Taking responsibility. Securing opportunities.

Sustainability Report 2020

MATERIAL TO BUILD OUR FUTURE

CO_2 CARBON NEUTRAL

Dr. Dominik von Achten
Chairman of the Managing Board

Introduction

Ladies and Gentlemen,

For all of us, 2020 was marked by the COVID-19 pandemic. We stopped all travel early on, switched to mobile working wherever possible, and took all necessary measures to minimise the impact of the pandemic. Above all, the extensive exchange of our occupational health and safety expertise across all Group areas has enabled us to ensure the best possible protection of HeidelbergCement's employees, customers, and service providers. With training and information campaigns on the importance of hygiene measures in the workplace, more than half of all our company's training activities in 2020 were devoted to the topic of occupational safety.

Despite the challenging situation regarding COVID-19, the dynamism of the debate on climate protection and corporate sustainability reached new heights in 2020: as a company in the energy-intensive cement industry, a large proportion of the emissions from our production processes have been unavoidable to date. We held extensive, open and sometimes controversial discussions in 2020 with our own employees and also with you, our stakeholders, on how HeidelbergCement will address this challenge.

We are continuously enhancing our sustainability reporting in order to further increase transparency towards our stakeholders: Since September 2020, we are an official supporter of the Task

Force on Climate-related Financial Disclosures (TCFD) and have for the first time integrated a TCFD report into this Sustainability Report in accordance with the recommendations on climate-related reporting.

CO_2 savings targets significantly tightened

We have placed a high priority on addressing the issue of sustainability as part of our Group strategy "Beyond 2020". We significantly tightened our CO_2 reduction targets in 2020: by 2025, we aim to reduce specific net CO_2 emissions to below 525 kg per tonne of cementitious material. This corresponds to a reduction of 30% compared with 1990. Our intention is to reduce this figure to below 500 kg of CO_2 per tonne of cementitious material by 2030.

In order to achieve carbon neutrality by 2050 at the latest, we are focusing on the intelligent combination of existing reduction measures and research into new technologies. Our industrial scaling of CO_2 reduction and capture technologies in particular is making great strides. Several carbon capture and utilisation/storage (CCU/S) projects are currently entering the next phase. Our project in Brevik, Norway, the world's first industrial-scale CCS project in the cement industry, is scheduled to start regular operation by 2024. In Slite, Sweden, we are going one step further: by 2030, we intend to operate the world's first carbon-neutral cement plant there. The LEILAC 2 pilot project aims to implement LEILAC technology on an industrial scale at our cement plant in Hanover, Germany, by 2025.

"After having gained valuable experience with CCU/S technologies in Norway and other countries, we are taking the next step with a completely carbon-neutral cement plant in Sweden. This will be a game changer for our industry."

Dr. Dominik von Achten
Chairman of the Managing Board

Sustainability performance enshrined in remuneration

We have consistently enshrined our CO_2 reduction targets in our global bonus system. The full variable remuneration can only be achieved if both the financial targets and the sustainability target are met. This regulation has applied to all members of the Managing Board and to every bonus-eligible employee worldwide since the start of the 2021 financial year. We believe that this sends a strong message to the outside world. We see this as a strong message to our internal and external audiences that we take our sustainability goals very seriously.

"We have anchored our CO_2 reduction targets in the remuneration systems across the Group. The full bonus can only be achieved if both the financial targets and the sustainability target are met."

Dr. Dominik von Achten
Chairman of the Managing Board

As a partner of the United Nations Global Compact (UN GC), we have declared our express commitment to its ten principles in the areas of environmental protection, corruption prevention, labour standards, and human rights, and will take these into account and promote them within our corporate strategy as well as in all our business activities. In this context, we revised our Code of Business Conduct in 2020 and published a new version in January 2021 that makes the importance of human rights and sustainability aspects in particular even clearer.

Leading the way to climate neutrality

With i.tech® 3D, we delivered an innovative concrete for the first printed residential buildings in Germany in 2020 – just one example of the many ways in which we are demonstrating our commitment to sustainable construction. Within the framework of our "Beyond 2020" strategy, we have launched a digitalisation offensive across all business lines and Group areas, since as one of the world's leading building materials producers we have the ambition and the innovative strength to become the first industrial technology group in the building materials sector.

It is our declared goal to shape the path to CO_2 neutrality in a pioneering role. To further drive the essential transformation of the company, we are creating two new Managing Board positions for the topics of sustainability and digitalisation.

We are pursuing this path of change with great commitment and openness, and in close dialogue with our stakeholders. I look forward to your continued support on this journey in 2021, as our shareholders, customers, employees, suppliers, and business partners or representatives of local communities and society.

Yours sincerely,

Dr. Dominik von Achten
Chairman of the Managing Board

Contents

Cover Image:
View from the Brevik cement plant, Norway.

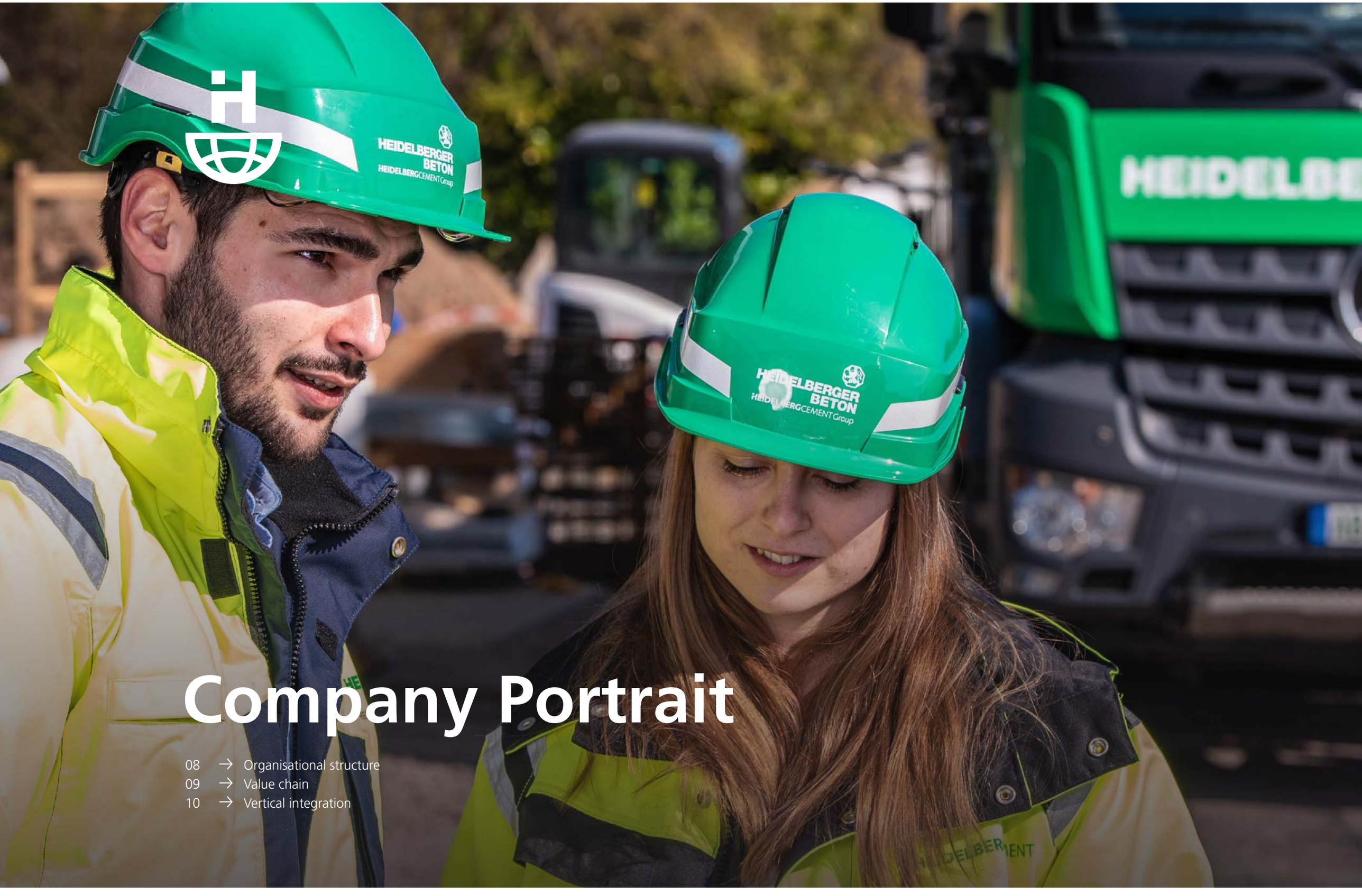
How to find your way through the report
To make it easier for you to navigate through the report, we have added links to this PDF file. In the bar at the top edge of the page, you can jump to the individual chapters from any page. The icons operate similarly to those on a website. You can also directly access the chapters from the table of contents.

