

Prepare for tomorrow

Virtual CMD 2021



17 NOVEMBER 2021 | HAMBURG

TODAY'S presenters



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AGENDA



1 | Strategy 2023 Recap

2 | Sustainability Strategy

10 min
BREAK

3 | Prepare for Tomorrow – Simplify, Strengthen, Invest

4 | Wrap-up & Targets



1

Strategy 2023 Recap

Starting point for Strategy 2023 back in 2018

1

The industry has gone through a needed and **unprecedented wave of consolidation**

2

Hapag-Lloyd reached competitive scale and improved profitability through the **mergers with CSAV and UASC**

3

Going forward, the container shipping industry will **no longer be solely determined by unit costs and economies of scale**



Service quality and reliability will be decisive competitive factors

Quality is at the heart of our “Strategy 2023”

Number
one for
quality

Deliver **unparalleled quality**,
be **customer-oriented**, and
create value for customers
as well as for Hapag-Lloyd

Be profitable
throughout
the cycle

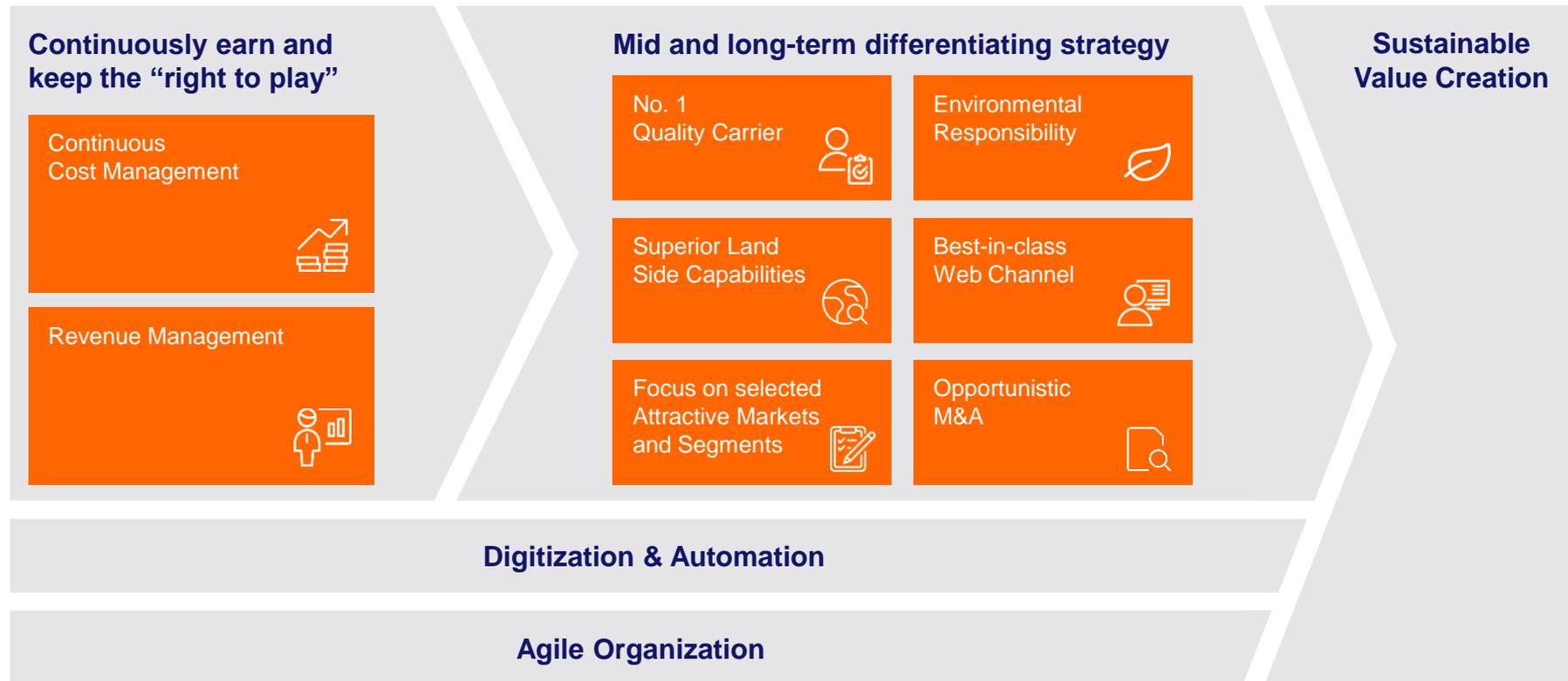
Profit-
ability

Global
Player

Reinforce
strongholds,
Expand in key
growth markets



Core elements to achieve the goals of our Strategy 2023



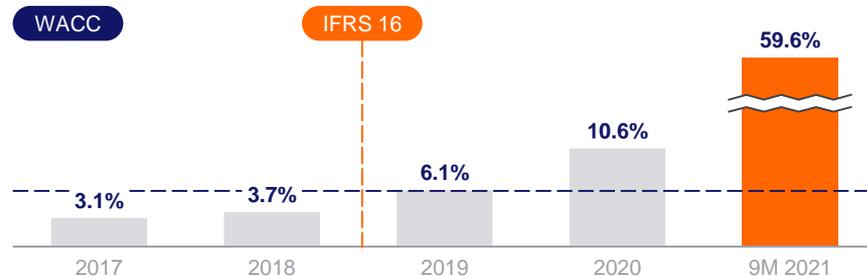
We have achieved our financial targets earlier than expected

thanks to a prudent financial policy and the extraordinary market environment

Equity ratio



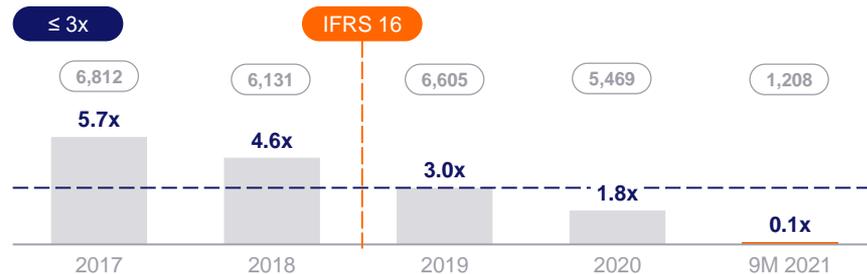
ROIC



Liquidity



Net Leverage



We have launched the first 8 quality promises

and have made major progress on achieving our quality targets



Hapag-Lloyd

TIMELY & ACCURATE DOCUMENTATION

Timely and correct Bill of Lading

BOOKED & LOADED AS AGREED

Loaded as Booked

FAST ISSUE RESOLUTION

Efficient Cargo Claims Handling

RELIABLE TRANSPORT

Schedule Reliability

RESPONSIVE SERVICE

...



