financing of energy projects, mainly for renewable energies, and also includes the topics of energy transition and decarbonisation. The Bank is one of the pioneers in the field of renewable energies and plays a leading role among financing partners. The financing approaches have been adapted to reflect current market conditions and give HCOB significantly more flexibility while taking into account a balanced risk/return profile. Project financing has a positive impact on the Bank's sustainability objectives, and the geographical focus is on the markets in western, northern and southern Europe. In this segment, too, HCOB has a broad and diversified client base on which it generates sustainable business. Clients include project developers, PE/infrastructure funds, manufacturers, contractors, as well as utilities companies and independent power producers. «

CORPORATES SEGMENT

» In the Corporates segment, HCOB's diversification strategy is implemented through business relationships with national and international corporate clients. On the domestic market, the core region of northern Germany has traditionally been its focal point. The focus of the Bank's business activities is on lending and providing other services for medium-sized, often family-run, companies. HCOB has long-standing and established business relationships with many of these corporate clients. The focus of the Bank's business approach is on a high level of service and structuring expertise. In order to diversify its portfolio, the Bank is increasingly active in international markets in addition to its home market in Germany. The geographical focus of these activities is on western Europe and North America (especially the US). The Bank's international strategy is based not only on geography but also on a high degree of sector diversification and a broad product range. Among other things, indirect financing of North American corporate clients is offered via participation in securitisation transactions (in credit and securities format) and special funds, thus achieving higher granularity of the loan and financial investment portfolio. A highly qualified, lean and transaction-oriented team of experts with a broad network enables the Bank to promptly identify and exploit market opportunities in the international corporate client business. «

TREASURY & GROUP FUNCTIONS SEGMENT

» Activities in the Treasury & Group Functions segment focus on the management of strategic investments and the treasury function, including the central management of the Bank's liquidity and market price risks, the derivatives portfolio and the management of the cover pool. The Global Sales & Syndicate business area combines the sales activities for capital market-related products, as well as payment transaction products with an adapted future-oriented product range, syndication activities and also customer service for savings banks, banks and institutional clients. «



Sustainability Strategy

What Sustainability Means to HCOB

» HCOB Guiding Principles¹«

1 Taking on responsibility

As a leading banking partner, we take on responsibility to carry out sustainable business activities, as a lasting investment in a sustainable future and a world that needs to be preserved.

5 Committed to climate protection

As a signatory of the United Nations Principles for Responsible Banking (PRB), we set a clear commitment to climate protection and sustainable action. We aim to implement sustainability aspects in all of the Bank's business areas and therefore commit to reduce the Bank's impact on climate change in all business operations and strengthen internal company awareness for ecological sustainability and resource protection.

2 ESG is part of the HCOB DNA

Sustainable action is a formative component of our HCOB DNA. This clearly reflects our business orientation and our management of risks. In the stringent and independent governance of ESG aspects, the members of our Management Board take active responsibility. We are characterised by our culture of effective, responsible and transparent management.

6 Employees are key

We regard motivated and qualified employees as key to achieving sustainability. Flexible working arrangements that allow employees to strike a balance between their career and family commitments are important to us. Discrimination or harassment of employees in any form is unacceptable to us. We believe that diversity is beneficial to our success.

3 Financing sustainable activities

We aim to extend our financing activities in sustainable business activities and projects and offer ESG-oriented products. We intend to have a more sustainable loan portfolio and to contribute to the achievement of the Paris Climate Agreement and the UN Sustainable Development Goals.

7 Innovating sustainably

We combine sustainability in our operating business with technology, digitalisation and innovation.

4 Supporting sustainable transformation

We actively support the transformation of our clients' business models towards greater sustainability.

¹ The guiding principles serve as orientation for HCOB's sustainable business conduct.

» For HCOB, sustainability means future viability. The Bank acknowledges that aligning its business model and processes to sustainability requirements is one of the critical success factors for the future – considering both the opportunities and the risks related to environmental, social and governance factors (ESG). Guiding Principles (see previous page) serve as orientation for HCOB’s sustainable business conduct and as decision guidance for Bank members to contribute to sustainable transformation.

In 2022, HCOB further strengthened its sustainability work. Under guidance of the Sustainability Committee with its overarching role, the ESG Department remained the core steering element, a centralised function as part of the ESG governance structure (see “Sustainability Governance Structure” for more details). During the reporting year, the ESG Department has taken further steps to continue to drive the integration of sustainability throughout the Bank, and helped to align all business activities with HCOB’s Guiding Principles (see “HCOB Guiding Principles”). Furthermore, the ESG Department has taken the lead regarding the identification, operationalisation and fulfilment of relevant sustainability reporting criteria, of regulations and reporting frameworks in preparation for mandatory regulatory requirements.

The progress HCOB has made on its sustainability journey is reflected, among other things, by the ESG Self Assessment of the European Central Bank, which HCOB completed again with positive results, and in the ESG rating positions which successively improved since 2020. Beyond that the Bank identified market potential related to ESG accompanied by an increased employee awareness as a result of ESG-specific trainings. Further accomplishments were the enhancement of the ESG Scoring Tool and the related processes (for example approval of 2nd line of defence), updates to the Black List and Investment Policy and an initial ESG depositor scan.

In last year’s CSR Report 2021, Hamburg Commercial Bank communicated various sustainability-related targets for the 2022 reporting period. Throughout the current report, reference is made to these targets and their respective achievement status at the appropriate sections, indicated with “Target achievement status in respect of 2021 targets”. «

GRI 201-2

» In 2023, as a subsequent next step to the identification of ESG-related market potentials in late 2022, the Bank will create and establish a Sustainable Finance Framework (SFF) and develop segment-specific climate strategies.

The SFF will provide sector-based definitions of ‘sustainable’ finance, ‘transformational’ finance and ‘exclusion’ finance with a focus on climate change mitigation and adaptation, and other environmental and social criteria where appropriate. The SFF defines how HCOB actively supports the transformation of the economy in general and individual clients in particular. The focus will be on transformational finance.

The segment-specific climate strategies include the establishment of the respective baselines according to the PCAF standard.

Based on this and the changing market environment with its fast-increasing demand for transformational financing, HCOB will ensure both the seizing of opportunities and safeguarding the economic resilience of the Bank.

Every disruptive market environment – in this case caused by the mega trend ESG – offers a broad range of market business opportunities. Respective targets in this context will be controlled by holistic and established management functions.

For the respective steps and measures described above, HCOB has established a dedicated ESG expert team backed by external support underlined by an appropriate budget.

This outlook details the climate change and environment related opportunities identified by HCOB. This report also covers the connected risks (see the chapter “Holistic Risk Management”). «

Guiding Reporting Frameworks and Audit Scope

GR 2-23

Hamburg Commercial Bank aims for transparent and comprehensive management and reporting on the Bank's sustainability implementation. To meet its responsibilities and ensure comparability in sustainability reporting, HCOB further aligns its reporting practices to international standards by reporting according to the Global Reporting Initiatives (GRI) Standards for the first time with the present report. When considering the entire report, HCOB reported in accordance with GRI standards.

» This leads to an adjusted structure of this report in comparison to last year's report which was based on the requirements set by Deutscher Nachhaltigkeitskodex (DNK). The report also intends to meet the requirements set forth in Sections 315b and 315c in conjunction with Sections 289c to 289e of the German Commercial Code (Handelsgesetzbuch, HGB) in marked sections as described below. These sections constitute the Bank's combined separate non-financial report which is integrated in the overall CSR Report. In consequence, GRI standards are only referenced to and partly applied in the combined separate non-financial report

This report covers topics considered "material", which cover aspects of non-financial reports as per Section 315c in conjunction with Section 289c HGB. «

Further topics were identified to be important for understanding the relevant impacts of or impacts on HCOB's activities.

» The written parts of this report that constitute the combined separate non-financial report, as per Section 315c in conjunction with Section 289c, are marked with French quotation marks (»...«). Graphics and tables that are also part of the combined separate non-financial report can be identified by french quotation marks around their headlines. Relevant parts of tables in this scope are additionally marked with grey background colour. Certain matters deemed material with regards to impacts on HCOB or impacts of the Bank's business activities on sustainability, that are included in this CSR Report, are not covered by Section 315c in conjunction with Section 289c HGB's understanding of materiality and so are not part of the combined separate non-financial report marked with »...«.

Under Section 315c in conjunction with Section 289c (3) numbers 3 and 4 HGB, HCOB is required to disclose all known material risks related to its business activities, its business relationships and its products and services, if it is highly probable and the resulting adverse impacts on reportable aspects are or will be severe according to Section 289c (2) HGB. No such risks were identified in the yearly recurring risk inventory in the reporting year.

For the Bank, sustainable corporate management is more than simply complying with laws. It has recognised the German Corporate Governance Code (GCGC) on a voluntary basis since 2005. This means that the Management Board and the Supervisory Board are obliged to report on the company's corporate governance in the Annual Report. Under Section 161 of the German Stock Corporation Act (Aktiengesetz, AktG), the Management Board and Supervisory Board of a listed company have to declare annually that the GCGC recommendations have been, or will be, complied with, and which recommendations have not been, or will not be, applied. As a non-listed company, HCOB issues this Declaration of Conformity voluntarily. Please also refer to the HCOB Annual Report 2022 and the HCOB website. «

HCOB's Sustainable Business and Growth Strategy

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

HCOB has integrated its strategic approaches and objectives based on sustainability aspects as defined in the Strategy Architecture, supplemented by the Sustainability Framework to form a meaningful set of guidelines. «

Target achievement status in respect of 2021 targets

» In 2021, HCOB set various goals for its sustainable business and growth strategy (see section "HCOB's Sustainability Targets"). In December 2022, regarding the development of ESG target setting with KPIs and KRIs, the Bank's KPI set was reviewed and found to be sufficient for now. The development of a KPI and KRI basis is ongoing, especially concerning data availability in the context of carbon accounting. HCOB's ESG rating positions were slightly improved in the reporting year compared with 2021.

Market potential with focus areas ('strike zones') was identified, and support for clients' ESG-linked transformation continues.

The funding strategy of HCOB focuses on increasing organic funding as it leverages the Bank's core business and leads to increased franchise value. Going forward, the share of organically sourced liabilities will be expanded further e.g. by further leveraging of covered bond franchise and increase of deposits.

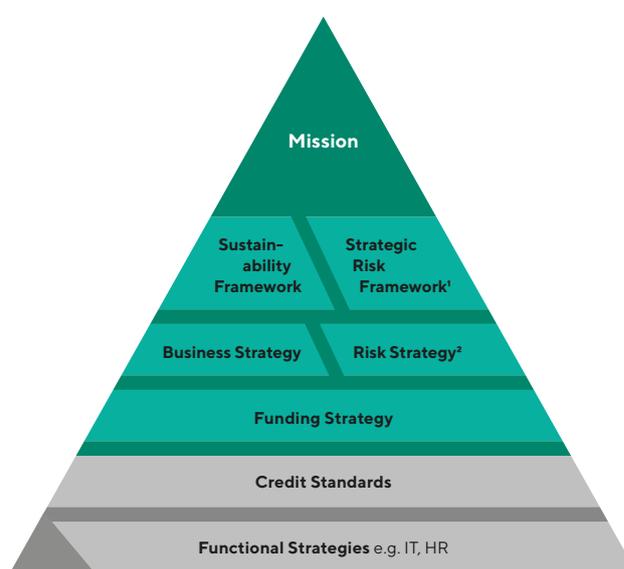
Due to the prolonged macro uncertainties, HCOB is mainly pursuing a moderate organic growth strategy and therefore does not intend to maintain itself substantial capital for inorganic growth or M&A activities (see Annual Report and CET1 ratio). With € 5.6 billion, the Bank stayed below its target for new business growth of € 7+ billion annual originations due to the politically and economically unstable and volatile environment caused by the war in Ukraine.

Finally, regarding additional cost savings driven by already contracted efficiency measures, please see HCOB's Annual Report and relevant KPIs, such as CIR and OPEX (Annual Report » see pages 61 and 63f.). «

HCOB's Sustainability Framework

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

» Strategy architecture «



¹ Incl. Non-Financial Risk Framework

² Incl. all sub-risk strategies according to the Strategic Risk Framework

Responsible Corporate Governance and Sustainability Management

Sustainability Governance Structure

GRI 2-12, 2-13, 2-14, 2-17

» Comprehensive and structured sustainability governance forms the basis for good sustainability work. At HCOB, the Management Board is responsible for the topic of sustainability. To empower sustainable action as a formative component of the HCOB DNA and ensure achievement of its sustainability goals (see chapter “HCOB’s Sustainability Targets”), the Bank has established a Sustainability Committee (SC) to act as a decision-making body on a strategic level, as well as an ESG Department, which has the responsibility of operationalising the SC’s strategic decisions.

In accordance with the importance HCOB attributes to this topic, the SC is chaired by the CEO, with the CRO as deputy, (SC is co-chaired by the CRO and the CIO since 11/2022). To ensure compliance with the Bank’s ESG goals and with the requirements of ESG-related legal, regulatory and other external frameworks to which HCOB has committed itself voluntarily, the Sustainability Committee is responsible for:

1. The development and management of the Bank’s sustainability strategy with regard to ESG criteria and goal setting
2. Monitoring the implementation of the sustainability (ESG) plan of the Bank
3. Initiation of appropriate corresponding counter or mitigating measures in case of significant plan deviations
4. Decision-making in regard to the ESG Decision Matrix (see chapter “How HCOB manages ESG Risks in the Lending Business”) only for cases requiring a positive vote of the SC
5. As applicable and in accordance with HCOB’s business and funding objectives, facilitation and implementation of HCOB’s Green Bond Framework according to ICMA (International Capital Market Association) and Green Bond Principles

The Supervisory Board forms an integrative part of HCOB’s sustainability governance structure. ESG is a standing agenda item in the Supervisory Board meetings and occasionally in its committees. Thus, the Supervisory Board is kept well informed on the progress being made and other key considerations related to ESG.

Operational and strategic sustainability management is the responsibility of the ESG Department. With the goal of operationalising the Bank’s ESG strategy, its tasks include for example coordinating ESG efforts, targets, and implementing ESG tasks into line function together with the working group ‘sustainability@hcob’. This group comprises expert members from several affected business units, advising in all sustainability-related matters and sustainability reporting.«

Target achievement status in respect of 2021 targets

» HCOB’s aim for 2022 was further transforming of ESG activities into formal line functions and thereby fully embedding sustainability into the corporate strategy by the end of 2022. This process started in 2021. However, due to the new business allocation plan, this target will be finalised in 2023.«

Frameworks as Basis for Sustainability Management

GRI 2-23, 2-24

» Regarding its sustainability-related impacts and their management, several overarching external frameworks and guidelines serve as orientation for Hamburg Commercial Bank. First and foremost, the Bank is in the process of aligning its activities with the 2015 Paris Climate Agreement, aiming to contribute to global efforts to limit global warming to well below 2°C above pre-industrial levels and pursuing efforts to limit the temperature increase to 1.5°C above pre-industrial levels, recognising that this would significantly reduce the risks and impacts of climate change. With the ambitious goals of the Paris Climate Agreement in mind, the EU adopted a significant financial framework, the Green Deal, at the beginning of 2020. One aim is to support climate protection hand in hand with the financial sector. HCOB is aware of its responsibility in this respect and has implemented several structural changes in its credit processes and the support it provides to its clients.

Moreover, in 2013, the United Nations defined 17 goals for sustainable development (“United Nations Sustainable Development Goals”, henceforth referred to as “SDGs”). HCOB aims to steadily increase its understanding of the impact that its business activities have on the achievement of the SDGs. See the chapter “Management of Material Topics & UN SDG Contribution” for the current state of HCOB’s impact analysis.

Third, the 10 principles of the United Nations Global Compact serve as a guiding framework in terms of ecological and social aspects regarding sustainability in HCOB operations and employee activities. The Principles have been the basis for the HCOB Code of Conduct, which serves as the central frame of reference for operational activities. It applies to all employees of the Bank and of companies affiliated with the Group. The objective of the Code of Conduct is to create a reliable framework for the responsible behaviour of all employees, which complies not only with the legal requirements but also with ethical and social standards. See the box “HCOB Code of Conduct” for an excerpt, the section “HCOB’s Consistency in Dealing with Rules and Standards” for more information on the HCOB Code of Conduct and ensuring adherence to it, or the HCOB website for the whole Code of Conduct. Additionally, the Bank has aligned its reputational guideline with the UN Global Compact.

To further underline its support for the Paris Climate Agreement and the UN SDGs, HCOB signed the Principles for Responsible Banking (PRB) in September 2020 (with an implementation period of four years) as an essential step in the Bank’s ESG alignment process. Since signing, extensive successes have been achieved in the six areas. Details regarding PRB reporting can be found in the Chapter “Sustainability Frameworks”. The PRB fulfilment signals the Bank’s clear commitment to sustainable development in all its business activities.

Several frameworks are used by HCOB for the definition of risks in relation to stakeholder interests. The identification of key factors for assessing risks, developments and important sub-indicators are provided by the Guidance Notice published by the German Federal Financial Supervisory Authority (BaFin) on Dealing with Sustainability Risks, the ECB’s guide on climate-related and environmental risks, the EBA Guidelines on loan origination and monitoring, and EBA’s Pillar 3 requirements regarding ESG risk disclosure.

Furthermore, regulators and other relevant organisations have issued various frameworks and regulations concerning the definition of certain requirements and guidance to follow by HCOB on its sustainability journey. Examples are the EU Taxonomy, the TCFD – Task Force on Climate-related Financial Disclosures, ECB questionnaire in respect of climate and environmental risks, the EU Disclosure Regulation, and MiFID II with regard to ESG. The requirements set out in the various frameworks and regulations referred to above have been firmly anchored in the Bank’s ESG roadmap and are accordingly integrated into control, process and task descriptions. ◀

HCOB Code of Conduct

» In all our business activities, we remain constantly aware of the significance of the three ESG dimensions environmental, social and governance and act sustainably.

We regard social and ecological responsibility as an integral component of our actions and as an investment in the community and, thus, at the same time, in our own future as well. Our actions are based on the Principles for Responsible Banking, which are based on the Paris Climate Agreement and the UN Sustainable Development Goals.

In accordance with internal rules, we adhere to clearly defined sustainability criteria related to new business acquisition and clear guidelines on unwanted business.

We are guided, inter alia, by the UN Global Compact and subject every business to comprehensive ESG Scoring. «

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

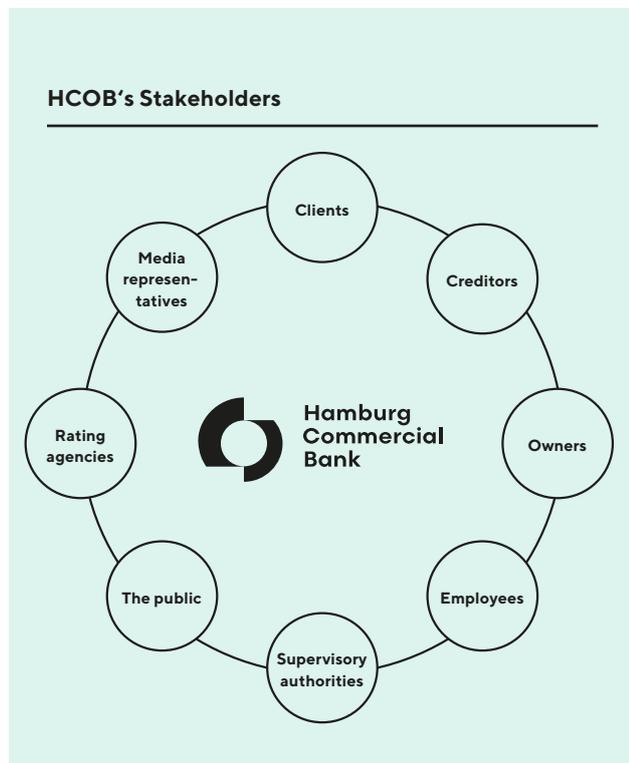
Sustainability Ratings

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

Over the last year, the Bank was able to maintain its rating position across different ESG rating agencies. The agency Sustainalytics recognised the Bank's risk management regarding ESG by awarding again a risk score of 13 (low risk). The rating agency MSCI, too, maintained its ESG rating at BBB. The rating agencies recognise HCOB's intensive efforts to achieve comprehensive and future-oriented sustainability, underlining the Bank's commitment in a fast changing regulatory and market environment. In addition to the

above-mentioned ratings, HCOB continues to be involved in dialogue with the sustainability rating agencies Moody's ESG (formerly Vigeo Eiris), from which the Bank received a rating of 46/100 in 2021 and expects an update in 2023, and ISS, which in 2022 partly updated its more moderate C- ESG rating (2nd decile, range A+ to D-). The Bank intends to take the valued feedback received from these and other rating agencies and organisations (e.g. WWF) into account in its various actions of ESG implementation.

The current rating results are listed in this report's overview of key figures, as well as on the HCOB website. More information on the interaction with rating agencies can be found in the next section, "Stakeholder Management". «



Stakeholder Management

GRI 2-29

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

Target achievement status in respect of 2021 targets

With regard to the previously communicated target for its stakeholder management, HCOB can report that several communication measures took place. Specifically, a customer survey and employee survey were conducted, as well as general stakeholder engagement being integrated into and performed by dedicated line functions.

Clients

For HCOB, clients are at the centre of all its business activities. The Bank engages in regular dialogue with its clients as part of the customer relationship process in both digital and physical formats – a strategy that reflects the “new normal” and has proven successful in these challenging times. Beyond meeting clients in person, the Bank continued to invite them to regular digital events such as the so called “Marktdialog” where the Bank's experts provided information on current topics. HCOB also participated in several trade fairs such as MIPIM and Expo Real (Real Estate), WindEnergy and Structured FINANCE (Project Finance) and Hansa Forum (Shipping) covering its different segments. Moreover, in 2022, HCOB conducted a holistic client survey. » see page 49

Creditors

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

Owners

HCOB is a German public limited company and, as such, is liable to its shareholders. The four US financial investors Cerberus Capital Management, L.P., J.C. Flowers & Co. LLC, GoldenTree Asset Management LP, Centaurus Capital LP, as well as the Austrian company BAWAG P.S.K., are the main owners of HCOB.

The Bank's owners are some of the most experienced financial investors in the banking sector worldwide. For further details of HCOB's ownership structure, please refer to the explanatory graphic in the section “HCOB at a Glance”. Dialogue with owners about sustainability takes place mainly via the Supervisory Board meetings.

Employees

The Bank is an important employer, especially in the north of Germany, and, as such, acts responsibly towards its employees. HCOB maintains an active and constant dialogue with its employees. In the reporting year several communication measures on ESG took place to further sharpen the sustainability culture.

At HCOB, a long tradition of co-determination forms the basis for cooperation. Employee participation through works councils and employee representatives on the Supervisory Board are, for HCOB, an important matter. More information on the Bank's interaction with its employees can be found in the chapter “Holistic HR Management, ESG Awareness and Diversity”.

Supervisory Authorities

HCOB is in constant contact with national and international supervisory authorities, particularly the European Central Bank (ECB), the German Federal Financial Supervisory Authority (BaFin) and the Bundesbank, and also with the supervisory authorities of the Bank's international branches and subsidiaries. Within the Legal, Board Office and Taxes business unit, there is a Regulatory Affairs function that acts as the central key account in relation to the supervisory authority and is responsible for an ongoing dialogue with these stakeholders. Sustainable Finance is also an increasingly important topic in this context.

STATE AND GOVERNMENT RELATIONS

HCOB, which operated as HSH Nordbank AG until it was successfully privatised in November 2018 and renamed in February 2019, sees northern Germany as its home region and the responsible state governments as natural stakeholders of the Bank. The nature of the Bank's engagement has however changed significantly since December 2018. A major part of the privatisation process involved the termination of a €10 billion state guarantee provided by HSH Nordbank's two former majority owners, the federal state of Hamburg and the federal state of Schleswig-Holstein (for further details, please refer to the Annual Report 2018). Following the termination of the guarantee, HCOB did not receive any state support. Like most other banks in Europe, the Bank participates in the targeted longer-term refinancing operations (TLTRO) of the ECB.

During the COVID-19 crisis, the Bank also arranged KfW facilities on behalf of its clients to support them in these challenging times.

Public

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

Rating Agencies

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

CREDIT RATING AGENCIES

Dialogue with the credit rating agency Moody's is crucial for HCOB. There are designated contacts within the Bank Steering business unit who are responsible for this communication, and exchange information with the analysts at the rating agency on a regular basis. A clear, transparent approach to the Bank's work is important. HCOB has furthermore adapted its reporting to the rating requirements. In general, the credit rating agencies are increasingly monitoring ESG risks as part of their credit rating process. As a result, ESG risks have also become part of the issuer credit profile.

SUSTAINABILITY RATING AGENCIES

Apart from credit rating agencies, HCOB's performance in terms of ESG is evaluated in greater detail by sustainability rating agencies. The Bank is in continuous dialogue with the rating agencies Sustainalytics, MSCI, Moody's ESG (formerly Vigeo Eiris), and ISS, and sees the rating agencies as an opportunity to measure the success of its sustainability work and as an ongoing inspiration for improvement.

Media Representatives

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

HCOB's Bank Association Memberships

GRI 2-28

As a result of the consistent focus on establishing itself as a private bank, HCOB has been a member of the Auditing Association of German Banks and an extraordinary member of the Federal Association of German Banks (Bundesverband deutscher Banken, BdB) since 1 January 2019. With its seamless transition to the deposit protection system for private banks with effect from 1 January 2022, HCOB's extraordinary BdB membership had been changed to ordinary membership. In addition, the Bank is a member of several regional associations of the BdB in the context of its regional offices.

The Bank is also a member of the Association of German Pfandbrief Banks (Verband deutscher Pfandbriefbanken e.V., vdp).

Material Topics

GRI 3-1

» In 2022, HCOB again conducted a materiality analysis to better understand and manage sustainability-related risks, opportunities, and impacts. The aim was to build on the baseline set in 2021 regarding sustainability issues relevant for the company, and to be able to manage and control the material sustainability activities.

In advance, there was extensive research and evaluation of stakeholder dialogue input and of the business environment, and analysis of the regulatory requirements concerning the contents of combined separate non-financial reports (Section 289c art. 2 HGB). During the stakeholder and business environment analysis, topics were considered and have been incorporated into the selection of possible material topics if relevant. This approach ensured that both external and internal stakeholder perspectives were included in the materiality assessment.

In internal workshops, the topics were selected according to their significance for the company's business activities and categorised in the following three areas ("Fields of Action"): Strategy and Governance, ESG on Portfolio Level and ESG on Corporate Level.

Views from experts throughout the Bank and across various hierarchy levels, and other stakeholder perspectives, were considered in this materiality analysis. In a series of workshops, the HCOB 2021 material topics were first reviewed, and it was checked whether other topics needed to be considered.

The 2021 list was then adjusted, and topics clustered and sharpened to bundle capacities and responsibilities efficiently. The preselection of topics yielded eleven potentially material topics.

Each of the topics was prioritised in line with the double materiality approach according to Section 289c, art. 3 HGB. Specifically, the financial materiality (impact of the topic on the Bank; outside-in perspective) and impact materiality (potential impact of the Bank on topics relating to the aspects environment, social, employee, human rights, and corruption and bribery; inside-out perspective) of each preselected topic was reviewed. A topic was only eligible to be considered "material" and cover mandatory aspects in accordance with Section 289c, art. 3 HGB if it satisfied the materiality criteria from both the financial and the impact materiality perspective. ◀

However, HCOB covers all topics that have financial or impact materiality and therefore two more topics will be part of the Bank's sustainability work that are not covered according to Section 289c, art. 3 HGB, which have been chosen to comply with GRI. The following table "HCOB Material Topics 2022" displays the final list of topics, which was validated by both HCOB's Sustainability Committee and the Management Board.

Moreover, HCOB is also in the process of analysing impacts of its business activities on the achievement of the United Nations Sustainable Development Goals (SDGs). At this stage, the Bank has performed a qualitative analysis of the contribution of HCOB's business activities linked to the material topics. Impact summaries are described along with the respective management approaches in the upcoming section "Management of Material Topics & UN SDG Contribution". An illustration of SDGs, whose achievement is impacted by the Bank, can also be found there.

Understanding the Evolution of Material Topics from 2021 to 2022

» The graphics below illustrate the process and result of the 2022 materiality analysis. The most striking development regards the scoping of topics. Whereas the 2021 materiality analysis was more fine-grained and considered sub-topics each to be material, definitions of the material topics and their management approaches were sharpened in the 2022 materiality analysis to bundle responsibilities and capacities. The resulting list yields a selection of fewer topics designated to be material that covers most contents of the 2021 material topics. The management approaches and further contents in this report therefore cover the implemented measures in the reporting year, achievement status of the targets defined in the materiality analysis 2021, and new targets and measures from the materiality analysis 2022.

The 2021 material topics were merged as follows (see below) as a result of the materiality analysis 2022.

» HCOB Material Topics 2022 «

GRI 3-2

Topic Cluster	Material Topics 2021	Material Topics 2022	Part of Non-financial Report (as per HGB)
Strategy & Governance	Sustainable Business and Growth Strategy	Sustainable Business and Growth Strategy	✓
	Financial Strength and Stability		
	Responsible Corporate Governance	Holistic Risk Management and Corporate Governance	✓
	Holistic Risk Management		
	Stakeholder Communication/Engagement	Stakeholder Management	
ESG on Portfolio Level	ESG-Aligned Lending	ESG-Aligned Financing	✓
	ESG-Aligned Investing		
	ESG Transformation Financing and Advisory		
	Customer Satisfaction	Customer Satisfaction	✓
	Green Funding	<i>No longer material</i>	
	Impact on Climate Change	Impact on Climate Change	✓
ESG on Corporate Level	Employee ESG Awareness and Incentives	Holistic HR Management, ESG Awareness and Diversity	✓
	Human Resources Development and Employer Branding		
	Diversity and Equality		
	Innovation, Technology and Digitalisation	Digital Competence	
	Data Protection and Information Security		
	Positive Impact and Responsibility towards Society	Responsibility towards Society	✓
	Resource Protection	Resource Protection	✓

Notably, the topic “Green Funding” was no longer considered material and is excluded from the 2022 list. This is a result of the discussions during the materiality analysis in which it became clear that there were no significant imminent risks, opportunities, or impacts for or by HCOB’s business activities on the topic. Its inclusion among material topics for HCOB will be re-evaluated again in future materiality assessments. «

» Below, the table clarifies the relation between the material topics 2022, and the coverage of relevant aspects according to Section 289c Art. 2 HGB. «

» HCOB Material Topics' Coverage of HGB Aspects «

HGB Sustainability Aspects (Section 289c Contents of a non-financial report)	HGB Description	Related HCOB Material Topics
Environment-related matters	Environment-related matters, with regard to which the information may concern, for instance, greenhouse gas emissions, water use, air pollution, use of renewable and non-renewable energies or protection of the biological diversity.	<ul style="list-style-type: none"> • Sustainable Business and Growth Strategy • Holistic Risk Management and Corporate Governance • ESG-Aligned Financing • Impact on Climate Change • Resource Protection
Employee-related matters	Employee-related matters, with regard to which the information may concern, for instance, measures taken to ensure gender equality, working conditions, implementation of fundamental conventions of the International Labour Organization, respect for the rights of workers to be informed and consulted, social dialogue, respect for trade union rights, health protection or safety at work.	<ul style="list-style-type: none"> • Holistic HR Management, ESG Awareness and Diversity
Social matters	Social matters, with regard to which the information may concern, for instance, the dialogue with local communities or on the regional level or the measures taken to ensure the protection and development of those local communities.	<ul style="list-style-type: none"> • Responsibility towards Society
Respect for Human Rights	Respect for human rights, with regard to which the information may concern, for instance, the prevention of human rights abuses.	<ul style="list-style-type: none"> • ESG-Aligned Financing
Fight against Corruption and Bribery	Fight against corruption and bribery, with regard to which the information may concern, for instance, the existing instruments for fighting corruption and bribery.	<ul style="list-style-type: none"> • Sustainable Business and Growth Strategy • Holistic Risk Management and Corporate Governance • ESG-Aligned Financing
Other Aspects	Additional aspects deemed material both from an impact and financial point of view.	<ul style="list-style-type: none"> • Customer Satisfaction

Management of Material Topics & UN SDG Contribution

GRI 3-3

» In the following, respective management approaches are described for each material topic. These include reasons for the topic’s materiality, associated risks and impacts, external commitments and internal policies, actions taken to manage the topic, due diligence procedures, and stakeholder engagement that informed HCOB’s process and decisions on the respective topic. Associated targets (» see page 35ff.), the achievement status of prior targets and more detail is provided throughout this report (as referenced at the end of each management approach). «

As described in the section “Frameworks as Basis for Sustainability Management”, HCOB is increasing its understanding of the impact of its business activities on achieving the United Nations Sustainable Development Goals (UN SDGs). The UN SDGs are a universal call to action to end poverty, protect the planet, and ensure that by 2030 all people enjoy peace and prosperity. On a step-by-step basis, the Bank plans to align its business activities to further contribute to UN SDG achievement – on both a corporate and a portfolio level. Until now, HCOB has been assessing the impact of its operations and business activities on the UN SDGs qualitatively and plans to evaluate every new financing against the UN SDGs. The Bank also plans to extend its capabilities towards assessing these impacts quantitatively.

HCOB aims to increase SDG centricity in operational steering of the Bank’s activities. To this end, the materiality analysis included a qualitative impact analysis of each material topic on the achievement of the UN SDGs, shown below in the respective management approaches. Specifically, each topic was mapped against the SDGs and the UN-defined targets and indicators related to the respective SDG to analyse where contributions are made specifically. A statement on the adverse impacts of HCOB’s business activities can be found later in the section “Adverse Impacts of HCOB Business Activities on the Achievement of UN SDGs”.

HCOB’s business activities have the most significant impact in relation to the following SDGs:



Strategy and Governance Level

In the area of strategy and governance, the following three topics are of particular importance to HCOB and its sustainability work.

SUSTAINABLE BUSINESS AND GROWTH STRATEGY

» As a leading banking partner, HCOB takes on responsibility to implement sustainable business activities. Based on a comprehensive analysis and subsequent operationalisation, Hamburg Commercial Bank is building its sustainable business strategy reflecting especially ESG opportunities and risks. Besides that, financial strength and stability is the central element and basis of HCOB's business activities.

The topic is deemed material on both the impact and the financial level. Regarding the former, the strategic alignment of the Bank's business model along ESG aspects leads to positive impacts on the environment and society. With respect to financial materiality, the increasing pressure caused by both supervisory and societal requirements leads to the need to adjust the Bank's business model accordingly to reflect the changing market environment.

In line with its dedication to sustainable business and growth, HCOB has several policies in place, such as its Sustainability Framework and its credit manual and standards, and it has made commitments to become more sustainability aligned. For instance, the Bank has signed the Principles for Responsible Banking (see chapter "Sustainability Frameworks") and committed to PCAF (Partnership for Carbon Accounting Financials) in assessing the GHG emissions of its portfolio with increasing granularity over the coming years. Furthermore, the Paris Climate Agreement with the target to limit the temperature increase to 1.5°C, and the UN SDGs, serve as orientation for strategic decision-making, which is part of the Sustainability Committee's responsibilities, while management of the topic and its day-to-day activities fall to the ESG Department. Additionally, sustainability topics are operationalised by respective line functions throughout the Bank.

Specific measures to achieve HCOB's targets regarding "Sustainable Business and Growth Strategy" (» see page 35) include a holistic approach aimed at further developing key performance indicators (KPI) and key risk indicators (KRI), and the ongoing identification of attractive ESG-aligned market opportunities. Moreover, the Bank is preparing a "sustainable finance framework", strengthening the strategic sustainability dialogue with the Management and Board Levels, and is keeping an active dialogue with rating agencies and provides them with all necessary information.