- Table of contents
- Go forward/back
- Link to HeidelbergCement website
- Link to the specified page or website

COMMUNICATION ON PROGRESS
UN GLOBAL COMPACT

This is our **Communication on Progress** in implementing the Ten Principles of the **United Nations Global Compact** and supporting broader UN goals.

We welcome feedback on its contents.



Company Portrait

Return on invested capital (ROIC)

7.9%

Increase from 2019 to 2020: +1.4 percentage points

The increase in return on invested capital (ROIC) by 1.4 percentage points is due to the good operating business and, in particular, significant savings from the COPE action plan combined with significantly reduced invested capital.

Result from current operations (RCO)

in € million

2,363

Increase from 2019 to 2020: +8.1%

The 8.1% increase in the result from current operations (RCO) was driven by price increases, lower energy costs, and, in particular, significant savings from the COPE action plan launched in February 2020.

Leverage ratio (net financial debt/RCOBD[1])

1.86x

Decrease from 2019 to 2020: from 2.35x to 1.86x

The decrease in the leverage ratio of 20.9% is due to the considerable increase in the operating cash inflow, which enabled a significant reduction of net financial debt.

1) RCOBD = Result from current operations before depreciation and amortisation

Organisational structure

HEIDELBERGCEMENT

Group areas

Western and Southern Europe	Northern and Eastern Europe-Central Asia	North America	Asia-Pacific	Africa-Eastern Mediterranean Basin	Group Services
Belgium, France, Germany, Italy, Netherlands, Spain, United Kingdom	Albania, Bosnia-Herzegovina, Bulgaria, Croatia, Czechia, Denmark, Estonia, Georgia, Greece, Hungary, Iceland, Kazakhstan, Latvia, Lithuania, Norway, Poland, Romania, Russia, Sweden, Slovakia	Canada, USA	Bangladesh, Brunei, China, India, Indonesia, Malaysia, Singapore, Thailand Australia	Benin, Burkina Faso, DR Congo, Egypt, Gambia, Ghana, Liberia, Morocco, Mozambique, Sierra Leone, South Africa, Tanzania, Togo Israel, Palestine, Turkey	Global trading activities, especially the trading of cement and clinker

Business lines

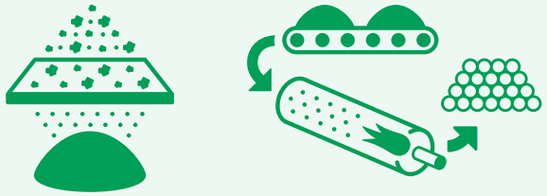
Cement, aggregates, ready-mixed concrete-asphalt, and service-joint ventures-other

Value chain

Raw materials

- Extraction

The raw materials needed for producing our building materials – limestone for cement production as well as sand, gravel, and hard rock – are generally extracted from our own quarrying sites or obtained by recycling mineral residues and demolition material.



Production

- Cement
- Aggregates
- Concrete
- Asphalt

Our business is based on the production of cement and aggregates, the two essential raw materials for manufacturing concrete.

Customers

- Public-sector projects
- Commercial projects
- Private customers

We supply our products for public-sector and commercial projects as well as to private customers.

Research and development

- CO_2 reduction
- Development of alternative clinkers
- Product innovation
- Recycling

The aim of our research activities is to provide customers with innovative products and to minimise energy consumption and CO_2 emissions by improving processes and creating new formulations.

Procurement

- Raw materials
- Energy
- Logistics
- Maintenance

In 2020, HeidelbergCement procured goods and services with a total value of around €11.3 billion, with 38% being spent on energy and raw materials.

Vertical integration

HeidelbergCement is one of the world's largest companies for building materials. The core activities of HeidelbergCement encompass the production and distribution of cement, aggregates, concrete, and asphalt. This vertical integration strategy is one of our growth drivers. In future, we plan to further integrate our business activities in urban centers in particular.

Raw materials

Processing into core products

Aggregates

We process some of the cement and aggregates into our own concrete and asphalt.

Cement

Asphalt

Ready-mixed concrete

Customers/ markets

Public-sector clients	Commercial clients	Private customers
Cement 50% Aggregates 50%–60%	Cement 20% Aggregates 20%–25%	Cement 30% Aggregates 20%–25%

Strategy & Management

 Image: The world's northernmost cement plant, a location of our subsidiary Norcem, in Kjøpsvik, Norway.

We want to reduce our CO_2 emissions by

30 %

by 2025 compared to 1990. We have moved this and other of our sustainability targets significantly forward in 2020.

→ **p. 15**

Since 2020 we have been a member of the

Foundation 2°

and are advocating progressive climate policy alongside other companies.

→ **p. 20**

In the CDP corporate rating, we again received the

top grade

A

for our commitment to climate protection in 2020 and were rated A- for "Water Security".

→ **p. 22**

Sustainability is an integral part of HeidelbergCement's corporate strategy. Environmental responsibility is at the heart of everything we do. We have set ourselves the goal of being the industry leader on the path to carbon neutrality.

Vision & mission

We want to continue to grow at a profitable rate. In the long term, however, we will only be able to achieve our business goals if we generate added value for society as a whole. Consequently, environmental and social goals are integrated alongside economic targets into our business strategy and the remuneration systems of our management. We conserve natural resources, as they form the basis of our business activities, and we take our social responsibility at our various company locations and towards our employees seriously. We want to continue providing our employees with good jobs and valuable qualifications in the future. In our production activities, we focus particularly on ensuring the health and safety of our employees. We want our customers to benefit from the high quality of our products and a close partnership. We maintain respectful relations with our suppliers and expect them to comply with our sustainability standards.

Our business activities are characterised by commercial prudence, the rule of law, and integrity. We promote value creation at our locations and help to increase prosperity and the quality of life in emerging economies in particular. Growth and good returns are also the basis for our investments in cutting-edge technologies to help protect the climate and the environment.