Fast Booking Response

Accurate Invoicing

Volume Agreements Honored

Fast Case Resolution

...

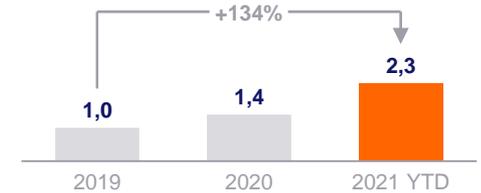
More than 20% of our business is generated through Quick Quotes

a channel that did not exist 3 years ago

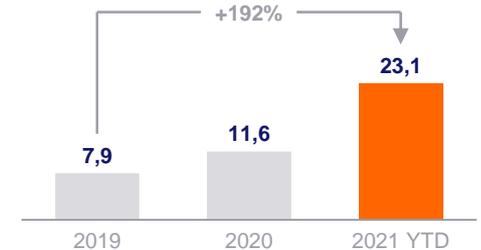
QUICK QUOTES VOLUME DEVELOPMENT SINCE LAUNCH



BOOKINGS VIA QQ (MTEU)



QQ SHARE OF TOTAL TRANSPORT VOLUME (%)



We strengthened our position in attractive markets

by acquiring NileDutch and expanding our liner services

SERVICES



Established new services to and from Africa, Middle East, India and Asia

OFFICES



Opened new offices in growth markets like Ukraine, Kenya, Senegal and Morocco

TERMINALS



New Tanger terminal opened as transshipment hub

NILEDUTCH



Acquisition of Africa specialist NileDutch



In the last 2 years the world has changed more than anyone could have imagined

Spot rates have skyrocketed as demand has bounced back much faster than originally expected

The sharp rise in demand and supply chain bottlenecks led to an upward pressure on transport cost at the same time

Changing demand patterns have put global supply chains under strain, with major impact on transport capacity and service quality

Environmentally sustainable operations becoming a pre-requisite to remain a global player

The pace of digitization has accelerated even more, changing the way we interact with our customers and each other

We need to draw our conclusions!



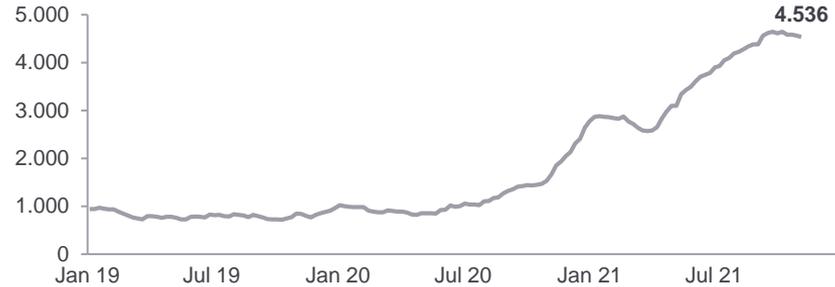
Spot rates have skyrocketed as demand has bounced back

much faster than originally expected but transport cost are also rising significantly



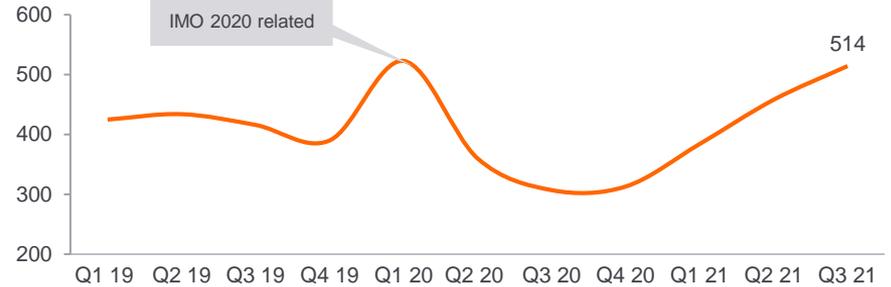
Spot freight rate development

(SCFI in USD/TEU)

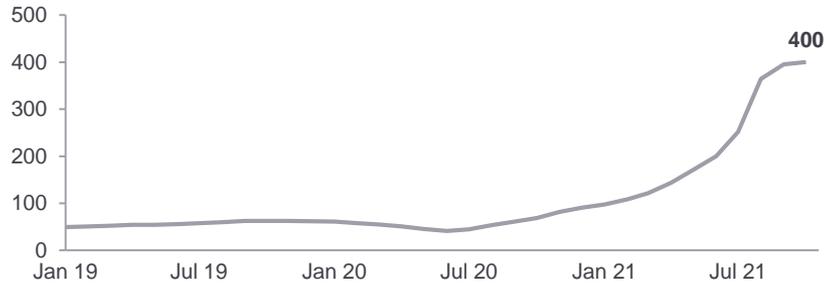


Hapag-Lloyd bunker consumption price

(in USD/t)