HCOB also conducts due diligence to ensure proper tracking of progress and to initiate measures in case of insufficient progress. Depending on the targets and measures, this mostly takes the form of regular reporting and internal progress reports. The Management Board is also closely involved and updated continually via Sustainability Committee meetings, and via formal board meetings concerning goals related to business growth and business model resiliency.

Regular exchange with clients, supervisory authorities and rating agencies is helpful for HCOB's efforts with regard to its sustainable business and growth strategy. The European Central Bank (ECB) and rating agencies have validated the Bank's efforts based on conducted assessments.

For more information on the management of this material topic, see chapter "HCOB's Sustainable Business and Growth Strategy". «

SDG Impact:

Decent Work and Economic Growth



HCOB contributes to the sustainable transition of the economy through its diverse approach to segments and focus on innovative (see segment Project Finance) and future-oriented opportunities, such as upgrading old infrastructure and financing modern, sustainable business solutions. This falls in line with SDG 8 (Decent Work and Economic Growth) and its target to decouple economic growth from environmental degradation.

In addition and more generally, HCOB lays the foundation to contribute to several UN SDGs with its ambition to advance the sustainable transition and support businesses and organisations in their sustainable development with its financing activities, as described in the sections "SDG impact" of the material topics' management approaches from here on. The impact of this foundational material topic "Sustainable Business and Growth Strategy" can therefore not be limited to SDG 8 but rather also extends to the ones described below.

HOLISTIC RISK MANAGEMENT AND CORPORATE GOVERNANCE

» Following the spirit of the relevant international sustainability initiatives (e.g. the Paris Agreement) as well as regulatory expectations (e.g. “Guide on climate-related and environmental risks” issued by the ECB or BaFin-Merkblatt “Guidance notice on dealing with sustainability risks”), HCOB incorporates ESG risks in the Bank’s risk management processes which are continuously enhanced in this respect. Starting point for the consideration of ESG is the risk inventory process. In line with regulatory initiatives, Hamburg Commercial Bank does not think of sustainability risks as a separate risk type, but as a risk driver for the respective risk types. As such it can induce a negative impact based on changes in the relevant ESG influencing factors.

The incorporation of ESG risks as drivers of existing risk categories (e.g., credit risk, operational risk, market risk or liquidity risk) in the existing risk management framework is key for HCOB as well as to fully comply with supervisory expectations.

The Bank has a transparent and documented decision-making process and a clear allocation of responsibilities and authority within the internal control framework, including business lines, internal units and internal control functions that promote informed decision-making by the management body. In 2022, HCOB has further progressed in fully integrating ESG aspects.

The individual organisational units of the Bank – as the first line of defence – are responsible for identifying and managing risks and for establishing effective controls in day-to-day business operations. The second line of defence defines the framework for managing risk by setting uniform rules and methods and monitors their implementation. Internal Audit, as the third line of defence, is responsible for the independent review of processes and procedures. As ESG is considered a driver for the respective risk types, the three-lines-of-defence principle fully applies. Holistic Risk Management and Corporate Governance is considered material with regard to financial as well as non-financial impact as well-managed risks in banks safeguard the stability of the whole financial sector

and can have a positive effect on other organisations and the entire economy. This includes the successful identification of risks as well as the development of respective countermeasures. Furthermore, this topic is also financially material to HCOB, because pressure caused by physical and transition risks due to climate change is increasing, as are calls to action and supervisory expectations and requirements for the financial sector.

Relevant policies of the Bank regarding its risk management and corporate governance include the Bank’s Strategic Risk Framework, as well as for ESG the Sustainability Committee’s Rules of Procedure and the Sustainability Framework. Both frameworks are part of the Bank’s strategy architecture, for which you can refer *to page 15*.

To reach its targets (» *see page 36*), ESG activities are continuously being transferred into formal line functions. An annual review of tasks and responsibilities serves as due diligence concerning progress in the matter. Furthermore, HCOB is improving its risk-related stress testing on an ongoing basis, including consideration of ESG risks in its portfolio, and will develop a Sustainable Finance Framework (SFF) as well as segment specific climate strategies which will serve as a basis to generate and further improve climate-risk-related data usage. HCOB’s due diligence in these matters will take place in the form of internal project or regular reporting in predetermined cycles, as well as results of specific processes (e.g., results of risk analyses). The Management Board is involved and updated regularly via Sustainability Committee meetings, as well as the Scenario Steering Committee and regular management reportings.

Dialogue with supervisory authorities and with the members of the Supervisory Board provide valuable insight regarding its risk management and corporate governance to HCOB.

For more information on the management of this material topic, see chapters “Responsible Corporate Governance and Sustainability Management”, “Holistic Risk Management” and “HCOB’s Consistency in Dealing with Rules and Standards”. «

SDG Impact:

*Decent Work and Economic Growth;
Responsible Consumption and Production;
Peace, Justice and Strong Institutions*



Through its emphasis on managing risk holistically, along with corresponding measures and due diligence processes, HCOB wants to avoid making negative impacts and wants to work towards making a positive impact by ensuring that the Bank itself and its value chain minimise all kinds of risk as much as possible.

HCOB's risk management in the lending business is increasingly covering ESG risks. This way, HCOB contributes to the achievement of SDG 8 (Decent Work and Economic Growth), SDG 12 (Responsible Consumption and Production), SDG 16 (Peace, Justice and Strong Institutions) by financing projects that pass the ESG criteria and are in accordance with HCOB's ambition to advance the sustainable transition in all dimensions (E, S, and G). This minimises any risks that could arise from being associated with businesses that fail to consume or produce responsibly.

SDG 12 and SDG 16 are also supported by HCOB aligning its business activities and reporting practices with regulations, contributing to the growing number of organisations continuously improving transparency regarding sustainability information related to their business activities. Additionally, by aligning its outsourcing management in the same way HCOB ensures that service providers act in an ethically and socially responsible manner and adhere to international standards on human rights, environmental protection and appropriate working conditions.

STAKEHOLDER MANAGEMENT

The ongoing strengthening of the dialogue with the Bank's key stakeholders and the inclusion of their interests in the comprehensive sustainability work is a key topic for HCOB. With a broad stakeholder analysis, HCOB identified its clients, creditors, owners and employees, as well as supervisory authorities and the public, rating agencies and media representatives, as the Bank's main stakeholder groups (see also HCOB's reputation risk guideline). The Bank maintains an active and continual dialogue with its stakeholders and responds to different interest groups with various stakeholder-specific dialogue formats. The results of the dialogue are incorporated into the Bank's daily sustainability work and the further development of its sustainability strategy.

Most Stakeholder Management measures are linked to updating and enhancing HCOB's ESG Road Map, the central overview of regulatory requirements, developments, and related actions. Bi-weekly checks on milestone achievement and proof of communication are used to track progress in this topic. The Management Board is involved regularly and updated continually via Sustainability Committee meetings.

For more information on this material topic and its management, see the chapter "Stakeholder Management".

SDG Impact:

Peace, Justice and Strong Institutions



Besides caring about its stakeholders and engaging in a dialogue with all relevant groups, HCOB's focus with this material topic is to be a good corporate citizen. The Bank is in contact with the relevant institutions and organisations to achieve compliance with the relevant national and international regulations. By doing so and aligning business activities and reporting practices accordingly, HCOB strengthens national and international institutions and contributes to the achievement of SDG 16 (Peace, Justice and Strong Institutions), particularly for facilitating public access to information.

ESG on Portfolio Level

At the portfolio level, HCOB identified three material topics.

ESG-ALIGNED FINANCING

» HCOB aims to further facilitate the transformation of its clients' business models towards greater sustainability by developing respective procedures and strategies, ensuring a positive impact related to all three dimensions of ESG.

The topic ESG-Aligned Financing was considered for the impact dimension because the reduction of the Bank's financed emissions is its biggest lever in fighting climate change. Regarding the topic's financial materiality, physical and transition risks increase the pressure on HCOB to align its business activities with ESG criteria, echoed by both supervisory and societal requirements with a special focus on the aspect of human rights when conducting business, e. g. via Black List.

Substantiating its commitment to ESG alignment in financing, HCOB has implemented a Black List, the ESG Scoring Tool, the ESG decision matrix in the loan origination and monitoring process, and a dedicated Investment Policy ("Sustainability Guidelines for Investments in Securities"). ESG criteria are fully embedded in all loan origination and monitoring processes and are discussed as part of the strategic client dialogue.

With the help of targets (» see page 37) and dedicated measures, such as starting to establish an ESG-linked customer dialogue, an ESG-linked pricing methodology and related products, and closing first lighthouse cases, the Bank made considerable progress in this area. To ensure this positive development, HCOB integrated due diligence in the process as project status reports to the Sustainability Committee, or ESG Scoring reports in regular management reporting.

The Management Board is strongly involved and updated continually via Sustainability Committee meetings and formal board meetings.

Clients are at the centre of the Bank's activities and engaged with in regular dialogue as part of the customer relationship process.

For more information on the management of this material topic, see the chapter "Business Segments and their ESG Impact". ◀◀

SDG Impact:

Affordable and Clean Energy;
Decent Work and Economic Growth;
Industry, Innovation and Infrastructure;
Responsible Consumption and Production;
Life below Water;
Peace, Justice and Strong Institutions



HCOB aligns its financing decisions with ESG criteria and has become an experienced financier of renewable energy and infrastructure projects, supporting the sustainable development and particularly contributing to the achievement of SDG 7 (Affordable and Clean Energy). The loan portfolio includes a high number of financed wind and solar farm projects with an aggregated installed energy-generation capacity of more than 4 GW, contributing greatly to the energy transition in Europe. ESG-alignment of financing also contributes to the achievement of SDG 9 (Industry, Innovation and Infrastructure). Specifically, HCOB's loan portfolio contains a high proportion of development projects that have positive effects on the carbon footprint and the energy efficiency of client's facilities, operations and infrastructure projects. The majority of financed projects in the infrastructure portfolio meet the strict standards of "qualified infrastructure". The Bank also emphasises focusing on the modernisation of office properties, where significant improvements in ecological efficiency are achieved by investing in heating, ventilation and air conditioning, in insulating building envelopes and in optimising lighting systems. Moreover, HCOB's lending activities related to optic fibre networks and data centres support the ongoing digitalisation efforts and help improve connections between people and businesses. The financing of several biomass and alternative fuel-based combined heat and power plants, the expansion of regional power and heat grids in Europe, as well as utility companies, and rail transport financing for freight wagons, locomotives and public transport completes the portfolio's impact on SDG 9.

Shipping still has negative environmental impacts for absolute emissions and marine life such as through ship dismantling activities, which the Bank actively avoids. HCOB remains committed to the modernisation of this sector with its financing portfolio backed by the continuous portfolio turnover to support the industry's sustainable transition and make the ecologically most efficient long-distance freight transport medium ever more environmentally friendly (SDG 14: Life below Water). At the same time, part of the HCOB Black List is dedicated to the avoidance of activities with negative maritime outcomes, such as fishing with driftnets, shark finning and other harmful fishing techniques.

Lastly, HCOB's risk management considers ESG criteria in the lending process (e.g. Black List), which explicitly rule out financings in countries or for organisations associated with high corruption, war involvement, or other human rights violations. Hamburg Commercial Bank therefore contributes to the achievement of SDG 8 (Decent Work and Economic Growth), SDG 12 (Responsible Consumption and Production) and SDG 16 (Peace, Justice and Strong Institutions).

CUSTOMER SATISFACTION

» To run a sustainable, resilient and future-oriented banking business, customer satisfaction is of the highest relevance to HCOB. Customer-centricity and knowledge of their needs enable the Bank to increase customer satisfaction and loyalty, accompanied by higher business volume. Coupled with its strategy to exploit ESG-linked market potentials by realising transformation financings, HCOB expects to benefit further from focusing on this key topic of customer satisfaction, for example with overall increased corporate value.

Customer satisfaction was deemed material from the impact perspective because the strategic dialogue with clients enables constructive exchange of expectations and in turn allows the Bank to adjust its product offering and service of clients, affecting customer satisfaction. In respect of the topic's financial materiality, clients are the central source of revenue for the Bank, and stable and long-term relationships are essential for HCOB's profitability.

To keep increasing customer satisfaction, HCOB defined targets (» see page 37) and conducted a first customer survey in 2022. The survey included questions on the relationship quality, measured with different KPIs like the net promoter or business intensity score and the satisfaction rate. Additional questions were targeted at the dimensions of product quality, service quality and ESG awareness. Results are being analysed to develop appropriate measures. To ensure progress, the Bank will conduct its due diligence, comprising annual reviews of the survey accompanied by respective measures based on the survey results and informs the Management Board accordingly.

For more information on the management of this material topic, see the section "Customer Satisfaction" on page 49. «

SDG Impact:

There is no imminent SDG impact on the topic of Customer Satisfaction. However, it is worth noting that without sufficient customer satisfaction, HCOB could not conduct business, advance the sustainable transformation of the economy with its financing activities and so contribute to achieving the SDGs as described in this chapter.

IMPACT ON CLIMATE CHANGE

» The financial sector is one of the crucial sectors for financing the transition towards greater sustainability and subsequently combating climate change. HCOB is in a position to facilitate sustainable development through its portfolio's impact on climate change. By considering the ecological impact of investments and aligning its financing decisions with the Paris Climate Agreement, HCOB minimises market and reputation risks.

HCOB's impact on climate change is considered material on the impact level since its financed emissions are a substantial lever against climate change. On the financial materiality level, the changing climate increases physical and transition risks for the Bank, as well as in terms of supervisory and societal requirements and expectations.

The Bank is committed to contribute to the sustainable transition and therefore embeds ESG in the loan origination and monitoring process. Specifically, potential loans are screened in a three-fold ESG review process consisting of a Black List, ESG Scoring Tool and ESG Decision Matrix (see the section "How HCOB manages ESG Risks in the Lending Business"). Besides that, the so called Investment Policy is in place to cover also the business activities conducted by the capital markets and treasury department. On a more strategic level, the Bank has signed the Principles for Responsible Banking (see the chapter "Sustainability Frameworks") and the Partnership of Carbon Accounting Financials (PCAF) for calculating a Bank's portfolio emissions and enable a more emission-based bank steering.

In the reporting year, HCOB made progress towards its targets (» see page 37) by conducting a first internal evaluation of Scope 3 emissions on portfolio level via the PCAF methodology, and is working on an emission reduction strategy, for which individual sector strategies are being developed in the course of 2023.

The Management Board is involved regularly and updated continuously via Sustainability Committee meetings which includes respective reporting and discussions.

HCOB engages relevant stakeholders regarding its impact on climate change, such as customers and potential customers, to be a reliable partner with emphasis on transition finance. Furthermore, supervisory authorities such as the ECB expect concrete measures, the public counts on institutions such as HCOB to decrease their impact on climate change via financed emissions, and rating agencies positively acknowledge solid measures and transparency, improving the competitive advantage of climate-focused banks in the market.

For more information on the management of HCOB's impact on climate change, see the chapter "Business Segments and their ESG Impact". ◀

SDG Impact:

Affordable and Clean Energy;

Responsible Consumption and Production



By considering its financing portfolio's impact on climate change, particularly in respect of financed organisations' energy efficiency, GHG emissions, and resource use efficiency, HCOB can facilitate the financing of ecologically sustainable projects, while making financing of ecologically harmful projects more difficult. This impact counts towards the achievement of SDG 7 (Affordable and Clean Energy) and SDG 12 (Responsible Consumption and Production).

ESG on Corporate Level

This section lists the main sustainability issues that have an impact on or are impacted by HCOB's business activities. Four material topics were identified here.

**HOLISTIC HR MANAGEMENT,
ESG AWARENESS AND DIVERSITY**

» Promoting employee awareness of ESG factors and incentivising them to participate in the Bank's endeavours through clear, targeted communication is a core issue for HCOB. The Bank aims to create a shared understanding of the company's approach towards the active management of all three ESG dimensions and to further grow its sustainable culture to promote ESG-aligned decision-making. Moreover, a topic of increasing importance is the professional and personal development of employees. Finally, the promotion and implementation of equal opportunities and diversity is a key focus for HCOB, minimising reputational risk and improving employer branding in the process.

The topic Holistic HR Management, ESG Awareness and Diversity is considered material to the impact perspective due to the Bank being a large employer in northern Germany, providing a safe and diverse working culture, and safeguarding its employees' economic status. The topic is also considered financially material because the Bank's need to be perceived as an attractive employer is a critical success factor for finding skilled employees, which in turn guarantee the realisation of the Bank's strategy and profitability.

To underline its commitment, HCOB has signed the Diversity Charter and aligned its HR policies, which are also anchored in the Code of Conduct.

Measures implemented in the reporting year to achieve HCOB's targets (» see page 38) include training sessions focused on career and skills development, and sustainability. ESG-specific training was centred around basic market training, sector-specific ESG training, as well as ESG awareness trainings. Additionally, several roundtables took place during the year to promote the topic of diversity, analyse the status quo and develop measures and targets, which were presented to the Management Board.

HCOB conducts due diligence to ensure positive development of its HR activities, through regular internal reporting measures like the monthly HR reporting. The Management Board is being involved via Sustainability Committee meetings, and via formal board meetings.

Stakeholder engagement was substantial for managing this topic, specifically about engaging with the public and about presenting the Bank as an attractive employer, and engaging with owners and employees to ensure a holistic management and an all-around view of the topic.

For more information on the management of this material topic see the chapter “Holistic HR Management, ESG Awareness and Diversity”. ◀

SDG Impact:

Quality Education;

Gender Equality;

Decent Work and Economic Growth;

Reduced Inequalities;

Responsible Consumption and Production;

Climate Action



HCOB is aware of structural societal and economic inequalities towards several groups in society and aims to be an inclusive workplace for all employees and potential employees. This is irrespective of age, sex, disability, race, ethnicity, origin, religion or economic or other status, contributing to the achievement of SDG 5 (Gender Equality) and SDG 10 (Reduced Inequalities).

Moreover, HCOB contributes to the achievement of SDG 4 (Quality Education) and SDG 8 (Decent Work and Economic Growth) by providing a healthy and attractive work environment that allows employees to balance their career and family commitments, as well as a range of development opportunities with various training possibilities. Discrimination or other forms of harassment are unacceptable, which was underlined by the Board’s strong stance in response to an incident.

Lastly, by committing to advance ESG awareness and providing knowledge and skill development opportunities for employees, HCOB increases sensitivity for environmentally friendly behaviours and facilitates similar decision-making in daily life, contributing to the achievement of SDG 12 (Responsible Consumption and Production) and SDG 13 (Climate Action).

DIGITAL COMPETENCE

Digitalisation and innovation are among the key success factors for the Bank. In this context, HCOB has undergone an extensive IT transformation over the last years, shifting from onsite to cloud based systems. This helps the Bank to both optimise processes, minimise costs and become future oriented in the digital era. Fully embedding ESG data into all processes remains a high priority to increase usability and allow data-based reporting and steering of the Bank’s sustainability activities.

Maintaining data and information security is a key matter for the Bank, as failure to do so could be severely disadvantageous for clients and in turn for the reputation and business activities of HCOB. Policies guiding the employees’ IT-related activities are the Data Protection Policy, and the HCOB Information Security Management System (ISMS) with the Information Security Guideline.

Notable measures that were conducted to reach HCOB’s digital competence targets in the reporting year (» **see page 38**) include IT developments and their integration into line function to improve ESG data availability. Moreover, an Information Security Management System was implemented, and a high level of data security was accomplished with no significant information security breaches.

The Bank ensures progress in its digital competence by conducting due diligence, such as having regular risk-oriented security assessments in place and reviewing accomplishments in ESG data availability at least annually. The Management Board is involved regularly and updated continually on significant developments via Sustainability Committee meetings. Besides that, the implementation of the planning and the results of the Information Security Assessments are reported to the Management Board at least quarterly.

The stakeholders that were most relevant for the discussions and development of this topic’s management approach were clients and creditors, who are most interested in topics such as data protection and information security, and supervisory authorities, who expect increasingly comprehensive ESG data availability and respective steering.

For more information on this material topic see the chapter “Digital Competence” **on page 81**.

SDG Impact:*Quality Education*

HCOB's business success depends on efficient and safe processes. With its commitment to Digital Competence, HCOB ensures focus on the topic of IT and facilitates the digitalisation of its business processes. Moreover, data-driven business decisions are part of the innovation that HCOB counts on improving to remain a favoured financing partner for sustainable business transformations. Importantly, to avoid risks and instead use the benefits of digitalised processes and the corresponding tools, technological education of employees at the respective positions is paramount and HCOB ensures that all relevant employees are competent to gain from this development, which contributes to achieving SDG 4 (Quality Education).

RESPONSIBILITY TOWARDS SOCIETY

» As a large employer rooted in northern Germany and being a good corporate citizen, HCOB sees its continuous responsibility in supporting organisations in the context of all three ESG dimensions.

The Bank considers the topic to be material because its support of non-governmental organisations (NGO) and other initiatives facilitates their impact significantly and allows HCOB to support communities in need. Moreover, HCOB recognises the society-driven pressure and expectation of being a good corporate citizen and related reputation risk, especially regarding its history as a publicly owned and subsidised bank.

Reaching its target in the reporting year (» *see page 38*), HCOB contributed to causes by donating to several non-governmental organisations. Moreover, the Bank supports voluntary activities of the employees or works council since this can boost employee engagement and promote their initiatives' impact. Among HCOB's activities in this respect the Bank offers paid volunteering days for its employees. Also, in light of the war in Ukraine, HCOB supported its employees in their initiative to collect donations and make trips with supplies to Ukraine. Engaging in and supporting these activities lets the Bank communicate part of its values to the public and also prevents reputational risk in all of its locations.

To ensure support to local organisations, HCOB's due diligence consists of an annual review of donations by the Supervisory Board. The amount and area of focus of HCOB's donations differ from year to year and are based on Management Board decisions, which consider input from employees and the public. Press and Marketing Office are the associated line functions and in charge of communicating the contribution.

For more information on this material topic's management, see the chapter "Responsibility towards Society". «

SDG Impact:*No Poverty;**Zero Hunger;**Good Health and Well-being;**Reduced Inequalities;**Peace, Justice and Strong Institutions*

HCOB aims to be a strong partner for the communities in which the Bank's offices are located and those in particular need, such as people affected by the war in Ukraine. With its donations to NGOs specially focusing on those people who are in need of help the most, HCOB contributes to the achievement of SDG 1 (No Poverty), SDG 2 (Zero Hunger), SDG 3 (Good Health and Well-being) and SDG 10 (Reduced Inequalities). Efforts regarding the employee-led Ukraine initiative contribute to achieving SDG 16 (Peace, Justice and Strong Institutions).

Details about the specific organisations supported by HCOB in 2022 can be found in the chapter "Responsibility towards Society".

RESOURCE PROTECTION

» HCOB wants to strengthen the company's internal awareness of ecological sustainability and implement concrete measures for resource conservation. Being a good corporate citizen is important to HCOB to positively influence its clients by being a role model and setting a good example.

HCOB views resource protection as material from the impact perspective, even though it is understood that, compared with its lever through its portfolio emissions, HCOB's own resource consumption may not be comparable. However, the Bank has a physical presence and employees, who use resources and the Bank considers this impact significant enough. Regarding the topic's impact on the Bank, the society-driven pressure, of acting as a good corporate citizen, as well as connected reputational risks are increasing with time. Moreover, rising energy costs incentivise further energy saving from a financial perspective.

To make its commitment more concrete, HCOB has signed the PRBs (see the chapter "Sustainability Frameworks"), uses the VfU-Tool ("Verein für Umweltmanagement und Nachhaltigkeit in Finanzinstituten e.V."), which is widely used to calculate emissions and resource consumption from organisations' operations, sets resource consumption targets and communicates these publicly via its CSR reporting (» see page 38).

To achieve these targets, the ESG Department coordinates and conducts several measures, including managing power purchase agreements for renewable electricity, identification and purchasing certificated compensation measures to offset remaining emissions, and disclosing environmental data, following best practice in the market. To improve its employee resource protection, ESG awareness measures and trainings are also important and described in more detail in the chapter "Holistic HR Management, ESG Awareness and Diversity". Orientation for behavioural guidelines on resource use and protection are mentioned in the HCOB Code of Conduct and the Procurement Principles. To extend the Bank's influence as far as possible, a Supplier Code of Conduct sets forth guidelines that suppliers must comply with to be considered as part of the supplier pool of Hamburg Commercial Bank.

HCOB conducts due diligence on progress in resource protection, namely target tracking of resource consumption data via CSR and management reporting. The Management Board is involved and updated regularly in Sustainability Committee meetings.

The input gathered from clients, owners, employees and rating agencies supports the ESG Department's decisions on the issue of resource protection.

As result, areas with the most potential for further development include the integration of reporting requirements into line processes regarding ESG data management, ESG awareness initiatives, and maintaining constant dialogue with rating agencies about their expectations and the Bank's efforts.

For more information on the Bank's management in this topic, see the chapter "Resource Protection". ◀

SDG Impact:

Responsible Consumption and Production;
Climate Action;
Life on Land



With its focus on resource protection of its own business activities and ESG-awareness measures, HCOB contributes to the achievement of SDG 12 (Responsible Consumption and Production) and SDG 13 (Climate Action). Notably, HCOB has already been using 100% renewable electricity for many years to power its offices. Moreover, the source of energy used for heating HCOB's premises is combined heat and power generation from the district heating supply. HCOB's tracking of resource consumption and emissions is being expanded continuously to provide an increasingly transparent account of used resources and ecological impacts.

Additionally, in terms of achieving SDG 15 (Life on Land), HCOB has an ongoing contribution due to its continued CO₂-compensation commitment. Scope 1 and 2 emissions as well as Scope 3 emissions from flight activities are compensated in cooperation with the TÜV Rheinland certified "Ausgleichsagentur Schleswig-Holstein" (Schleswig Holstein Compensation Agency). All dedicated funds go towards the restoration of the "Königsmoor" in Schleswig-Holstein to enable carbon storage and foster biodiversity.

Adverse Impacts of HCOB Business Activities on the Achievement of UN SDGs

Hamburg Commercial Bank is aware that, while its business activities are being geared towards supporting the sustainable transition of the economy, these activities can cause certain adverse impacts such as greenhouse gas emissions regarding the achievement of the UN SDGs. There is a conscious effort to increase the understanding of these negative impacts and to limit them while supporting the sustainable transition as far as possible. A dedicated analysis of adverse impacts on the UN SDGs has not yet taken place, but is planned for the future.

HCOB wants to emphasise that to contribute to achieving certain SDGs, there may be target conflicts and while HCOB aims to minimise SDG conflicts as best as possible, it may not always be feasible to do so entirely.

HCOB's Sustainability Targets

» Below, an overview presents targets set out in the CSR Report 2021 for the 2022 fiscal year, their status at the end of 2022, as well as new targets for 2023 onwards. If a target is designated with 'Completed/no further target for 2023', continuation of this issue's management is anchored in line function and progress ensured e.g. via Management reporting. «

» HCOB – Material Topics, Objectives and Measures «

Strategy & Governance			
Material Topics 2022	HCOB's Sustainability Targets for 2022 (CSR Report 2021)	Status as of 12/2022	HCOB's Sustainability Targets for 2023 (CSR Report 2022)
Sustainable Business and Growth Strategy	Further development of ESG target setting with KPIs and KRIs by end of 2022	→	Develop sustainable finance framework accompanied by respective segment-specific climate strategies including further development of KPIs and KRIs
	Safeguarding ESG Rating positions (ongoing)	↑	Safeguard ESG Rating positions (ongoing)
	Core lending franchises positioned to capture attractive market opportunities and support clients in their transition financing	→	Position core lending franchises to capture attractive market opportunities especially regarding sustainable new business origination
	Organic funding growth via corporate deposits and covered bonds	↑	Completed/no further target for 2023
	New business growth with € 7 bn+ annual originations projected, including strict risk/return levels and diversifying asset allocations ¹	→	Increase resilience of the business model and maintain a strong and competitive capital position accompanied by a diversified moderate balance sheet growth
	Additional cost savings driven by already contracted efficiency measures	↑	
	Strategic flexibility based on substantial excess capital	↑	

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

Strategy & Governance

Material Topics 2022	HCOB's Sustainability Targets for 2022 (CSR Report 2021)	Status as of 12/2022	HCOB's Sustainability Targets for 2023 (CSR Report 2022)
Holistic Risk Management and Corporate Governance	Further transformation of ESG activities into formal line functions and fully embedded in corporate strategy by end of 2022	→	Perform ongoing allocation of ESG activities into formal line functions
	Full participation in ECB climate risk stress test	↑	Completed/no further target for 2023
	Further enhancement of internal climate risk stress testing	↑	Continuously adapt to dynamic, regulatory environment regarding internal climate risk stress testing (ongoing)
	Further improvement concerning the integration of ESG aspects across all risk types in 2022, e.g. further adaption of ESG Scoring Tool	↑	Completed/no further target for 2023
	Ongoing development of the monthly Risk Report to the Management Board and further internal risk reporting with respect to ESG	↑	Completed/no further target for 2023
	Further development of ESG target setting with KPIs and KRIs by end of 2022	→	Define further KRIs based on necessary internal and external frameworks (e.g. sustainable finance framework)
	Usage of available climate-risk-related data (esp. asset classes CRE and Shipping) for risk management purposes by end of 2022, to be further developed in 2023	↑	Further assess and improve usage of climate-risk-related data (esp. asset classes CRE and Shipping) for risk management purposes
			Further enhance evaluation of the loan portfolio against physical and transition risks (PRB target for climate adaptation)
	Until 2023: implement IT platform for data collection and reporting based on our defined IT target architecture	→	Merged with Digital Competence Target
Stakeholder Management	Improve Stakeholder Dialogue in 2022 and define respective measures within the ESG Road Map	↑	Improve Stakeholder Dialogue and define respective measures within the ESG Road Map (ongoing)

achieved = ↑

in progress = →

ESG on Portfolio Level

Material Topics 2022	HCOB's Sustainability Targets for 2022 (CSR Report 2021)	Status as of 12/2022	HCOB's Sustainability Targets for 2023 (CSR Report 2022)
ESG-Aligned Financing	Start establishing ESG-linked customer dialogue by 2022	↑	Completed/no further target for 2023
	Start developing ESG-linked pricing methodology by 2022	→	Develop ESG-linked pricing and product solutions for implementation in 2024, in alignment with the sustainable finance framework and segment-specific climate strategies
	Evaluate development of ESG-linked products by 2022	→	
	Green new business production (as per EU Taxonomy definition) of >10% of the total net new business in 2025	→	Achieve a green new business production of >10% of the total net new business in 2025 ¹
	Safeguarding our strict Investment Policy (thresholds) in our investment portfolios	↑	Safeguard our strict Investment Policy in our investment portfolios
			Evaluate every new loan by ESG Scoring Tool and conduct no loans with score 5 and 6
			Evaluate every new loan against the UN Sustainable Development Goals (PRB target for climate adaptation)
	Start strategic ESG customer dialogue on transition financings including start developing incentives for meeting green standards	↑	Further develop ESG-linked customer dialogue including transition financings and respective incentives for meeting green standards
Provide a significant set of cases by 2023	→	accompanied by a significant set of ESG lighthouse cases by each market segment	
Customer Satisfaction	Develop structured approach for measuring customer satisfaction in 2022 and conduct survey in 2022 - 2023	↑	Introduce appropriate measures, based on results of customer satisfaction survey, and prepare subsequent survey for 2024
Impact on Climate Change	Evaluation of Scope 3 GHG emissions (portfolio level) according to PCAF by the end of 2022	→	Disclose first carbon footprint on portfolio level according to PCAF Standard
	Development of emission reduction strategy by the end of 2023	→	Develop respective segment-specific climate strategies for emission reduction (portfolio level; PRB target for climate mitigation)

¹ Indicative internal validation in accordance with economic criteria of EU Taxonomy on best effort basis, e.g. with calculations irrespective of clients' NFRD obligation; PRB target for climate mitigation

ESG on Corporate Level			
Material Topics 2022	HCOB's Sustainability Targets for 2022 (CSR Report 2021)	Status as of 12/2022	HCOB's Sustainability Targets for 2023 (CSR Report 2022)
Holistic HR Management, ESG Awareness and Diversity	Continuous enhancement of ESG training concept and ongoing roll-out in 2022	↑	Conduct regular internal communication with respect to ESG to further sharpen awareness for all employees and enhance training concepts
	Ongoing internal communication measures by ESG department to further sharpen awareness for all employees once a quarter in 2022	↑	
	Further enhancement of individual targets by including ESG factors on all employee levels	→	Review Management Board's remuneration policy regarding ESG and subsequent cascading down of targets to all employees
	Enhancement of remuneration policy with ESG factors on an ongoing basis (annually); i.e. expansion of ESG targets within the scope of target agreements for Management Board members	↑	
	Training budget to be >1,000 € per employee for 2022	↑	Achieve a training budget of >1,100 € per employee annually
	Initial reporting on employee satisfaction based on survey conducted in 2021 and to be renewed in 2022	↑	Conduct an employee satisfaction survey annually with stable or improved results
	Female share of 33% in Senior Positions and Management Level incl. Senior Experts, BU Heads and Department Heads by the end of 2025. If there was no vacancy in the target period, this will be considered accordingly	→	Achieve a share of 33% of the underrepresented gender (mostly women) in Senior Expert and Management Positions ¹ as well as 33% in BU Head functions by the end of 2025
Digital Competence	Until 2023: implement IT platform for data collection and reporting based on IT target architecture	→	Enhance IT platform for ESG data collection to ensure measurability, transparency and quality
	Safeguarding a permanently high level of Data Security	↑	Safeguard a permanently high level of Data Security (ongoing)
Responsibility towards Society	Several associations and foundations from Hamburg and Schleswig-Holstein will each receive up to 100,000 € to finance their valuable work. Donations are focusing on children, elderly, disabled and homeless persons	↑	Keep supporting several associations and foundations with donations in northern Germany, focusing on children, young people and students
Resource Protection	GHG emissions of Scope 1 and 2 to be reduced >20% until 2025 (vs. 683 t CO ₂ emissions in 2020)	→	Reduce GHG emissions of Scope 1 and 2 by >20% until 2025 (vs. 683 t CO ₂ emissions in 2020) and compensate on an annual basis by reliable, certificated measures
	Additionally, the CO ₂ emissions caused are compensated on an annual basis by reliable, certificated measures	↑	
	Keeping the share of renewable electricity at 100%	↑	Keep the share of renewable electricity at 100%
	CO ₂ emissions caused by flight activities are compensated on an annual basis (by reliable, certificated measures)	↑	Compensate GHG emissions caused by flight activities on an annual basis (by reliable, certificated measures)

¹ Employees with competency level 4 & 5

achieved = ↑

in progress = →

Holistic Risk Management

GRI 201-2

» HCOB has implemented a comprehensive risk management system around its legal and regulatory obligations as well as to support its business strategy. This is designed to identify potential negative deviations at an early stage in order to avert damage to the Bank and prevent impairment of the Bank's continued existence by taking appropriate countermeasures. Further information on the objectives, organisation and effectiveness of the risk management system can be found in the HCOB Annual Report 2022. Accordingly, HCOB continues to intensify its work in the area of identifying and managing ESG risks. In particular, physical risks, which involve long-term business risks due to changes in weather and climate, as well as transition risks are considered as a risk driver for the different risk types in the risk inventory. «

Target achievement status in respect of 2021 targets

» In the context of the CSR Report 2021, HCOB communicated several risk-related targets. In the following, the Bank shares the progress made in relation to these targets in the reporting year. Notable achievements include the successful execution of relevant assessments by Supervisory Authorities (e.g., ECB Climate Risk Stress Test 2022, C&E Thematic Review) as well as performing internal ESG-related stress tests on a regular basis. Regarding the integration of ESG aspects across all risk types in 2022, the risk inventory process was enhanced towards a more quantitative orientation based on an improved overall data availability and quality. Additionally, the Bank rolled out an enhanced third version of the ESG Scoring Tool. Related processes were adapted by establishing the approval of the 2nd line of defence to mirror the process already proven for internal ratings. Furthermore, HCOB's Black List as well as its Investment Policy were updated and an initial depositor scan conducted regarding ESG. ESG-related market potential was identified and employee awareness increased by conducting ESG-specific trainings. Moreover, sub-portfolio risk analysis was further developed to contain more ESG-related data and considerations in the risk reports to the

Management Board, and the heat map was adapted to contain the individual ESG scorings. Another achievement was made regarding the increased usage of climate-risk-related data for risk management purposes. All this contributes to an ESG rating position which has successively improved since 2020 and to an enhancement of internal reporting and external disclosure. Lastly, regarding ESG target setting with KPI and KRI, the KPI set applied was reviewed and found to be currently sufficient. KPI and KRI development will be continued, especially with regard to data availability in the context of carbon accounting.