Sustainability Commitments 2030

The Sustainability Commitments 2030 are the cornerstone of HeidelbergCement's sustainability strategy. Introduced in 2017, they define the principles, main components, and objectives of our sustainability strategy until the year 2030. In 2020, we revised some of the targets and related deadlines to reflect the latest environmental and social developments. The Sustainability Commitments 2030 now incorporate several new or updated targets and an even broader range of commitments as part of corporate sustainability management.

The principles outlined in the Sustainability Commitments 2030 are as follows:

- Driving economic strength and innovation
- Achieving excellence in occupational health and safety
- Reducing our ecological footprint
- Enabling the circular economy
- Being a good neighbour
- Ensuring compliance and creating transparency

Through our Sustainability Commitments 2030, we are supporting the UN Sustainable Development Goals. In doing so, we aim to help address social, economic, and environmental challenges at a global level.

→ **www.heidelbergcement.com/commitments**

The focal points of our sustainability strategy until 2030

SUSTAINABILITY COMMITMENTS 2030

The Sustainability Commitments 2030 are the cornerstones of HeidelbergCement's sustainability strategy. They were first introduced in 2017. In 2020, we revised some of the related targets and their respective deadlines to reflect environmental and social developments. The Sustainability Commitments 2030 now include several new or updated targets and an even broader range of responsibilities in corporate sustainability management.

Driving economic strength and innovation

Our goals

- We use all resources as efficiently as possible and target to earn a premium on our cost of capital.
- We invest substantially in R&D towards innovative low-carbon production technologies and products, and will advance a portfolio of sustainable products in every Group country.
- We are active in Green Building Councils and similar organisations in order to drive innovation of sustainable products together with our customers.

Achieving excellence in occupational health and safety

Our goals

- We will achieve zero fatalities.
- We will achieve zero lost time injuries.
- We will implement the World Business Council for Sustainable Development's WASH Pledge for access to safe water, sanitation and hygiene at all production sites.

Ensuring compliance and creating transparency

Our goals

- We ensure compliance with international human rights, anti-corruption and labour standards through internal control and risk management systems, such as internal audits and a whistle-blower hotline.
- We ensure that our suppliers comply with our Supplier Code of Conduct.
- We ensure that each position is staffed with the most qualified person, independent from gender, origin, beliefs, and/or orientation.

Enabling the circular economy

Our goals

- We will continuously increase the substitution rate of natural raw materials by using by-products or recycled materials.
- We will increase the use of recycled aggregates in our fresh concrete portfolio.

Being a good neighbour

Our goals

- We maintain open and transparent communication about our activities and performance.
- We help improve the living conditions in neighbouring communities.
- Group-wide, we achieve 60,000 hours of corporate volunteering annually.

Reducing our environmental footprint

Our goals

Emissions

- We will reduce the CO_2 footprint of our cementitious products by 30% compared to 1990 by 2025 – and further reduce to below 500 kg CO_2 per tonne of cementitious material by 2030.
- We will reduce the CO_2 emissions from electrical power consumption by at least 65% compared to 1990 by 2030.
- To reduce the supply and transport-related greenhouse gas emissions of our finished products and to support the decarbonation of relevant industries, we engage with all of our partners along the whole value chain.
- We will increase the alternative fuels rate to 43%.
- We will reduce cement production-related SO_x and NO_x emissions by 40% and dust by 80% compared with 2008.
- We will permanently reduce all other air emissions below cement industry average.

Water

- We aim to reduce water consumption at all operational sites as far as economically and technologically feasible.
- We aim to implement water management plans at all sites located in water scarce areas and will offer own surplus water resources to local users.
- At Group level, all efforts will be combined in a global strategic water consumption reduction plan.

Land use

- All our extraction sites are operated based on an after-use plan agreed with local authorities and in accordance with the needs of local communities.
- We aim to include biodiversity enhancement recommendations in any new after-use plan.
- We want to implement a biodiversity management plan at all business operations located within 1 km of a recognized high biodiversity value area.
- In case of nature-oriented after-use plans, we aim to achieve a positive impact on the biodiversity value at our extraction sites.

Our CO_2 reduction strategy is based on solid measures at plant and product levels, the implementation of which is well underway.

→ Leading the way to carbon neutrality

CO_2 CARBON NEUTRAL

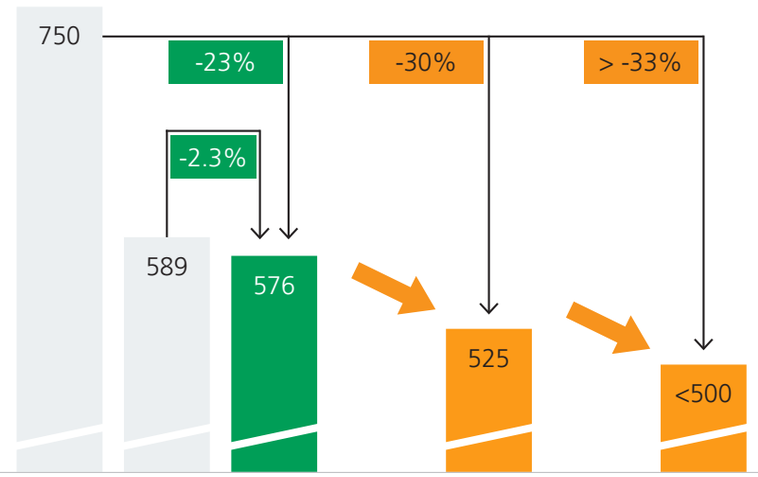
Significant reduction in emissions by 2030

Within the framework of our "Beyond 2020" strategy, we are forging resolutely ahead with our ambitious climate targets. We want to achieve our original target for 2030 of a 30% reduction in specific net CO_2 emissions compared with 1990 by 2025. By 2030, we intend to reduce our specific net CO_2 emissions to below 500 kg per tonne of cementitious material. This corresponds to a further decrease of more than 15% compared with 2019. We will achieve these goals by using proven techniques and measures such as maximising the use of alternative fuels, optimising the product mix, or improving the efficiency of our plants. To this end, we have defined specific measures for all plants worldwide.