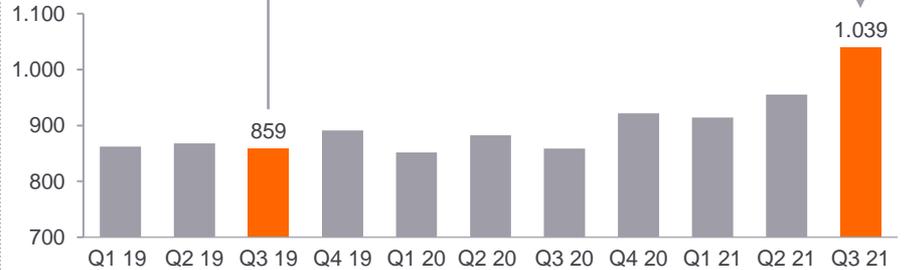


Time charter rate index



Hapag-Lloyd transport cost ex bunker

(in USD/TEU)

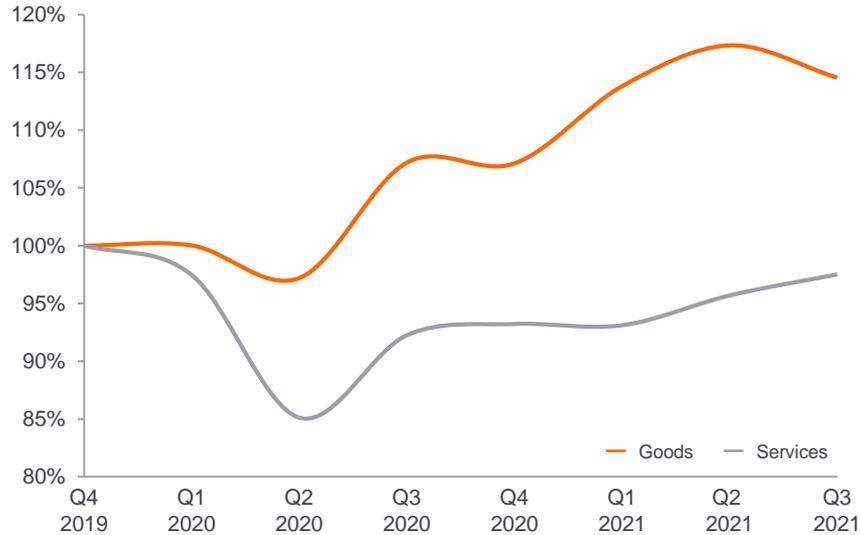


Changed consumption patterns from services to physical goods

outlined the vulnerability and dependencies of global supply chains

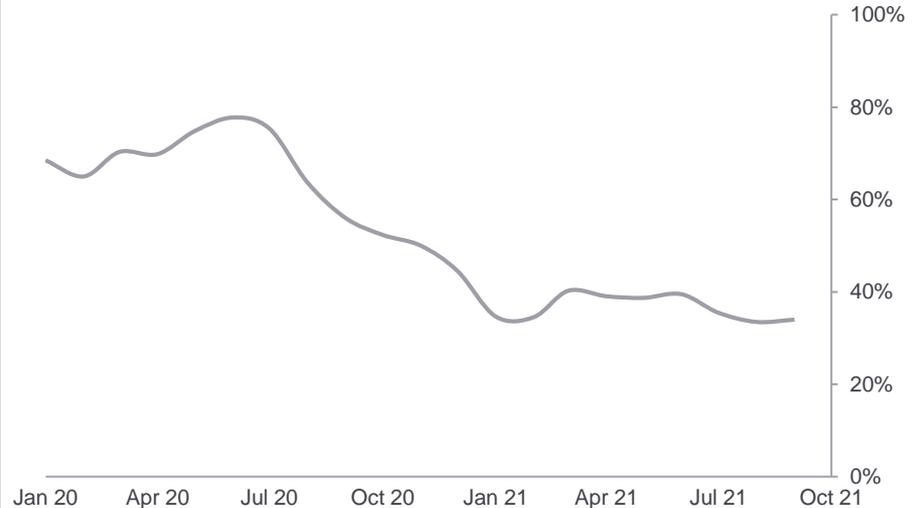


US consumption expenditures



Note: US Personal consumption expenditures – based on billions of chained (2012) dollars, seasonally adjusted

Global schedule reliability



Source: Sea-Intelligence Report, November 2021

Our Strategy 2023 targets remain valid, but we need to focus even more on Quality and Sustainability



Be profitable

We reached our financial and profitability targets earlier than expected, but we need to be vigilant when the freight rate environment settles.



Global Player

We are a global player, but high industry profits enable smaller competitors to catch up and we need to strengthen our presence in a variety of growth markets.



#1 for Quality

We made good progress to improve quality and to deliver higher service levels but the pandemic has set back our achievements and we need to address these challenges.



Sustainability

We have met our environmental targets but future challenges require a more holistic sustainability strategy and more ambitious greenhouse gas reduction goals.



2

Sustainability Strategy

Sustainability has been in our DNA for many years ...