The status of implementing an IT platform for ESG data collection and reporting based on HCOB's defined IT target architecture is on par with the plan, as initial progress was made and next steps and internal resources are assigned. «

Strategic Risk Framework

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

The continuous enhancement of the SRF is a primary objective, as it has to be regarded as a key success factor for the implementation of the risk-strategic principles. Clear, direct and open communication among all employees, as well as an understanding of, and shared responsibility for, risks as well as an adequate level of competence when considering the potential offered by new products, markets and distribution channels, is a prerequisite for an effective risk management system. Accordingly, the transparency, accountability and clarity of the principles are key requirements for achieving this objective. «

Compliance with the requirements set out in the SRF, particularly with regard to risk limits and risk guidelines, is embedded as a goal in HCOB's overall bank objectives. Compliance is ensured via monitoring the risk limits and guidelines set by the SRF, operative steering on the basis of a plan-forecast comparison as well as via the target-setting process and annual performance review for top management, with targets cascading down to an employee level. The link to the remuneration process and a Code of Conduct setting HCOB's core values also ensures compliance with the Strategic Risk Framework.

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

Risks that may materially impair HCOB's financial position (including capital resources) are identified as part of the risk inventory process.

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

ESG Risk

» The Bank's Strategic Risk Framework states that Hamburg Commercial Bank increasingly takes advantage of ESG business opportunities resulting from transition finance and actively manages resulting ESG risks in accordance with self-commitments and regulatory initiatives. Climate- and environment-related opportunities (» see page 13) and risks (see below) have been analysed in particular. «

Risk inventory process

» Following the spirit of the relevant international sustainability initiatives (e.g. the Paris Agreement) as well as regulatory expectations (e.g. "Guide on climate-related and environmental risks" issued by the ECB or BaFin-Merkblatt "Guidance notice on dealing with sustainability risks"), HCOB incorporates ESG risks in the Bank's risk management processes which are continuously enhanced in this respect. Starting point for the consideration of ESG is the risk inventory process.¹ «

ESG risks as driver for all risk types

» In line with regulatory initiatives, Hamburg Commercial Bank does not think of sustainability risks as a separate risk type, but as a risk driver for the respective risk types. As such it can induce a negative impact based on changes in the relevant ESG influencing factors.

For evaluation, the Bank is relying on qualitative assessments supported by strong quantitative elements. The latter take into account externally acquired (e.g. KARL© for physical risks, Energy Performance Certificates, data from Scope SE & Co. KGaA) as well as internally generated data (e.g. ESG scores, stress test results). According to the progress in data availability and modelling, HCOB expects the evaluation to become increasingly quantitative with a focus on the development of segment-specific climate strategies for the Bank's portfolio.

The analysis in the risk inventory process focuses on climate-related risks and considers both physical risks and transition risks: «

¹ See Risk Report in the Annual Report

» Transmission Channels in the Risk Inventory Process «

Transmission channels							
Physical risks		Transition risks					
Acute risks	Chronic risks	Political & legal pressure on banks	Green regulation	Green technology	Market sentiment	Digital ESG reputation	Ecological protectionism
Impact further specified on risk type level							

» The impact of these identified transmission channels is further specified on risk type level (in accordance with the risk types defined in the Bank's Strategic Risk Framework) and by time horizon in a second step, which allows an adequate description of the manifold impacts, the assessed relevance and materiality. «

Credit risk most affected

» Within all risk types subsumed under financial risks, due to the Bank's business model credit risk is considered most affected. Here, the analysis is performed on asset class level due to the different nature and exposure of each asset class towards physical and transition risks (e.g., risk profile of wind and solar parks differs from shipping). As a result of the risk inventory process, green regulation and green technology are identified as the most relevant transmission channels, especially with regard to Shipping and Commercial Real Estate business activities. «

Measures concerning ESG risks

» Apart from the risk inventory that is drawn up at least yearly, a comprehensive set of instruments is in place to enhance transparency and limit the impact of ESG risks. Thus, ESG is for instance integrated in risk strategies, Black List, ESG Scoring, Investment Policy, credit standards, stress testing and scenario analysis as well as management reporting and disclosure. From a governance perspective, ESG is fully embedded in the three-lines-of-defence process.¹

It is important for the Bank to influence the sustainable transformation of the economy and society through its business. At the same time, it is important to know the risk inherent in each single deal as well as the risk exposure on (sub-)portfolio level and price the risk accordingly.

The Black List defines the areas in which HCOB will not become involved, especially because of ESG risks considered as being too high. The risk exposure is actively managed through exclusion of certain countries, industries and counterparties/companies. It is anchored in HCOB's processes via the credit standards on the loan side as well as by the Investment Policy on the investment side.

Established to be used at the very beginning of the loan origination process, the ESG decision matrix reduces risks and encourages the transformation of the economy by putting the focus on the use of proceeds in addition to the counterparty thus rewarding the impulse to improve.

The in-house developed ESG Scoring methodology is fully integrated in the loan origination as well as – where applicable – in the investment process. It encompasses environmental, social and governance aspects and has strong risk references. For example, with respect to the environmental aspect physical and transition risks have to be evaluated on a single deal basis considering specific use of proceeds and overall ESG assessment of the customer. This individual scoring helps Hamburg Commercial Bank to estimate the preparedness and vulnerability towards the transformation of its clients' business models to meet sustainability goals. In 2022, the ESG Scoring process was aligned to the rating process by having the 2nd line of defence approve the ESG Scoring results.

Especially the instruments used in the loan origination and monitoring process will be described in more detail in the chapter "How HCOB manages ESG Risks in the Lending Business". «

¹ See Risk Report in the Annual Report

Stress Testing and Scenario Analysis

» In 2022, Hamburg Commercial Bank fully participated in the ECB Climate Risk Stress Test. In general, the Bank considers stress testing and scenario analysis as an important element of risk management.

In addition to stress tests specific to risk types, the Bank also regularly conducts stress tests across all risk types in order to be able to better estimate the effects of potential adverse scenarios on key parameters such as utilisation of the risk-bearing capacity, regulatory capital ratios, profits and liquidity and thus Hamburg Commercial Bank's overall risk position. Based on observed market developments and macroeconomic forecasts of relevant central banks, the Scenario Steering Committee approves macroeconomic and segment-specific forecasts for the carrying out of dynamic stress tests. These expected and stress forecasts are incorporated in different simulation scenarios such as a severe economic downturn, asset-specific crises, as well as scenarios that reflect potential transitional, reputational and physical risks associated with climate change and other environmental risks. The results are presented quarterly to the Asset Liability Committee (ALCO) and Overall Management Board. «

Reputation Risk Management

» Apart from credit risk HCOB's risk inventory process also identified a certain relevance of climate risks, namely transition risk, as a driver for reputation risk. «

CONTROLLING REPUTATION RISK

» HCOB uses various tools for the purposes of handling and monitoring reputation risks based on the SREP Guidelines. First, there are clear instructions and regulations for the Bank concerning how such risks are to be avoided and reduced and, where necessary, how the required coordination is ensured in cases of doubt. For a description with regard to the lending business, see the section "How HCOB manages ESG Risks in the Lending Business". The proactive media and publicity work carried out by the department Marketing & Communications supplements the set of tools used to manage reputation risk. Its task is to present matters concerning the Bank to the public in a proactive, fast, and truthful manner.

Second, the reputation risk situation for HCOB is assessed and evaluated by BU Compliance on a quarterly basis. For this purpose, all BU Heads are requested to evaluate their individual reputation risk situation. Additionally various expert-assessments on specialized reputation-risk-related topics such as ESG, data protection, outsourcing, media, customer complaints are also obtained from specialized units according to their individual competences. «

OBJECTIVE, STAKEHOLDER AND PROTECTIVE ENVIRONMENT

» The objective of reputation risk management is to exclude or prevent scenarios which might harm the Bank's reputation as a matter of principle, and to maintain and strengthen trust in the Bank on a sustained basis. In this respect, the relevant stakeholder groups are HCOB's clients, creditors, the supervisory authorities, and owners, as well as the Bank's employees and the public, rating agencies and media representatives.

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

Guidelines for business relationships and transactions

» The general guidelines for the Bank's business activities and interactions are based on the requirements that apply to the Bank from its environment and take into account e.g., the 10 principles of the UN Global Compact and include the following aspects:

- Human Rights and Labour Standards
- Environmental Protection
- Anti-Corruption and Criminal/Illegal Activities
- Violent Groups
- Arms and Weapons Industry
- Speculation on the Agricultural Commodities/Food Markets and Tax Compliance

Exclusion criteria and requirements, which are to be complied with by the initiating units as part of the know-your-customer process, have been defined for these aspects (see chapter "How HCOB Manages ESG Risks in the Lending Business"). «

KNOW-YOUR-CUSTOMER PROCESS

» HCOB has a know-your-customer process in place in order to comply with legal requirements. The process includes politically exposed persons (PEP) and bad guy checks, information on the source of funds, products, the basis of the business relationship and identification of the beneficial owner.

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

Overall evaluation of ESG risk

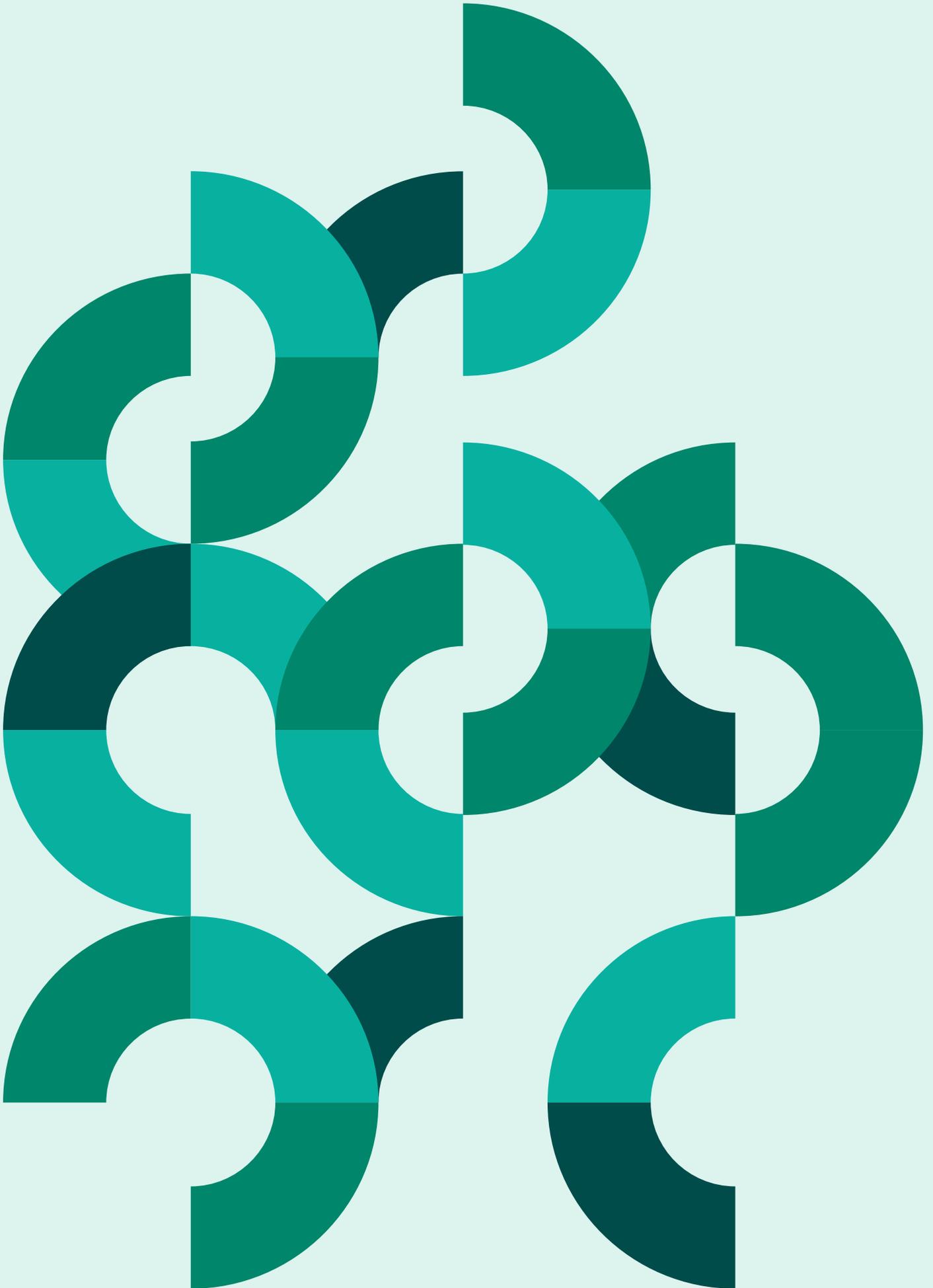
» All instruments described above serve to limit ESG risks in the portfolio from an outside-in perspective as well as from an inside-out perspective. Thus, e.g. exclusions via Black List and refraining from potential loans with an ESG Scoring result of 5 or 6 avoid that Hamburg Commercial Bank takes high ESG risks on its balance sheet (outside-in perspective) while at the same time avoiding high impact on the environment and society (inside-out perspective).

To enable the Management Board to steer ESG risks, the Supervisory Board to perform its monitoring function and to be able to inform its stakeholders, the Bank will continue to integrate risk-relevant information in the Management Report and its external disclosure. In addition to the CSR Report, the Disclosure Report according to part 8 CRR starting with reference date 31 December 2022 will contain comprehensive ESG information.

With respect to costs of actions taken to manage ESG risks several aspects are to be mentioned. First, concerning staffing Hamburg Commercial Bank has established the Sustainability Committee and the ESG Department as centralized function within the ESG governance structure. Secondly, along all three lines of defence employees are concerned with ESG topics according to their line responsibility. Thirdly, Hamburg Commercial Bank continues to develop its data governance towards ESG risks and adapt the IT architecture to systematically collect and provide aggregated necessary data. To this end, respective internal and external resources are allocated.

Overall, HCOB is aware of the importance to consider ESG risk in all its dimensions and has fully integrated it into its risk management processes and governance. Most significance is seen with respect to climate risk in the loan portfolio. Based on the currently available information, the internal and external data considered and given the structure and duration of the loan portfolio, at the moment the Bank considers the risk therein as manageable.

In line with HCOB's commitment to the PRB and in accordance with the general increase in knowledge with respect to ESG risks the Bank continuously strives to enhance its risk management methodology, data availability and data quality. «



Products and Business Impacts – ESG on Portfolio Level

HCOB's Contribution in the Business Segments



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

» The goal is to structure the Bank’s portfolio and support clients on the basis of HCOB’s conviction to support the green energy transition. The Bank wants to be a guiding partner and active supporter in this process. HCOB not only wants to reduce its own carbon footprint, but also to support its customers in limiting their climate impact. «

In its actions, HCOB is in the process of increasing alignment with the Paris Climate Agreement, the UN SDGs, the PRB and the recommendations of the TCFD, and for the second time complies with the disclosure regulation regarding the EU Taxonomy. The Bank intends to monitor and steer its business even more closely in terms of ESG conformity.

Business Segments and their ESG Impact

» Hamburg Commercial Bank is a specialised commercial lender operating in four market-oriented segments (Real Estate, Shipping, Project Finance, and Corporates) with locations mostly in German metropolitan regions and selected markets across Europe.

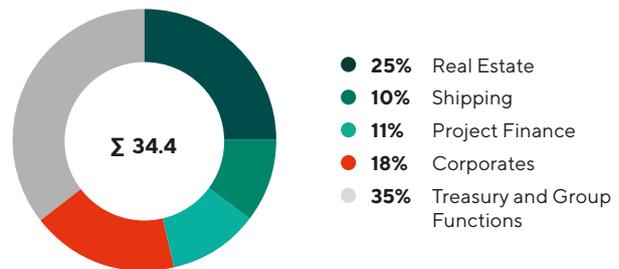
HCOB’s core focus is on asset-based lending and project and corporate financings, with a clear view of its markets and close proximity to its clients. The Bank provides its clients with commercial loans, bonds and trade and payment management solutions, as well as with capital market products.

The largest share of HCOB’s loan book is based in the eurozone and other developed markets with high legal and social standards and strong transparency indicators. These markets are also influenced by the various international initiatives relating to ESG, making the Bank confident in its ability to successfully implement ESG standards not only for itself but also for and with its clients. In 2022, HCOB further operationalised the ESG strategy in its business segments and continuously optimised its product offerings and the ESG-related customer dialogue by additional ESG training for the relationship sales team.

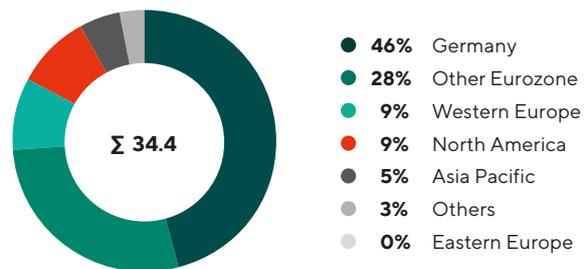
Large shares of the Bank’s loan book relate to real estate, which focuses on office, retail and residential buildings mostly in Germany. Besides that, the Project Finance loan book supports renewable energy and infrastructure projects throughout Europe.

» HCOB is engaged in and across various Segments and Countries «

EAD by Asset Classes (in €bn/%)



EAD by Region (in €bn/%)



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

HCOB’s ship financing activities are focusing mainly on the three asset classes container, bulker and tanker. As strong partner for the maritime sector, the Bank supports its clients to reduce the fuel consumption and pollutant emissions of their fleets. «

HCOB’s exposure to the world’s 20 most CO₂-intensive companies (according to Climate Accountability Institute) is very limited as only two financings for subsidiaries of these companies have been on the Bank’s books as per 31 December 2022. The respective exposure is below 0.1% of the Bank’s total assets. Both financed economic activities of these counterparties are fully in line with the Bank’s Black List in place.

Target Achievement Status in respect of 2021 Targets

» With regard to targets that were communicated in the CSR Report 2021, HCOB has started to establish an ESG-linked customer dialogue with a focus on transition financing, and closed first lighthouse transition finance projects (see examples in this chapter).

Moreover, the Bank has started to develop an ESG-linked pricing methodology. Specifically, considerations were started on how to incorporate this and possibly relevant ESG aspects that should impact pricing.

First product ideas and solutions along HCOB's business segments have been drafted and are being considered for a Sustainable Finance Framework.

In respect of its investment portfolios, HCOB's strict Investment Policy and related thresholds remain unchanged (see the chapter "ESG in the Capital Markets and Treasury Business" **on page 72**).

The sustainable new business production in 2022 as per the Bank's internal definition¹ is on track with 9.3% (€ 520 million) with the target to exceed 10% of total new net business by 2025. Overall, HCOB generated a total new business volume of € 5,586 million (final take).

With this business, HCOB's progress regarding its impact on climate change is becoming more transparent. A first internal evaluation of Scope 3 emissions on portfolio level has taken place applying the PCAF standard. The Bank is on track to develop segment-specific climate strategies for emission reduction by the end of 2023.

Regarding ESG-aligned funding, a topic no longer considered material in the reporting year, HCOB has continued to assess the relevant regulatory and market environment in accordance with the target definition in the previous reporting period. To provide ESG transparency for the Bank's entire portfolio, HCOB uses an ESG Scoring methodology which has already been applied to its whole loan portfolio (for more information see chapter "How HCOB Manages Risk in the Lending Business"). «

¹ Indicative internal validation in accordance with economic criteria of EU Taxonomy on best effort basis, e.g. with calculations irrespective of clients' NFRD obligation.

Partnership for Carbon Accounting Financials (PCAF)

» With the Bank's signing of the PCAF commitment letter in 2021, HCOB committed to measure and disclose the greenhouse gas (GHG) emissions from its portfolio of loans and investments within three years using the PCAF GHG accounting methodologies. This has the overall target to ultimately enable the alignment of the Bank's portfolio with the Paris Climate Agreement. As HCOB's sustainability target for 2022 was to perform a first internal evaluation of its Scope 3 GHG emissions on portfolio level according to PCAF and to develop a respective emission reduction strategy by the end of 2023, the Bank has undertaken several relevant measures in 2022. Besides the IT implementation of the data requirements resulting from the adaption of the PCAF standard, which is underway, the focus is on the collection of emission data on asset level while ensuring data quality. As high emitting sectors, the asset classes Shipping and Commercial Real Estate received special attention. For these, emission data was made available on an individual vessel or building level, both by collecting energy performance certificates and using an external data provider. Additionally, HCOB incorporates in its approach the publicly disclosed emissions of its clients via their sustainability reports. For assets where there is no emission data available, the defined PCAF emission factors will be used.

The disclosure of the Bank's carbon footprint at portfolio level in accordance with the PCAF standard will be published in the CSR Report 2023 for the first time (as on 31 December 2023).

HCOB has made considerable progress in developing transparent monitoring of energy efficiency and carbon footprint indicators for the Bank's entire portfolio according to PCAF. This methodology allows the Bank to improve the calculation of the Carbon Footprint of its portfolio and thus of the Bank's Scope 3 GHG emissions. With the increased understanding of its indirect impacts, HCOB can make better informed decisions with regard to its loan portfolio and financing activities.

The following pages take a closer view at the key segments that contribute to the Bank's loan book. «

Customer Satisfaction

» Next to ensuring ESG alignment in its business activities, HCOB relies on maintaining customers satisfaction with its financing services. To continue doing so, Hamburg Commercial Bank started a process in 2021 to periodically gather feedback from its customers in both a qualitative and a quantitative, standardised manner. Following through on the Bank's target in the reporting year, HCOB has designed and conducted a customer survey. Several ESG-related items were part of this survey. The Bank is in the process of analysing the inputs of its customers and will decide on measures to be implemented to improve its services and ensure client satisfaction. This process is designated to take place every two years. «

Real Estate

Developing the Real Estate Sector – sustainable

According to the German Federal Ministry for the Environment, Nature Conservation, Nuclear Safety and Consumer Protection, around one-third of resource consumption and some 15% of total CO₂ emissions in Germany are caused by the construction and operation of buildings.

The influence of the real estate sector on sustainable development is enormous. HCOB is one of the leading banks for real estate finance in Germany. The Bank provides loans for residential and commercial new-build properties that meet the most recent stringent sustainability requirements.

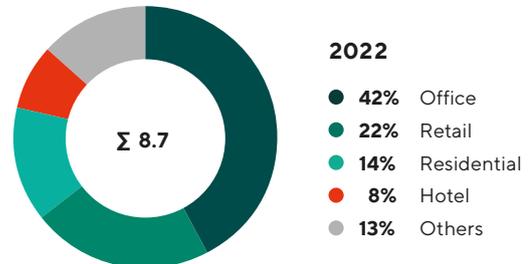
Financing of refurbishment of office properties is another key focal point of HCOB's business. The use of the EU-financed "CRREM" Tool enables HCOB on a case-by-case basis to assess already in the loan origination process what monetary amount of improvements in energy efficiency of a building are advisable or necessary for the property to perform well in the market even in the future. The tool considers many regulatory requirements and market developments in this process. Once decided, the eco-efficiency of a property can be significantly improved by investments in e.g., heating, ventilation and air conditioning, insulating building shells and optimising lighting systems.

HCOB's offering includes KfW loans for ecologically sustainable properties or modernisation measures.

Environmental and social aspects form part of the Bank's current risk and value assessment processes and influence lending and financing decisions.

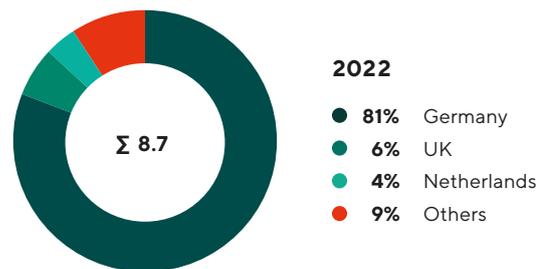
Portfolio by Segment

(in € bn EAD / %)



Portfolio by Region

(in € bn EAD / %)



HCOB's target clients are highly professional entities that prudently take ESG concepts into consideration and are accordingly willing and able to improve and to adjust their decisions, investments and organisations. A proportion of residential financing supports the creation of urgently needed housing, especially in densely populated urban areas.

The Bank's portfolio includes a solid share of future-oriented project developments, each with a positive contribution on the long-term carbon footprint and the energy consumption of the underlying assets.



Facts and Figures

Customer:

DC Developments GmbH & Co. KG

Project:

Innovative mixed-use building "Sedelhöfe"

Financing:

€171 million

Real Estate

Innovative mixed-use building "Sedelhöfe" in Ulm

Medium-term club-loan for the "Sedelhöfe", a large-scale innovative mixed-use building in the center of Ulm. Realized by a consortium of several sponsors led by DC Developments. The newly built property features a wide range of energy saving materials and technology, and belongs to best in class for energy consumption and efficiency.

HCOB has been involved in the project since July 2016. Together with two other lenders, the consortium has partially financed the development. The project includes four buildings for retail, offices, medical practice, residential use and underground parking with charging stations for electric cars. A total of 34,000 m² of modern space was built around the Albert-Einstein-Platz. In the Sedelhöfe, each of the 112 apartments features high-quality fittings, efficient room layout and a loggia or balcony. Also, a 1,000 m² green roof terrace features a spacious play area for children and families.

The platinum standard of the German Sustainable Building Council (DGNB e.V.) underlines the sustainability of the building, which was completed in 2022. 100% renewable energies are used to heat and cool the retail area. Furthermore, the building was constructed with thermal insulation in accordance with the applicable new building standard EnEV 2014, and sound insulation in line with DIN requirements or, in the residential part, with higher sound insulation.

ALTAAL



Facts and Figures

Customer:

Altaal Group & 1Zone Capital

Project:

Purchase of a BREEAM certified office building

Financing:

€16.5 million

Real Estate

BREEAM certified office property in Belgium

HCOB provides €16.5 million to Altaal Group and 1Zone Capital. The joint venture is using the financing to purchase a modern office building in Brussels that has previously been awarded a BREEAM certificate for sustainability. The sponsors seek to upgrade the certificate to “excellent” by implementing major improvements.

Constructed in 2009 in the south of the Belgian capital, the building is conveniently located between two metro stations and has very good highway access. The complex has three wings and comprises almost 18,000 m² of variably divisible leasable area as well as 200 underground parking spaces. Around 300 solar panels were installed on the roof of the six-story building, and all floors have interior and exterior facades that benefit from natural light during the day. Employees have access to a garden and a yoga room, showers, lockers, bike racks and a laundry service.

The joint venture partners intend to reduce energy consumption and the property’s carbon footprint while improving energy efficiency through measures such as the installation of heat pumps, LED lighting and additional solar panels. A BREEAM “excellent” status is targeted before the loan matures.



Facts and Figures

Customer:

J.P. Morgan Asset Management

Project:

Substantial energetic refurbishment

Financing:

€75 million

Real Estate

Acquisition and capital expenditure financing

HCOB provides €75 million to a fund managed by J.P. Morgan Asset Management (“JPM”). JPM is using the financing to purchase the office and commercial property and for capex measures, especially construction to substantially improve the property’s carbon footprint and energy efficiency.

The building, which was built in 1952, is located directly at “Königsallee”, in the middle of the Düsseldorf central business district. The property offers flexible office space with good ceiling heights and access to terraces and balconies, as well as retail units on the ground floor.

JPM intends to substantially decrease energy consumption and the property’s carbon footprint while improving energy efficiency through various measures. These include electrical improvements, replacement of windows, improved ventilation/cooling/heating installations, and facade insulation.

The capex facility provided by HCOB will be used to partly finance these measures and therefore contribute to the asset’s transformation towards sustainability.

Shipping

Supporting an industry transform

Shipping is still the most fuel efficient transport system. Global trade and supply of resources depends on marine transportation. Some 90% of traded goods are transported by ship, and the efficiency level (however measured – emissions per unit, tonne, or TEU) is unrivalled. On average, vessels produce CO₂ emissions of 8g/tkm (tonne-kilometre).

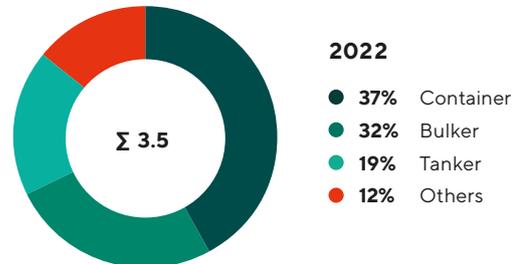
The International Maritime Organisation (IMO) regulation expects shipping companies to make several commitments, such as to the Ballast Water Management Convention, implementing an obligatory data collection system for fuel consumption, committing to concrete emission reductions, and implementing low sulphur/exhaust gas cleaning systems. The industry aims to reduce CO₂ emissions by 50% by 2050 compared with overall fleet emissions in 2008.

In this sector, HCOB supports the sustainable transformation – e.g., by supporting the modernisation of the global trading fleet by financing state-of-the-art conversions that improve environmental as well as economic efficiency. In addition, analysis of carbon-emission data for each vessel has been started to e.g., evaluate climate-related risks.

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

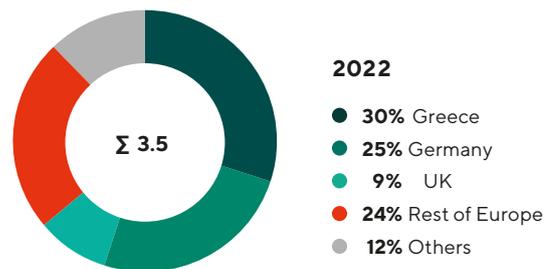
Portfolio by Segment

(in € bn EAD/%)



Portfolio by Region

(in € bn EAD/%)





Facts and Figures

Customer: AS Tallink Grupp	Project: Financing of five existing Ro-Pax ferries	Financing: € 135.5 million Syndicated Sustainability Linked Loan (SLL)
--------------------------------------	--------------------------------------------------------------	----------------------------------------------------------------------------------

Shipping

SLL to support efficiency of the fleet and reduction of CO₂ emissions

Tallink is the leading ferry operator in the Baltic sea region with a clearly defined sustainability strategy which focuses both on reducing the CO₂ footprint as well as continuously improving the wellbeing of its employees. Tallink demonstrates this strategy by committing to a SLL with a clear focus on those targets.

HCOB together with a number of other dedicated shipping banks provides Tallink with a €135.5 million Syndicated Sustainability Linked Loan. One of the key elements of the SLL is the commitment of Tallink to:

- Reduce the absolute CO₂ emissions of its core fleet by a minimum of 2% annually, and
- Keep a very low percentage of lost working time injuries among its employees, i.e. to continuously improve the wellbeing of its employees

In order to achieve these goals, Tallink will be incentivized by a margin reduction and will be penalized by a margin increase should Tallink fail to achieve those targets. By participating in this SLL linked facility HCOB is thus actively supporting the efforts of shipping clients to offer good working conditions and reduce their CO₂ footprint.

Corporates

Continuously broadening the core market

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

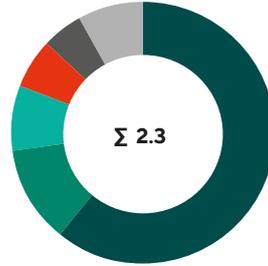
The Bank increasingly uses the ESG dialogue with its clients to support and finance their efforts to transform business models and production processes to climate neutrality over time. Furthermore, HCOB is an active lending partner to the enablers of the energy transition, i.e. European companies that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

HCOB's Corporates portfolio is well diversified and is allocated predominantly in the services, trade and manufacturing industries. Traditional industries with relatively high greenhouse gas emission intensity form a rather small part of the Corporates portfolio. When looking at corporate clients' greenhouse gas emissions, the policy for new corporate lending business continues to permit financing to companies with higher greenhouse gas emission intensity – as long as the financing contributes to their sustainable development.

Portfolio by Segment and Region

(in € bn EAD/% , YE 2022)

Germany

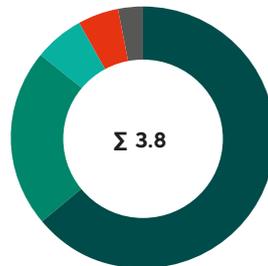


- 61% Services
- 12% Wholesale
- 8% Retail
- 6% Industry
- 5% Healthcare
- 8% Others

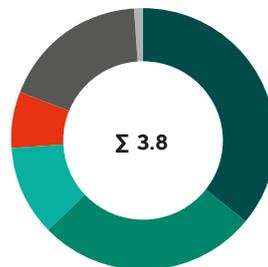


- 80% Germany
- 20% Rest of Europe

International



- 64% Diversified Portfolios¹
- 22% Services
- 6% Industry
- 5% Manufacturing
- 3% Consumer/Retail



- 36% US
- 27% Luxembourg
- 11% UK
- 7% Germany
- 18% Rest of Europe
- 1% Others

¹ Thereof €1.6 bn granular loan portfolios

Project Finance

Financing beyond the traditional

Hamburg Commercial Bank’s business focus in project finance includes a clear effort to provide financings beyond traditional paths.

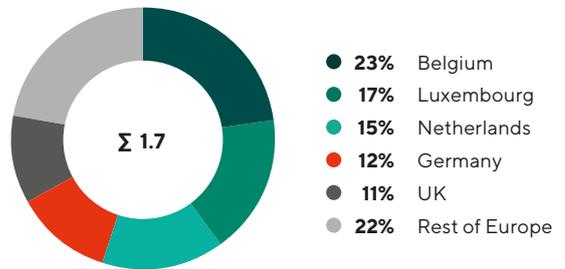
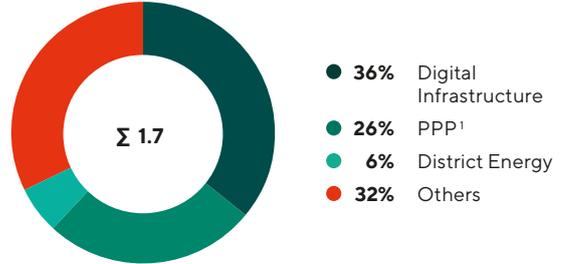
With a focus on Infrastructure and especially Renewables the Bank concentrates on asset classes with a strong ESG footprint and clear strategy towards the achievement of net zero targets. This offers a wide range of investment opportunities in regards to digital infrastructure and the energy transition e.g., district energy and alternative fuels based power plants.

HCOB’s project finance business is clearly focused on activities which contribute to the transition to a sustainable economy. Consequently, the Bank has severely limited new business in fossil fuels-based energy generation to conversion projects based on alternative fuels. In renewable energy and digital infrastructure, HCOB has for many years been and will continue to be a committed and competent financing partner.