→ Energy & climate protection p. 52

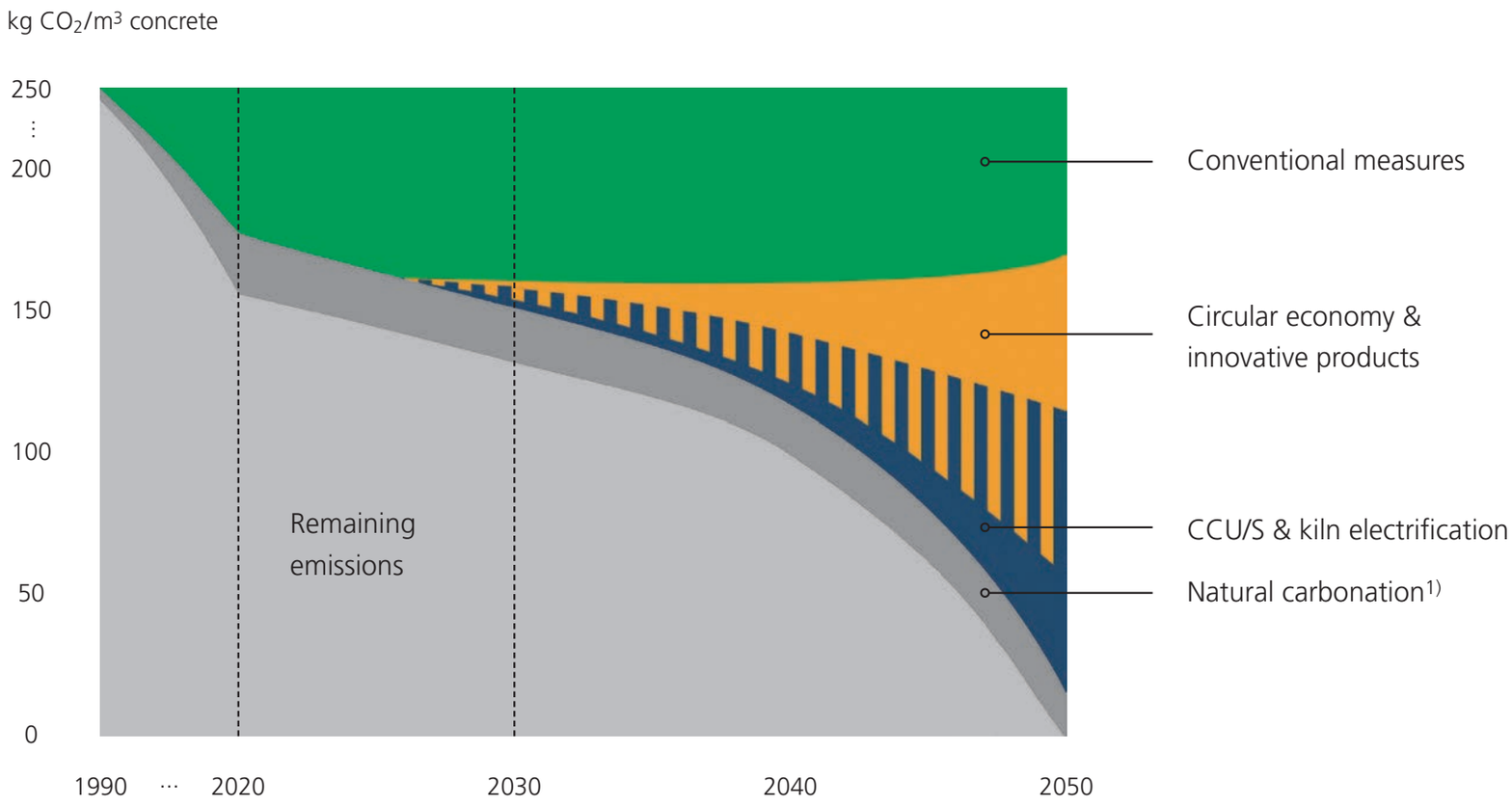
We will significantly reduce our carbon footprint by 2030

Specific net CO_2 emissions
kg CO_2/t cementitious material



1) Figures for previous years may differ from those reported in previous years due to changes in the reporting scope.

Specific net CO_2 emissions



1) Natural carbonation is the absorption of CO_2 from the atmosphere during the lifetime of a concrete construction.

Our path to carbon neutrality by 2050

We will offer carbon-neutral concrete across our product portfolio by 2050 at the latest. To achieve this, however, tried-and-tested techniques and measures alone are not sufficient. We are therefore researching and testing several new technologies such as the capture and use/storage (CCU/S) of CO_2 and are intensifying the circular economy in order to reduce CO_2 emissions in the long term.

→ **Energy & climate protection p. 52**

Responsibility & organisation

Effective management systems operated by our various business lines help to ensure a continual process of improvement in accordance with our sustainability strategy. Within the framework of these systems, we have defined areas of responsibility and created structures that support the effective implementation and monitoring of the measures we employ to achieve our sustainability targets. These targets focus on occupational health and safety, compliance, and environmental sustainability.

Occupational health and safety is one of the cornerstones of our company, and it is an area for which all management levels at HeidelbergCement are accountable. Our occupational safety organisation is subordinate to the Chairman of the Managing Board, to whom the Director Group Human Resources, who is responsible for Group Health & Safety, reports directly. H&S advisors support the Managing Board members responsible for the different Group areas in addition to the country managers, who coordinate the measures on a national basis, and the line managers at regional and local management level. Individual occupational health and safety measures are defined either by Group Health & Safety or the local units depending on their nature and impact. Occupational safety measures are part of the personal goal agreement for the Managing Board and the top operations managers in the various countries. Last but not least, each individual employee, contractor, and visitor is responsible for following the occupational safety regulations.

The **compliance** organisation is under the authority of the Chairman of the Managing Board, to whom the Director Group Compliance reports directly. Each country has its own compliance officer with a direct reporting line to the country manager. However, responsibility for ensuring that employees' conduct complies with the law and regulations lies with all managers and, of course, with the employees themselves.

Sustainability and environmental protection

Environmental protection is an integral element of HeidelbergCement's business strategy, which is defined by the Managing Board in consultation with the Supervisory Board. The member of the Managing Board who is responsible for the topic of sustainability heads various management teams that deal with the different areas of focus of sustainability at HeidelbergCement.

Sustainability management at HeidelbergCement

These teams include the internal experts for the various areas of focus, the directors of the Group departments ESG (Environmental Social Governance), Global Strategy & Development, and Group Communication & Investor Relations, and the directors of the Heidelberg Technology Center (HTC), the Competence Center Materials (CCM), and the Competence Center Readymix (CCR). The task of the management teams is to accelerate the progress of operating activities with regard to sustainability and position HeidelbergCement as a company with clearly defined sustainability targets, as formulated in the Sustainability Commitments 2030, for example. The Supervisory Board also addresses different topics connected with sustainability and environmental protection on a regular basis.

The Group ESG department, which is directly assigned to the member of the Managing Board responsible for sustainability, supports future-oriented activities in the area of sustainability at Group level in a number of ways. These include defining guidelines and goals, supporting the operating units in the practical implementation of these guidelines and goals, identifying and disseminating tried-and-tested improvement measures for achieving these goals, coordinating action plans to implement research projects, and supporting the company's representatives in international organisations.

→ **Environmental management p. 52**

Challenges & strategy

While we minimise the risks for our business and seize new opportunities, we simultaneously develop solutions for environmental and social challenges. This work focuses on the following topic areas:

– **Occupational safety:** HeidelbergCement is a manufacturing company. Occupational health and safety is therefore our highest priority. We use targeted measures to improve our technical and organisational safety standards and to raise awareness of safe working practices. This is aimed not only at our own employees but also at the employees of external companies and third parties.

– **Energy efficiency and climate protection:** The production of cement requires a lot of energy. From both an economic and an environmental standpoint, it is therefore imperative that we further increase our energy efficiency. Cement production by its nature also leads to a high level of CO_2 emissions. We have made a commitment to accept our share of the global responsibility to limit the rise in worldwide temperature to well below 2°C. Our goal is to reduce our specific CO_2 emissions by 30% by 2025, compared with the 1990 level, and to offer carbon neutral concrete across our whole product portfolio by 2050 at the latest. Our goal and the associated measures are consistent with the road map defined by the International Energy Agency (IEA) to help the industry implement the Paris Agreement. These steps were recognised by the Science Based Targets initiative (SBTi) in spring 2019, making HeidelbergCement the first cement company whose targets have been approved by the SBTi.

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-30%

is our targeted reduction in CO_2 emissions by 2025 – and we already achieved 23% in 2020.