1992

Implementation of
Quality Management

1994

Certification according
to ISO quality standards

1996

Binding environmental
guidelines

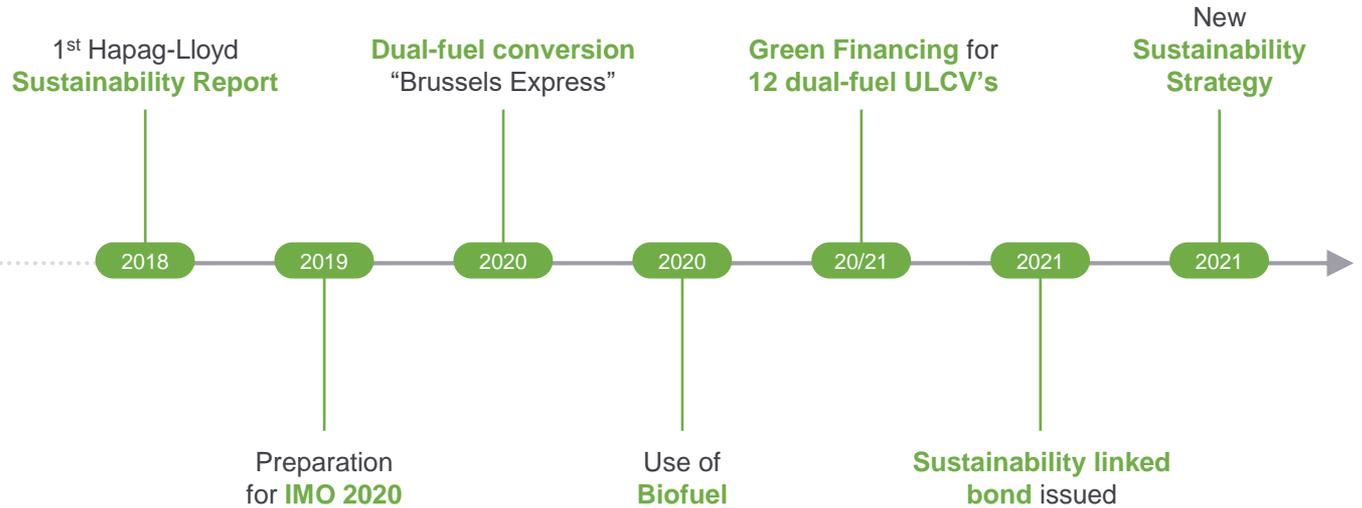
1992 – 2009

2003

Certification according to
environmental and quality
standards

2009

Sustainability Management



... and we have already achieved a lot

Measures taken

Dual-fuel propulsion

Biofuel use

Optimized bulbous bows and propellers

Digital based biofouling management

Fitting of vessels with onshore power equipment

Reduction of Sulphur-oxide emission

Co-Founder Ship Recycling Transparency Initiative (SRTI)

Significantly reduced
consumption and emissions

-58%
Bunker
consumption
(mt/slot) vs. 2009

-40%
Annual
Efficiency Ratio¹
(gCO₂/tnm) vs. 2008

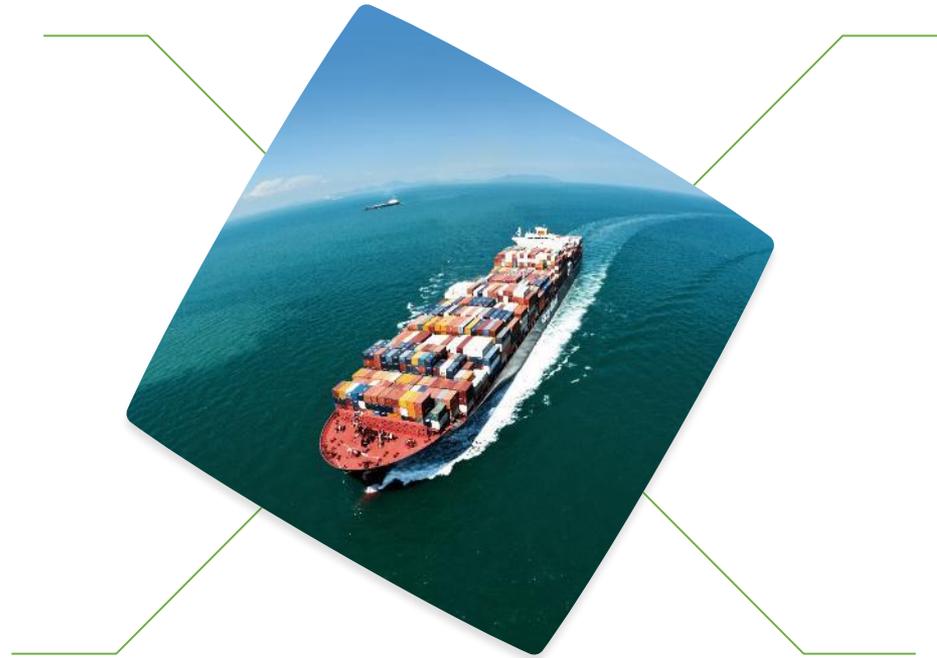
But we need to do more by setting new and further targets to continue sustainably serving our stakeholders ...

Regulatory requirements

Customers requirements

Capital market requirements

Other stakeholder requirements



... and to achieve the targets of the Paris Agreement

- Climate change is the **biggest problem of modern age**
- **Shipping** is one of the world's **most carbon efficient** modes of transport ...
- ... but is **collectively responsible** for 3% of all CO₂ emissions
- We need to further **minimize the environmental impact of our actions**
- Ocean shipping as we know it today is, however, very **difficult to decarbonize**
- Joint **dialogue and action with all relevant stakeholders** needed



WE

must solve the global problem
of climate change

TOGETHER

With our comprehensive sustainability strategy, we will set our course for the next 10 years

Clean shipping & future-proof propulsion



Greenhouse Gases



Clean Air



Sustainable Supply Chain

Diversity & society



Diversity



Corporate Citizenship

Compliance & responsibility



Resource Conservation



Transport Care



Biodiversity



Pursuing decarbonization with determination

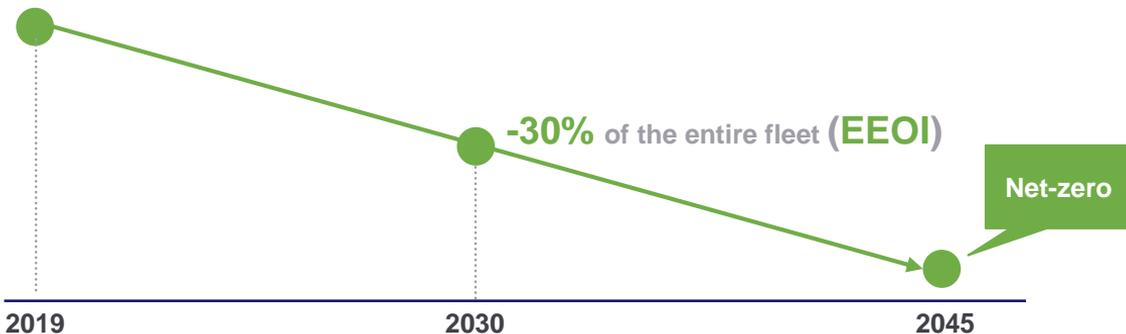


We have set ourselves ambitious targets to

reduce emissions & advance propulsion technologies.