Portfolio by Segment and Region

(in € bn EAD/ %, YE 2022)

Infrastructure



¹ Public-private partnership

Transition to a green economy

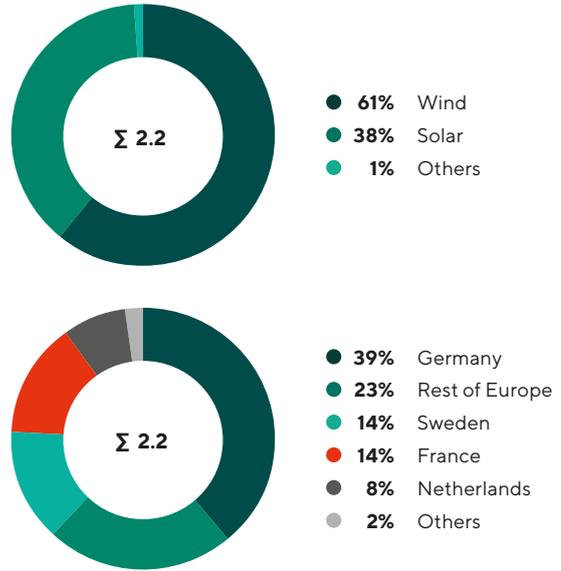
While financing wind farms and solar PV projects helps delivering direct contributions to Europe’s energy transition, the range of infrastructure projects in HCOB’s business focus is also essential for the transition to a green economy. For example, financing district heating networks supplied by biomass- or waste-fired combined heat and power plants helps to avoid less efficient and carbon-intensive decentralised burning of fossil fuels. These assets are needed to fulfil the ambitious targets on the Bank’s path to net-zero and additionally safeguard the security of energy supply. Another benefit is the grid stabilising function of these as other renewable energy sources like wind and solar are fluctuating sources. The financing of new builds and enlargements of optic fibre networks and data centres helps to connect people and businesses, enabling employees to work more efficiently from home, while saving some of the daily travel emissions that would otherwise be incurred. This is currently one of HCOB’s most active fields of new business in infrastructure. Another area is rail transport financings with focus on freight cars and locomotives, as well as electrified public transport, supporting environmentally friendly transport.

More than 70% of HCOB’s infrastructure portfolio and all of its renewable energy commitments meet the stringent standards for “qualified infrastructure”, which means they must meet strict environmental, social and governance standards in addition to sustainable financial metrics.

Portfolio by Segment and Region

(in € bn EAD/%, YE 2022)

Renewable Energy





Facts and Figures

Customer:
IDEX

Project:
District heating

Financing:
€15 million participation

Project Finance

Participation in Accordion facility

Hamburg Commercial Bank (HCOB) has participated in the Incremental Facility (Accordion) of €200 million for the French energy specialist IDEX. As an energy service provider, IDEX specialises, among other things, in the operation of one of the largest French district heating networks and uses mainly renewable energies for this purpose.

Founded in 1963 and headquartered in Paris, IDEX has become a leading energy company in France with around 5,000 employees. As the third largest District Heating provider in the country, it provides energy solutions as well as alternatives to fossil fuel power generation. The company focuses on Energy from Waste (fourth largest operator of

EfW plants in France) as well as biomass, geothermal, anaerobic digestion, wind, photovoltaic and solar thermal energy generation, among others.

District Energy is integral part of the energy transition in Europe.

How HCOB manages ESG Risks in the Lending Business

GRI 408-1, 409-1

» It is important for HCOB to support the sustainable transformation of the economy and society through its business. In doing so, the Bank not only pays attention to ecological aspects, but also consciously includes social and governance aspects.

To meet this requirement, HCOB has developed a comprehensive evaluation system based on three core elements – the Black List, the ESG decision matrix and ESG Scoring. With the help of these comprehensive and forward-looking ESG risk management instruments, the Bank aims to contribute to the long-term sustainability and performance of its loan book, described below, and its investment portfolio (see section “ESG in the Capital Markets and Treasury Business”). «

ESG Risk Management in Loan Origination

» With respect to sustainability, HCOB’s credit standards include a rigorously applied Black List, ESG decision matrix, and ESG Scoring.

These three key elements are fully integrated in the loan origination process:

1. Black List

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

Based on this first step, HCOB ensures a thorough screening process for new business. The use of proceeds, the borrower or company, and the location of the project and sponsor are all taken into consideration, including basic ethical principles such as the respect for human rights.

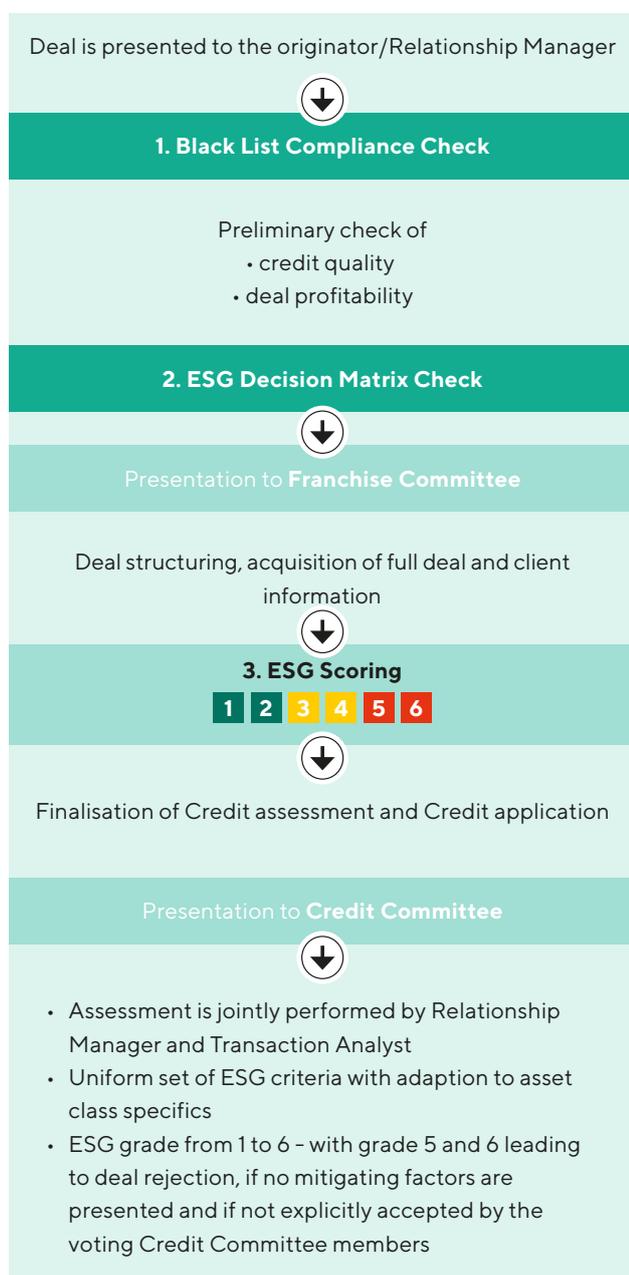
2. ESG Decision Matrix

In a second step, the ESG decision matrix is used to guide the lending process, allowing for an efficient pre-selection of new business opportunities also from a sustainability perspective. It also allows HCOB to support less sustainable companies in their sustainable transformation, by combining the loan application’s use of proceeds and the client’s individual exposure to blacklisted business activities.

3. ESG Scoring

HCOB’s ESG Scoring approach is based on the EBA Action Plan for Sustainable Financing and the BaFin Guideline on Dealing with Sustainability Risks, published end of 2019. It encompasses a thorough analysis of climate, environmental, social and governance risk factors for every financing, and a solid minimum ESG grade of “4” is required for the credit decision. «

» HCOB's Detailed ESG-Embedded Lending Process «



The HCOB Black List

» In conjunction with the Bank's risk strategy and business strategy, HCOB's credit standards provide a binding and comprehensive framework for all parties involved in the lending business. Business approaches that are not fully compliant with these three elements of the loan origination process (Black List, ESG Decision Matrix, ESG Scoring Tool) are not pursued as a matter of principle. This includes reputation risk which often is associated with specific harmful business practices and industries. Here, the HCOB Black List is a key element to prevent the financing of highly questionable companies and business activities.

The credit standards define which types of loans are preferred, which are critical but can be justified as manageable, and which attributes of a transaction are only permitted in exceptionally justified cases. As a result, they provide the Bank's client relationship managers with reliable guidelines for meetings with clients, in which ESG issues as well are discussed as part of the lending process. Each transaction also has to go through a regular, unbiased credit process (including analysis, rating, ESG Scoring, credit application, decision), in which the credit standards are reviewed in connection with other decision-relevant criteria.

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

Embedded in the Credit Standards

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

» HCOB Black List¹ «

The current Black List², which defines the areas in which HCOB will not become involved in any direct financing arrangements, consists of the following three levels:

Country level:

No business will be conducted in countries with

- either a high level of corruption³, or
- a very low level of peacefulness.⁴

Industry level:

No business will be conducted in the following industries and economic activities negatively impacting sustainability aspects:

1. Energy production – Avoiding fossil fuels and nuclear energy connected to risks and negative impact on climate and environment
 - Coal mining (including thermal coal, including lignite coal) and its use for energy production including related businesses
 - Upstream oil-and gas industry (including Arctic offshore exploration of oil/gas, oil sands, oil shales but excluding gas power production)
 - Nuclear energy including mining, trading and processing of uranium
 - Electricity production from fossil fuels with GHG emissions of >100g CO₂/kWh with the exemptions granted by EU Taxonomy for constructions approved before 2030

2. Mining – Avoiding controversial mining activities connected to significant negative environmental, social and health impact
 - Mountain-top removal mining
 - Mining, trading or processing of asbestos
 - Mining, trading and processing of rough diamonds

3. Shipping – Avoiding controversial shipbreaking activities connected to significant negative environmental, social and health impact
 - Ship breaking, including beaching of ships, shipbreaking yards, cash buyers, unless the yards are EU approved under the EU Ship Recycling Regulation

4. Social – Avoiding activities with significant risks for human rights, health and social peace
 - Weapons – Development, manufacturing, maintenance and trade of banned weapons and ammunition
 - Production and manufacturing of tobacco and vaping products (e-cigarettes)
 - Problem gambling and its development
 - Pornography, adult entertainment and brothels
 - Drugs and narcotics – except for medical purposes only, including Marijuana
 - Embryonic stem cell research

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

Company level:

No business will be conducted with companies that violate human dignity, human rights or any other global norms in general.

¹ Black List reviewed on a regular basis, for further details and a more comprehensive overview please refer to ESG Factbook – Black List Update (published on the HCOB website)

² As per 31 December 2022

³ Corruption Perception Index <30, source: Transparency International

⁴ Rating >2800, source: Global Peace Index, The Institute for Economics & Peace

ESG Decision Matrix – Bringing together Client Profile and Financing Purpose

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

With this process, HCOB has created a basis for evaluating companies and respective financing purposes that are partly unsustainable. The Bank's goal is not to exclude companies from financing, but to reward the impulse to improve and encourage the move towards a greener economy. This means the HCOB ESG decision matrix positively highlights the willingness to improve and enables financings of such sustainable improvements even in so called "brown" industries. «

» ESG Decision Matrix «

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

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

² Financial sponsors are generally "green" (s.t. AML/KYC compliance).

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

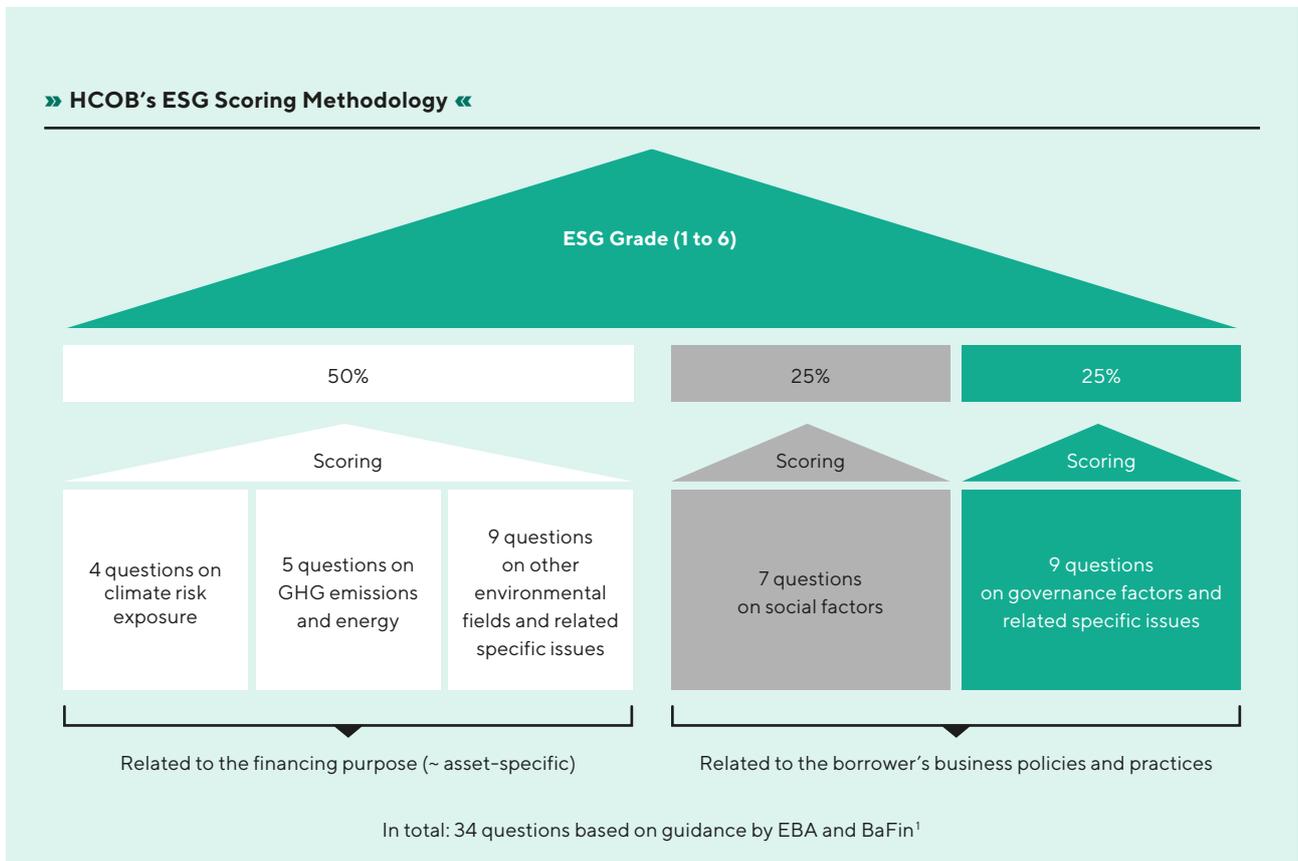
⁴ For the avoidance of doubt: proceeds may not be used to fund any blacklisted business activity.

The ESG Scoring Tool and Scoring of Existing Portfolio

» In October 2020, Hamburg Commercial Bank introduced a holistic ESG Scoring Tool in order to evaluate the ESG characteristics of its lending activity and loan portfolio ESG quality. The model is applicable to financings for corporations across all industry sectors as well as to project and asset financings. Only governments and retail clients cannot be assessed with regard to their ESG characteristics.

The scoring tool was built alongside the guidance from EBA and BaFin to integrate ESG factors into the lending process. It supports the Bank to intensify the sustainability dialogue with its clients, allowing HCOB to:

- Systematically evaluate Climate/Environmental/Social/Governance aspects of the clients, assets and projects which Hamburg Commercial Bank finances,
- Assess physical and transitory risks from climate change in its lending and investment portfolio,
- Better understand HCOB’s clients’ challenges on their path towards a sustainable future and provide financing solutions that suit their needs.



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

The ESG Scoring Tool encompasses 18 questions relating to climate and environmental aspects, 7 questions on social aspects and 9 questions regarding governance-linked issues. Each question is given a score depending on the assessment (positive, neutral, negative or yes/no).

The scoring model provides Environment, Social and Governance sub-grades as well as an overall ESG grade. Hereby, the “Environmental” factor has a double weighting assigned, meaning that this sub-grade carries more weight compared to the social and governance sub-grades. Here, a special focus is placed on exposure to physical and transitional climate risk, energy consumption, energy efficiency and carbon footprint.

The overall ESG grade ranges from 1 to 6 (1 being the best grade) and is assigned to each new business opportunity presented to the Bank’s Franchise and Credit Committees. A new business opportunity with a score of 5 and 6 leads to deal rejection if no mitigating factors are presented and if not explicitly accepted by the voting Credit Committee members.

The ESG Scoring Tool continues to be refined and improved, e.g. with newly developed methods for quantifying physical and transitory climate risk, evolving standards and best practice in the different sustainability factors as well as the adaption and reflection of EU Taxonomy requirements. «

» ESG Scoring «

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

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

² Do no significant harm, as per the EU Taxonomy definition.

Approach

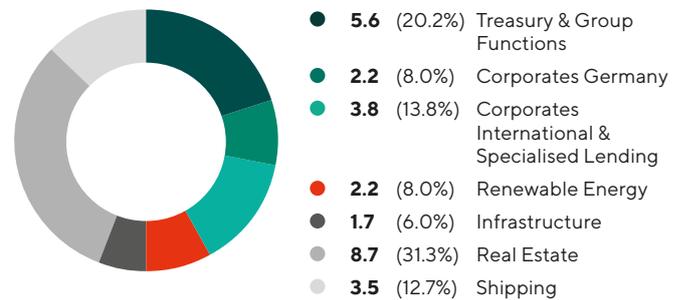
» All applications for new loans and the entire loan book are generally ESG graded on an individual basis, taking into account the financing purpose, client’s positioning and behaviour in respect of environmental, social and governance factors. The grading is done based on a proprietary ESG Scoring Tool that has been developed in line with the relevant supervisory requirements and is fully integrated in loan origination and monitoring processes. ESG grades are oriented towards the German school grading scheme and can range from “1” to “6”, with “1” being the best grade. The ESG Scoring Tool is applicable for corporate, project and asset financing in all industry sectors. Exceptions from the principle of an individual ESG Scoring of each financing apply to a legacy portfolio of corporate loans which is actively managed down and accounts for around 2% of total Exposure at Default (EAD). The exposure in the legacy portfolio is scored until redemption by using industry-specific scoring profiles. The respective credit exposure is mapped to 15 different industry sectors in total, each incorporating average characteristics representative for the credit clients in the respective industry sector. Each of these sectors has been evaluated via the ESG Scoring Tool in place – using the same approach as the individual scoring. Overall, 99% of Hamburg Commercial Bank’s scoreable loan book has been ESG-scored (31 December 2022).

Furthermore, the Bank’s investment portfolio and the trading book have also been ESG-scored at fiscal year end 2022 as far as possible. An EAD amount of € 6.6 billion, comprising deposits with central banks, government bonds and loans, derivatives and exposure to retail clients, was excluded from scoring as the methodology is not applicable for such counterparties. Furthermore, an EAD of € 0.4 billion, for example from structured investments, was not covered due to insufficient ESG-specific information, resulting in a scoring coverage of 92% of all ESG-scoreable investments and trading assets.

A specific ESG Scoring approach has been developed for accessing the ESG quality of investments in diversified corporate loan funds and CLO-style investments that are managed by external investment managers. Here, for efficiency reasons, a simplified scoring is applied based on the vehicle’s investment policy match with Hamburg Commercial Bank’s Black List exclusions and the industry sector composition of the underlying portfolio, and no additional sub-grades for environmental, social and governance factors are derived. In turn for not requiring an ESG-look-through on the underlying loan portfolio level, the ESG grade for such investments is limited to an intermediate grade at best (range from 3 to 6). To secure an adequate alignment to HCOB’s Black List policy, the internal investment policy requires an ESG grade of 3 or 4 for investments in such vehicles to qualify as investment. At FY end 2022, these kinds of investment are part of Hamburg Commercial Bank’s business unit Corporates International and Specialised Lending. «

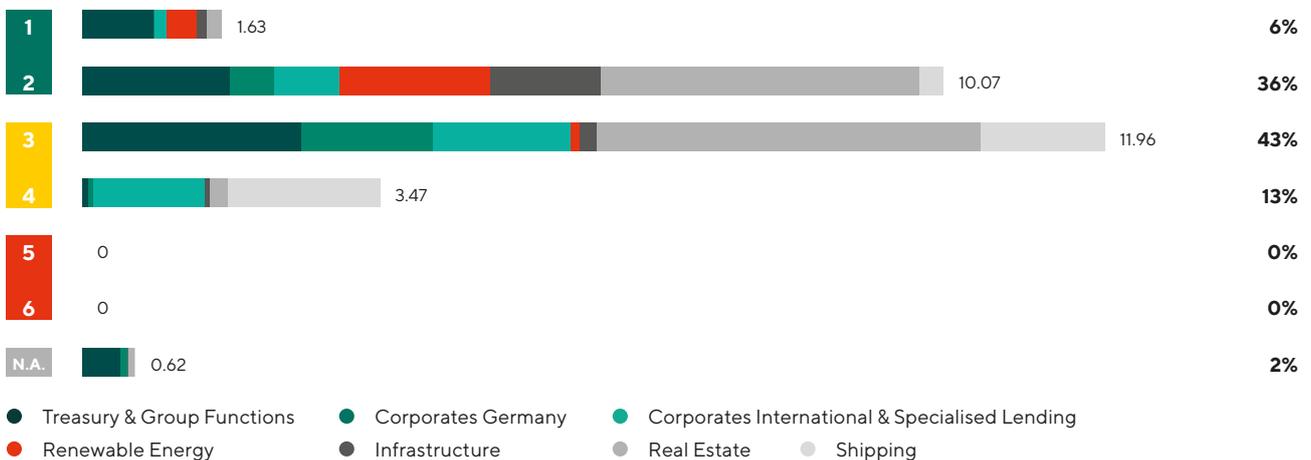
» ESG-scoreable EAD per Asset Class (31.12.2022) «

(in € bn/in %), [Total: € 27.8 bn]



» ESG Scoring of Credit and Investment Portfolio (31.12.2022) «

Coverage: 97.8%, average score: 2.64 (EAD by score in € bn), [Total: € 27.8 bn] (in %)



Scoring Results

» Overall, an EAD of € 27.1 billion was ESG-scored as of fiscal year end 2022, representing 98% of the total scoreable EAD amount of € 27.8 billion. The bottom line is an average ESG score of 2.64 (2021: 2.65). In total, 43% of the ESG-scored credit exposure (measured in EAD) is scored in the top category of ESG grades 1 and 2 (2021: 40%) and 57% in the intermediate category of ESG scores 3 and 4 (2021: 60%). There is no financing in the portfolio that is assessed as having unfavourable ESG quality (grades 5 or 6). In its 2022 new business volume with credit clients, Hamburg Commercial Bank realised an average ESG score of 2.73 (2021: 2.68). The increase compared with the 2021 average was largely caused by the higher share of ship financings in total new business.

Compared to fiscal year 2021, there has been a shift towards a somewhat broader distribution of ESG grades with an increasing share of financings graded "1", "2" and "4" in fiscal year 2022.

Looking deeper into the ESG Scoring results, most of the Bank's clients and financings show solid governance assessments (G-grades of mostly 2 and 3) and profit from the high social standards in most core business regions such as Germany (S-grades mostly from 1 to 3). With regard to the environmental assessments, however, the E-grades of the scored clients and financings span from 1 to 5, depending on the asset or client's economic activity financed. In total the scoring results across HCOB's business sectors unsurprisingly continue to show an ESG ranking with Renewable Energy financings at the top (average ESG grade 1.9), followed by Infrastructure (average grade 2.1). Real Estate, Treasury & Group Functions, and Corporates Germany show ESG scores around average (range from 2.4 to 2.8), while Corporates International & Specialised Lending (average grade 3.1) and Shipping (average grade 3.4) are at the lower end of the ESG ranking.

In 2023 the aim for ESG Scoring is to develop and integrate an online solution to enable client ESG self-assessments and to align the ESG assessment with Hamburg Commercial Bank's new Sustainable Finance Framework under development. «

EU Taxonomy Regulation

» The EU Taxonomy Regulation (Regulation 2020/852/EU) is a regulation that establishes a classification scheme for economic activities based on their environmental sustainability. This classification scheme is primarily aimed at supporting mandatory disclosures, in order to help investors and companies make informed decisions on environmentally sustainable economic activities. A comprehensive Taxonomy covering all six environmental aspects, including climate change mitigation, adaptation to climate change, protection of water resources, circular economy, pollution prevention and control, and protection of ecosystems, is adopted stepwise. In its current initial stage of development, the EU Taxonomy has focused on the goals of climate change mitigation and adaptation. By the end of 2022, adoption of the remaining four environmental goals is still outstanding.

Hamburg Commercial Bank successively integrates EU Taxonomy Regulation in its business strategy, product design processes and engagement with clients and counterparties. Identification of Taxonomy-eligible clients' business activities and their alignment is part of the loan origination process and long-term strategic planning. EU Taxonomy will also be the core of Hamburg Commercial Bank's Sustainable Finance Framework which is currently under development. Hereby, the material criteria for sustainable economic activities provided by Taxonomy Regulation will be used as a key guideline for defining practicable criteria that are applicable to all of the Bank's clients, regardless of their size and country of domicile. For further details please also see the descriptions provided in the chapters covering the Bank's overall sustainability policy and their adaptation in the business segments. «

Disclosure Requirements

» In connection with the Non-Financial Reporting Directive (NFRD), Article 8 of EU Taxonomy Regulation requires banks to report how, and to what extent, their activities are associated with Taxonomy-aligned activities. Regulation No. 2021/2178/EU, which supplements Article 8 of the Taxonomy Regulation, further specifies the contents and presentation of the information required of companies subject to the obligation to publish non-financial information under Article 19a or Article 29a of Directive 2013/34/EU. In particular, from 1 January 2022 until 31 December 2023, financial institutions only disclose:

- The proportion in their total assets of exposures to Taxonomy-non-eligible and Taxonomy-eligible economic activities; these KPIs are to be disclosed separately based on turnover as well as capital expenditure;
- The proportion in their total assets of exposures to central governments, central banks and supranational issuers;
- The proportion in their total assets of exposures in derivatives;
- The proportion in their total assets of exposures to undertakings that are not obliged to publish non-financial information.

Credit institutions also have to disclose the proportion of their trading book and on demand interbank loans in their total assets.

Both Taxonomy Regulation and Disclosure Delegated Act name "total assets" as denominator for calculating the required KPIs. However, there have been different interpretations and practices hereon. Following the recommendations and interpretations provided in the FAQ documents by the EC as well as the IDW, Hamburg Commercial Bank generally uses Total covered assets as denominator for calculation of the ratios. «

Mandatory Reporting

» Hamburg Commercial Bank's Taxonomy KPIs and data as of 31 December 2022 are listed in the table on the next page. Hamburg Commercial Bank's Taxonomy-eligible activities amounted to 2% of total covered assets as of year-end 2022, against 1% at year-end 2021. The increase is primarily due to the first-time inclusion of exposures to financial institutions subject to the NFRD. Such were excluded in the prior year because of non-availability of Taxonomy data from financial institutions. As of 31 December 2022 Taxonomy-eligible activities largely relate to bonds from financial institutions, including green bonds, lending to undertakings subject to the NFRD and lending to households collateralised by residential property. Taxonomy non-eligible activities amounted to 5% of total covered assets, against 12% at year-end 2021. The decrease in this ratio reflects a methodological change with respect to the recognition of a counterparty's subsidiaries. Taxonomy non-eligible activities generally consist of the exposures to counterparties subject to the NFRD (share not classified or calculated as eligible) as well as exposures to households and local governments not financing activities explicitly defined as eligible by the Regulation. Recognised Taxonomy non-eligible activities largely result from exposure to financial institutions and non-financial undertakings subject to the NFRD as well as lending to local governments. Total covered assets amounted to € 26.2 billion, excluding exposures to central banks, supranational issuers and central governments that amounted to a share of 16.2% of balance sheet total. The by far largest part of covered assets still accounts to exposure with undertakings not subject to the NFRD, reaching 84.3%, against 85.3% at year-end 2021.

For detailed information on the scope of consolidation, methodological details on identification of NFRD-obliged clients and eligible assets, recognition of Taxonomy disclosure by the different types of counterparties subject to the NFRD, data quality and data availability please see 'Reporting Principles' and 'Methodological Notes' at the end of the chapter.

» Taxonomy Regulation – Mandatory reporting as of 31 December 2022 under the EU Taxonomy Regulation, Article 8 and Disclosures Delegated Act, Article 10 «

Taxonomy eligibility indicators	Description	Value KPI (Turnover-based)	Value KPI (Capex-based)
Proportion of exposures financing Taxonomy-eligible activities as compared to total assets	Exposures financing Taxonomy-eligible activities/ Total covered assets	2.17%	2.26%
Proportion of exposures financing Taxonomy-non-eligible activities as compared to total assets	Exposures financing Taxonomy-non-eligible activities/Total covered assets	5.01%	4.93%

Other indicators	Description	Amount in €m	Value KPI
Balance sheet total		31,784	
Total covered assets		26,184	
Proportion of exposures to central governments, central banks and supranational issuers as compared to total assets	Exposures to central governments, central banks and supranational issuers/Balance sheet total		16.23%
	Exposures to central governments, central banks and supranational issuers/Total covered assets		19.71%
Proportion of trading portfolio as compared to total assets	Trading portfolio/Total covered assets		1.68%
Proportion of exposures to undertakings that are not obliged to publish non-financial information as compared to covered assets	Exposures to undertakings that are not obliged to publish non-financial information/Total covered assets		84.34%
Proportion of exposures in derivatives as compared to total assets	Exposures in derivatives not included in the trading book/Total covered assets		0.00%
Proportion of on demand interbank loans as compared to total assets	On demand interbank deposits/ Total covered assets		1.35%

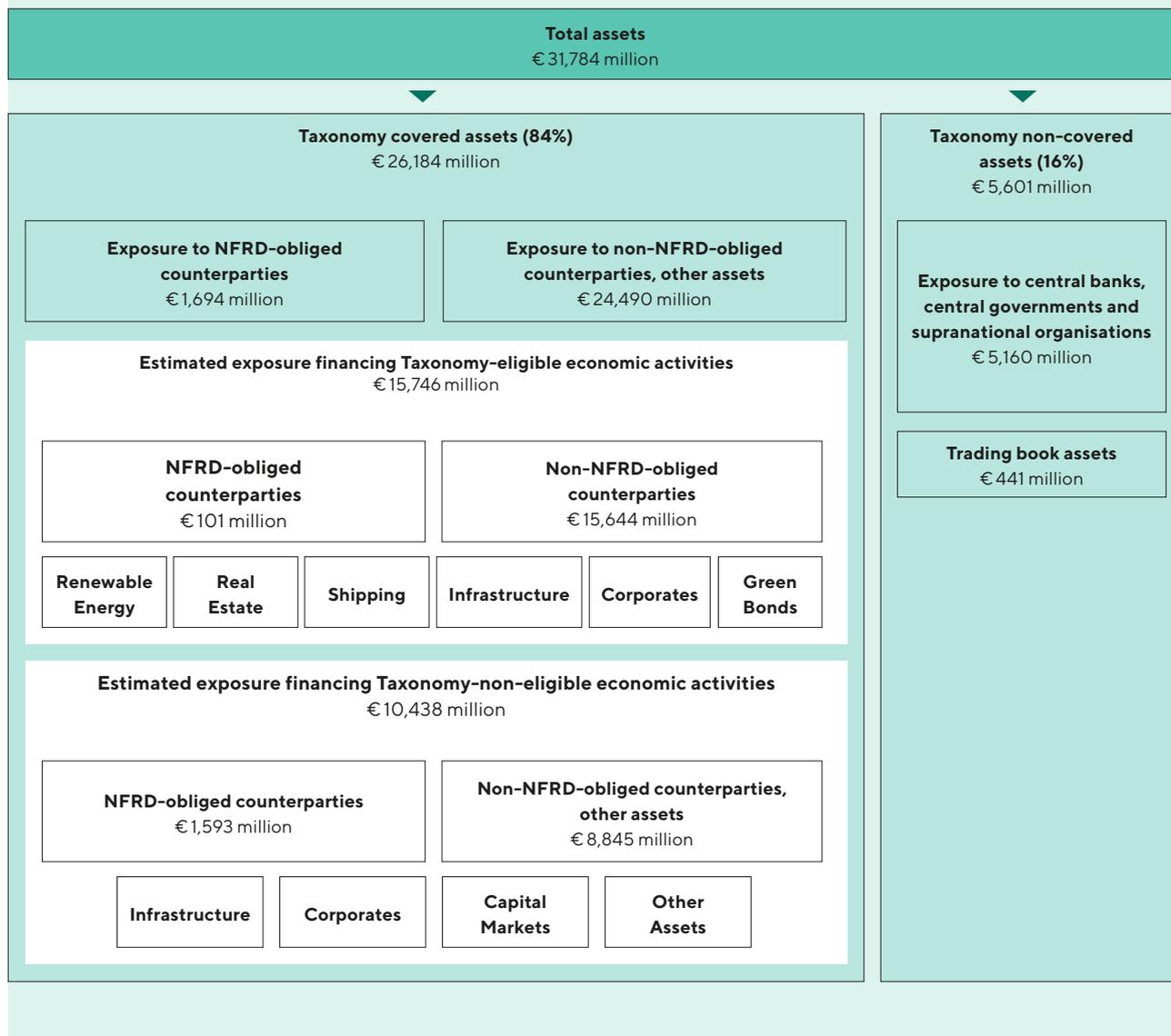
Voluntary Reporting

The mandatory Taxonomy KPIs shown in the tables above don't reflect the extent of Hamburg Commercial Bank's activities towards industry sectors with particular relevance to GHG emissions and climate change as most of the Bank's asset finance and project finance business is done with clients not subject to NFRD. To give a more realistic picture of Hamburg Commercial Bank's exposure with regard to financed Taxonomy-relevant economic activities, additional information is provided below on a voluntary base. Here, internal assessments of the Bank's financings with respect to the financing purposes and the economic activities defined for Taxonomy eligibility have been applied to Total covered assets and combined with the counterparties' NFRD status. Other aspects like the counterparty type (government,

(non-)financial corporation, household) and the product type (loan, account, security, derivative) have been disregarded. As a result, Hamburg Commercial Bank's covered assets of €26.2 billion at year-end 2022 comprise of €15.7 billion (60%) financings of Taxonomy-eligible economic activities as well as €10.4 billion (40%) exposure from financings of Taxonomy-non-eligible economic activities, including other assets.

Identified exposure from financing generally eligible economic activities primarily relate to asset-based lending (commercial real estate and shipping), project finance (energy and infrastructure) and green bonds, whereas exposure from financing generally non-eligible economic activities primarily consist of securities investments and lending to corporate clients.

» Taxonomy-Relevant Assets «



It should be noted that the Bank's aggregated exposure from financings of economic activities covered by the Taxonomy technical screening criteria accounts for 60% of Hamburg Commercial Bank's Total covered assets. However, currently only 0.5% of such exposure is to be included in mandatory Taxonomy reporting as eligible assets. For example, as of year-end 2022 nil of Hamburg Commercial Bank's exposure

from SPV/project financings of wind and solar farms qualified for inclusion in the Bank's eligibility KPIs.

For further details on the EU Taxonomy coverage of Hamburg Commercial Bank's total assets, please see the explanatory graphic above. The provided metrics in Hamburg Commercial Bank's voluntary Taxonomy reporting are unaudited and have been prepared to the best of HCOB's ability.