– **Securing the supply of raw materials and conserving resources:** Our business operations are dependent on having long-term access to mineral-based raw materials in the vicinity of our plants. Such resources are finite, and their local exploitation often leads to conflicts of interest. We therefore view securing sustainable supplies of raw materials and conserving resources as key strategic tasks. Our strategy of conserving resources in cement production includes the use of alternative raw materials and fuels. In line with the European Commission's circular economy targets, HeidelbergCement is involved in research projects investigating the reuse of recycled building materials, for instance in fresh concrete.

→ **Building materials recycling p. 49**
→ **Energy & climate protection p. 55**

– **Nature conservation and species protection:** The quarrying of raw materials requires us to temporarily encroach upon the water supply, soil, and flora and fauna. At the same time, our extensive land use creates refuges for endangered animal and plant species. We run our quarrying sites in accordance with international, national, and local environmental legislation. By 2030, we aim to operate all our extraction sites on the basis of an after-use plan agreed together with local authorities and designed to meet the needs of the respective community. We strive to integrate recommendations for the promotion of biodiversity into every new after-use plan.

→ **Land management & biodiversity p. 60**

Stakeholder engagement

GRI 102-40, 102-42, 102-43, 102-44

In view of the strong local focus of our business operations, we can only be successful in the long term if we maintain good cooperative relationships with the various stakeholders in society. We seek to establish and maintain a dialogue based on trust with all such relevant groups – at a local, national, and international level. The resulting exchange of ideas and opinions helps us identify critical issues at an early stage and gain greater acceptance for our activities. Each country organisation is responsible for establishing and maintaining its own relationships with national and local stakeholders. The stakeholder dialogue at international level is managed by the Group departments for communication and sustainability. In spring 2021, we published updated stakeholder management guidelines.

→ **https://www.heidelbergcement.com/en/corporate-citizenship**

Relations with local stakeholders

Most of our plants and quarries are situated near cities and communities. It is therefore a matter of course for us to maintain regular contact with the respective community, government agencies, and local organisations, and to inform them about our activities and planned projects at the plant. Plant or location management teams are generally responsible for such stakeholder relationships. Along with personal discussions, we use a variety of other means of communication to keep local stakeholder groups informed and enter into dialogue with them – ranging from traditional newsletters and guidelines to social media and a variety of public participation concepts.

We aim to reconcile the interests of the company with those of the local communities. The concerns of our local stakeholders vary from location to location. In general, they range from simple visit enquiries and appeals for us to support projects and sports, cultural, and educational institutions all the way through to information requests. Stakeholders also raise reservations regarding imminent modernisation and expansion measures as well as complaints about noise and dust pollution from our plants and

quarries. We respond promptly to complaints and provide transparent information wherever possible and practical in order to address uncertainties and misgivings. We also involve local stakeholders at an early stage when planning investment projects, such as by setting up contact offices and holding information and discussion events.

→ Social responsibility p. 82

GRI 102-40, 102-42, 102-43, 102-44

Stakeholder dialogue at a national and international level

HeidelbergCement is a member of various associations that represent their members' interests vis-à-vis governments, businesses, and the public. These memberships promote an exchange with other companies and organisations and a common determination to achieve greater sustainability. The topics addressed focus on challenges specific to individual countries and industrial policy, particularly with regard to the secure supply of raw materials, environmental protection, energy conservation, occupational health and safety, and social and labour issues.

As a Group headquartered in Germany, we are a member of econsense – Forum for Sustainable Development of German Business. This network of global German companies views itself as a partner and an expert forum for dialogue with governments, the scientific community, media, and society. The aim of econsense is to promote sustainable development in business and to assume social responsibility collectively.

→ https://econsense.de/about-us/

In late 2020, we became a supporting business of Foundation 2°. In tandem with Foundation 2° – a network of entrepreneurs for progressive climate policy – HeidelbergCement aims to draw up cross-sectoral approaches and concepts for Germany and Europe that will make climate protection a sustainable and successful business model. The foundation's name reflects its primary objective: to keep the increase in the global average temperature well below the upper limit of two degrees Celsius.

→ www.stiftung2grad.de/en

In order to further strengthen innovation and sustainability at a global level, HeidelbergCement and eight other international building materials companies came together in 2018 to create the Global Cement and Concrete Association (GCCA) – the first worldwide association for cement and concrete. One of the association's most important tasks is to show how the challenges of construction – in relation to climate protection, for example – can be tackled in the future with the help of concrete.

→ https://gccassociation.org/

HeidelbergCement and its subsidiaries also work with national Green Building Councils in different countries. The goal here is to jointly develop certification systems for sustainable construction and to make the design, construction, and operation of buildings more sustainable. Since 2019, we have also been actively involved in the global umbrella organisation of the Green Building Councils, the World Green Building Council. Since June 2020, HeidelbergCement has been an official partner in the Europe Regional Network (ERN) of the World Green Building Council.

→ https://www.worldgbc.org/

→ Sustainable construction p. 47

Dialogue with political decision makers

We participate in the European Cement Association CEMBUREAU, which speaks for European cement manufacturers in discussions and negotiations with the European Union (EU) and other institutions. As a member of the European Aggregates Association (UEPG), we also present our positions on aggregates to political decision makers. Our interests concerning concrete are represented by the European Ready-Mixed Concrete Organisation (ERMCO) and the European Concrete Platform (ECP).

"We advocate for a predictable and reliable legislative environment that fosters the transition towards a climate-neutral society. Our established governance structures ensure that political interest representation is aligned with our Group-wide climate policy."

Christoph Reißfelder
Head of Liaison Office Berlin
Group Communication & Investor Relations

GRI 102-40, 102-42, 102-43, 102-44

We further strengthen our dialogue with policymakers with three public affairs manager positions, based in Berlin, Brussels, and Washington, which supplement HeidelbergCement's indirect representation through associations with the company's direct contacts. At numerous events, panel discussions, presentations, background discussions, and other formats in 2020, we were also able to demonstrate in person how HeidelbergCement, as a leading building materials company in Europe, can help to solve social problems. In 2020, our activities in this area focused on the industry's transformation towards key low-carbon technologies and on creating the necessary political conditions to successfully implement our climate neutrality strategy.

In addition, we formulated structures and policies to ensure that our positions remain consistent with those of the industry associations in which we are involved. We also published our first Climate Advocacy and Association Review for the year 2020. In particular, we want to guarantee that the positions and actions of the industry associations are in line with the goals of our sustainability strategy as formulated in our Sustainability Commitments 2030.

Our lobbying activities represent the positions that HeidelbergCement takes in public.

→ **Climate Advocacy and Association Review 2020**

Dialogue with non-governmental organisations

As a matter of principle, we respond in a transparent manner to all requests from non-governmental organisations and interest groups. We also take critical questions as opportunities to inform people about our sustainability activities and enter into dialogue. We generally welcome the debate on climate change in society as a whole, which was particularly intense in 2020, because as a quarrying, energy-intensive company in the building materials industry, we have a special obligation to the environment.

ESG ratings and dialogue with stakeholders who focus on sustainability issues

ESG factors are also becoming increasingly important in investment decisions as our shareholders and a growing number of financial analysts and rating agencies want to know how HeidelbergCement integrates the issue of sustainability into its Group strategy. They also want information on the progress made and how successful the company has been in this regard. We provide data relating to these considerations to rating agencies including CDP, ISS, MSCI, Sustainalytics, and S&P, respond to enquiries, and engage in open and ongoing dialogue with stakeholders who focus on sustainability issues. In the past year, the central concerns discussed were our goals, measures, and strategies with regard to climate protection along with other environmental issues, as well as the occupational safety of our employees and contractual partners, aspects of corporate governance, and respect for human rights.