Reduction of CO₂ intensity



Targets

- **Reduce CO₂ intensity** of the entire fleet **by 30% by 2030 EEOI** vs. 2019; in line with reduction of 60% AER¹ vs. 2008
- **Net-zero carbon by 2045**
Operate our ships in a climate-neutral manner **using alternative fuels**

AER = Annual Efficiency Ratio, ratio of a ship's carbon emissions per actual capacity-distance; based on maximum transport work (i.e., deadweight tonnage)

EEOI = Energy Efficiency Operational Indicator, ratio of a ship's carbon emissions per unit of actual transport work (i.e., real cargo weight)

1) As defined in our Sustainability Linked Bond Framework

Measures to achieve our GHG reduction targets

Operational efficiency improvements
will be accompanied by long-term Fleet & Fuel related measures



Fleet Portfolio

New vessels

- 10 new fuel efficient 13k TEU vessels
- 12 new dual-fuel 23k TEU vessels
- Zero-emission technologies

Existing vessels

- Phase-out of old and inefficient vessels
- Efficiency measures:

Hull coating

Bulbous bow

Main engine improvements

- Retrofits to dual-fuel propulsion technology



Fuels

Transition from fossil fuels to bio-/e-fuels

- Biofuels for existing vessels (e.g. FAME)
- Bio-Methane for LNG new builds as of delivery
- Alternative Fuels (bio/e-fuels) (e.g., Methanol, Ammonia, etc.)

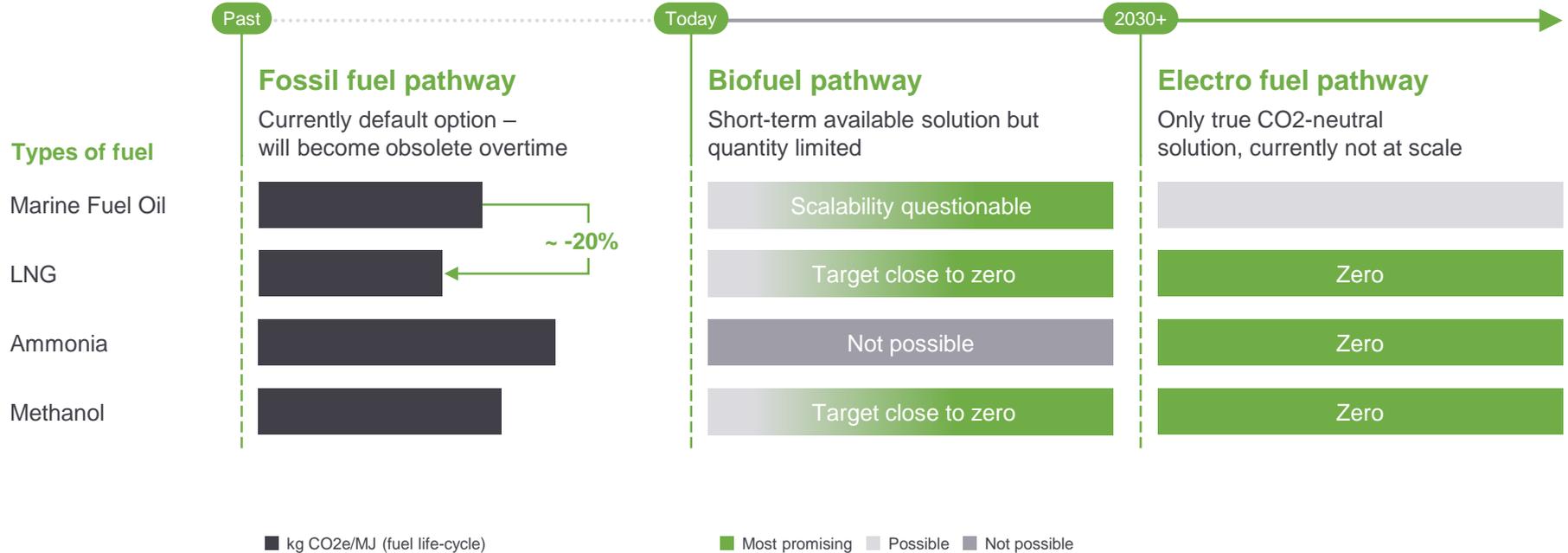
Operational efficiency within network

- Speed profile
- Port rotation
- Vessel & cargo utilization
- Weather routing

Operations

The future of the shipping industry

Will be shaped by the transition from fossil fuel to low/zero carbon bio- and electro fuels



We are already creating concrete demand signals for alternative fuels together with many partners



Hapag-Lloyd is member of the ...



Getting to Zero Coalition

Alliance of more than **150 companies** within the maritime, energy, infrastructure and finance sectors, supported by key governments and IGOs.

Partnership between the **Global Maritime Forum**, the **Friends of Ocean action**, and the **World Economic Forum** (First Movers Coalition)

Ambition & resources

- Committed to getting commercially viable deep sea **zero emission vessels** powered by zero emission fuels into operation **by 2030**
- At least **five percent zero emission fuels** in international shipping needed **by 2030**
- **Call to Action** requiring regulators to set the frame for shipping decarbonization **by 2050**

Continuously reduce emissions of air pollutants



Hapag-Lloyd made good progress in ...

protecting human health & the environment

Since 2020 ...

container ships have been using **IMO-compliant fuels** with max. 0.5% sulphur content



Targets

- Continuous **reduction of emissions of air pollutants, such as sulphur and nitrogen oxides**
- Reduction of air pollutant emissions from **land-based transports for pre- and on carriage**



Measures

- Creating **transparency** regarding land transports
- Hapag-Lloyd **supports shore-based power supply** of ships in port

Ensuring standards along the entire transport chain



Hapag-Lloyd upholds ...