Reporting Principles

» The preparation of mandatory taxonomy reporting is based on FINREP reporting and prudential consolidation for the Hamburg Commercial Bank AG in accordance with the supervisory reporting of institutions according to Regulation (EU) No. 575/2013 of the European Parliament and of the Council, and the Commission Implementing Regulation (EU) 2021/451 (FINREP).

The regulatory scope of consolidation does not differ materially from the IFRS scope of consolidation. «

Methodological Notes and Limitations in Data

» Due to the fact that Taxonomy disclosure is still in the early phase, i.e. focusing only on eligibility, disclosure practise has to be oriented among others on the regulation for future alignment reporting and is subject to interpretation. Cash positions have been treated as "other assets". With regard to the KPI "Proportion of exposures to central governments, central banks and supranational issuers as compared to total assets" only exposures to governmental counterparties identified as central government were included. Assignment of financial assets including exposure from derivatives to the trading book for inclusion in the KPI "Proportion of trading portfolio as compared to total assets" was given priority over assignment to other KPIs. Hence, in the KPI "Proportion of exposures in derivatives as compared to total assets" only exposure to non-trading book derivative is included.

All reported data and KPIs are calculated based on actual data recorded in Hamburg Commercial Bank's accounting and management system. Financial assets have been screened with regard to their financing purpose and were classified with regard to the catalogue of Taxonomy-eligible economic activity as well as if they qualify as specialised lending, taking also into account the product type and collateralisation. For the recognition of Taxonomy-eligible exposure in its Taxonomy-related disclosure Hamburg Commercial Bank has used an approach that focuses on counterparty's NFRD obligation. Hence, any specialised lending to subsidiaries and SPVs with eligible economic activities is only specialised if such are subject to the NFRD by themselves.

Counterparties have generally been treated according to their classification type according to FINREP reporting. Hereby, for the class of governmental counterparties a sub-classification into central government, regional government and local government has been added. State-owned entities pursuing economic activities are treated as corporate counterparties (financial or non-financial) regardless of the governmental level, whereas supranational entities such as European Investment Bank generally were classified as supranational issuers.

The identification of undertakings subject to the NFRD by the Bank is derived based on information received from the counterparties (e.g. Annual Reportings), stock exchange information and financial data service providers (e.g. Bloomberg) as well as publicly available information.

For the classification of financial and non-financial counterparties subject to the NFRD Hamburg Commercial Bank applies a strict definition. Only such counterparties are recognised, that fulfill the requirements on an individual basis, i.e. are by themselves subject to the NFRD. In case such counterparty makes use of the exemption option as a subsidiary of a company which discloses mandatory taxonomy information for the consolidated group, the disclosed group figures are applied.

When assessing taxonomy-eligible activities actual Taxonomy disclosure from counterparties subject to the NFRD is used. Cut-off date for gathering this data was 15 February 2023. All entities subject to the NFRD have started to report their eligibility ratios in 2022 for the previous fiscal year. Disclosed Taxonomy KPIs from non-financial corporations as proportions to turnover and to CAPEX were applied as reported. Most credit institutions, however, did only disclose their overall share of eligible assets. Furthermore credit institutions' eligibility ratios weren't uniformly calculated with respect to the denominator of the ratio due to unclear interpretation of the regulation. Some have disclosed ratios based on Balance sheet total, others have reported figures based on Total covered assets. Before applying these ratios for Hamburg Commercial Bank's own 2022 mandatory reporting a recalculation of collected data based on covered assets has been performed where needed in order to use comparable eligibility ratios from credit institutions. These were then applied to calculate both KPIs for the eligible as well as the non-eligible exposure. With regard to the eligibility ratios disclosed by insurance companies Hamburg Commercial Bank has used the proportion to gross written insurance premiums for

calculating the Bank's turnover-based KPIs, and the proportion to proprietary investments and third-party assets for computation of the CAPEX-based KPIs. Exposure from residential real estate financings with private households as well as for public housing is included in the numerator for both KPIs.

In case of exposure to NFRD-obliged counterparties financing eligible economic activities in the form of specialised lending or green bonds no adjustment has been performed to the reported eligibility KPIs disclosed by the respective counterparties. As a result, for a few credit institutions a slight double counting has been accepted in calculating eligible exposure. Covered bond investments (other than green bonds) issued by NFRD-obliged counterparties have not been checked for specific financing purposes and collateralisation. Hence, such exposures are treated generally as financings for general corporate purposes. ◀

ESG in the Capital Markets and Treasury Business

» In addition to its lending business, HCOB is also an active investor in Capital Markets. Here, the decision-making processes follow the Bank's investment policy and are closely aligned with the standards in the Bank's lending business and its sustainability guidelines. In the investment process particular attention is paid to the HCOB Black List.

Hamburg Commercial Bank distinguishes between three different product classes in its investment portfolio:

1. Active investments

Bonds from well-known issuers like supranationals, governments, state agencies and major banks from developed countries are referred to as active investments, as such security investments are actively managed by HCOB. They constitute the largest part of the Bank's investment portfolio. Sustainability factors for the mentioned type of issuers are seen as rather uncritical. Nonetheless all non-governmental issuers covered in this part of the investment portfolio have to be covered by using the Bank's ESG Scoring Tool.

2. Passive investments

With so-called passive investments HCOB also invests in securities and other structured financial instruments to build up diversified portfolios of loans or similar financial instruments, for example SME corporate loans. Such portfolios are actively managed by independent third-party portfolio managers. Issue-specific investment policies and guidelines laid out in the respective prospectuses are checked against the Bank's Black List requirements. Examples for such passive investments are managed CLOs (Collateralised Loan Obligations) and ABS (Asset Backed Securities). Also investment funds, separate externally managed accounts, ETFs and hedge funds would fall into this category.

3. Semi-passive investments

In addition, HCOB also strategically invests in so-called semi-passive products. These are investment vehicles set up exclusively for HCOB by an independent external portfolio manager, investing in diversified portfolios of corporate loans and bonds. Here, being the only investor, HCOB has significantly more influence in the development of the product's basic investment policy (compared to a passive investment), especially with regard to the investment vehicle's adherence to the Bank's Black List. A key characteristic of the investment vehicle's semi-passive nature is, however, that HCOB does not reserve the right to instruct the purchase of any specific assets for the portfolio but keeps the power to enforce the sale of non-acceptable single investments and to place specific issuers on a prohibited list for the investment manager. This structuring is intended to make use of the portfolio manager's investment expertise and success as well as to avoid circumventing the Bank's ESG restrictions applicable to active investments.

When investing in passive or semi-passive instruments, a full implementation of the Bank's Black List definition in the instrument's investment policy as well as a full ESG-look through to each investment is not seen as feasible and practicable for the third-party asset manager with regard to the highly detailed definitions of blacklisted business activities. Country restrictions are regularly and easily imposed, however. By accepting a somewhat less precise mapping of issuers to a widely used industry sector classification and limiting exposure to sectors defined as critical or controversial, Hamburg Commercial Bank takes a simplified approach to identifying issuers that might be involved in controversial economic activities placed on

HCOB's Black List. Due to the less precise mapping, the Bank allows for low grace thresholds for passive and semi-passive investments with regard to specific critical industries. In case of passive investments, there is a preference for instruments with an investment policy that is at least largely in line with the Bank's sustainability guidelines plus definition of a grace threshold (max. 5% each) for blacklisted industry sectors as well as an overall limit of 15% for all investments associated to the set of critical industries. This industry-oriented approach keeps the ESG assessment effective and simple as it avoids highly detailed ESG assessments for hundreds of borrowers with comparatively small loan and securities investment positions. In return for the simplified ESG assessment of passive and semi-passive investment vehicles, for such investments only overall ESG grades are to be assigned, limited to the range of 3 to 6, depending on the degree of alignment with Hamburg Commercial Bank's Black List.

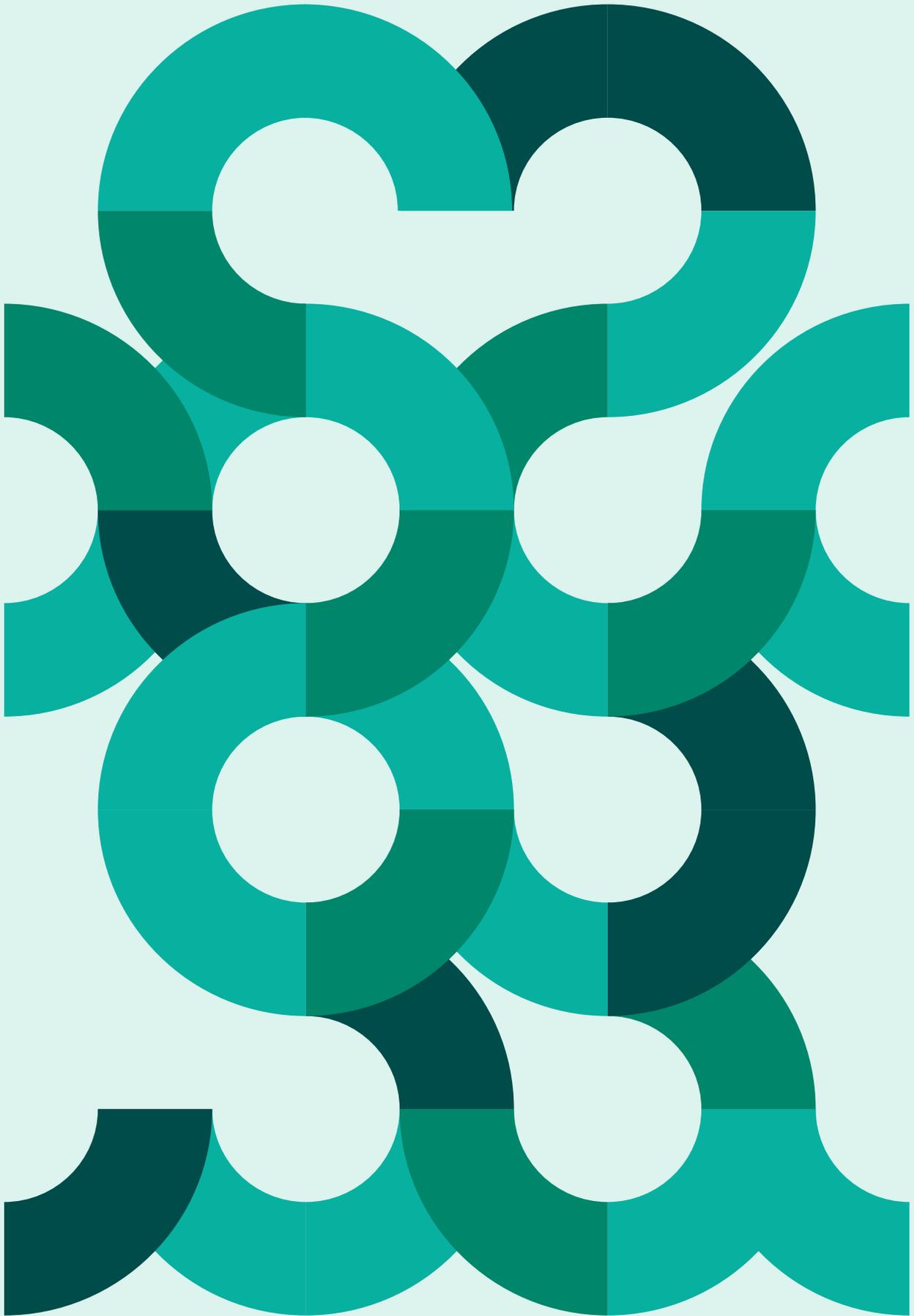
Due to the external active management of a passive or a semi-passive investment, its underlying portfolio composition changes with each portfolio reallocation, as well as with each reinvestment of instalment payments from the portfolio that the manager undertakes over time. As a consequence, the portfolio's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

Further Business Activities

Management of HCOB Pension Plan Assets

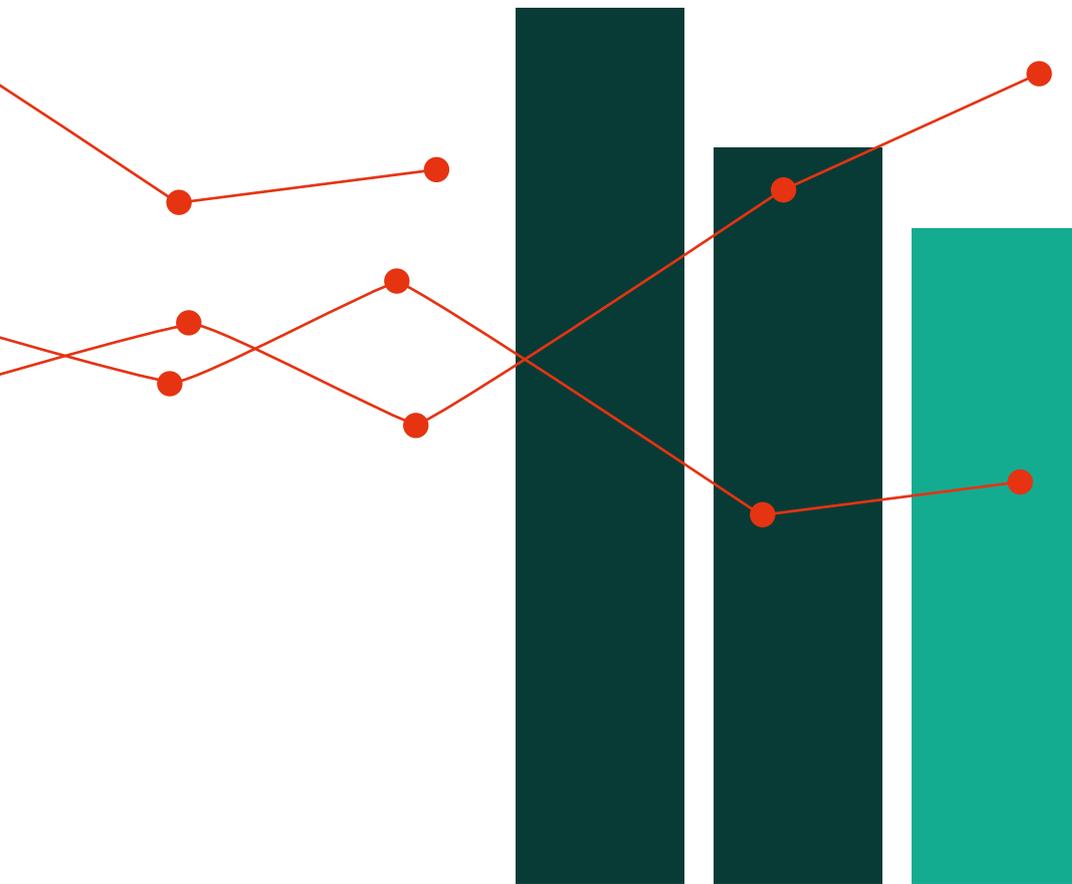
GRI 201-3

As of 2020, Hamburg Commercial Bank has implemented an active pension management strategy. For this purpose, a legally independent, registered association, the HCOB Trust e.V. ("Trust"), was established, which has concluded a trust agreement with the Bank ("Contractual Trust Agreement" or "CTA"). The assets independently held by the Trust provide additional protection for HCOB pensioners in the event of the Bank's insolvency. The Trust's assets are classified as pension "plan assets", which are offset against the Bank's existing pension liabilities and hence are taken off the balance sheet of the Bank. The Trust's main investment is in an alternative investment fund domiciled in Luxembourg, Klarphos Vantage SCA SICAV-RAIF-C1 ('Fund'). The Fund is managed by an authorised alternative investment fund manager ('AIFM') in Luxembourg, Klarphos S.à.r.l. Given the off-balance character of the Trust's assets, the different regulatory status, the domicile of the Fund and the AIFM involved, the Fund and the AIFM are subject to ESG laws and regulations that may vary relative to those which apply to the Bank. Because the Fund remains in the "ramp-up" phase and in consideration of its current investment policy, it has been classified as an Article 6 fund (a conventional fund) pursuant to the Regulation (EU) 2019/2088 ('SFDR'). As from 1 August 2022, the AIFM includes sustainability risks as defined in the SFDR within the investment due diligence process of the Fund and AIFM's internal processes, in compliance with the Commission Delegated Regulation (EU) 2021/1255.



Banking Operations – ESG on Corporate Level

HCOB applies high ESG Criteria to its Business Activities



Hamburg Commercial Bank represents people with foresight, passion and initiative. The Bank is where its clients are: in its home region of northern Germany, in the metropolitan regions of Germany and in selected foreign locations. Here, HCOB aligns its activities with ESG criteria and has anchored sustainability aspects in its business model as well as in its operations. The trust of HCOB's clients and employees, as well as public perception, are vital for the Bank and HCOB wants to have a positive impact and show responsibility towards society.

HCOB's Consistency in Dealing with Rules and Standards

» The trust of the Bank's clients and employees, as well as public perception, are vital for HCOB. To achieve this objective, all employees must act in accordance with the law and relevant regulations at all times. At Hamburg Commercial Bank, a strong focus is placed on a compliance culture throughout the Bank. ◀

Code of Conduct

» HCOB's common goal is the sustainable success as a high-performing bank. The Bank believes that the personal integrity of all employees is a crucial component of avoiding risks – contributing to the success of HCOB and to achieving its goals. This principle is anchored in the Bank's Code of Conduct, which shows how the high standards of Hamburg Commercial Bank's corporate values are lived up to and is mandatory for each employee.

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

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

Each employee at HCOB has a responsibility to prevent financial harm to the Bank and protect Hamburg Commercial Bank's reputation.

The Code of Conduct, available on both the internet and the intranet for all employees and other interested parties, provides guidance for decisions in their daily work. Besides conventional compliance rules regarding, among other things, sanctions and the prevention of money laundering and terrorism, the prevention of other criminal activities, and capital market compliance, it also sets out mandatory standards of behaviour for employees' daily interactions with colleagues, for their dealings with clients and for their overall role in society. ◀

Legal and Regulatory Compliance

GRI 2-15, 2-16, 2-24, 2-25, 2-26, 2-27, 205-1, 205-2, 205-3, 206-1

» The Compliance business unit monitors legal and regulatory compliance by the Bank and its employees in accordance with the German Minimum Requirements for Risk Management (MaRisk) AT 4.4.2, and ensures that substantive legal regulations and requirements are complied with centrally and across the Bank. The Compliance business unit reports directly to the CRO and the Management Board on at least a quarterly basis. There are regular meetings between Head of Compliance and CRO and other members of the Management Board. In addition, it is anchored in the rules of procedure of the Supervisory Board that the chairperson of the Risk Committee can request information directly from the Compliance Officer, the Head of Internal Audit and/or the Head of Risk Control at any time. The Management Board should be notified if appropriate. The Compliance Officer, the Head of Internal Audit and/or the Head of Risk Control may inform the chairperson directly whenever they consider it as necessary.

There is also an ongoing exchange between Compliance and Internal Audit, and Compliance is both an owner of the Investigation Committee and a member of the Malus Committee.

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

HCOB does not tolerate any illegal activities, and the Bank sanctions such misconduct in a resolute manner. Internal contact points have been set up for the reporting of violations. In addition, Hamburg Commercial Bank has an external whistleblowing office to which suspicions can be reported on an anonymous basis. The whistleblowing office is staffed by external ombudspersons from an international auditing firm who can be contacted directly by all employees at head office, the branches and representative offices, as well as by external third parties. Further, Hamburg Commercial Bank AG has the Investigation Committee which is part of its safeguards to detect and prevent fraud, suspicion of embezzlement, corruption, or other criminal activity that may result in a threat to the assets of the institution. The Investigation Committee shall be convened in the event of reasonable suspicion of criminal acts within the meaning of Section 25h (1) of the German Banking Act (KWG) that have been committed intentionally and are classified as material or are significant for the Bank.

Among other things, HCOB has implemented rules on benefits (benefits policy) and donations (donations and sponsoring process), as well as secondary employment and mandates (conflict of interest policy). The Bank also has binding rules and procedures in place to clarify suspected cases relating to other criminal activities, including competition and antitrust offences (Anti-Fraud policy). In addition, customer anti-corruption due diligence is part of HCOB's Know Your Customer (KYC) policy and, for third parties, is included in the Bank's procurement policy. Furthermore, issues relating to trading in capital market products are monitored (prohibition of market manipulation and insider trading, instructions regarding insider information, director's dealings and personal account dealings as well as detection of market manipulation and insider trading). Finally, the Compliance function has established comprehensive guidelines on the management of reputation risks and is responsible for this topic as the second line of defence.

Insofar as prevention and detection is concerned, HCOB has transaction monitoring systems in place (prevention of money laundering and financing of terrorism, as well as compliance with financial sanctions and embargo rules, bad guy and PeP checks). «

Conflicts of interest

» Members of the Supervisory Board are obliged to disclose any conflict of interest to the other members pursuant the rules of procedure of the Supervisory Board. This duty of disclosure also exists if a conflict of interests merely cannot be ruled out.

The Supervisory Board, its members, their closely related persons, their personal investments, and their secondary employments and mandates are notified to the Compliance function of the HCOB. They are evaluated and will be either acknowledged or acknowledged with specific measures to mitigate potential risks concerning conflicting interests. Membership in several boards is restricted by the German Banking Act though. If there are potential conflicts, because of cross-board membership, the conflicted member has to abstain from voting concerning the respective transaction and will not be involved within the preparation of the decision making. There have been no occasions where Supervisory Board members did vote concerning transactions, where a conflict of interest could have been occurred due to a mandate or other personal involvement.

On the other hand, there are interviews held during their onboarding with each individual member of the Supervisory Board, conducted by the Head of Compliance and the Head of Board Office to identify potential areas of conflict. The collected data are stored within the Compliance Management System of the bank to generate alerts in such constellations, where a conflict could occur (e.g., a loan is intended to be granted to an entity, where a Supervisory Board member holds a seat in the board of directors). These alerts are surveyed on a daily frequency.

Concerning related party transactions, there is a dedicated policy in place since 2019. Related party transactions are generally forbidden, as long as they are not approved by the Management Board and the related party transactions committee of the Supervisory Board.

Other stakeholders like shareholders and related parties are monitored pursuant this related party transactions policy, where related party transactions have to be notified and potentially have to be approved by the Management Board and the related party transactions committee of the Supervisory Board pursuant the specific regulation of the policy. ◀

Communication of Critical Concerns

» The Head of Compliance has the right and the obligation to report critical concerns to the Supervisory Board, which is also documented within the board's rules of procedure. The Compliance business unit is not aware of ad hoc reporting of critical concerns to the highest governance body. ◀

Processes to remediate negative impacts

» The Bank has identified reputational risk (RepRisk) as a material risk within the meaning of AT 2.2 of MaRisk. It must be ensured that such risks are adequately taken into account in the Bank's risk management and controlling processes. The monitoring of reputational risk is located in Compliance. In addition, there is the Reputational Risk Guideline, which defines how reputational risks should be dealt with.

To fulfil the organisational obligations according to Section 80 (1) sentence 3 WpHG and Art. 26 Del VO (EU) 2017/565, BaFin Circular (Joint Circular BA, WA and VA 06/2018) as well as BT 12.1 MaComp, the Bank has set up a complaint management function in line with the requirements of Art. 26 (3) Del. Regulation (EU) 2017/565. The complaint management function is carried out by the Central Complaint Management (ZBM) unit. The ZBM is located in the Compliance department. The Compliance function examines complaints in accordance with the requirements of Art. 26 para. 7 Del. Regulation (EU) 2017/565, and checks complaints data and their processing.

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

- Establish and be responsible for a process to ensure that complaints are identified clearly and unambiguously, processed systematically and documented in accordance with the law,
- Be perceived and consulted as a neutral and independent centre of competence for client criticism, further strengthening client loyalty,
- Make information on complaints available to the Bank's risk management team and
- Use the complaints as an information source for optimisation potential.

In the process description "Processing Customer Criticism and Complaints" (as at 17 November 2022), the Bank has defined its policies and procedures in line with the requirements of Art. 26 para. 1 Del. Regulation (EU) 2017/565 for complaint management. The Bank's employees also have various processing aids at their disposal in the form of the "Checklist and Orientation Guide for Employees for Classifying Customer Criticism", and the "Form for Reporting Verbal Criticism to the ZBM".

To comply with the requirements of Art. 26 para. 2 Del. Regulation (EU) 2017/565, the Bank has published the information on the complaints procedure on its website for customers. The published disclosures include information on the complaint handling policy and the contact details of the complaint handling function. Customers or potential customers will be provided with this information on request.

The complaints management function is reviewed regularly by the external auditors. In addition, the Bank's internal audit department reviews the complaints management function annually and checks complaints handling and adherence with regulatory requirements.

The complaint management function did not receive any significant findings from the external auditors and internal auditors. «

Operations assessed for risks related to corruption

» Additionally, all of HCOB's operating sites are subject to ongoing auditing regarding corruption risks. These audits meet all bank-specific security standards. No significant risks linked to corruption have been identified through audits or risk assessment. «

Communication and training about anti-corruption policies and procedures

» All of HCOB's Policies and Procedures are available in the Bank's written regulations, accessible in the BIC Design system "KLARA", which are updated on a regular basis (at least once a year). Ad hoc changes are immediately updated in "KLARA". All personnel including employees and Management Board members have access to the system. Each time employees join the Bank, they must sign that they have read and understood the business unit Code of Conduct. The Human Resources department tracks the responses and files it in the employee file.

The Compliance business unit also conducts regular mandatory online and face-to-face training sessions to provide staff with information on topics such as corruption and other criminal activities. All of HCOB's personnel receives such training, including the Management Board. Only the Supervisory Board, which is not employed by the Bank, is excluded from trainings. Each employee is required to participate every three years in a web-based training on the topics Code of Conduct, Conflict of Interests and Prevention from money-laundering. In 2022, 239 persons received training on the Code of Conduct (100% of required employees and governance body members), 248 persons received training on conflict of interests (100%, s.a.), and 615 persons received training on prevention from money-laundering (100%, s.a.).

Overall, there were no cases of non-compliance with national, regional or local laws and/or regulations in the social and/or economic area, and there have been no confirmed or pending cases of corruption, anti-competitive behaviour, or violations of anti-trust and monopoly legislation.

For potential processing of corruption prevention declarations for Export Credit Agency cover (ECA) all employees of Hamburg Commercial Bank are obliged to immediately report any accusations, charges, (investigation) proceedings, verdicts, official measures, as well as arbitration awards in connection with corruptive acts (corruption/ bribery) to Compliance /Anti Financial Crime, irrespective of the specific transaction. In addition, the closing of criminal proceedings, stating the discontinuation standard for a bribery offence, must also be reported to Compliance /Anti Financial Crime. These reporting obligations relate to criminal proceedings that employees (are alleged to have) committed in the course of their work for Hamburg Commercial Bank. «

Political Influence

GRI 415-1

HCOB does not exercise any direct political influence. Donations of money and goods to political parties or party-affiliated political associations are categorically excluded. As of 1 January 2022, the Bank is a member of the Association of German Banks (BdB), which acts as a lobby group and represents HCOB's interests politically in legislative procedures.

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

Tax Questions and Issues

GRI 207-1, 207-2, 207-3

The Bank's general business strategy is the starting point for the development of its tax strategy. The essential component of the Bank's business strategy is the risk strategy and risk management. Besides the general business strategy, the tax strategy is also based on the Bank's Code of Conduct. This defines obligations for all employees to comply with national and international tax laws and reject any kind of abusive tax structuring.

The tax strategy is based on the following key points:

- Assurance of tax compliance – the timely and proper fulfilment of respective tax obligations.
- Assurance of the material correctness of tax positions within the annual financial statements.
- Involvement of BU Legal, Board Office & Taxes ('BU Taxes') in all tax-related issues.
- Adherence to national and international tax law as well as the avoidance of any kind of abusive tax structuring or aggressive tax planning which may lead to tax benefits not provided by tax law.
- Minimisation of tax risks through effective tax risk management and risk monitoring.

The following measures guarantee the organisation of the tax strategy:

- BU Taxes defined the tax strategy in several working instructions/guidelines ('KLARA-Prozesse'). These define and determine internal procedures and instructions to ensure the fulfilment of the key points of the tax strategy mentioned above.
- Furthermore, BU Taxes implemented a workflow to ensure the involvement of BU Taxes within every transaction and new product development process to evaluate potential tax implications.
- Furthermore, all German and foreign subsidiaries and permanent establishments have to report potential tax risks to BU Taxes.

Tax management and tax compliance

The Bank's tax function is executed through the division BU Taxes, which is in charge for all tax-related issues. Tax compliance for domestic income taxes and VAT is handled by BU Taxes in cooperation with external service providers.

Digital Competence

Target achievement status in respect of 2021 targets

In respect of targets defined in the last reporting period, an effective Information Security Management System (ISMS) was implemented, with no significant information security breaches having occurred. Moreover, the integration of ESG data requirements into the Bank's overall IT infrastructure is ongoing and on track, with internal dedicated resources in place.

Data Protection

Responsibility for data protection lies with the Management Board, which has set up a data protection organisation to implement and ensure compliance with data protection regulations. One important component was the appointment of a company Data Protection Officer (DPO), who can perform their duties independently at their own discretion and reports directly to the Management Board.

The DPO monitors compliance with data protection requirements, especially the European General Data Protection Regulation (GDPR) and the German Federal Data Protection Act (BDSG), as well as other data protection regulations and industry-specific requirements. They identify possible weak points, act in an advisory capacity and inform HCOB and its employees, as well as service providers that process personal data for the Bank, about opportunities for change or improvement. New requirements resulting from changes in legislation or court rulings are implemented and applied in the affected processes in a timely manner.

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

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

Information Security

GRI 418-1

The protection of information provided by clients and business partners, as well as the Bank's own data, is a key element of HCOB's business policy. As a result, HCOB strives to protect this information from internal and external threats, to support the maintenance of business operations and, as far as possible, to minimise any losses arising from errors in handling information.

In the reporting period, there were no complaints or known cases of customer privacy breaches.

Information Security Organisation

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

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

Information Security Management System (ISMS)

The ISMS is a key element of the Information Security Organisation. Basic requirements for information security, which cover parts of the MaRisk, banking supervisory requirements for IT (BAIT) and ISO 27001, are defined in the Information Security Guideline, which forms part of the written rules of procedure. Risk-oriented information security assessments are planned and carried out regularly to determine whether these requirements have been properly defined and effectively implemented. Any deficiencies identified are assessed, and appropriate rectification measures agreed with the divisions responsible.

Raising Awareness among Employees

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

Current threats are regularly reported on the Bank's intranet. In addition, targeted measures are organised for employees of the Bank, particularly to illustrate the possible consequences of reckless and gullible behaviour by individuals. Each employee undertakes regular online training about information security.

Products

A guideline for transactions in new products and new markets (NPNM) is in place, which forms part of the Bank's written rules of procedure ('schriftlich fixierte Ordnung'; sfO). The objective of this guideline is to define the regulations and requirements for the life cycle of a product from the perspective of NPNM activities and to determine the relevant responsibilities. This guideline also governs the regular review of all products. In this context, ESG aspects are already considered at an early stage within the NPNM application process.

Procurement Principles and Supplier Code of Conduct

GRI 407-1

As a bank, HCOB's purchasing is primarily services and office supplies from various external service providers and vendors. A comprehensive compliance check takes place in the course of the onboarding process of every potential supplier.

The sourcing of these services is governed by the HCOB Purchasing Principles, which are a pivotal part of the Bank's written rules of procedure. These are based on best-practice approaches and on numerous recommendations from the German Association for Materials Management and Purchasing (Bundesverband für Materialwirtschaft und Einkauf; BME).

By clearly specifying processes, tendering rules and responsibilities, the Purchasing Principles create an effective foundation and establish transparency and accountability for all purchasing transactions. Therefore, they support the objective of ensuring the cost-effective sourcing of required goods and services at optimal terms and conditions and the operational implementation of internal and external compliance requirements, particularly to prevent reputation damage and financial loss. Conscious resource management and compliance with legal requirements and obligations make an especially valuable contribution to sustainability.

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

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

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

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

Sustainability aspects are considered in the purchasing processes by being reflected in the HCOB Supplier Code of Conduct. Above all, this means that certain requirements regarding environmental sustainability are met in the purchasing process, for example for ecological product features including requirements under ISO 14001 and current EU emission standards.

The Bank's procurement department works with all the internal client departments involved to exclude suppliers that refuse to accept the Supplier Code of Conduct from further tendering processes if they do not provide any plausible explanation. A violation of the Supplier Code of Conduct can also result in the termination of the business relationship. The Supplier Code of Conduct is based on the HCOB Code of Conduct and, in addition to the classic compliance, it includes data protection rules the suppliers must also comply with and sign. Procurement, together with the business unit responsible for placing the order, is responsible for making these decisions.

In addition, HCOB suppliers are constantly compared against sanction and embargo lists to ensure that the Bank only commissions approved suppliers and only enters into transactions with suppliers that meet key integrity standards.

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

Additionally, procurement is responsible for measures to prevent fraud and for complying with embargo and financial sanction requirements, as well as for preventing money laundering linked with contracts entered into with HCOB service providers.

Procurement carries out appropriate controls in the sourcing and tendering process concerning compliance with tendering procedures, ensuring fair competition, preventing contracts being awarded to related parties, and other conflicts of interests.

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

Outsourcing Management

Since the privatisation of the Bank, its activities have been focused on HCOB's core competencies. Based on make-or-buy decisions, other activities are outsourced to specialist companies to efficiently and successfully execute these operations on behalf of the Bank. For this purpose, the Bank has implemented a central outsourcing management system to manage and monitor such arrangements for full compliance.

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

In line with these principles, HCOB has included this topic in the due diligence process for evaluating business partners for new outsourcing arrangements, and the fulfilment of sustainability criteria is part of all outsourcing contracts.

Resource Protection

GRI 2-4, 302-1, 302-4, 303-3, 303-4, 303-5, 305-1, 305-2, 305-3, 305-4, 305-5, 306-3, 306-4, 306-5

» Protecting resources and the climate is important to Hamburg Commercial Bank, not only with the help of the Bank's influence in its lending and investment portfolios, but especially in its day-to-day business activities. HCOB also takes care to reduce its own resource consumption, and to further improve.

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

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

In view of the broad social consensus of the need to strengthen environmental protection, HCOB's observance of the applicable environmental standards is a cornerstone for credible and successful business. «

Target achievement status in respect of 2021 targets

» All of HCOB's targets from the last reporting period are on track or were achieved and are ongoing in 2023. Specifically, the CO₂ emissions caused by HCOB, including those by flight activities, were fully compensated (see section "CO₂ emissions" of this chapter), and the share of renewable electricity was again 100%. Concerning the goal to reduce GHG emissions of Scope 1 and 2 by more than 20% by 2025 compared with the 2020 total, this target is on track. «

Resource Consumption

» Since 2021, Hamburg Commercial Bank uses the "Verein für Umweltmanagement und Nachhaltigkeit in Finanzinstituten e.V." (VfU) tool for Banks to record environmental indicators for its corporate portfolio. This calculation tool is a standard tool for the accounting of operational environmental indicators at financial institutions. The VfU tool allows the Bank to increase the transparency of its resource consumption data. For data management of resource consumption in the reporting year, version 1.1 of the 2022 update of the VfU tool was used.