Selection of our 2020 rating results

CDP

In 2020, HeidelbergCement achieved the top grade A in the CDP sustainability rating in the area of climate protection and was therefore ranked on the "Climate Change A List". The company was awarded the grade A- for "Water Security" and B for "Supplier Engagement".

→ **www.cdp.net**

ISS ESG

In June 2019, HeidelbergCement received a score of C+ in the ISS ESG (then ISS-oekom) Corporate Rating and is thus authorised to use the ISS ESG Prime Label.

→ **www.issgovernance.com**

MSCI ESG

In 2020, HeidelbergCement was graded AA in the MSCI ESG Ratings for the fifth time in a row.

→ **www.msci.com**
I Disclaimer

Sustainalytics

In Sustainalytics' ESG Risk Rating, HeidelbergCement achieved a 28.6 score, placing it 22nd out of 121 building materials companies. The management of material ESG risks was viewed classified as "strong".

→ **www.sustainalytics.com**
I Disclaimer

S&P Global CSA

HeidelbergCement regularly takes part in the S&P Corporate Sustainability Assessment and qualified in 2020 to be listed in S&P's Sustainability Yearbook thanks to a sustainability performance that put it in the top 15% of the industry that year.

→ **www.spglobal.com**

GRI 102-44, 102-46

Materiality analysis

We regularly use a materiality analysis to examine how relevant individual sustainability topics are for different stakeholder groups and for the company itself. The analysis thus helps us identify and evaluate issues and trends that are important for our business success today or could prove to be important in future.

→ Stakeholder engagement p. 19

We identified the topics that are relevant for HeidelbergCement as part of a materiality analysis, which was carried out in the fourth quarter of 2020. To do this, we compared the sustainability topics identified in the past with the topic series of the GRI standards as well as other frameworks and industry requirements. The resulting topics were structured and consolidated to pave the way for the next step: drawing up an analysis from a stakeholder perspective and determining the impact and business relevance. The list comprised 17 topics.

The next step was to draw up an analysis from a stakeholder perspective and determine the social, economic, and environmental impact of our business activity. This process resulted in the following new materiality matrix.

As part of our materiality analysis, we surveyed some 250 people in November 2020 on their assessment of the most important sustainability topics for HeidelbergCement – including representatives of the capital market, NGOs, politics and associations, customers, suppliers, competitors, and our own employees.

17

key action areas relating to sustainability were identified as part of our materiality analysis.

Materiality matrix

TCFD report

We are constantly striving to expand our data collection and reporting in order to better meet the legitimate disclosure interests of our stakeholders. Since September 2020, HeidelbergCement has therefore also been an official supporter of the Task Force on Climate-Related Financial Disclosures (TCFD).

In 2017, the TCFD published its recommendations on climate-related financial reporting in the areas of governance, strategy, risk management, as well as related key figures and targets, taking a holistic approach where all topic areas are interlinked and interdependant. Globally harmonised reporting based on the TCFD's forward-looking KPIs can thus help assess a company's future resilience to climate-related risks and opportunities, provide relevant information to capital markets and accelerate the industrial transformation towards a low-carbon economy.

We are convinced that TCFD reporting also benefits us as a company: by enabling us to validate and develop our business strategy against objectively identified opportunities and risks (physical risks, transformation risks). With TCFD reporting, we aim to provide our stakeholders with relevant and valid information that enables a comprehensive assessment of HeidelbergCement's transformation capability and future profitability.

1 Climate change governance

The response strategy of HeidelbergCement to climate change is based on a structured and comprehensive master plan that involves all relevant company stakeholders and resources. Our focus is on the consecutive reduction of carbon emissions, with clear milestones: We are committed to offering a carbon-neutral product portfolio by 2050 at the latest. The overall responsibility for the achievement of this commitment lies with the Managing Board and in particular with the Board Member in charge of sustainability.

To ensure consistent coordination of all global efforts and a careful follow-up of the expected reduction rates, HeidelbergCement's CO_2 Program, supported by a Program Management Office (PMO), was established in 2019. It is chaired by two Managing Board Members, and facilitates the coordination of the HeidelbergCement's various interdisciplinary working and expert groups contributing to carbon reduction.

All Managing Board Members are briefed at least once a month on the development of carbon emissions reduction efforts within the Group, as well as on relevant political and scientific developments, by the different Group department directors.

HeidelbergCement's ESG department is a key player in the CO_2 PMO and is responsible for developing the Group's sustainability strategy in close cooperation with other Group departments. Key strategic documents include the Sustainability Commitments 2030 (describing the company's medium-term sustainability strategy) and the 2030 carbon emission reduction targets, including the -30% reduction target (vs. 1990) advanced in 2020 to 2025. The Managing Board is responsible for review and approval of the strategic plan, including the carbon-specific road maps. The ESG department also regularly reviews the progress and status of greenhouse gas emissions reductions as well as the achievement of any other sustainability-oriented targets. The results of these review processes are passed on to the Managing Board for information and comment.

"We value a close exchange of ideas with our stakeholders: Only in this way can we create a mutual understanding of positions and targets. By disclosing in accordance with TCFD recommendations, we increase transparency, especially with regard to our ESG-oriented investors."

Christoph Beumelburg
Director Group Communication & Investor Relations

Operational responsibility for implementing the sustainability and climate protection-related goals lies with the respective country management teams. Progress, general business development as well as any high-level strategic management issues and relevant external influences are reported and discussed in quarterly meetings with the Managing Board. Risks and opportunities are defined and translated into business actions wherever possible.

For all major capital expenditures, especially acquisitions but also divestments, a thorough assessment is executed by different Group functions from a commercial, financial, technical and sustainability perspective, coordinated by Group Strategy & Development (GSD). The results of such assessments are a core element of the Managing Board's approval process. Thus, all investment projects are assessed not only based on financial metrics but also in terms of their climate-related risk and opportunity profile.

The responsibility of the Supervisory Board regarding climate protection is to monitor, oversee and advise the Managing Board. It's main areas of responsibility include monitoring the risk management system implemented by the Managing Board, a duty executed by the Supervisory Board Audit Committee. To this end, the Audit Committee receives regular reports (twice a year) from the Managing Board on the company's risk position, in particular strategic risks, which includes climate change-related risks.

2 Strategy & risk management

Analysis of climate change risks is part of HeidelbergCement's overall risk management approach. As part of this process, several emerging risks have been identified that might significantly impact the company in the medium and long-term. These include, in alignment with the recommendations of the Task Force on Climate-Related Financial Disclosures (TCFD), the physical and transitional climate risks, which we detail below. The process of identifying risks is performed annually for the whole Group and combines bottom-up reporting at country-level with a top-down global analysis of our physical risk exposure. At both levels, risks are assessed qualitatively and wherever possible supplemented with quantitative appraisals.

Different time frames are relevant for HeidelbergCement's three main business lines, based on their investment intensity. While the ready-mix concrete business line requires a more medium-term perspective, aggregates and cement business is rather longer-term oriented given the long-term nature of mining permits, the investments involved and the after-mining restoration commitments.