Targets

Developing a sustainable supply chain path



Measures

- Expanding existing supplier database, documenting **duty of care** as well as **data on emissions** of suppliers
- Adapting procurement strategy – taking **sustainability criteria** into consideration
- Monitoring and reporting of defined target indicators draw a reliable picture on **sustainability progress** and provides a communication base towards stakeholders

social, economic, ecological and quality standards

Continuously improving efforts **to reduce & be transparent** about greenhouse gas emissions

Continuing to become more diverse

Hapag-Lloyd is embracing diversity by focusing on ...



gender diversity & cultural diversity

- **Increase gender diversity** across the entire group
 - **Increase cultural diversity even further** – especially in management positions and at the HQ in Hamburg
- Targets**
- **Increase** the **share of female employees** in management trainee programs **to 50%** by 2023
 - **Increase** the **share of female managers** on the first four levels **significantly** until **2030**

We will continue to strengthen our local engagement



Hapag-Lloyd bears responsibility ...



Targets

- Boosting engagement in **social activities**
- Focusing on
 - **Education programs,**
 - **Humanitarian aid and**
 - **Marine preservation**



Measures

- **“Hapag-Lloyd cares”**
Framework to specifically engage in local initiatives
- Supporting **education initiatives**
- **Engagement with ocean projects**

for social and environmental issues

Partners & Projects

Local – All local HL-organizations have dedicated budgets to improve their local communities

Global – Cooperation with organizations

Conserving resources within circular economy



Hapag-Lloyd is a founding member ...



Targets

- Hapag-Lloyd is committed to **recycling 100% of its own ships** in a sustainable way
- **Zero waste by 2030**
Generated waste in HL offices is to be gradually reduced and increasingly recycled



Measures

- Boost the share of containers with steel floors through **long-term asset management**
- **Launch lighthouse projects**
Increase transparency regarding the materials used as well as the recyclability of ships

of the Ship Recycling Transparency Initiative

Focusing on the safety and well-being of our crews, cargo and the environment



Hapag-Lloyd is thriving to ...



Targets

permanently enhance services

- Focusing on transport safety by ensuring the **safety and well-being of crew, cargo and environment**
- **Avoiding losses of container boxes** at sea and on land



Measures

- **Establishing a central monitoring system**
Increase transparency regarding lost containers
- **Strengthen Cargo Patrol**
Inspect more containers
- **Lighthouse projects**
Promote equal standards

We want to protect the oceans and marine wildlife



Hapag-Lloyd is actively working on ...



Targets

- Within the own fleet
Zero breaches of regulations related to ballast water & released substances
- Identical **standards and transparency** for both charter and own vessels by 2024



Measures

- Analyze the environmental data of our fleet
- Make sure that **ballast water treatment systems** are installed on all our vessels
- **Lighthouse project with NGOs** to better protect whales along our shipping routes

preserving the health of oceans

Supporting ...

bypassing the Arctic Ocean and participating in **whale-protection programs**

We have established a Sustainability Council as a strong sparring partner for our sustainability actions



Hapag-Lloyd is actively responding to ...



Purpose

feedback from external members from the science, politics, UN-organization and NGOs

- **Establishment of an expert panel** that meets regularly
- **Exchange regarding current and future developments** in the field of sustainability at the national and international levels
- **Critical discussion** of the overall sustainability performance of Hapag-Lloyd



Composition

- 6 external, **well-known sustainability experts** from research, business, media and UN-organization as well as 4 Hapag-Lloyd representatives
- **Member of the Executive Board & Head of Sustainability plus members** of the Sustainability Committee

WRAP up

Climate change

is one of the biggest challenges of our time

We will do more

to find solutions to reach our ambitious targets

Ambitious and comprehensive

Sustainability Strategy developed

We have elevated Sustainability

as an integral part of our path to quality leadership in our industry

Focus on greenhouse gases and decarbonization

with concrete measures and ambitious targets

Broad coverage of material sustainability topics

complete our comprehensive Sustainability Strategy

QUESTIONS & ANSWERS





3

**Prepare for
tomorrow**

Recap: Our Strategy 2023 targets remain valid, but we need to focus even more on Quality and Sustainability



Be profitable

We reached our financial and profitability targets earlier than expected, but we need to be vigilant when the freight rate environment settles.



Global Player

We are a global player, but high industry profits enable smaller competitors to catch up and we need to strengthen our presence in a variety of growth markets.



#1 for Quality

We made good progress to improve quality and to deliver higher service levels but the pandemic has set back our achievements and we need to address these challenges.



Sustainability

We have met our environmental targets but future challenges require a more holistic sustainability strategy and more ambitious greenhouse gas reduction goals.

In the last 2 years the world has changed more than anyone could have imagined



COVID-19 PANDEMIC

The pandemic shifted consumer spend to physical goods with severe impact on supply chains



DIGITIZATION & INNOVATION

The pace of digitization was boosted and we experienced strong growth in our online business



SUSTAINABILITY & DECARBONIZATION

Climate change is driving consumers, shipping customers, financial institutions and governments towards a more sustainable way of doing business and decarbonization



INVESTMENT CAPACITY

Increased freight rates led to high profitability and excess cash flows

To prepare for tomorrow and to achieve our strategic targets we have refined our priorities for the coming 2 years along 3 pillars



1

SIMPLIFY

Simplify customer segmentation & experience and reduce internal complexity

2

STRENGTHEN

Double-down on our ambition to become #1 in quality

3

INVEST

Invest in our people, sustainable assets and long-term competitiveness

1 | Simplify

We will deliberately simplify the customer experience, improve the ease of doing business with us and reduce internal complexity



Improve customer experience and **reduce** complexity.