The scope of analysis for the Bank's energy consumption as well as GHG emission data analysed and reported in this chapter focuses on the Hamburg and Kiel locations of Hamburg Commercial Bank, which cover about 93% (803 FTE) of HCOB employees. It is planned to extend the scope in the future to also include the smaller locations of HCOB in resource consumption and GHG emissions analysis. «

Building Stock

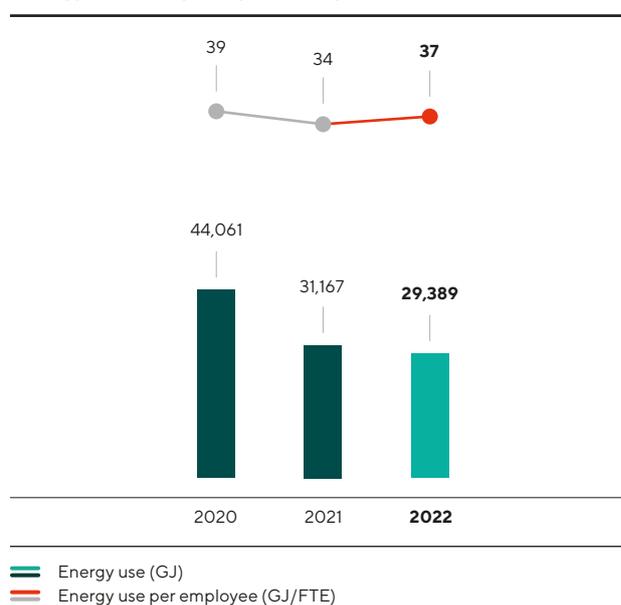
» At the beginning of 2022, HCOB had operational and management responsibility for around 50,122 m² (2021: 50,220 m²) of net floor space in properties rented by the Bank in Germany. In addition, HCOB is responsible for the strategic property management of a further 1,217 m² (2021: 4,576 m²) of net floor space in foreign locations in Luxembourg, Athens and London. Compared with previous years, the management of additional retail space totalling 451 m² is minor.

The reduction in space abroad is due to the termination of leases in Luxembourg. The Bank plans on moving to a new building in 2025 which will offer a state-of-the-art energy efficient office space. This move will further drive the reduction of energy consumption and emissions by the Bank's own operations. «

Energy Consumption

» Energy management is measured and controlled by HCOB's Facility Management department. In 2022, the total energy consumption added up to 29,389 GJ, which marks a further reduction from the 2021 data (31,167 GJ). The energy consumption can be broken down into the following categories: electricity, heat consumption and fuel. «

Energy Consumption/Intensity



» Energy Consumption/Intensity «

Category	2020		2021		2022	
	Consumption in respective unit	Conversion to GJ ²	Consumption in respective unit	Conversion to GJ ²	Consumption in respective unit	Conversion to GJ ²
Fuel consumption (diesel)	1,450 kWh	5	13,187 kWh	47	14,558 kWh	52
Fuel consumption (petrol)	83,164 km	206	44,528 km	110	70,882 km	176
Total electricity consumption: electricity from renewable sources	4,894,797 kWh	17,621	4,106,896 kWh	14,785	3,910,260 kWh ⁴	14,077
Total electricity consumption: electricity from market-typical mix ¹	17,861 kWh	64	-	-	-	-
District heating from combined heat and power	7,267,934 kWh	26,165	4,507,021 kWh	16,225	4,190,000 kWh	15,084
Total energy consumption	-	44,061	-	31,167	-	29,389
Energy intensity: GJ/FTE ³	-	39	-	34	-	37

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

² GJ stands for Gigajoule

³ Calculation based on following FTE: 2020 = 1,122; 2021 = 919; 2022 = 803

⁴ Electricity procurement in 2022 from wind, biomass, run-of-river and photovoltaic power plants (via grid procurement) as well as combined heat and power plants

ELECTRICITY

» Regarding electricity, HCOB's consumption in the reporting year decreased again and for the first time fell below a yearly consumption of 4,000,000 kWh (2022: 3,910,260 kWh or 14,077 GJ; 2021: 4,106,896 kWh or 14,785 GJ).

In order to achieve this continued reduction in electricity demand (for reference, HCOB consumed 4,894,797 kWh in 2020), electrical appliances with low electricity demand and high energy efficiency are used as far as possible in construction measures and renovations. Even though HCOB's electricity needs are provided entirely by renewable energy, the selection and procurement process focuses not only on the needs of the users, but also on the energy efficiency of the products procured. As the Bank's new IT hardware was rolled out in 2021, this goal of reduction is reflected at every single workstation in the Bank.

Several measures were implemented to reduce energy consumption even before the Ukraine war:

- Partial use of energy-saving lighting
- Partial use of presence lighting (motion detectors)
- Incentives to cycle to work (secure bicycle parking, changing rooms, showers)
- Switching off heating/ventilation at night and at weekends

With rising energy shortage accompanied by increased prices as a result of the war in Ukraine, additional measures were discussed in a working group of the employers' association of private banks and involving the works councils, HR, InfoSec, ESG, and Occupational Safety. HCOB implemented the following measures as a result of this dialogue:

- Switching off the edge lighting on the main office building in Hamburg
- Switching off the outdoor lighting around the building that does not secure traffic areas
- Conversion of the basement and garage lighting to presence detector
- Use of more energy-saving floor lamps at workplaces to make central ceiling lighting dispensable
- For only sporadically used areas like the Elbe meeting rooms, heating and ventilation is only switched on when actually in use
- Additional evening tour by a security guard to turn off lights and power equipment in general areas

Solid energy management is the basis for energy-efficient business operations. Energy management is currently being examined and a suitable system evaluated to adequately record the current building stock. Building management ensures smooth operations and optimises processes, constantly reviewing the use of internal and external resources. «

HEATING

» The last contributing factor to lower energy use in 2022 compared with 2021 could be observed in heat consumption. Whereas in 2021 HCOB used 16,225 GJ (4,507,021 kWh) in district heating from combined heat and power, 2022 saw a reduction of over 1,000 GJ (2022: 15,084 GJ or 4,190,000 kWh). With employees' increased office presence compared with 2021, the reduction cannot be attributed to home office rates, making energy saving measures and ESG awareness measures more likely causes.

Fuel consumption was slightly higher in 2022, but, when put into context, comparable to the previous year. In the reporting year, 176 GJ (2021: 110 GJ) of petrol for transport was consumed for around 70,000 km travelled, as well as an additional 52 GJ of diesel consumption for emergency power generation (2021: 47 GJ of diesel consumption¹).

These overall reductions in HCOB's absolute energy consumption continue the trend in the right direction. With regard to the Bank's reporting of resource consumption and emissions intensity per FTE, data suggests a slight rise. The energy intensity increased from 34 GJ/FTE in 2021 to 37 GJ/FTE in 2022².

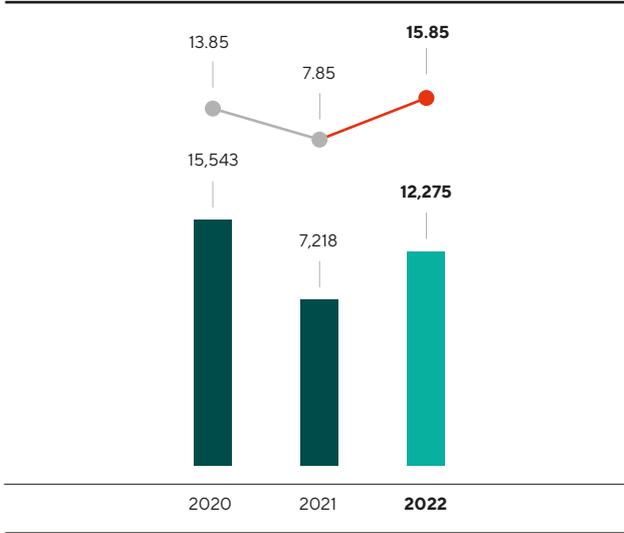
As part of its sustainable positioning, Hamburg Commercial Bank will continue to set high standards for its own energy consumption in the future. The Bank's efforts to further reduce its energy consumption and keep it as low as possible are ongoing, even after the COVID-19 pandemic and efforts to reduce energy consumption in light of rising energy prices due to the war in Ukraine. HCOB is constantly examining measures that can have an influence on this. For example, the Bank aims to continue to reduce its vehicle fleet, which as of 31 December stands at 17 cars after a reduction of 29% in 2022.

As disclosed in December 2020, the Bank intends to move into a new and more energy-efficient building in 2025, further significantly reducing its resource footprint and the energy consumption of its own operations. «

¹ A conversion error in last year's data reporting led to the incorrect reporting of 5 GJ of diesel consumption.

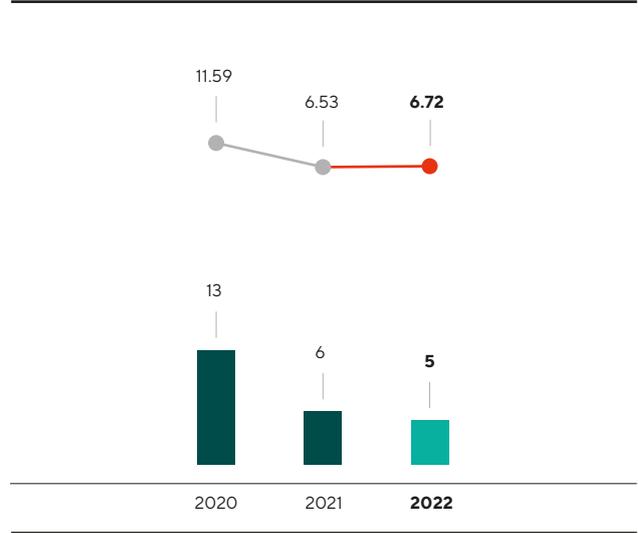
² The calculation of 2021 resource consumption and emissions' data was based on the total FTE of HCOB in 2021, while this was adjusted to reflect only the FTE in Hamburg and Kiel in accordance with the resource consumption and emissions' data.

Water Consumption/Intensity



Water consumption (m³)
Water use per employee (m³/FTE)

Paper Consumption/Intensity



Paper consumption (t)
Paper consumption per employee (kg/FTE)

Water Consumption

» Drinking water is mainly purchased from regional suppliers, and freshwater consumption in the year under review came to around 12,275 m³ (2021: 7,218 m³). This increase can be attributed to HCOB employees' greater office presence following the discontinuation of the Bank's split-mode operations, which were introduced during the tumultuous COVID-19 pandemic. «

» Water Consumption «

In m³	2020	2021	2022
Water withdrawal by source: Drinking water	15,543	7,218	12,275
Total water consumption	15,543	7,218	12,275
Water consumption intensity (m³/FTE)	13.85	7.85	15.85

Paper Consumption

» The ongoing digital transformation of HCOB and after-effects of the ongoing COVID-19 pandemic led to a further reduced but similar paper consumption. In 2022, the Bank purchased 5 tonnes of paper (2021: 6 tonnes; 2020: 13 tonnes). Advances in digital signatures and other processes continue replacing paper documents in business transactions. In addition, acceptance of digital formats among different client groups has further increased, which leads to a reduction in printed corporate publications.

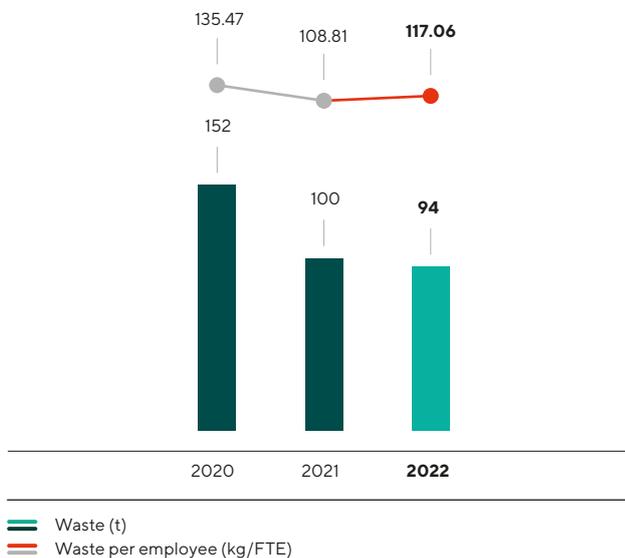
The printing paper used by the Bank is wood-free and is consistent with EU eco-standards, which require at least 50% to be made of recycled or sustainable material.

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

» Paper Consumption «

In tonnes	2020	2021	2022
Total paper consumption	13	6	5
Paper consumption intensity (kg/FTE)	11.59	6.53	6.72

Waste/Intensity



Waste

» There was also a reduction in HCOB's total waste in the reporting period from 100 tonnes (2021) to 94 tonnes in 2022. Waste for incineration decreased from 37 tonnes in 2021 to 22 tonnes in 2022, while recycling waste increased to 72 tonnes in 2022 (2021: 63 tonnes). This development continues the observed improvement in waste handling by HCOB employees. Absolute waste volumes at the Kiel and Hamburg locations of Hamburg Commercial Bank have been declining since 2015 along with the volume of waste for incineration. Meanwhile, the share of recycling waste has been rising each year. Additional efforts to increase waste separation even more are underway. «

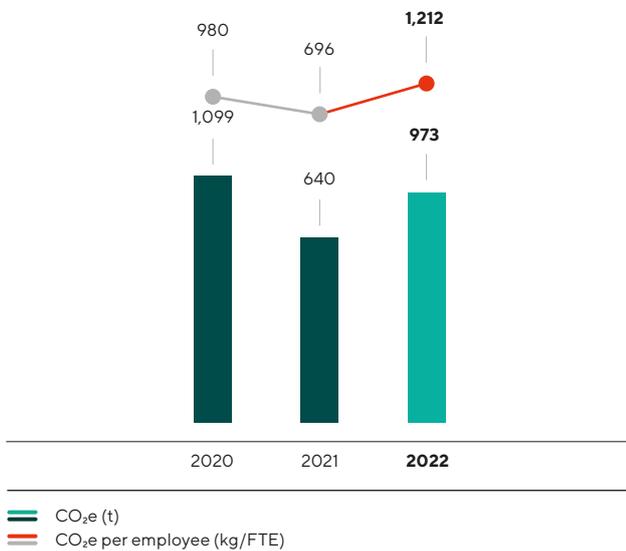
» Waste «

In tonnes	2020	2021	2022
Waste for recovery/ recycling	14	63	72
Waste for incineration	138	37	22
Total waste	152	100	94
Waste intensity (kg/FTE)	135.47	108.81	117.06

MOBILITY

» Operational mobility is influenced by numerous factors which are not controlled in their entirety. Cultivating client relationships on a face-to-face basis, if possible, is an indispensable component of trust-based cooperation at HCOB. If a business trip is necessary, the relevant travel policy applies. Sustainability and environmental considerations are already taken into account in the choice of means of transport, which is also generally the most cost-effective option. Nevertheless, business flights are unavoidable. The Bank has several mobility-related measures to reduce resource consumption. For example, HCOB offers a subsidy for employees to use public transport, which will be expanded even further in 2023 (see section "Employee Benefits"). Moreover, the number of company cars has been decreasing in favour of pool cars for employees to share when needed. «

Carbon Emission/Intensity



CO₂ Emissions

» In the past, HCOB has comprehensively recorded CO₂ emissions according to the Greenhouse Gas Protocol (GHG Protocol) in Scope 1 (direct emissions) and Scope 2 (energy indirect emissions). In Scope 3 emissions, the result of activities from assets not owned or controlled by the reporting organisation, HCOB has so far only recorded emissions resulting from the purchase of paper, water and transport.

To summarise the data, direct emissions (Scope 1), energy indirect emissions (Scope 2, market-based), other indirect emissions (Scope 3, selected categories on corporate level) all increased in 2022 compared with 2021. This trend mirrors the increased employee presence following the end of pandemic-related split-mode operations at HCOB.

Taken together, the total GHG emissions sum up to 973 tonnes, which translates to a GHG emissions intensity of 1,212 kg/FTE (market-based emissions). More detailed numbers can be found in the table on the next page.

To complement its strong commitment towards conserving climate and nature, HCOB is working together with the TÜV Rheinland certified "Ausgleichsagentur Schleswig-Holstein" (Schleswig Holstein Compensation Agency), a fully state-owned organisation. The Bank has identified moors as a great driver to reduce emissions as well as fostering biodiversity. Even though moors only cover around 3% of the earth's surface they capture twice as much carbon as all forests combined, and are therefore highly efficient for carbon storage. This is why the Bank contributes to the restoration of the "Königsmoor" in the Rendsburg-Eckernförde district by purchasing "MoorFutures" certificates, so helping to protect the climate by capturing CO₂ for at least the next 50 years. HCOB contributes to the former raised moor becoming a living habitat again and is at the same time making a valuable contribution to CO₂-equivalent offsetting. With the help of this co-creation, the Bank is able to fully offset its CO₂ emissions in Scope 1 and 2 as well as in the previously mentioned part of Scope 3 emissions caused by business flights in a local climate protection project. Finally, this means Hamburg Commercial Bank is climate neutral with regard to Scope 1 and 2 emissions and also with regard to Scope 3 emissions caused by flights. «

» Carbon Emission Intensity «

In tonnes CO ₂ e	2020	2021	2022
Direct (Scope 1) GHG emissions	16	9	18
Fuels: Petrol	16	9	14
Energy indirect (Scope 2) GHG emissions (market-based)	667	409	523
Power consumption - market-based	8	-	142
District heating	660	409	380
Other indirect (Scope 3) GHG emissions	416	222	432
Electricity (incl. home office electricity if charged)	19	31	131
Heating	169	105	96
Transport	131	56	181
Paper	15	6	4
Water	10	5	8
Waste	72	19	11
Total CO₂e emissions (market-based)	1,099	640	973
Carbon emission intensity (kg CO ₂ e/employee)	980	696	1,212

Holistic HR Management, ESG Awareness and Diversity

» At HCOB, the Bank's employees are its most important asset. Therefore, the aim is to offer them an attractive place for working with the Bank and to develop their individual potential to enhance HCOB's success. Hamburg Commercial Bank puts people first, and this is reflected in the wide range of topics covered in its day-to-day HR work.

To this end, the core HR department develops new HR products and instruments and ensures the framework conditions for their implementation. This also includes reviewing bank-wide HR strategy each year and updating it as necessary to drive forward the implementation of the corporate strategy in the best possible way. People Management is responsible for the reliable operation of HR administrative processes and the entry channel for all employees and managers. «

Target achievement status in respect of 2021 targets

» In 2021, HCOB communicated several targets for the 2022 reporting year (» see page 38). Concerning the overall training budget in 2022, it exceeded €1,100 per employee. All employees were trained for a second time in ESG, with additional special ESG market training taking place. At the Management Board level, individual targets were updated to include ESG factors, and the remuneration policy was enhanced to include ESG factors more prominently. Several internal communication measures regarding ESG to increase awareness among the employees (e.g., intranet articles) took place. Another achievement involved conducting an employee survey, whose results were published internally. Moreover, the Bank still aims to achieve a female share of 33% in senior positions and management by the end of 2025. In 2022, this number rose to 25.76% (2021: 21.3%).

With regard to enhancement of individual targets by including ESG factors on all employee levels, this development has started on Management Board level with indirect impact on all employees. «

The HCOB Human Resources Strategy

» The human resources strategy supports the Bank's overall strategy and provides the framework for operational human resources functions. It attaches great importance to ensuring that appropriate quantitative and qualitative staffing levels are in place and to managing and avoiding related personnel risks.

The ability to attract and retain motivated and committed employees is important to Hamburg Commercial Bank. In this context, the Bank's human resources strategy and tools have always been fundamental.

The HR business unit is responsible for its governance function, especially in managing personnel expenses and implementing and complying with legal and regulatory principles and updating in-house guidelines – e.g. in respect of the German Ordinance on the Remuneration of Financial Institutions (InstitutsVergV). ◀

Employee Rights and Equal Treatment

GRI 403-4, 407-1, 408-1, 409-1

» Co-determination in the workplace and equal treatment have a long tradition in Hamburg Commercial Bank, one that continues to apply and will go on being actively put into practice. ◀

Co-Determination

» HCOB encourages and requires co-determination and actively involves its employee representatives.

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

In accordance with the Articles of Association, Hamburg Commercial Bank's Supervisory Board comprises 18 members, 12 of whom were elected by the shareholders in line with the German Stock Corporation Act (AktG) [Sections 96 (1), 101 (1)], and six by the employees in line with the German One-Third Participation Act (DrittelbG) [Sections 4 (1), 1 (1)]. ◀

SAFEGUARDING OF EMPLOYEE INTERESTS BY THE WORKS COUNCILS

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

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

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

- The works councils monitor whether laws, regulations, collective agreements and company agreements are implemented and complied with. In this context, individual works agreements with the employer are revised, if necessary. This may affect, for example, the central works agreements on remuneration systems and data protection.
- The works councils exercise their right of co-determination in matters such as recruitment, changes to employment contracts and changes to salaries and working time arrangements, including overtime and dismissals.
- The works councils support colleagues on request during job interviews and employer-initiated separation interviews. This can for example take the form of assisting with paperwork or other requests, and consulting with employees during annual staff appraisal processes.
- The works councils work to ensure compliance with environmental protection and occupational safety regulations, accident prevention and the promotion of health in the workplace. The works councils participate in committee and board meetings to initiate or implement and monitor these and other issues. These include, for example, meetings of the occupational health and safety committee or the health steering committee.

- The works councils, in cooperation with youth and trainee representatives, advise the Human Resources unit on matters relating to apprenticeships and training. The works council also has a co-determination right in the selection of participants in training programmes.
- In addition, the works council members are always available for individual discussions or counselling sessions with colleagues.

The works council usually meets weekly and discusses, or makes decisions on, the above-mentioned issues. Works council members endeavour to resolve differences of opinion and conflicts within the Bank. If this is unsuccessful, clarification is sought before industrial tribunals or arbitration measures are taken.

Works council members have a wide range of network contacts with works councils from other banks. These works council members provide regular information on their activities, decisions and work. This information is usually provided in monthly publications on dedicated pages of the Bank's intranet and at works meetings at individual locations. Other information events, such as "Campus Talk", are also organised, where works council members speak with employees.

Appropriate offices with the necessary resources are available to allow the works councils to carry out their tasks and duties. There is also a representative body for severely disabled employees. The representative for severely disabled employees attends the meetings of the works councils or the General Works Council and has their own agenda item at the meetings. In addition, the representative of the representative body represents the special interests of severely disabled employees at the Bank.

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

Human Rights

» Respecting and upholding human rights is an important topic for HCOB. To prevent human rights violations, the Bank takes extensive measures at all levels. Through its Code of Conduct, Hamburg Commercial Bank commits itself and its employees to a special focus on preventing human rights abuses. In addition, at the corporate level through the HCOB Purchasing Principles, the Bank ensures a comprehensive review of the products and services purchased for banking operations (» [see pages 77, 83](#)). Furthermore, at portfolio level, HCOB ensures that financings, in which human rights violations may occur, are ruled out as far as possible through extensive screening and the HCOB Black List (» [see page 61](#)).

By implementing measures across employee groups and hierarchy levels to comply with high regulatory and European standards, the risk of human rights violations in HCOB's direct supply chain or within the Bank itself is considered low.

This includes freedom of association or collective bargaining, for which no risks were identified in HCOB operations or suppliers in 2022. «

Diversity and Equal Opportunities/Treatment

GRI 406-1

» Equal treatment has a long tradition at Hamburg Commercial Bank. Members of the Management Board and works councils voluntarily ensured that the issue of equal treatment was permanently established in a works agreement, which still applies at the Bank today. Aspects of the relevant state legislation on equal treatment from the federal states of Hamburg and Schleswig-Holstein were incorporated into this agreement. HCOB also went beyond this legislation by maintaining the equal opportunities officer function after the transformation to a privately owned bank. There are two equal opportunities officers, one working full-time and one part-time, who are released from their normal duties and cover the topic of diversity holistically in a joint approach with the HR department. They have been given extensive rights and act independently.

» Tasks of the Equal Opportunities Officers «

- Counselling of employees
- Analysis of salary data
- Participation in the development of personnel management instruments
- Contributing to organisational framework conditions to promote equal opportunities among employees
- Implementation of company agreements on equal opportunities
- Design of the Equal Opportunities Promotion Plan
- Participation in the #networkingwomen network

Since 2008, the issue of equal treatment has been associated with significant challenges due to the Bank's extensive restructuring and related reduction in headcount. The Bank has taken this into account and raised the issue with the Chairman of the Management Board. HCOB has established, and in each reporting year maintained the promotion of the underrepresented gender (mostly women) among the overall objectives of the Bank.

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

Moreover, the '#networkingwomen' network organises the active networking of women. The network holds regular meetings and organises events. The aim is particularly to exchange experiences, provide inspiration and discuss current relevant topics within and outside the business. Additionally, the aim is to ensure the visibility of women in banking and beyond, and to empower individuals through the community.



» Diversity Measures at HCOB «

- Development of an Equal Opportunities Promotion Plan over the course of several roundtables, with involvement of employees from various departments in the Bank (the plan was successfully adopted by the Management Board in December 2022)
- Regular events of the #networkingwomen network including Elevator Pitch Equal Opportunities, a talk by a female supervisory board member, an information event about job-sharing, and joint lunches
- Diversity topics were included for the first time in the employee survey
- Mentoring support
- Process support for job sharing
- Work and family measures such as a lecture on "legal precautions" and qualification of a care helper

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

Gender-specific figures, data and facts are reviewed and gender-specific disparities investigated. This topic is actively supported by the whole Management Board. The Bank is committed to actively support women and men in all issues relating to the reconciliation of work and family commitments and brings in relevant external expertise. Female talent of all ages is actively promoted when filling positions and in target group programmes for personnel. Hamburg Commercial Bank is also a member of genderdax, the gender and diversity project for highly qualified women initiated by Helmut Schmidt University in Hamburg, which organises information events and workshops.

HCOB's equal opportunities officers prepare comprehensive equal treatment analysis which is regularly updated and discussed. The equal opportunities officers have also prepared an annual employee compensation comparison since 2010 – inspired by the nationwide Equal Pay Day – which compares the average salaries/wages of men and women, the aim being to ensure they receive the same pay for the same work. The results of the analysis are submitted to the appropriate business unit heads and responsible works council members for acknowledgement and further action.

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

In addition, the Management Board made the decision to support the issues of equal opportunity and diversity even more intensively, for example by adopting specific target quotas for underrepresented gender in management and senior positions, as well as adopting the equal opportunities promotion plan mentioned above. The Management Board places particular emphasis on achieving even greater improvements at all levels in the future.

No cases of discrimination were reported to the AGG Complaints Office in the reporting year. The Management Board takes a strong approach to emphasise that the Bank has a zero tolerance policy on discrimination. This has been underlined by several communication measures to employees to promote awareness and increase sensitivity about discrimination. Therefore, every employee joining the Bank needs to complete an AGG Training. All Managers repeat the training every two years. «

» Statistic Equal Opportunities as at 31.12.2022 ¹ «

	Head Count			Percentage	
	Female	Male	Total	Female	Male
Business Unit Heads	4	11	15	27%	73%
Department Heads	13	38	51	25%	75%
Senior positions ²	98	238	336	29%	71%
Total	115	287	402	29%	71%

¹ Active employees, Germany

² Excl. Department Heads, meaning employees with competency level 4 & 5

» Equal Treatment/Diversity: Active Employees Germany «

GRI 405-1

Age	2022					2021				
	Total (HC) ¹	Women (HC)	Women (%)	Men (HC)	Men (%)	Total (HC)	Women (HC)	Women (%)	Men (HC)	Men (%)
Management Board (MB)	4	0	0%	4	100%	5	0	0%	5	100%
Under 30										
30 to 50	1	0	0%	1	100%					
Over 50	3	0	0%	3	100%	5	0	0%	5	100%
Business unit Heads	15	4	27%	11	73%	16	3	19%	13	81%
Under 30										
30 to 50	6	2	33%	4	67%	9	1	11%	8	89%
Over 50	9	2	22%	7	78%	7	2	29%	5	71%
Department Heads	51	13	25%	38	75%	45	10	22%	35	78%
Under 30										
30 to 50	20	6	30%	14	70%	20	3	15%	17	85%
Over 50	31	7	23%	24	77%	25	7	28%	18	72%
Employees without management responsibility	818	322	39%	496	61%	874	353	40%	521	60%
Under 30	91	32	35%	59	65%	78	27	35%	51	65%
30 to 50	373	149	40%	224	60%	437	177	41%	260	59%
Over 50	354	141	40%	213	60%	359	149	42%	210	58%
Total (all employees excl. MB)	884	339	38%	545	62%	935	366	39%	569	61%
Under 30	91	32	35%	59	65%	78	27	35%	51	65%
30 to 50	399	157	39%	242	61%	466	181	39%	285	61%
Over 50	394	150	38%	244	62%	391	158	40%	233	60%

¹ HC = Head Count

HR Development and Employer Branding

GRI 404-1, 404-2, 404-3

» Only with the commitment of its employees can Hamburg Commercial Bank perform in the long term in an increasingly demanding and competitive environment. This is why the Bank supports the personal development of all its employees. To rise to the challenges it faces, HCOB has to continually develop and improve its skills and in a targeted manner. This is why HCOB provides training to all of its employees regardless of their position. ◀

HR Development

» HCOB's employees are the foundation of HCOB, which is why the Bank promotes their talents in the best possible way. Managers encourage and motivate their employees, provide regular feedback on their performance, and support them in their personal and professional development. The basis for this is HCOB's feedback culture.

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

The annual performance review between every manager and employee at the beginning of the year includes feedback on performance and development of the last year as well as the agreement on further contributions, goals and development. Lifelong learning has become a core virtue for every company and its employees, because markets and technologies are developing ever more rapidly – not least in the financial sector.

The training plans agreed upon in the performance reviews can be adapted as required in agreement with the respective manager during the year, are linked to both individual needs and employees' objectives and are consistent with the overall Bank strategy. Trainings can be conducted both internally and externally on three levels: personal development, specific BU expertise and general bank knowledge. The average hours spent on training by HCOB employees in 2022 was 16 hours. Thereof, almost four hours were related to ESG. The average training budget provided per employee is used for individual as well as overall training programmes and amounted to around € 1,050 in 2022 (2021: € 1,120). ◀

Fostering Young Talent

» Hamburg Commercial Bank offers different options for young professionals to start their career in the Bank. For school graduates, the Bank offers a dual study programme leading to a Bachelor of Science in Business Administration in cooperation with the Hamburg School of Business Administration (HSBA), a state-accredited private university. In the dual study programme, it takes three years to complete the Bachelor's degree and also gain experience in different departments in the Bank. All students completing their dual study programme with results exceeding expectations receive an offer of a permanent contract from HCOB to fill an existing vacancy.

To give young talents an opportunity for their first professional experience, HCOB offers internships to undergraduates so they can get familiar with the Bank and to set the foundation for their future career.

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

Talent Management

» Hamburg Commercial Bank puts emphasis on promoting identified talents and has a series of different instruments to cater all needs of managing talented employees. These instruments are discussed with the employee and are different for each competencies profile. It's determined for example in a personal development plan and can include job shadowing for junior talents, career determination, sparring partner, or the addition of a title in the case of excellent expertise for senior talents.

Mentoring, the targeted advice and support of promising talents by experienced managers, has also long been part of HCOB's personnel development programme. The mentoring programme in 2021 was aimed exclusively at ten selected female colleagues, who are talented and already doing excellent work in their careers as experts or managers, in order to promote diversity at the Bank. In 2022, a new round of mentoring started with 17 promising talents of which 5 are male and 12 female employees. «

Employee Benefits

GRI 401-2

» With its benefits, HCOB wants to appreciate the great commitment of its employees. Therefore, HCOB offers a wide range of benefits designed to value the commitment and dedication - above and beyond the monthly salary payment. The aim is to tailor the benefits at the Bank precisely to the needs of its employees. Together with the managers, HCOB evaluates the areas in which it can support its employees and optimise them constantly. It is important to Hamburg Commercial Bank to offer benefits that are tailored to a modern working and living environment and offer its employees a real value. All benefits are provided to all employees, no matter if they are employed part-time or full-time. Furthermore they are offered in all locations with marginal adjustments due to local conditions.

Work-Life Balance

- Flexible working hours
- Mobile working
- Care for relatives: use of the consulting and mediation services of the pme Familienservice
- Comprehensive childcare including emergency kindergarten, and holiday and afternoon school childcare
- Special leave for example for relocation, birth or deaths

Career opportunities & development possibilities

- Individual further training measures
- Mentoring programmes
- Internal job market for professional development

Social benefits

- Volunteering days: release from work for a maximum of 3 working days per year to carry out community work
- Job public transport ticket: subsidy of € 49 per month
- Use of parking space: rental of a parking space or use of the daily free parking quota
- Company pension plan through BVV
- Maximum amount for capital formation benefits ("Vermögenswirksame Leistungen (VL)")

Health promotion

- Company medical service: flu vaccination, COVID-19 vaccination, eye examination and anti-stress programmes
- Sports offers: Yoga and Back Fit as weekly online courses
- Social counselling: for all issues that require assistance in work and private life

Working atmosphere

- Virtual collaboration: equipped with Surface and iPhone
- Office space in the heart of the city centre
- Meal allowances and discounts in HCOB's in-house campus
- Coffee machines and water dispensers on every floor
- Co-working spaces
- Networking events such as Blindlunch and Young Talents Exchange
- Changing rooms and showers
- Full-time Equal Opportunity Officer focused on diversity
- Bank-wide events
- Yearly subsidy of team-building measures

Compensation system

- Attractive salary system that rewards commitment and performance
- Additional payments (in 2022) such as € 3,000 for each employee to compensate for rising energy costs ("Inflationsausgleichsprämie")
- Individual bonus and profit-sharing
- THANX Bonus and Top Award as a compensation instrument for special performance
- Employee recommendation programme with corresponding bonus compensation «

Health and Work-Life Balance

GRI 403-1, 403-2, 403-3, 403-4, 403-5, 403-6, 403-8, 403-9, 403-10

As a modern employer, Hamburg Commercial Bank offers its employees opportunities to improve their health and work-life balance. The Bank supports them with both wide and individual ranges of services. Support tailored to suit various life phases is important to HCOB, which is why programmes and supporting services are regularly adapted to fit the needs of Bank employees.

Health promotion

HCOB's corporate health management (CHM) system is aimed at promoting the health and wellbeing of employees in the workplace and therefore to maintain or increase their motivation and performance. In organisational terms, all health activities are managed by the Head of Occupational Safety and Health and the HR department.

The topics covered include, on the one hand, behavioural areas: individual counselling sessions from health coaching to ergonomic advice are accompanied by a wide range of seminars on corporate health management addressing topics such as stress management, nutritional advice and conflict management, as well as special seminars for managers. On the other hand, Hamburg Commercial Bank provides behavioural health measures: action on the corporate culture addressing topics such as work-life balance and a comprehensive personnel development programme, extensive occupational safety activities on topics including risk assessments and inspections, and occupational medicine and operational integration management. In procedural terms, corporate health management also includes the careful analysis of quantitative key figures and evaluation of the Bank's multi-faceted measures, together with providing information and counselling sessions.

Furthermore, HCOB addresses various health-related matters through various services, including free annual flu vaccinations provided on-site by the Bank's company doctor.

Protecting Employees against Health Risks Resulting from COVID-19

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

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

HCOB's health and crisis experts continued to assess the current risk situation on a regular basis, taking measures to protect employees and prevent the spread of COVID-19.

The management team and the expert working group set up specifically for this purpose took various precautions to protect everyone. Measures included the offer of testing and provision of masks. The biggest measure introduced in 2020, the Bank's split-mode operations, was replaced by a works agreement on mobile working in the reporting year.

The Bank's employees continued to be given extensive information and the latest updates on COVID-19 and its impact on the Bank, via the intranet and by the management team. Contact details and information supplied by official bodies were also available to the workforce at the Bank.