For the climate risks we consider the following time horizons:

- **Short-term (current–2025):** This relates to the regular financial and business planning routines as well as existing and readily foreseeable regulatory dependencies.
- **Medium-term (2025–2030):** The medium-term is defined as the time frame that is beyond regular strategic planning time frames, but for which a strategic road map exists.
- **Long-term (2030–2050):** Long-term refers to all plans exceeding the 15-year time horizon. This includes investments in assets, R&D for new product lines or strategic investments in new technologies like carbon capture and utilisation/storage (CCU/S) research as well as recarbonation.

2.1 Physical climate risks

Physical climate risks are divided into acute and chronic risks. The potential impact of climate change depends heavily on global developments such as demographic change, economic growth, and efforts to rapidly reduce the CO_2 concentration in the atmosphere. In its analysis of these physical climate risks, HeidelbergCement has therefore considered the current risk potentials (short-term), as well as the medium-term (2030) and long-term (2050) timeframes. In doing so, we use the recognised Representative Concentration Pathways (RCP) scenarios: RCP 2.6 (optimistic), RCP 4.5 (stabilisation) and RCP 8.5 (pessimistic) of the Intergovernmental Panel on Climate Change (IPCC).

The effects of climate change are already being felt in our business lines. As a result of extreme weather scenarios (e.g. floods, low water), there may be interruptions in the supply to our customers as well as adverse effects on the supply of upstream products to our operating units. In recent years, this has happened both in Central Europe and in Africa, with visible effects on the earnings before interest and taxes (EBIT) of the affected operating units.

Another example of an industry-specific risk is the dependence of construction activities on weather conditions. Harsh winters with extremely low temperatures or high precipitation throughout the year could have a negative effect on construction activity, with direct consequences for our revenue and operating performance.

In our global approach, we have rated each of our own operations separately according to the exposure to the main acute and chronic risks. According to our analysis this year, the main climate risk affecting especially our assets in Asia and Africa is heat stress. For our operations, long periods of intense heat pose an important health and safety risk and may require an adjustment of working hours. Other significant risks which affect us across the globe are meteorological developments that can lead to high precipitation and the flooding of rivers. This may cause damage to our own assets or lead to disruptions in our own operations. We counter this with making additional investment in drainage systems or flood protection. Finally, countries in more arid climates are more exposed to heat- and drought-related climate risks. Even though our production processes are not water-intensive, water is nonetheless an important input factor. Therefore, water shortage may cause production disruptions. HeidelbergCement counters these risks, for example, by choosing water-saving production techniques or investing in water recycling on-site.

Looking at the medium- and long-term time frames (2030 and 2050 respectively), the risk severity increases with the projected absolute greenhouse gas concentration in the atmosphere of the scenarios examined. Here, too, we see that heat poses a threat to our production sites, especially in the southern hemisphere. In addition, we see significant exposure to precipitation. In terms of acute risk, river flooding is one to mention globally. We are closely monitoring the long-term effects and are now developing plans for each business line to adapt our operations quickly to the expected local impacts. We do so for new assets as part of our investment due diligence process that covers physical as well as transition risks. For example, the new grinding unit we are currently establishing in the Nador region in northern Morocco has specifically been designed to operate with minimal water consumption to cope with the local water stress situation.

2.2 Transition risks

The transition to a low-carbon economy is a global challenge, which must be addressed by businesses and governments alike. Failure of achieving the goals set out in the Paris agreement will have significant negative impacts for us as a company. We have identified the following current and emerging risks as most important during the global structural transition to a low-carbon economy.

In our assessment we have used two climate-related scenarios for transition risks. On the one hand we investigated the future scenarios in a Business-as-Usual (BAU) setup, where environmental ambition levels will be followed on a moderate level, on the other hand following the IPCC 1.5 degree climate scenario, we looked into a future scenario with an accelerated climate ambition to offer carbon-neutral concrete by 2050 at the latest. Expectations to extend EU based rules (e.g. maximum emission levels based on Best Available Techniques – BAT; minimum amount of recycled materials to be used in new constructions, etc.) towards strict global climate regulations have been the basis for the latter assessment. The result is the synthesis of information provided by the country operations and the global assessment.

These risks correspond to the breakdown proposed by the TCFD.

Policy and legal risks

In the medium to long term, we see the main emerging risk as being additional climate-related regulations or changes to the design (especially prices) of existing regulatory systems. The ongoing extension of financial CO_2 regulations globally are a macroeconomic development to which the global industry must adjust to.

The risk is exacerbated if no level playing field across the globe for all market participants in an industrial sector exists. In this case carbon taxes or cap-and-trade systems lead to a clear competitive disadvantage for the companies operating in a regulated market, compared with manufacturers from non-regulated countries or from other competing building materials sectors. In 2020, almost 40% of our global clinker production were in countries with a cap-and-trade system with limited financial impact due to partial regulations on free allocations for hard to abate industries (e.g. cement and steel). We expect that more and more countries will introduce a carbon pricing in the next years.

For the EU area, the situation is expected to change after the adoption of the EU ETS regulation for the fourth phase from 2021–2030 and the ongoing discussion to increase the EU ambition level within the Green Deal. Increasing costs connected with the purchase of emission certificates are anticipated for HeidelbergCement, and the risk of increasing carbon leakage will threaten our industrial sector in the EU. To counter these threats, companies and industry associations are in intensive discussions with the European Commission to establish effective carbon leakage protection measures. We advocate the introduction of a carbon border adjustment mechanism (CBAM) because it internalises external climate costs for all market participants, and both ensures effective protection against carbon leakage and sets incentives for increased climate protection.

Technology risks

One of the main technological risks is the substitution of existing products with lower-emission ones that will be developed in the future. This relates in particular to new alternative binder concepts, which in turn could trigger a shift in customer preferences (see below Market and reputational risks). We are actively involved in the research and development of potential new product solutions in this area.

Another technology risk in the transition to a low-carbon economy is investing in technologies that do not succeed in the market. This risk exists particularly with new processes such as carbon capture and storage (CCS), which may not prove as efficient in the future, while investment decisions are already required today. Some of the most important carbon capture technologies envisaged for the future, such as LEILAC or oxyfuel technology, are described in the Production & Supply Chain chapter on page 55f.

HeidelbergCement is pursuing a gradual investment approach based on research cooperation with other partners and, wherever possible, also supported by public funding, in order to gain experience with all major carbon capture technologies. On the one hand, this minimises the risk of failed/uneconomic investments and, on the other hand, ensures that HeidelbergCement gains experience with all important technologies that could be successful in the market in the future. Technology risks also include the costs required to introduce the new technology. Current estimates have wide ranges and depend on several factors, such as economies of scale, which influence the final, currently unknown costs of each technology.

Market and reputational risks

One main market risk results from a possible change in consumer preferences that may occur during the transition to a low-carbon economy. Such a change could lead to increased substitution of concrete by other building materials perceived as having a lower carbon footprint.

Another market risk arises from rising commodity costs, which could be caused at least in part by the transition to a low-carbon economy. We are seeing an increase in electricity costs, while at the same time the demand for renewable energy is rising. As alternative fuels and raw materials are becoming increasingly difficult to procure, owing to rising demand on the one hand and declining availability on the other, we expect a cost increase closely linked to rising CO_2 costs. We are working to secure the necessary quantities of alternative fuels and raw materials for our future production, while also exploring opportunities for a long-term supply of renewable energy generated on site at our plants or from Power Purchase Agreements (PPAs) with strategic partners.