- Design differentiated E2E customer journeys by segment
- Simplify Network and optimize fleet
- Consolidate hub and transshipment strategy
- Reduce imbalance & depots



**SEGMENTS &
EXPERIENCE**



**NETWORK &
FLEET**



**HUB &
TRANSSHIPMENT**



**IMBALANCE &
DEPOTS**

E2E customer experience



Improved customer experience and productivity expected from digitization and automation initiatives



CUSTOMER SEGMENTATION

- Simple and clear customer coverage strategy
- Revised segment, channel, and product strategy



CUSTOMER JOURNEYS

- Well designed customer journeys
- Automate core processes & journey parts



E2E AUTOMATION

- Customer self-service & digital channel strategy
- A significant share of volume through HL Web will enable us to serve customers better



GLOBAL & QUALITY SERVICES CENTERS

- Better leverage of Global & Quality Services Centers and performance management
- Review organizational setup and core processes

Target picture

increase share of online business and customer self service



Network and fleet

Simplification and rationalization of our network will help drive down complexity and slot cost



Target picture

Reduce network complexity

The complexity of our network has historically grown

- Some trades have a high number of services with long round-voyages and overlap between systems
- Our significant order book allows us to think differently about our network

Focus on fewer and larger vessels

- Reduce network complexity to improve operational quality
- Focus on improved connectivity
- Reflect evolving network needs in fleet portfolio
- Improve fuel efficiency of the current fleet



Hub and transshipment

Consolidate to reduce complexity and enhance quality

REDUCE COMPLEXITY

- Networks that provide the highest quality are networks that are less complex
- Reduce number of hubs served

INCREASE RELEVANCE

- Good access to terminals is critical for schedule reliability
- Gain more operational control in terminals

REDUCE & IMPROVE TRANSSHIPMENTS (T/S)

- Transshipment operations are complex and costly
- Consolidate T/S volumes at strategically selected hubs



Target picture

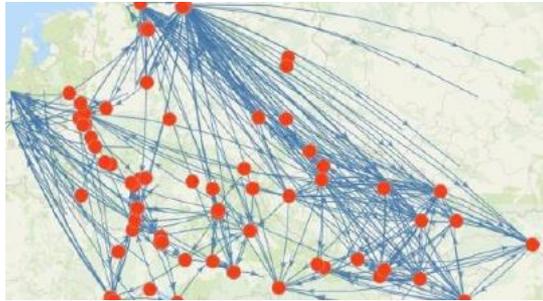
Focus on strategic hubs

Imbalance & Depot



Global steering and a smaller and more cost-optimal depot network will reduce our cost at increased quality

HLAG DEPOT NETWORK



DEPOT

- In some areas we have a high-density network that has historically grown
- For optimal cost we require a smaller depot landscape fully aligned with commercial flows

IMBALANCE

- Supply and demand for containers may differ considerably between different regions leading to high evacuation cost
- We strive to reduce empty transports through improved commercial steering and enhanced planning

Target picture

Smaller depot network with reduced complexity and cost



CONTAINER IMBALANCE SITUATION



Blackspot
Container Surplus
North East USA



Whitespot
Container Shortage
South Germany

2 | Strengthen

Double-down on our efforts to become #1 for Quality



-  Revenue Management
-  Delivering Operational Quality
-  Digitization and Innovation
-  Attractive Markets
-  Inland & superior Landside
-  Sustainability & Decarbonization



- Deliver Revenue Management Excellence
- Deliver Operational Quality
- Accelerate Digitization & invest in innovation and future proof core IT
- Grow in Attractive Markets
- Crack the code on Inland
- Strengthen efforts on Sustainability & Decarbonization

Customer Quality

We want to improve customer quality and user experience by delivering operational excellence and accelerating IT innovation



REVENUE MANAGEMENT

- We aim to provide our customers with a much improved, seamless, end-to-end experience
- Change the way we contract with customers towards much stronger two-way commitments



OPERATIONAL QUALITY

- Ensure vessels and boxes are on time, through structural adjustments to our schedules, operational steering and coastal schedule management
- Reinvigorate how we work with terminals
- Further improve our trans-shipment management execution



DIGITIZATION AND INNOVATION

- We will multiply our IT innovation capabilities to serve customers fully digitally in a seamless and customer oriented fashion
- Further strengthen our IT backbone
- Automate internal processes



SIGNIFICANTLY IMPROVE CUSTOMER QUALITY AND USER EXPERIENCE



CONSISTENTLY STAY WITHIN TOP 3rd IN REGARDS TO SCHEDULE RELIABILITY



ACCELERATE IT INNOVATION

Attractive Markets



By continuing the successful program we will further strengthen our position in important geographies

AMBITION



Strengthen our presence in a variety of growth markets around the world supporting our ambition to be a global player

ATTRACTIVE NICHES



Continue above market growth in attractive niches like reefer or specials

Target picture

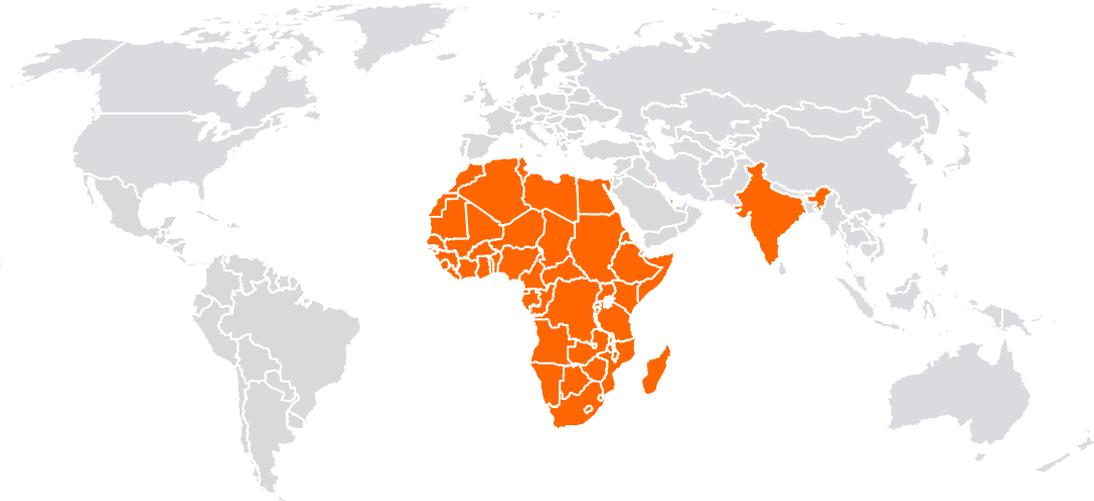
Maintaining a global market share >10% through a compelling service offering in each key market