Company Doctor

As the primary contact person, the company doctor advises and supports all employees in questions regarding occupational and socio-medical needs, while maintaining strict doctor-patient confidentiality. In addition to conventional occupational health topics such as reintegration after long-term illness, the company doctor's remit also includes all topics relating to situational and behavioural prevention, travel medicine and inoculations for business trips, ergonomic advice and medical advice on inspections. In close cooperation with social counselling and the Bank's corporate health management team, the company doctor makes an important contribution to the health of all employees. HCOB's company doctor is also part of the COVID-19 working group and gives medical advice on questions arising among employees and the working group.

No work-related illnesses were reported in 2022 (2021: 0 cases).

Social Counselling

Two individuals working part-time in Hamburg and Kiel make up HCOB's social counselling service. This offers employees professional help with stress, conflict and difficult workplace situations, and also with topics such as mental illness, addiction and personal matters. Social counselling also offers emergency psychological help – including for relatives. Referrals are made to external counselling centres, hospitals or psychotherapists on a case-by-case basis.

Both employees and managers use social counselling. High demand demonstrates the trust placed in the service.

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

Occupational Safety

Hamburg Commercial Bank meets the legal requirements and safety standards for occupational safety and health protection at all its sites. The Bank's guiding principle of its state-of-the-art, preventive occupational safety is a comprehensive, holistic understanding of the health and safety of all employees.

Occupational health and safety concerns are discussed at regular meetings of the Occupational Safety Committee (Arbeitssicherheitsausschuss – ASA). For example, the committee evaluates the effectiveness of implemented occupational safety measures and aspects of occupational safety. Through their representatives, employees have the opportunity to voice their concerns at ASA meetings. Information on important ASA decisions, such as measures to be taken during the pandemic, is available to staff via the intranet.

Work-related injuries are relatively rare in the everyday office life of a bank. No work-related accidents were recorded in the reporting year 2022 (2021: 0 cases).

Occupational safety specialists advise and support HCOB's managers and employees in all matters so they can work and act in a safe, ergonomic and healthy manner. Area inspections were carried out in several Bank departments. In addition to advising managers on their responsibility for occupational health and safety, the inspections also included the identification of psychological stress and department-specific hazards. Furthermore, the occupational safety specialists provided ergonomic advice directly at the workplace. The 5% quotas for first-aiders and fire safety assistants were met, reaching 10% and 6.3%, respectively. The COVID-19 risk assessment was continuously updated in 2022 and adapted to requirements.

For its contributions to keeping employees healthy, the Hamburg Authority for occupational health and safety designated Hamburg Commercial Bank a "Company with an exemplary occupational health and safety system" once again in 2022. The certificate is valid for six years.

Reconciling Work and Family Life

Hamburg Commercial Bank considers a good balance between work and family life essential to remain healthy, satisfied with the job and effective in the workplace. Support in the phase of life that involves caring for children has long been a matter of course for the Bank.

HCOB also aims to provide support or operational relief for employees who look after relatives requiring care, as this topic is becoming increasingly important due to the aging population.

CARING FOR RELATIVES

The average age of HCOB's active employees is currently 45.7 years (2021: 46.5 years). The Bank is aware of the demographic change in Europe and sees an increased need of employees to provide care for ageing relatives. In turn, HCOB wants to enable employees to strike a balance between work and family life.

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

Over and above statutory regulations concerning long-term care leave and family leave, HCOB has found that, in practice, individual solutions for family carers are often a great help.

This is why the Bank gives its employees the option of occasionally working from home and structuring their working hours, also for a fixed term, so as to flexibly reconcile work and care commitments in the best possible way.

ALL ABOUT THE CHILD: CHILDCARE AND OTHER SERVICES

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

HCOB provides emergency childcare free of charge in Hamburg and Kiel – and also for employees in its other German branches – to cover periods when standard childcare services are not available. The Bank also subsidises various holiday programmes for nursery school children and school children, and particularly for teenagers.

The external service provider pme Familienservice also offers counselling on childcare. To make it easier for employees to return to work following a leave of absence, HCOB offers measures for maintaining contact during parental leave or long-term care leave. The Bank's Equal Treatment Officer keeps employees informed of current news and, for example, job advertisements via a weekly e-mail.

Since 2007, HCOB has been awarded the seal of a family-friendly company as part of the "audit berufundfamilie" (audit of work and family) carried out by the non-profit Hertie foundation. Thereby, certified employees commit to a family- and life-phase-conscious HR policy, thus making an important contribution to their employees in the "new normal", positioning themselves as an attractive employer.

FLEXIBLE ORGANISATION OF WORKING HOURS

A family-friendly human resources policy requires working hours to be flexibly organised. HCOB offers several options providing flexibility in terms of working hours, work locations and work organisation. Mobile working is stipulated in a company agreement.

PART-TIME WORKING MODELS

GRI 401-3

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

Compensation and Remuneration Policies

GRI 2-19, 2-30

At HCOB, the compensation system offers fixed and variable remuneration components for all employees and is well in line with the Bank's relevant market. In some cases, aspects related to sustainability are integrated directly and indirectly into the variable compensation components. For so called Risk Takers that exceed a certain level of compensation, variable pay is deferred and linked to the long-term value development of the Bank.

In 2022, 32% of employees were covered by a collective bargaining agreement. However, a comparable framework is applied to all employees, which is based on collective agreements. Only special payments may differ, but are also collectively defined by company agreements that ensure equal treatment. Employees at foreign locations might be treated differently in line with country-specific deviations.

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

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

HCOB's compensation is a critical success factor when it comes to attracting and retaining employees. This is why the Bank's compensation framework contains elements to ensure appropriate compensation that rewards sustained performance and enables career development, especially for experts.

Hamburg Commercial Bank reports on the compensation paid to its employees, and the remuneration of the Management Board and Supervisory Board, in its combined management reports/notes to the Group financial statements. In this respect, the Bank also refers to the separate Remuneration Reports required under the InstitutsVergV, which are published on HCOB's website. Information on the Remuneration Officer and Remuneration Control Committee can also be found there.

Staff Turnover Rate

GRI 401-1

» The total annual staff turnover rate, which came to 13.8% (group level on 31 Dec 2022; 31 Dec 2021: 20.6%), is mainly caused by the legacy of the finalised transformation programme, as the rate of voluntary resignations outside this programme is only 3.8% (group level on 31 Dec 2022; 31 Dec 2021: 3.6%). It is important to mention that all separations are being achieved through voluntary agreements rather than enforced redundancies, in line with the Bank's values. «

» Selected Key Personnel Figures «

GRI 2-7

Employees in the Group

	31.12.2022	31.12.2021
FTE total	868	919
of which: women	303	325
of which: men	565	594
Germany	825	877
Abroad	43	42
Total (Headcount)¹	975	1,052
Full-time (%)	82.42%	82.40%
Full-time (headcount)	769	810
of which: women	211	222
of which: men	558	588
Head office	923	771
Branch/foreign offices	52	26
Part-time (%)	17.58%	17.60%
Part-time (headcount)	164	173
of which: women	141	153
of which: men	23	20
Head office	159	169
Branch/foreign offices	5	4
Key figures		
Ratio of employees on fixed-term contracts (%)	5.85%	6.50%
Average age (years)	45.7	46.5
Average period of employment (years)	13.7	14.9

¹ Including inactive employees

Responsibility towards Society

As a Hamburg-based company, an international view, reliability and social responsibility are the core of Hamburg Commercial Bank's self-image. This applies to both its business activities and the areas in which the Bank takes special social responsibility. Here, HCOB wants to have a positive impact especially in its home region with focus on social issues, in particular education of young people. Additionally, the Bank supports people who need help the most which was reflected by the support offered to people affected by the war in Ukraine. HCOB is dedicated to making a significant contribution as a partner, sponsor and supporter in its region.

Target achievement status in respect of 2021 targets

» The war in Ukraine has caused massive increases in energy prices and high inflation in Germany. This is affecting those people who are in need of help the most - including many children, young people and students. Additionally, this has left many people defenceless and caused a surge in support. Therefore, in 2022 Hamburg Commercial Bank has donated just over €750,000 to different organisations which directly help those in need. The overall donations were mostly determined by three themes: immediate support for people in the Ukraine, local organisations to especially support young people and the Bank's own aid initiative #HCOBEmployeesStandWithUkraine.

As a first response to the war in Ukraine and a first wave of donations, HCOB supported various established international NGOs with €100,000, which were able to provide immediate support to people in need.

Towards the end of the year, Hamburg Commercial Bank has donated €450,000 to several charitable organisations in northern Germany that promote and support young people. A total of nine such organisations have each received €50,000 for the valuable work they do to help other people, supported by numerous volunteers.

In addition, HCOB supported the #HCOBEmployeesStandWithUkraine initiative, which was launched by the Bank's employees. Since the beginning of the war of aggression in Ukraine, engaged colleagues have been collecting donations in kind and money, buying urgently needed aid supplies and transporting them to western Ukraine. HCOB supports the engagement of its employees with special leave for the journeys to the border region and pays the transport costs. Overall, the Bank donated €148,000 to this aid initiative with the vast majority resulting from doubling the amount of donations from the employees. «



HCOB relief action for Ukraine #standwithukraine

A team of employees collects monetary donations and delivers relief supplies to Ukraine – with the full support of the Bank. In 2022, around €322,000 have been collected.

» The Russian war of aggression against Ukraine was only a few weeks old when employees at the Bank began to think about how they could help the people in Ukraine who had been battered by the war. Back in March, they organised an initial fundraising campaign at the Bank under the title #standwithukraine. “Many in Germany and especially in the Bank felt and still feel the need to help the people in Ukraine affected by the Russian war of aggression”, says Alexander Kirsch, who co-initiated the campaign in the Bank and at that time had already gained experience with the first private aid deliveries to Ukraine. “With our aid deliveries, we wanted to provide very concrete and direct help where the need is great and professional aid organisations cannot – yet – reach.”

The appeal by the Helpers’ Circle was directed at all colleagues and was supported by the Bank’s Board of Management. In addition to logistical and practical support, the Board promised to double every euro donated by the workforce, and the motto was: “Be generous”. The appeal for donations was a great success – by the end of the year, donations totalling around €124,000 had been received from employees. Including the doubling of employee donations, an individual donation of €24,000 from the Bank and some external individual donations, a total of around €322,000 was collected.

In addition to soliciting the donations, the helpers’ group began by looking for inexpensive ways to procure food, medical supplies, protective equipment, and power

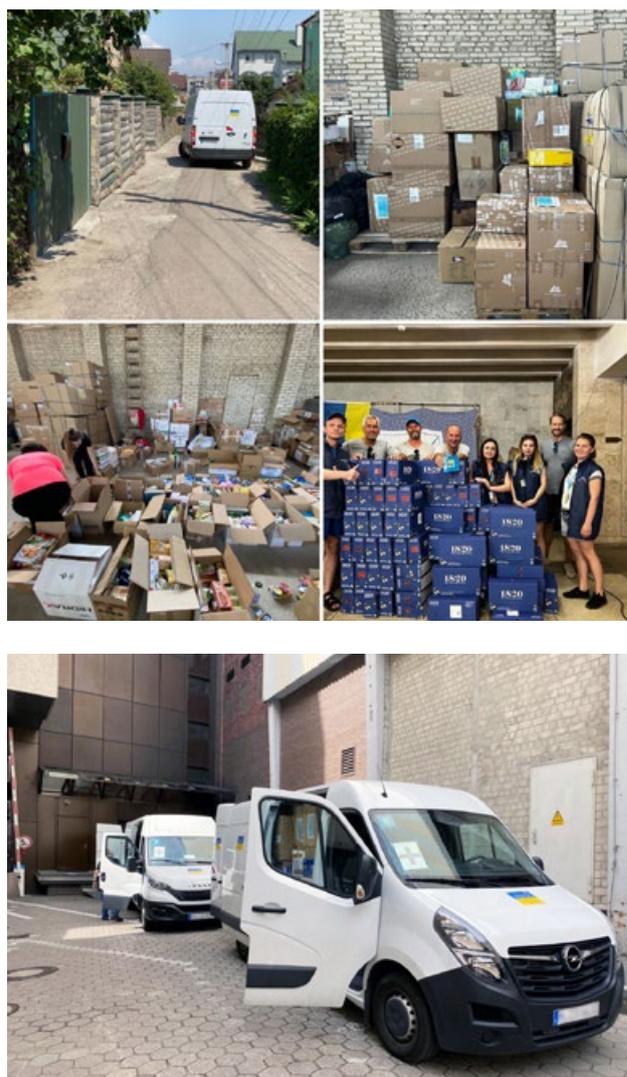


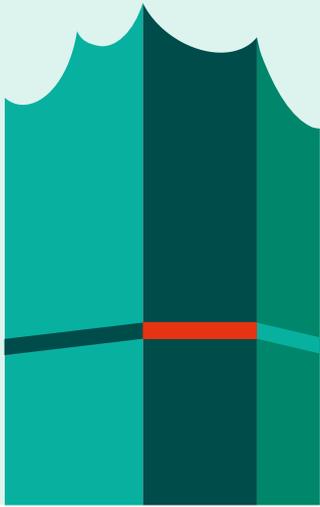
generators. Corporate customers of the Bank also provided support with substantial discounts. Around 40 tonnes of relief supplies were purchased from the money raised. In addition to food and hygiene items for unsupplied villages and small towns along the front line, every day and clinical medicines, power generators, water treatment layers, camping stoves, a heart-lung machine urgently needed in Kharkiv, toys for the unfortunately still numerous children living in the war zone, and three four-wheel drive vehicles for evacuating injured people and delivering aid in remote areas were also procured in particular.

Between April and December 2022, the aid group organised four tours to Ukraine, each with between two and five fully loaded small trucks, in which the goods were brought to Lviv in western Ukraine, about 1,300 kilometres from Hamburg. From there, the non-profit aid organization www.alex21.org, run by a Berlin lawyer and a Lithuanian woman, took over the dangerous transport directly to the people in need. The focus was on villages and small towns in the southern and eastern Ukrainian crisis areas between Mykolayiv and Kherson and between Kharkiv and Donetsk. Not infrequently, the team was the first to provide assistance in the villages and small towns there.

“The special thing about our campaign is that the relief supplies procured with the donations from colleagues and the doubling by the Bank reach the people in need without any additional costs or losses”, says Stefan Schlatermund, who was one of the first to work on the relief campaign. “Donations can’t be used more directly than that. This is a maximally efficient way to help.” According to Stefan Schlatermund, the great willingness of many colleagues at the Bank to lend a hand in a very practical way also contributed significantly to the success of the campaign. “There were a lot of formalities to take into account at the beginning, here many departments showed how easy it is when everyone pulls together, and we also stored and loaded tonnes of goods – that only worked thanks to unbureaucratic teamwork.”

In order to be transparent to the donors, the aid group regularly reported on the projects and tours in the Bank’s internal media – including detailed lists of the goods purchased and delivered. In addition, pictures and videos of the aid deliveries are made available on an ongoing basis. “This immediate feedback on what we have done with the money entrusted to us is quite essential. As before, all support is welcome and urgently needed”, says Stefan Schlatermund. “Living conditions in Ukraine have deteriorated significantly for many people. The Ukrainian state is currently unable to fill any gaps that have arisen due to the considerable burden of fending off the Russian invasion. Since with us every euro is translated into concrete aid, the donations achieve a very high impact, not only materially but also psychologically”, says Alexander Kirsch. “We will continue our deliveries to Ukraine as long as this heinous war continues and we have the necessary funds.” ◀◀





Elbphilharmonie Hamburg (Elbe Philharmonic Hall)

The Cultural Landmark of the Hanseatic City

» With the Elbphilharmonie, Hamburg not only has a spectacular new architectural landmark but also one of the best concert halls in the world. The programme presents the best the international music scene has to offer, ranging from classical and jazz to world music and pop.

At the same time, the city's top-ranking orchestras, such as the NDR Elbphilharmonie Orchestra, the Philharmonic State Orchestra, and the Hamburg Symphony Orchestra, create their own concert series.

Hamburg Commercial Bank has supported the Elbphilharmonie as a "Classic Sponsor" since its opening in 2016. «

Hamburg European Open

Tennis Commitment at Rothenbaum

» Grand Slam feeling at the Rothenbaum! The Hamburg European Open in 2022 took place as a "combined event". This means that men and women played in parallel in the Hanseatic city from 16 to 24 July 2022. The last time this happened in the history of the clay court classic was in 1978. "I am extremely happy that we have succeeded in doing this together with our partners. For me, this is a dream come true! For me, a combined tournament is the ultimate product for tennis fans", said Tournament Director Sandra Reichel. The Hamburg European Open is now in illustrious company in the tournament landscape! There are only five other "combined events" in Europe: Wimbledon, the French Open, the two Masters' tournaments in Rome and Madrid as well as Eastbourne (England).

For HCOB a good reason to continue its commitment for corporate citizenship "combined" with equal opportunities for all genders. Advantage, Hamburg! «

Art Foundation for Schleswig-Holstein

Start-up Aid for Talented Young Artists

» The Hamburg Commercial Bank promotes contemporary fine arts and culture in Schleswig-Holstein through its Art Foundation, which was established in 1992 by LB Kiel. The foundation allows a curator to develop and implement an art programme that corresponds to the foundation's main objective, above all, supporting young, talented artists. Getting started in this profession, which is associated with a great deal of insecurity, requires a lot of courage and a strong, helping hand. We are happy to extend one. «





Donations for Those Suffering Most

The following organisations were the recipients of HCOB's donations in the reporting year.



Kieler Initiative gegen Kinderarmut

» Not all children start life with good conditions; in Kiel alone, around 30% of minors are considered poor. For children from low-income families, it is often not possible to learn a musical instrument, attend a ballet school or join a sports club – although these are all important contributions to the development of a satisfied, self-confident, and self-determined personality. The “Kieler Initiative gegen Kinderarmut” (Kiel Initiative against Child Poverty), or “inka” for short, is a non-profit organisation that gives children the chance to pursue their musical or sporting interests. «



ArbeiterKind.de

» The non-profit organisation “ArbeiterKind.de” (Working-class Child) encourages students from families without university experience to be the first in their family to study. 6,000 volunteers are involved in 80 local *ArbeiterKind.de* groups across Germany to inform schoolchildren about the possibility of studying and to support them on their way from entering university to successfully completing their studies. The goal of ArbeiterKind.de is to increase the chances of children from non-academic families to advance in education. «



STUBE

» “STUBE” (Study Support Programme) Nord offers students from Africa, Asia, Latin America and Eastern Europe the opportunity to exchange experiences about living and studying in another country. STUBE complements individual subject studies with events that raise students’ awareness and qualifications in development policy. STUBE North is an educational programme of “Brot für die Welt”. «



Projekt Arche

» In the fight against child poverty, “Projekt Arche” is particularly committed to helping children from socially disadvantaged backgrounds. More than 4,000 children and young people are reached throughout Germany. In Hamburg, there are currently three locations with children’s and youth centers and an after-school care center. «



Löwenherz®

Löwenherz

» “Löwenherz” (Lionheart) is an initiative of pro familia Schleswig-Holstein against violence in the family. The project is dedicated to children and young people who have been or are witnesses or victims of domestic violence. This involves not only physical, but also psychological or verbal violence. Löwenherz also addresses parents or caregivers. «



Stiftung Mittagskinder

» The “Stiftung Mittagskinder” (Lunch Children Foundation) provides more than 200 children with regular healthy meals free of charge at two children’s centers in socially deprived areas of Hamburg. The children are also helped with their homework and receive expert socio-educational support. «



Ankerland e.V.

» "Ankerland e. V." has been committed since 2008 to helping traumatized children who suffer mentally because of violence or abuse. Injuries caused by natural disasters or accidents can also take a heavy toll on children. In 2015, Ankerland opened Germany's first intensive trauma therapy center for children and young people in Hamburg-Eppendorf. «



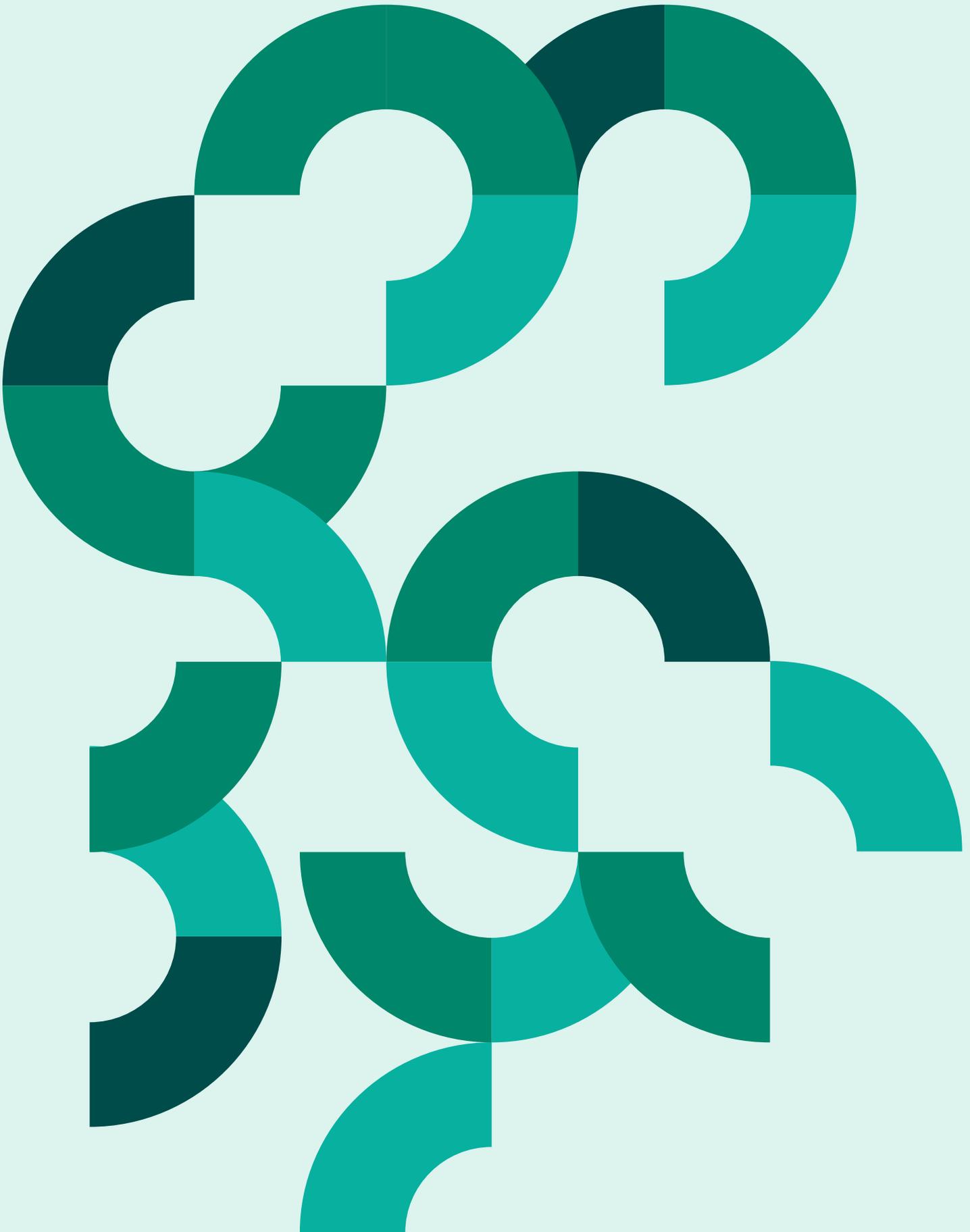
Hamburger Abendblatt hilft e.V.

» The association "Hamburger Abendblatt hilft e.V." supports children and young people from socially disadvantaged families, single parents as well as sick and elderly people. Since 1975, the association has supported, among others, sports and leisure projects, counseling and assistance services, child protection centers and youth welfare organisations in the Hamburg metropolitan region. «

Der Norden hilft e.V.

Der Norden hilft e.V.

» The association "Der Norden hilft e. V." (North helps) is a voluntary association for Hamburg and Schleswig-Holstein that supports needy and disabled people of all ages. For its members, voluntary work means helping to shape society and taking responsibility for it. Among other things, the association offers help to women and children who fled the war in Ukraine, runs a children's clothing store and organises the "Wish Trees" campaign, which this year received more wishes for support than ever before. «



Sustainability Frameworks

Task Force on Climate-related Financial Disclosures (TCFD)

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

Governance

HCOB sees the organisation's governance around climate-related risks and opportunities as a fundamental pillar of the Bank's business model.

- A) Describe the board's oversight of climate-related risks and opportunities. » [see page 16](#)
- B) Describe management's role in assessing and managing risks and opportunities. » [see page 16](#)

Strategy

The Bank's strategy takes into account the potential impact of climate-related risks and opportunities on the business activities and financial planning.

- A) Describe the climate-related risks and opportunities the organisation has identified over the short, medium, and long term. » [see page 13; 39](#)
- B) Describe the impact of climate-related risks and opportunities on the organisation's businesses, strategy, and financial planning. » [see page 13; 39](#)

- C) Describe the resilience of the organisation's strategy, taking into consideration different climate-related scenarios, including a 2 °C or lower scenario. » [see page 13; 39](#)



Risk Management

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

- A) Describe the organisation's processes for identifying and assessing climate-related risks. » [see page 39](#)
- B) Describe the organisation's processes for managing climate-related risks. » [see page 39](#)
- C) Describe how processes for identifying, assessing, and managing climate-related risks are integrated into the organisation's overall risk management. » [see page 39](#)

Metrics and Targets

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

- A) Disclose the metrics used by the organisation to assess climate-related risks and opportunities in line with its strategy and risk management process. » [see page 35ff.](#)
- B) Disclose Scope 1, Scope 2, and, if appropriate, Scope 3 greenhouse gas (GHG) emissions, and the related risks. » [see page 91](#)
- C) Describe the targets used by the organisation to manage climate-related risks and opportunities and performance against targets. » [see page 35ff.](#)

Principles for Responsible Banking (PRB)

» The Principles for Responsible Banking constitute an overarching framework for ensuring that signatory banks’ strategies and practices are aligned with the vision society has set out for its future in the Sustainable Development Goals and the Paris Climate Agreement. As a signatory of the PRB since September 22, 2020, HCOB is committed to these two predominant pillars in regard to ESG alignment. In the reporting year, the Bank has made further progress and achieved numerous results in implementing the principles. On the basis of the updated Reporting and Self-Assessment Template of the UNEP FI Initiative, the Bank provides an overview of the continuation of its implementation journey including setting first targets. Where the Bank stands in regard to the PRB requirements is explained in the following table: «

Principle 1:

Alignment	Links and references
<p>We will align our business strategy to be consistent with and contribute to individuals’ needs and society’s goals, as expressed in the Sustainable Development Goals, the Paris Climate Agreement and relevant national and regional frameworks.</p>	
<p>Business model Describe (high-level) your bank’s business model, including the main customer segments served, types of products and services provided, the main sectors and types of activities across the main geographies in which your bank operates or provides products and services. Please also quantify the information by disclosing e.g. the distribution of your bank’s portfolio (%) in terms of geographies, segments (i.e. by balance sheet and/or off-balance sheet) or by disclosing the number of customers and clients served.</p>	
<p><i>Response</i> Business Model Description: Hamburg Commercial Bank (HCOB) is a private commercial bank and specialist financier headquartered in Hamburg, Germany. The Bank offers its clients a high level of structuring expertise in the financing of commercial real estate projects with a focus on Germany and neighbouring European countries. It also has a strong market position in international shipping. The Bank is one of the pioneers in European-wide project financing for renewable energies and is also involved in the expansion of digital and other areas of important infrastructure. HCOB offers individual financing solutions for international corporate clients, and a focused corporate client business in Germany. The Bank’s portfolio is completed by digital products and services facilitating reliable, timely domestic and international payment transactions as well as for trade finance. Hamburg Commercial Bank aligns its activities with established Environment, Social and Governance (ESG) criteria and has anchored sustainability aspects in its business model. It supports its clients in their transition to a more sustainable future. The Bank’s specialists are as experienced as they are pragmatic. They act in a reliable manner and at eye level with their customers. They provide in-depth advice to jointly find efficient solutions that are a perfect fit – for complex projects in particular. Tailor-made financing, a high level of structuring and syndication expertise, and many years of experience are just as much a hallmark of the Bank as are our profound market and sector expertise.</p>	<p>HCOB at a Glance (» see page 7ff.)</p>

Alignment	Links and references
<p>Strategy alignment</p> <p>Does your corporate strategy identify and reflect sustainability as strategic priority/ies for your bank?</p> <p><input checked="" type="checkbox"/> Yes <input type="checkbox"/> No</p> <p>Please describe how your bank has aligned and/or is planning to align its strategy to be consistent with the Sustainable Development Goals (SDGs), the Paris Climate Agreement, and relevant national and regional frameworks.</p> <p>Does your bank also reference any of the following frameworks or sustainability regulatory reporting requirements in its strategic priorities or policies to implement these?</p> <p><input type="checkbox"/> UN Guiding Principles on Business and Human Rights <input type="checkbox"/> International Labour Organization fundamental conventions <input checked="" type="checkbox"/> UN Global Compact <input type="checkbox"/> UN Declaration on the Rights of Indigenous Peoples <input checked="" type="checkbox"/> Any applicable regulatory reporting requirements on environmental risk assessments, e.g. on climate risk - please specify which ones: Partnership for Carbon Accounting Financials (PCAF) <input type="checkbox"/> Any applicable regulatory reporting requirements on social risk assessments, e.g. on modern slavery - please specify which ones: ----- <input type="checkbox"/> None of the above</p>	<p>Sustainability Strategy - What Sustainability Means to HCOB (see page 12ff.)</p>
<p><i>Response</i></p> <p>Business Strategy Alignment:</p> <p>We implemented sustainability as a core part of our business strategy and a comprehensive sustainability governance. The key messages of sustainability frameworks such as the Paris Climate Agreement and the SDGs as well as the UN Global Compact have been embedded in our policies and are continually evaluated, making them an integral part of our decision-making processes.</p>	<p>Sustainability Strategy - What Sustainability Means to HCOB (see page 12ff.)</p>

Principle 2:

Impact and Target Setting	Links and references
<p>We will continuously increase our positive impacts while reducing the negative impacts on, and managing the risks to, people and environment resulting from our activities, products and services. To this end, we will set and publish targets where we can have the most significant impacts.</p>	
<p>2.1 Impact Analysis (Key Step 1) Show that your bank has performed an impact analysis of its portfolio/s to identify its most significant impact areas and determine priority areas for target-setting. The impact analysis shall be updated regularly ¹ and fulfil the following requirements/elements (a-d)²:</p>	
<p>a) <i>Scope:</i> What is the scope of your bank's impact analysis? Please describe which parts of the bank's core business areas, products/services across the main geographies that the bank operates in (as described under 1.1) have been considered in the impact analysis. Please also describe which areas have not yet been included, and why.</p>	
<p><i>Response</i> » Impact Analysis: HCOB is continually assessing its portfolio's impacts by comprehensively analysing and valuating all new business against environmental, social and governance aspects, especially with the help of the ESG Scoring Tool. The scoring results also show the most significant impact areas in the context of Principles for Responsible Banking (PRB) requirements and are reported twice a year. All new loans are screened with the ESG Scoring Tool and almost the whole portfolio has been covered. This means that all of HCOB's core business areas are covered. Additionally, a materiality analysis has been conducted to identify the Bank's significant impact areas in sustainability and is updated annually. ◀</p>	<p>Material Topics (see page 21ff.) The ESG Scoring Tool and Scoring of Existing Portfolio (see page 64ff.)</p>
<p>b) <i>Portfolio composition:</i> Has your bank considered the composition of its portfolio (in %) in the analysis? Please provide proportional composition of your portfolio globally and per geographical scope</p> <ul style="list-style-type: none"> i) by sectors & industries for business, corporate and investment banking portfolios (i.e. sector exposure or industry ³ breakdown in %), and/or ii) by products & services and by types of customers for consumer and retail banking portfolios. <p>If your bank has taken another approach to determine the bank's scale of exposure, please elaborate, to show how you have considered where the bank's core business/major activities lie in terms of industries or sectors.</p>	
<p><i>Response</i> » See portfolio composition and ESG Scoring for each asset class</p> <ul style="list-style-type: none"> · Commercial Real Estate: (ESG Score: 2.6; 31.3% of scorable Portfolio Exposure at Default (EAD)) · Shipping (3.4; 12.7%) · Project Finance: <ul style="list-style-type: none"> o Renewable Energy (1.9; 8.0%) o Infrastructure (2.1; 6.0%) · Corporates: <ul style="list-style-type: none"> o Corporates Germany (2.8; 8.0%) o Corporates International & Specialised Lending (3.1; 13.8%) · Treasury & Group Functions (2.4; 20.2%) ◀ 	<p>Business Segments and their ESG Impact (see page 47f; 64ff.)</p>

¹ That means that where the initial impact analysis has been carried out in a previous period, the information should be updated accordingly, the scope expanded as well as the quality of the impact analysis improved over time.

² Further guidance can be found in the Interactive Guidance on impact analysis and target setting.

³ 'Key sectors' relative to different impact areas, i.e. those sectors whose positive and negative impacts are particularly strong, are particularly relevant here.

Impact and Target Setting	Links and references
<p>c) <i>Context:</i> What are the main challenges and priorities related to sustainable development in the main countries/regions in which your bank and/or your clients operate?⁴ Please describe how these have been considered, including what stakeholders you have engaged to help inform this element of the impact analysis.</p> <p><i>This step aims to put your bank's portfolio impacts into the context of society's needs.</i></p>	
<p><i>Response</i></p> <p>» Focus of portfolio composition on Germany and Europe; in this context environmental aspects, especially regarding climate change, were identified as main priority. Social and Governance aspects are generally aligned with strong standards in the Bank's operating countries.</p> <p>The main focus now is on measuring and monitoring greenhouse gas emissions in line with strict EU requirements, this being all based on the aim of achieving net zero according to the Paris Climate Agreement by 2050 to be in line with the 1.5°C target.</p> <p>On top of this, supervisory authorities such as the ECB have laid out their extensive expectations on the Bank's transformation needs with special focus on climate.◀</p>	<p>Business Segments and their ESG Impact (see page 47f.)</p> <p>What Sustainability means to HCOB (see page 12ff.)</p> <p>Stakeholder Management (see page 19f.)</p>
<p>Based on these first 3 elements of an impact analysis, what positive and negative impact areas has your bank identified? Which (at least two) significant impact areas did you prioritize to pursue your target setting strategy (see 2.2)⁵? Please disclose.</p>	
<p><i>Response</i></p> <p>» HCOB acknowledges that its main impact is driven by its business activities (portfolio level) and therefore has chosen climate change mitigation and climate change adaptation as its significant impact areas.◀</p>	
<p>d) For these (min. two prioritized impact areas): <i>Performance measurement:</i> Has your bank identified which sectors & industries as well as types of customers financed or invested in are causing the strongest actual positive or negative impacts? Please describe how you assessed the performance of these, using appropriate indicators related to significant impact areas that apply to your bank's context.</p> <p>In determining priority areas for target-setting among its areas of most significant impact, you should consider the bank's current performance levels, i.e. qualitative and/or quantitative indicators and/or proxies of the social, economic and environmental impacts resulting from the bank's activities and provision of products and services. If you have identified climate and/or financial health&inclusion as your most significant impact areas, please also refer to the applicable indicators in the Annex.</p> <p>If your bank has taken another approach to assess the intensity of impact resulting from the bank's activities and provision of products and services, please describe this.</p> <p><i>The outcome of this step will then also provide the baseline (incl. indicators) you can use for setting targets in two areas of most significant impact.</i></p>	

⁴ Global priorities might alternatively be considered for banks with highly diversified and international portfolios.

⁵ To prioritize the areas of most significant impact, a qualitative overlay to the quantitative analysis as described in a), b) and c) will be important, e.g. through stakeholder engagement and further geographic contextualisation.

Impact and Target Setting	Links and references
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<p><i>Response</i></p> <p>» For performance measurement, the Bank mainly used the ESG Scoring Tool which is based on a point and grade system with 34 questions for all dimensions of ESG. To reflect the significant impact areas regarding climate change, special focus of the ESG Scoring Tool is put on E, with a weight of 50% of the final scoring result. In total the scoring results across our business sectors show an ESG ranking with Renewable Energy financings at the top (average ESG grade 1.9), while Shipping (average grade 3.4) as part of a high CO₂ emitting sector is at the end of the ESG ranking.</p> <p>With the Bank’s signing of the Partnership for Carbon Accounting Financials (PCAF) commitment letter in 2021, HCOB committed itself to measure and disclose its greenhouse gas (GHG) emissions associated with its portfolio of loans and investments within three years using the PCAF GHG accounting methodologies. This has the overall target to ultimately align the Bank’s portfolio with the Paris Climate Agreement. As HCOB’s sustainability target for 2022 was to evaluate its Scope 3 emissions on portfolio level according to PCAF, and to develop a respective emission reduction strategy by the end of 2023, the Bank has undertaken several relevant measures in 2022. In addition to the IT implementation of the PCAF standard which is underway, the focus is on collecting emission data on asset level while ensuring high data quality. As high emitting sectors, the asset classes Shipping and Commercial Real Estate have received special attention. For these, emission data was made available on an individual vessel or building level, both by collecting energy performance certificates and using an external data provider. Additionally, HCOB incorporates in its approach the publicly disclosed emissions of its clients via their sustainability reports. For assets where there is no emission data available, the defined PCAF emission factors will be used.</p> <p>The Bank’s carbon footprint at portfolio level in accordance with the PCAF standard will be published in the CSR Report 2023 for the first time (as at 31.12.2023). ◀</p>	<p>Partnership for Carbon Accounting Financials (PCAF; see page 49)</p> <p>The ESG Scoring Tool and Scoring of Existing Portfolio (see page 64ff.)</p>
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» Self-assessment summary:

Which of the following components of impact analysis has your bank completed, in order to identify the areas in which your bank has its most significant (potential) positive and negative impacts?⁶

Scope:	<input checked="" type="checkbox"/> Yes	<input type="checkbox"/> In progress	<input type="checkbox"/> No
Portfolio composition:	<input checked="" type="checkbox"/> Yes	<input type="checkbox"/> In progress	<input type="checkbox"/> No
Context:	<input checked="" type="checkbox"/> Yes	<input type="checkbox"/> In progress	<input type="checkbox"/> No
Performance measurement:	<input checked="" type="checkbox"/> Yes	<input type="checkbox"/> In progress	<input type="checkbox"/> No

Which most significant impact areas have you identified for your bank, as a result of the impact analysis?
Climate change mitigation, climate change adaptation

How recent is the data used for and disclosed in the impact analysis?

Up to 6 months prior to publication
 Up to 12 months prior to publication
 Up to 18 months prior to publication
 Longer than 18 months prior to publication

Open text field to describe potential challenges, aspects not covered by the above etc.: (optional) ◀

⁶ You can respond “Yes” to a question if you have completed one of the described steps, e.g. the initial impact analysis has been carried out, a pilot has been conducted.

Impact and Target Setting

Links and references

2.2 Target Setting (Key Step 2)

Show that your bank has set and published a minimum of two targets which address at least two different areas of most significant impact that you identified in your impact analysis.

The targets have to be Specific, Measurable (qualitative or quantitative), Achievable, Relevant and Time-bound (SMART). Please disclose the following elements of target setting (a-d), for each target separately:

- a) *Alignment*: which international, regional or national policy frameworks to align your bank's portfolio with⁷ have you identified as relevant? Show that the selected indicators and targets are linked to and drive alignment with and greater contribution to appropriate Sustainable Development Goals, the goals of the Paris Agreement, and other relevant international, national or regional frameworks.

You can build upon the context items under 2.1.

Response

» Target Setting:

We have set quantitative and qualitative targets for the three fields of actions, Strategy and Governance, ESG on Portfolio level, and ESG on Corporate level. All these are backed by material topics identified in the materiality analysis.

Besides the Paris Agreement and the SDGs, the main frameworks the Bank aligns its strategic approach with are the PCAF methodology to operationalise the Bank's carbon footprint, the EU Taxonomy and the Task Force on Climate-related Disclosures (TCFD), and the requirements and expectations set by the European Banking Authority (EBA), European Central Bank (ECB) and the Federal Financial Supervisory Authority (BaFin). «

HCOB's
Sustainability Targets
(see page 35ff.)

Impact area	Indicator code	Response
Climate change mitigation	n/a	n/a
	n/a	n/a
	n/a	n/a

In case you have identified other and/or additional indicators as relevant to determine the baseline and assess the level of alignment towards impact driven targets, please disclose these.

Response

» The disclosure of the Bank's carbon footprint at portfolio level in accordance with the PCAF standard will be published in the CSR Report 2023 for the first time (as at 31.12.2023). Based on this, a subsequent mapping of the portfolio against climate pathways needs to be performed to set a baseline. «

Partnership for
Carbon Accounting
Financials
(PCAF; see page 49)

- c) *SMART targets (incl. key performance indicators (KPIs)⁸*: Please disclose the targets for your first and your second area of most significant impact, if already in place (as well as further impact areas, if in place). Which KPIs are you using to monitor progress towards reaching the target? Please disclose.

⁷ Your bank should consider the main challenges and priorities in terms of sustainable development in your main country/ies of operation for the purpose of setting targets. These can be found in National Development Plans and strategies, international goals such as the SDGs or the Paris Climate Agreement, and regional frameworks. Aligning means there should be a clear link between the bank's targets and these frameworks and priorities, therefore showing how the target supports and drives contributions to the national and global goals.

⁸ Key Performance Indicators are chosen indicators by the bank for the purpose of monitoring progress towards targets.

Impact and Target Setting	Links and references
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<p><i>Response</i></p> <p>» For the two identified significant impact areas, several targets were defined which can also be found in the overview of the Bank’s ESG targets. Due to the fact that setting baselines for both impact areas is in progress, the Bank has not defined SMART (specific, measurable, attainable, relevant and time-based) targets yet, however the chosen targets show the right direction as explained in 2.3.</p>	<p>HCOB’s Sustainability Targets (see page 35ff.)</p>
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Climate Mitigation

- Green new business production of > 10% of the total net new business in 2025 (indicative internal validation in accordance with economic criteria of EU Taxonomy on best effort basis, with calculations irrespective of clients’ Non-Financial Reporting Directive (NFRD) obligation)
 - o KPI: percentage of green new business production
- Disclose first carbon footprint on portfolio level according to PCAF Standard
 - o KPI: financed emissions published in CSR Report 2023
- Develop respective segment-specific climate strategies for emission reduction
 - o KPI: segment-specific climate strategies in CSR Report 2023

Climate Adaptation

- Start evaluating the loan portfolio against physical risks
 - o KPI: percentage of portfolio exposed to physical risks
- Every new financing to be evaluated against the UN Sustainable Development Goals
 - o KPI: percentage of new financings evaluated against SDGs «

d) *Action plan:* which actions including milestones have you defined to meet the set targets? Please describe.

Please also show that your bank has analysed and acknowledged significant (potential) indirect impacts of the set targets within the impact area or on other impact areas and that it has set out relevant actions to avoid, mitigate, or compensate potential negative impacts.

<p><i>Response</i></p> <p>» Respective measures for each target can be found in the chapter “Material Topics”. «</p>	<p>Material Topics (see page 21ff.)</p>
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	... first area of most significant impact: ... climate change mitigation	... second area of most significant impact: climate change adaptation	(If you are setting targets in more impact areas) ... your third (and subsequent) area(s) of impact: ... (please name it)
Alignment	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> In progress <input type="checkbox"/> No	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> In progress <input type="checkbox"/> No	<input type="checkbox"/> Yes <input type="checkbox"/> In progress <input type="checkbox"/> No
Baseline	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> In progress <input type="checkbox"/> No	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> In progress <input type="checkbox"/> No	<input type="checkbox"/> Yes <input type="checkbox"/> In progress <input type="checkbox"/> No
SMART targets	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> In progress <input type="checkbox"/> No	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> In progress <input type="checkbox"/> No	<input type="checkbox"/> Yes <input type="checkbox"/> In progress <input type="checkbox"/> No
Action plan	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> In progress <input type="checkbox"/> No	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> In progress <input type="checkbox"/> No	<input type="checkbox"/> Yes <input type="checkbox"/> In progress <input type="checkbox"/> No

2.3 Target implementation and monitoring (Key Step 2)

For each target separately:

Show that your bank has implemented the actions it had previously defined to meet the set target.

Report on your bank's progress since the last report towards achieving each of the set targets and the impact your progress resulted in, using the indicators and KPIs to monitor progress you have defined under 2.2.

Or, in case of changes to implementation plans (relevant for 2nd and subsequent reports only): describe the potential changes (changes to priority impact areas, changes to indicators, acceleration/review of targets, introduction of new milestones or revisions of action plans) and explain why those changes have become necessary.

Response

» As the Bank is still in the implementation phase of the PRBs, in this year's report the Bank sets targets for the first time. Therefore, progress on the targets will be shown in next year's report.

The Bank is fully aware that the chosen set of targets is not fully compliant with the PRB requirements for SMART targets, but the chosen targets reflect the Bank's ambitions to address climate change. Even though the chosen set of targets can be considered as intermediary targets, they pave the way in the right direction. The baseline still to be set will be the basis for subsequent SMART targets to be defined in the future. «

Principle 3:

Clients and Customers	Links and references
<p>We will work responsibly with our clients and our customers to encourage sustainable practices and enable economic activities that create shared prosperity for current and future generations.</p>	
<p>3.1 Client engagement</p>	
<p>Does your bank have a policy or engagement process with clients and customers⁹ in place to encourage sustainable practices?</p>	
<p><input checked="" type="checkbox"/> Yes <input type="checkbox"/> In progress <input type="checkbox"/> No</p>	
<p>Does your bank have a policy for sectors in which you have identified the highest (potential) negative impacts?</p>	
<p><input type="checkbox"/> Yes <input type="checkbox"/> In progress <input checked="" type="checkbox"/> No</p>	
<p>Describe how your bank has worked with and/or is planning to work with its clients and customers to encourage sustainable practices and enable sustainable economic activities¹⁰. It should include information on relevant policies, actions planned/implemented to support clients' transition, selected indicators on client engagement and, where possible, the impacts achieved.</p>	
<p><i>This should be based on and in line with the impact analysis, target-setting and action plans put in place by the bank (see P2).</i></p>	
<p><i>Response</i> Our day-to-day business decisions and interactions with clients and customers are guided by established principles and policies set out in various frameworks such as our Code of Conduct. HCOB has implemented a Sustainability Framework and defined Guiding Principles. The detailed ESG-embedded lending process is based on three core elements – the Black List, ESG decision matrix and ESG Scoring. In 2022, the Bank has continued to build capacity among its relationship managers to further enable them to engage with clients particularly about the impact associated with their activities. To strengthen this strategic dialogue with clients, comprehensive ESG-related training has been conducted for all market units.</p>	<p>HCOB's Sustainability Framework (see page 15) What Sustainability means to HCOB (see page 12f.) How HCOB manages ESG Risks in the Lending Business (see page 60ff.)</p>
<p>3.2 Business opportunities</p>	
<p>Describe what strategic business opportunities in relation to the increase of positive and the reduction of negative impacts your bank has identified and/or how you have worked on these in the reporting period. Provide information on existing products and services, information on sustainable products developed in terms of value (USD or local currency) and/or as a % of your portfolio, and which SDGs or impact areas you are striving to make a positive impact on (e.g. green mortgages – climate, social bonds – financial inclusion, etc.).</p>	
<p><i>Response</i> Every disruptive market environment – in this case caused by the mega trend ESG – offers a broad range of market business opportunities. The Bank wants to safeguard its revenues by establishing a future-oriented, stable cash flow generating portfolio within an adequate risk/return profile, that is in line with the changing market environment and therefore avoids stranded assets at the same time.</p>	<p>HCOB's Contribution in the Business Segments (see page 46ff.)</p>
<p>The Bank continually identifies business opportunities as shown with respective lighthouse cases (see page 50ff.).</p>	<p>What Sustainability means to HCOB (see page 12ff.)</p>

⁹ A client engagement process is a process of supporting clients towards transitioning their business models in line with sustainability goals by strategically accompanying them through a variety of customer relationship channels.

¹⁰ Sustainable economic activities promote the transition to a low-carbon, more resource-efficient and sustainable economy.

Principle 4:

Stakeholders	Links and references
<p>We will proactively and responsibly consult, engage and partner with relevant stakeholders to achieve society's goals.</p>	
<p>4.1 Stakeholder identification and consultation</p>	
<p>Does your bank have a process to identify and regularly consult, engage, collaborate and partner with stakeholders (or stakeholder groups ¹¹) you have identified as relevant in relation to the impact analysis and target setting process?</p>	
<p><input checked="" type="checkbox"/> Yes <input type="checkbox"/> In progress <input type="checkbox"/> No</p>	
<p>Please describe which stakeholders (or groups/types of stakeholders) you have identified, consulted, engaged, collaborated or partnered with for the purpose of implementing the Principles and improving your bank's impacts. This should include a high-level overview of how your bank has identified relevant stakeholders, what issues were addressed/results achieved and how they fed into the action planning process.</p>	
<p><i>Response</i></p> <p>One of the core elements of our comprehensive sustainability work is regular and active stakeholder engagement. With a broad stakeholder analysis, we identified our clients, creditors, owners and employees, as well as supervisory authorities and the public, rating agencies and media representatives, as our main stakeholder groups. We maintain an active and continual dialogue with our stakeholders and respond to different interest groups with various stakeholder-specific dialogue formats. The results of the dialogue are incorporated into our sustainability work and the further development of our sustainability strategy.</p>	<p>Stakeholder Management (see page 19f.)</p>

¹¹ Such as regulators, investors, governments, suppliers, customers and clients, academia, civil society institutions, communities, representatives of indigenous population and non-profit organisations

Principle 5:

Governance & Culture	Links and references
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We will implement our commitment to these Principles through effective governance and a culture of responsible banking.

5.1 Governance Structure for Implementation of the Principles

Does your bank have a governance system in place that incorporates the PRB?

Yes In progress No

Please describe the relevant governance structures, policies and procedures your bank has in place/is planning to put in place to manage significant positive and negative (potential) impacts and support the effective implementation of the Principles. This includes information about

- which committee has responsibility over the sustainability strategy as well as targets approval and monitoring (including information about the highest level of governance the PRB is subjected to),
- details about the chair of the committee and the process and frequency for the board having oversight of PRB implementation (including remedial action in the event of targets or milestones not being achieved or unexpected negative impacts being detected), as well as
- remuneration practices linked to sustainability targets.

Response

» Comprehensive and structured sustainability governance forms the basis for good sustainability work. The Management Board is responsible for the topic of sustainability, and on a day-to-day basis the ESG Department steers the topic holistically. To empower sustainable action as a formative component of our HCOB DNA and ensure achievement of our ambitious sustainability goals, the Bank has established a Sustainability Committee (SC) with full Management Board representation to act on a strategic level as a decision-making body. In accordance with the importance HCOB affords this topic, the SC is co-chaired by the CIO and CRO.

Sustainability
Governance
Structure
(see page 16)

HCOB's sustainability governance is in line with the overall corporate governance structure. In the context of the PRB this means that the requirements are operationalised and monitored on the same level as for example other legal supervisory requirements and expectations.

The Management Board's remuneration includes ESG factors. Furthermore, the overall Bank objectives also include specific ESG-related targets that apply to all employee levels. «

5.2 Promoting a culture of responsible banking:

Describe the initiatives and measures of your bank to foster a culture of responsible banking among its employees (e.g., capacity building, e-learning, sustainability trainings for client-facing roles, inclusion in remuneration structures and performance management and leadership communication, amongst others).

Governance & Culture	Links and references
<p><i>Response</i></p> <p>The Bank's strong approach to sustainability starts at Management Board level, which is a passionate advocate of the concept and regularly addresses employees on this topic. Additionally, the ESG department regularly communicates ESG topics to all employees to increase their awareness of sustainability. Mandatory training for all employees on sustainability was first carried out in 2021, and updated in 2022. In addition, comprehensive ESG-related training has been conducted for all market units.</p>	<p>Sustainability Governance Structure (see page 16)</p> <p>HR Development (see page 97)</p>

5.3 Policies and due diligence processes

Does your bank have policies in place that address environmental and social risks within your portfolio?¹² Please describe.

Please describe what due diligence processes your bank has installed to identify and manage environmental and social risks associated with your portfolio. This can include aspects such as identification of significant/salient risks, environmental and social risks mitigation and definition of action plans, monitoring and reporting on risks and any existing grievance mechanism, as well as the governance structures you have in place to oversee these risks.

<p><i>Response</i></p> <p>The detailed ESG-embedded lending process, based on the three core elements of the Black List, ESG decision matrix and ESG Scoring, act as the core risk mitigation instrument each day. Beyond this, HCOB uses various other tools to proactively identify, monitor and manage risks.</p>	<p>How HCOB manages ESG Risks in the Lending Business (see page 60ff.)</p>
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Self-assessment summary

Does the CEO or other C-suite officers have regular oversight over the implementation of the Principles through the bank's governance system?

Yes No

Does the governance system entail structures to oversee PRB implementation (e.g. incl. impact analysis and target setting, actions to achieve these targets and processes of remedial action in the event targets/milestones are not achieved or unexpected neg. impacts are detected)?

Yes No

Does your bank have measures in place to promote a culture of sustainability among employees (as described in 5.2)?

Yes In progress No

¹² Applicable examples of types of policies are: exclusion policies for certain sectors/activities; zero-deforestation policies; zero-tolerance policies; gender-related policies; social due diligence policies; stakeholder engagement policies; whistle-blower policies etc., or any applicable national guidelines related to social risks.

Principle 6:

Transparency & Accountability	Links and references
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We will periodically review our individual and collective implementation of these Principles and be transparent about and accountable for our positive and negative impacts and our contribution to society's goals.

6.1 Assurance

Has this publicly disclosed information on your PRB commitments been assured by an independent assurer? Audit Opinion
(see page 132f.)

Yes Partially No

If applicable, please include the link or description of the assurance statement.

Response

Limited assurance on Principles 2.1, 2.2, 2.3 and 5.1 has been granted by PwC.

6.2 Reporting on other frameworks

Does your bank disclose sustainability information in any of standards and frameworks the listed below?

- GRI
 SASB
 CDP
 IFRS Sustainability Disclosure Standards (to be published)
 TCFD
 Other:

TCFD
(see page 112)
GRI Content Index
(see page 126ff.)

Response

Respective information can be found in the GRI content index and TCFD reporting.

6.3 Outlook

What are the next steps your bank will undertake in next 12 month-reporting period (particularly on impact analysis¹³, target setting¹⁴ and governance structure for implementing the PRB)? Please describe briefly.

Response

As subsequent next step to the identification of ESG-related market potentials, the Bank will create and establish a Sustainable Finance Framework (SFF), and develop segment-specific climate strategies. The SFF will provide sector-based definitions of 'sustainable' finance, 'transformational' finance and 'exclusion' finance with a focus on climate change mitigation and adaptation, and other environmental and social criteria where appropriate. The SFF defines how HCOB actively supports the transformation of the economy in general and individual clients in particular. The focus will be on transformational finance. The segment-specific climate strategies include the establishment of the respective baselines according to the PCAF standard.

What Sustainability
means to HCOB
(see page 12ff.)

Based on this, and the changing market environment and rapidly rising demand for transformational financing, HCOB will seize opportunities and safeguard its economic resilience.

The Bank's carbon footprint at portfolio level in accordance with the PCAF standard will be published in the CSR Report 2023 for the first time (as at 31.12.2023).

¹³ For example outlining plans for increasing the scope by including areas that have not yet been covered, or planned steps in terms of portfolio composition, context and performance measurement

¹⁴ For example outlining plans for baseline measurement, developing targets for (more) impact areas, setting interim targets, developing action plans etc.

6.4 Challenges

Here is a short section to find out about challenges your bank is possibly facing regarding the implementation of the Principles for Responsible Banking. Your feedback will be helpful to contextualise the collective progress of PRB signatory banks.

What challenges have you prioritized to address when implementing the Principles for Responsible Banking? Please choose what you consider the top three challenges your bank has prioritized to address in the last 12 months (optional question).

If desired, you can elaborate on challenges and how you are tackling these:

- Embedding PRB oversight into governance
- Gaining or maintaining momentum in the bank
- Getting started: where to start and what to focus on in the beginning
- Conducting an impact analysis
- Assessing negative environmental and social impacts
- Choosing the right performance measurement methodology/ies
- Setting targets
- Other: ...
- Customer engagement
- Stakeholder engagement
- Data availability
- Data quality
- Access to resources
- Reporting
- Assurance
- Prioritizing actions internally

If desired, you can elaborate on challenges and how you are tackling these.

GRI Content Index

GRI 2-3

Hamburg Commercial Bank has reported in accordance with the GRI Standards for the period from 01 January 2022 to 31 December 2022. Since there are no sector standards available for the Banking sector, relevant topic standards have been selected and reported upon.

GRI Standard	Dis-closure	Disclosure title	Location	Comment
Foundation				
GRI 1: Foundation 2021				
General Disclosures				
GRI 2: General Disclosures 2021				
	2-1	Organizational details	7	
	2-2	Entities included in the organization's sustainability reporting	8	
	2-3	Reporting period, frequency and contact point	127; 134	
	2-4	Restatements of information	85	
	2-5	External assurance	132	Also see section "Please Note" below the Table of Contents
	2-6	Activities, value chain and other business relationships	8	
	2-7	Employees	102	
	2-8	Workers who are not employees	Omission	Information unavailable: The required data is not currently available in the HR systems.
	2-9	Governance structure and composition		Please see https://www.hcob-bank.de/en/ueber-die-bank/aktionaere-organisation/aktionaere-organisation/
	2-10	Nomination and selection of the highest governance body		Please see https://www.hcob-bank.de/en/ueber-die-bank/corporate-governance/corporate-governance/ For information on the Management Board: article of association 4 For information on the Supervisory Board: article of association 6 See also page 22 of the Interim Financial Report 2022 at https://www.hcob-bank.de/en/investoren/konzernberichterstattung/konzernberichterstattung/

GRI Standard	Dis-closure	Disclosure title	Location	Comment
	2-11	Chair of the highest governance body		HCOB is governed by a two tier system, in which the entire Supervisory Board including the chairperson are non-executive.
	2-12	Role of the highest governance body in overseeing the management of impacts	16	
	2-13	Delegation of responsibility for managing impacts	16	
	2-14	Role of the highest governance body in sustainability reporting	16	The sustainability report including the combined separate non-financial report was approved by the Supervisory Board. The combined separate non-financial report was subject to limited assurance by PricewaterhouseCoopers GmbH Wirtschaftsprüfungsgesellschaft.
	2-15	Conflicts of interest	78	
	2-16	Communication of critical concerns	78f.	
	2-17	Collective knowledge of the highest governance body	16	
	2-18	Evaluation of the performance of the highest governance body		Yearly efficiency check: HCOB complies to German Corporate Governance Code. According to section 25d (11) (2) and (3) KWG, the Supervisory Board evaluates the efficiency of the Supervisory Board's (non-executive) and the Management Board's (executive) work on a yearly basis (including performance review). For more information please see Annual Report page 38.
	2-19	Remuneration policies	102	For details please see Remuneration Report as of 31 December 2022 https://www.hcob-bank.de/en/investoren/konzernberichterstattung/konzernberichterstattung/
	2-20	Process to determine remuneration		For details please see Remuneration Report as of 31 December 2022 https://www.hcob-bank.de/en/investoren/konzernberichterstattung/konzernberichterstattung/
	2-21	Annual total compensation ratio	Omission	Information unavailable: The required data is currently not available in the HR systems.
	2-22	Statement on sustainable development strategy	2	
	2-23	Policy commitments	14; 17	
	2-24	Embedding policy commitments	17; 78ff.	
	2-25	Processes to remediate negative impacts	78ff.	
	2-26	Mechanisms for seeking advice and raising concerns	78	

GRI Standard	Dis-closure	Disclosure title	Location	Comment
	2-27	Compliance with laws and regulations	78ff.	
	2-28	Membership associations	20	
	2-29	Approach to stakeholder engagement	19	
	2-30	Collective bargaining agreements	102	
Material Topics				
GRI 3: Material Topics 2021	3-1	Process to determine material topics	21	
	3-2	List of material topics	22	
Sustainable Business and Growth Strategy				
GRI 3: Material Topics 2021	3-3	Management of material topics	25	
	201-1	Direct economic value generated and distributed		<i>Please see page 122 of the Annual Report 2022.</i>
	201-2	Financial implications and other risks and opportunities due to climate change	13; 39	
	201-3	Defined benefit plan obligations and other retirement plans	73	
	207-1	Approach to tax	81	
	207-2	Tax governance, control, and risk management	81	
	207-3	Stakeholder engagement and management of concerns related to tax	81	
Holistic Risk Management and Corporate Governance				
GRI 3: Material Topics 2021	3-3	Management of material topics	26	
	201-2	Financial implications and other risks and opportunities due to climate change	13; 39	
	205-1	Operations assessed for risks related to corruption	78ff.	
	205-2	Communication and training about anti-corruption policies and procedures	78ff.	
	205-3	Confirmed incidents of corruption and actions taken	78ff.	
	206-1	Legal actions for anti-competitive behavior, anti-trust, and monopoly practices	78ff.	
	415-1	Political contributions	81	
Stakeholder Management				
GRI 3: Material Topics 2021	3-3	Management of material topics	27	
ESG-Aligned Financing				
GRI 3: Material Topics 2021	3-3	Management of material topics	28	

GRI Standard	Dis-closure	Disclosure title	Location	Comment
	408-1	Operations and suppliers at significant risk for incidents of child labor	60; 92	
	409-1	Operations and suppliers at significant risk for incidents of forced or compulsory labor	60; 92	
Customer Satisfaction				
GRI 3: Material Topics 2021	3-3	Management of material topics	29	
Own Disclosure			49	
Impact on Climate Change				
GRI 3: Material Topics 2021	3-3	Management of material topics	29	
	305-1	Direct (Scope 1) GHG emissions	85ff.	
	305-2	Energy indirect (Scope 2) GHG emissions	85ff.	
	305-3	Other indirect (Scope 3) GHG emissions	85ff.	
	305-4	GHG emissions intensity	85ff.	
	305-5	Reduction of GHG emissions	85ff.	
Holistic HR Management, ESG Awareness and Diversity				
GRI 3: Material Topics 2021	3-3	Management of material topics	26	
	401-1	New employee hires and employee turnover	102	
	401-2	Benefits provided to full-time employees that are not provided to temporary or part-time employees	98	
	401-3	Parental leave	102	
	403-1	Occupational health and safety management system	99f.	
	403-2	Hazard identification, risk assessment, and incident investigation	99f.	
	403-3	Occupational health services	99f.	
	403-4	Worker participation, consultation, and communication on occupational health and safety	92; 99f.	
	403-5	Worker training on occupational health and safety	99f.	
	403-6	Promotion of worker health	99f.	
	403-8	Workers covered by an occupational health and safety management system	99f.	
	403-9	Work-related injuries	99f.	
	403-10	Work-related ill health	99f.	
	404-1	Average hours of training per year per employee	97	
	404-2	Programs for upgrading employee skills and transition assistance programs	97	
	404-3	Percentage of employees receiving regular performance and career development reviews	97	
	405-1	Diversity of governance bodies and employees	96	

GRI Standard	Dis-closure	Disclosure title	Location	Comment
	406-1	Incidents of discrimination and corrective actions taken	94	
	407-1	Operations and suppliers in which the right to freedom of association and collective bargaining may be at risk	83; 92f.	
Digital Competence				
GRI 3: Material Topics 2021	3-3	Management of material topics	31	
	418-1	Substantiated complaints concerning breaches of customer privacy and losses of customer data	82	
Responsibility towards Society				
GRI 3: Material Topics 2021	3-3	Management of material topics	32	
Own Disclosure			103	
Resource Protection				
GRI 3: Material Topics 2021	3-3	Management of material topics	33	
	302-1	Energy consumption within the organization	85ff.	
	302-4	Reduction of energy consumption	85ff.	
	303-3	Water withdrawal	85ff.	
	303-4	Water discharge	85ff.	
	303-5	Water consumption	85ff.	
	305-1	Direct (Scope 1) GHG emissions	85ff.	
	305-2	Energy indirect (Scope 2) GHG emissions	85ff.	
	305-3	Other indirect (Scope 3) GHG emissions	85ff.	
	305-4	GHG emissions intensity	85ff.	
	305-5	Reduction of GHG emissions	85ff.	
	306-3	Waste generated	85ff.	
	306-4	Waste diverted from disposal	85ff.	
	306-5	Waste directed to disposal	85ff.	

Independent Practitioner's Report

Independent Practitioner's Report on a Limited Assurance Engagement on Non-financial Reporting

To Hamburg Commercial Bank AG, Hamburg

We have performed a limited assurance engagement on the combined separate non-financial report which consists of the disclosures denoted with "»...«" in the "CSR Report 2022" of Hamburg Commercial Bank AG, Hamburg, (hereinafter the "Company") for the period from 1 January 2022 to 31 December 2022 (hereinafter the "Combined Separate Non-financial Report").

Not subject to our assurance engagement are the external sources of documentation or expert opinions mentioned in the Combined Separate Non-financial Report.

Neither subject to our assurance engagement are key figures in the Combined Separate Non-financial Report not relating to the year 2022 and corresponding disclosures that explain the previous year's key figures or compare them with those of the year 2022.

Responsibility of the Executive Directors

The executive directors of the Company are responsible for the preparation of the Combined Separate Non-financial Report in accordance with §§ (Articles) 315c in conjunction with 289c to 289e HGB ("Handelsgesetzbuch": "German Commercial Code") and Article 8 of REGULATION (EU) 2020/852 OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL of 18 June 2020 on establishing a framework to facilitate sustainable investment and amending Regulation (EU) 2019/2088 (hereinafter the "EU Taxonomy Regulation") and the Delegated Acts adopted thereunder, as well as for making their own interpretation of the wording and terms contained in the EU Taxonomy Regulation and the Delegated Acts adopted thereunder, as set out in section "EU Taxonomy Regulation" of the Combined Separate Non-financial Report.

This responsibility includes the selection and application of appropriate non-financial reporting methods and making assumptions and estimates about individual non-financial disclosures of the Group that are reasonable in the circumstances. Furthermore, the executive directors are responsible for such internal control as the executive directors consider necessary to enable the preparation of a Combined Separate Non-financial Report that is free from material misstatement whether due to fraud or error.

The EU Taxonomy Regulation and the Delegated Acts issued thereunder contain wording and terms that are still subject to considerable interpretation uncertainties and for which clarifications have not yet been published in every case. Therefore, the executive directors have disclosed their interpretation of the EU Taxonomy Regulation and the Delegated Acts adopted thereunder in section "EU Taxonomy Regulation" of the Combined Separate Non-financial Report. They are responsible for the defensibility of this interpretation. Due to the immanent risk that indeterminate legal terms may be interpreted differently, the legal conformity of the interpretation is subject to uncertainties.

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.

Responsibility of the Assurance Practitioner

Our responsibility is to express a conclusion with limited assurance on the Combined Separate Non-financial Report based on our assurance engagement.

We conducted our assurance engagement in accordance with 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 obtain limited assurance about whether any matters have come to our attention that cause us to believe that the Company's Combined Separate Non-financial Report, other than the external sources of documentation or expert opinions mentioned in the Combined Separate Non-financial Report, is not prepared, in all material respects, in accordance with §§ 315c in conjunction with 289c to 289e HGB and the EU Taxonomy Regulation and the Delegated Acts issued thereunder as well as the interpretation by the executive directors disclosed in section "EU Taxonomy Regulation" of the Combined Separate Non-financial Report.

In a limited assurance engagement the procedures performed are less extensive than in a reasonable assurance engagement, and accordingly a substantially lower level of assurance is obtained. The selection of the assurance procedures is subject to the professional judgement of the assurance practitioner.

In the course of our assurance engagement, we have, amongst other things, performed the following assurance procedures and other activities:

- Gain an understanding of the structure of the Group's sustainability organisation and stakeholder engagement
- Inquiries of the executive directors and relevant employees involved in the preparation of the Combined Separate Non-financial Report about the preparation process, about the internal control system relating to this process and about disclosures in the Combined Separate Non-financial Report
- Identification of likely risks of material misstatement in the Combined Separate Non-financial Report
- Analytical procedures on selected disclosures in the Combined Separate Non-financial Report
- Reconciliation of selected disclosures with the corresponding data in the annual and consolidated financial statements and combined management report
- Evaluation of the presentation of the Combined Separate Non-financial Report
- Evaluation of the process to identify taxonomy-eligible economic activities and the corresponding disclosures in the Combined Separate Non-financial Report

In determining the disclosures in accordance with Article 8 of the EU Taxonomy Regulation, the executive directors are required to interpret undefined legal terms. Due to the immanent risk that undefined legal terms may be interpreted differently, the legal conformity of their interpretation and, accordingly, our assurance engagement thereon are subject to uncertainties.

Assurance Opinion

Based on the assurance procedures performed and evidence obtained, nothing has come to our attention that causes us to believe that the Combined Separate Non-financial Report of the Company for the period from 1 January 2022 to 31 December 2022 is not prepared, in all material respects, in accordance with §§ 315c in conjunction with 289c to 289e HGB and the EU Taxonomy Regulation and the Delegated Acts issued thereunder as well as the interpretation by the executive directors disclosed in section "EU Taxonomy Regulation" of the Combined Separate Non-financial Report. We do not express an assurance opinion on the external sources of documentation or expert opinions mentioned in the Combined Separate Non-financial Report or the key figures in the Combined Separate Non-financial Report not relating to the year 2022 and corresponding disclosures that explain the previous year's key figures or compare them with those of the year 2022.

Restriction of Use

We draw attention to the fact that the assurance engagement was conducted for the Company's purposes and that the report is intended solely to inform the Company about the result of the assurance engagement. Consequently, it may not be suitable for any other purpose than the aforementioned. Accordingly, the report is not intended to be used by third parties for making (financial) decisions based on it. Our responsibility is to the Company. We do not accept any responsibility to third parties. Our assurance opinion is not modified in this respect.

Hamburg, 17 March 2023

PricewaterhouseCoopers GmbH
Wirtschaftsprüfungsgesellschaft

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Notice

The Corporate Social Responsibility Report 2022 was published on 30 March 2023 and is only available as a download at www.hcob-bank.com.

The report on sustainability aspects is not exhaustive. Furthermore, we refer in this regard to our Annual Report 2022 and the current Remuneration Report. This report was also published in German.

Subject to forward-looking statements

This report includes forward-looking statements. These statements are based on our beliefs and assumptions as well as conclusions drawn from information currently available to us from sources that we consider to be reliable. Forward-looking statements contain information that does not simply reflect historical facts, including information relating to possible or anticipated future growth and future economic developments. Such forward-looking statements are based on a number of assumptions concerning future events and are subject to uncertainties, risks and other factors, many of which are beyond our control. Actual events may therefore differ considerably from forward-looking statements previously made. In view of this, you should never rely to an inappropriate degree on forward-looking statements. We cannot accept any liability for the accuracy or completeness of these statements or for the actual materialisation of forecasts made in this report. Furthermore, we are not required to update the forward-looking statements following the publication of this information. In addition, the information contained in this financial information does not represent any kind of offer for the acquisition or sale of any type of securities of Hamburg Commercial Bank AG.