REGIONS



Build on our strength in stronghold markets and develop and implement tailor made strategies for selected growth markets (e.g., India, Africa)



 Focus markets

Inland



We will increase the efforts to fulfill our ambition to become a true door-to-door carrier

Quality product offering

- Offer a standardized quality base product
- Reliable physical transport through secured capacity
- Improved real-time tracking
- Add premium and value-added services

Superior service delivery

- Simplified customer interaction including arrival estimates and delay and exception handling

Integrated commercial approach

- Stronger focus on customer's inland demands, easier access and offerings tailored to specific customer groups

Target picture

Increase share of transports with inland component to 40%



3 | Invest

Safeguard long-term competitiveness through investments into people and strategic assets along our value chain



Invest in our people,
sustainable **assets** and
long-term **competitiveness**

- Invest in people & capabilities
- Invest in eco-friendly vessels
- Invest in equipment & container innovations
- Digitization and innovation building on future-proof IT
- Equity investments and selective M&A



**PEOPLE AND
CAPABILITIES**



**ECO-FRIENDLY
VESSELS**



**EQUIP. & CONTAINER
INNOVATION**



**EQUITY INVESTMENTS
AND SELECTIVE M&A**

People, Vessels and Equipment

We will invest in our people, sustainable assets and long-term competitiveness



PEOPLE AND CAPABILITIES

- Invest in a large scale capability building program for our employees
- Future way of working in a post-pandemic world (bricks, bytes and behaviors)

» OFFER OUR 13,400 EMPLOYEES
TAILORED CAPABILITY BUILDING



ECO-FRIENDLY VESSELS

- Add new dual-fuel vessels
- Upgrade the capacity of our existing fleet
- Make our current vessels more fuel efficient

» DECREASE CO₂ & COST PER TEU



EQUIP. & CONTAINER INNOVATION

- Equip our dry container fleet with IoT monitoring devices
- Experiment with alternative container designs

» INCREASED TRANSPARENCY
ON CONTAINER POSITION

Selective M&A

In order to strengthen the core business we need consider selective investments in- and outside our current scope



Target picture

Strengthen the core and improve quality through equity investments and acquisitions

i

Recent investments and acquisitions

We already started to execute on our investment targets

JadeWeserPort

- 30% stake in Container Terminal Wilhelmshaven (CTW) and 50% stake in Rail Terminal Wilhelmshaven (RTW)
- Strengthens position of German ports and reinforces our competitiveness, especially in the Far East trades
- Increased flexibility and shorter transit times
- Signing in September, closing expected in the following months

Tanger terminal

- Equity investment in 10% of Tanger Terminal TC3
- Acts as strategic T/S hub and strengthens our position in the Med region and thriving African market

NileDutch

- Closing of the transaction in July
- Successful voyage cut-over started in October
- Goal is to fully integrate NileDutch until end of this year
- Q3 contribution of approx. 50 TTEU on the African trade

4

Wrap-up
and targets



Priorities for the coming 2 years until end 2023



1

SIMPLIFY

Simplify customer segmentation & experience and reduce internal complexity

2

STRENGTHEN

Double-down on our ambition to become #1 in quality

3

INVEST

Invest in our people, sustainable assets and long-term competitiveness

Our overarching Strategy 2023 targets



Be Profitable

Prove we can earn our cost of capital through the cycle (ROIC > WACC), sustain a healthy capital structure while investing in the future of our business.



Global Player

Keep our global market share of > 10% in all our key trades (excl. Intra-Asia), reinforce our strongholds and expand further into selected growth markets.



#1 for Quality

Achieve best in class customer experience for our main customer segments, be customer-oriented, enhance reliability and create value for customers as well as for Hapag-Lloyd.



Sustainability Accelerator

Drive decarbonization in the industry; reducing carbon intensity by 30%¹ until 2030, reach 'net-zero carbon' by 2045.

Our long-term financial targets remain valid

Profitability

ROIC > WACC

throughout the cycle

We want to earn our cost of capital through the cycle

Now elevated by peak market

Net Leverage

≤ 3.0x

Net Debt/EBITDA

We strengthen resilience with adequate leverage

Currently well below target

Liquidity

~USD 1.1 bn

liquidity reserve

We will always retain sustainable liquidity

Now elevated by peak market

Equity

> 45%

Equity Ratio

We strengthen resilience with a solid equity base

Dividend Policy

≥ 30%

of Group EAT

We are committed to shareholder participation

Sustainable Investments

We will sustainably invest to increase the efficiency and quality of our assets



We have updated our non-financial targets

to reflect the even greater focus on quality and sustainability

 **Net Promoter Score**

Best in class

Net Promoter Score (NPS)

 **Schedule Reliability**

Top 3rd

in terms of schedule reliability

 **CO₂ reduction**

-30%

CO₂ reduction (EEOI)
until 2030 vs. 2019

 **Superior Landside**

40%

share of transports with inland component

 **Attractive Markets**

> 10%

global market share in all
key trades (excl. intra-Asia);
growth in selected attractive markets



WAY FORWARD

& Strategy 2023 Delivery

1

Refine initiatives and investment opportunities

2

Continue to implement Strategy 2023

3

Start thinking about our strategy towards 2030



QUESTIONS & ANSWERS



An aerial view of a container ship's deck, heavily loaded with multi-colored shipping containers. The ship is moving through the water, leaving a white wake. In the distance, another ship is visible on the horizon. The sun is setting on the right side of the frame, casting a golden glow over the water and sky. The sky is filled with soft, wispy clouds. The overall mood is serene and professional.

Thank you!