Overall, we classify climate change as a general emerging risk with a possible gradual long-term impact on the entire Group. In our opinion, the risk outlook has remained stable compared with the previous year.

2.3 Opportunities

We see HeidelbergCement strongly positioned to play a key role in the transition to a low-carbon and climate-resilient economy. In the medium-term, we see an opportunity from increased demand for durable building materials for the construction of a resilient infrastructure protected against the physical effects of climate change. In addition, the increasing urbanisation trend and growing world population will drive demand for cement and concrete. The ambition of HeidelbergCement is to provide our customers with carbon-neutral concrete by 2050 at the latest. In addition, we aim also to offer a product portfolio that fulfills all requirements of sustainability. We see this as an important prerequisite and at the same time as a great opportunity to increase the use of mineral based construction materials. In the long run, we expect increased demand for sustainable products. With the increasing likelihood of extreme weather events and natural disasters such as flooding and rising sea levels as a result of climate change, we expect a surge in demand for concrete-built, resilient infrastructure that is able to counteract and protect against the consequences of such developments in the affected regions.

> *"The effects of climate change are clearly felt at our sites around the world and by our partners along the value chain. We are working to minimise the risks and make HeidelbergCement resilient to future climatic changes."*
>
> **Peter Lukas**
> Director Environmental Social Governance

The supply of Ecocrete®, a type of concrete that contains shares of up to 100% recycled aggregates, for the refurbishment of the Afsluitdijk dike in the Netherlands can be mentioned as an example of this expected change in customer demand. 32km of this dike, which protects large parts of the Netherlands against flooding, have been renewed/reinforced during this project. We rate this as an opportunity of elevated likelihood and with a considerable positive impact on our business model.

Finally, we also see a long-term opportunity in the market for recycled building materials. One key focus of our R&D efforts in recent years has been research into use options for recycled concrete, with a special focus on the recarbonation of the cement paste in recycled fractions. The aim of this process called "enforced recarbonation" is to store the same amount of CO_2 in this material as it previously released during the cement production process. The results of our R&D efforts have been very encouraging so far, demonstrating a CO_2 uptake potential close to the amount of process CO_2 emitted during clinker production. It was also found that recarbonated cement paste can replace clinker in composite cements. This can contribute immensely to the decarbonisation of the industry, and gives us opportunity to access new and emerging markets with recarbonated products.

2.4 Integration into financial planning

Climate change related risks are increasingly being integrated into our day to day business and management, as such, the variable compensation of all bonus-eligible employees is now linked to our CO_2 reduction target. Moreover, it is already included in our (financial) planning procedures, for example in our quarterly management meetings, amongst other climate related topics, the CO_2 performance of the operations is addressed. Beyond that, we include climate change concerns in the following way:

Income statement

- **Opex and revenues**
  We expect climate change to have a significant impact on our operating costs. On the one hand, new regulation will increase our costs for energy-intensive inputs. Also, indirectly, we see increasing competition for low carbon alternatives, e.g. alternative fuels, which drives these costs up as well. In addition, we are aiming to increase our usage of renewable electricity, which comes with additional costs. Regarding internal carbon pricing, we have a dynamic internal CO_2 price that is based on developments in particularly relevant regions such as the EU and on the corresponding targets up to 2030 and 2050. It is used for the main CAPEX projects in the next strategic planning exercise (2020–2024) as well as in the financial assessment informing our due diligence, e.g. for new installations or capacity increases in the cement business line as our most energy and CO_2-intensive business line. When choosing the type of fuel, the cost of alternative fuels is discounted based on biomass content, which is considered to be carbon neutral. This increases the business case for alternative fuel installations and, accordingly, drives investments in these installations, resulting in emissions reductions.
- **Capex**
  To achieve the goals of our CO_2 roadmap, substantial investments will be required. In planning these projects, assumptions of potential CO_2 costs and their development are included in the investment planning. This influences the likely profitability of a project and thus the decision whether to go ahead or not.

Balance sheet

– **Assets/liabilities**
  Asset values for HeidelbergCement may be impacted by the effects of climate change, for example from exposure to physical climate risks or transition risks, as described above. The respective country management team is obliged to develop a strategy how to counterbalance these effects and to ensure our market presence is not at risk.

– **Acquisitions**
  Climate change is also considered in the context of planning and executing acquisitions. In acquiring new sites and companies, climate related risks as well as different climate change scenarios and their impacts are part of the standard due diligence. Moreover, we use acquisitions as a strategic tool to achieve the goals of our CO_2 road map. The purchase of recycling company Alex Fraser in 2018 is one such example, as it offers us access to alternative raw materials that we need to reduce the clinker content of our concrete.

3 Targets & KPIs

3.1 Targets

By 2025, we aim to reduce specific net CO_2 emissions to below 525 kg per tonne of cementitious material. This corresponds to a reduction of 30% compared with 1990. Our intention is to reduce this figure to below 500 kg per tonne of cementitious material by 2030. We will achieve these goals by using proven techniques and measures such as maximising the use of alternative fuels, optimising the product mix, or improving the efficiency of our plants. Within our CO_2 roadmap 2030, each country must achieve the respective CO_2 reduction targets by means of precisely defined measures. To this end, we have defined specific measures for all plants worldwide.

We aim to offer CO_2-neutral concrete by 2050 at the latest. To achieve this, tried-and-tested techniques and measures alone are not sufficient. We are therefore researching and testing several new technologies such as the capture and use/storage (CCU/S) of CO_2 and are intensifying the circular economy in order to reduce CO_2 emissions in the long term.

In order to lend even more weight to the roadmap, we are now anchoring these CO_2 reduction targets consistently in our global remuneration systems. In future, the full variable remuneration can only be achieved if both the financial targets and the sustainability target are met. The regulation will apply to all members of the Managing Board and to every bonus-eligible employee worldwide from the 2021 financial year.

3.2 KPIs

Climate protection

	2018	2019	**2020**
Specific net CO_2 emissions (kg CO_2 per tonne of cementitious material)	598.6	589.4	**576.0**
Alternative fuel rate	22.0%	24.0%	**25.7%**
Clinker ratio	74.7%	74.5%	**74.3%**

→ **We report further climate-relevant key figures in the Appendix from p. 92.**

Business & Compliance

 Image: Employees of our subsidiary Lehigh Cement in Union Bridge/Maryland, USA

HeidelbergCement is represented in over

50

countries

worldwide. Through wages, investments, purchasing, and taxes, we promote local economic development.

→ **p. 36**

We updated our

Code of Business Conduct

and reissued it in early 2021. In particular, the importance of human rights and sustainability aspects were further emphasised.

→ **p. 37**

In 2020, almost

16,000

employees

across the Group were registered for the Compliance e-learning programmes.

→ **p. 37**

HeidelbergCement is committed to responsible corporate governance. We aim to achieve our business objectives in accordance with applicable laws and international standards and by means of socially and environmentally responsible methods. Only in this way will our success be sustainable.

Legal compliance

In all the countries in which we operate, we comply with and respect the applicable laws and provisions. They form the legal basis for our business activity. As a globally active company, we are also bound by international values and standards. We acknowledge the core labour standards of the International Labour Organization (ILO), the Guidelines for Multinational Enterprises recommended by the Organisation for Economic Co-operation and Development (OECD), and the United Nations Universal Declaration of Human Rights. We have established comprehensive management processes that allow us to effectively exercise human rights due diligence and that meet the requirements of both the United Nations Guiding Principles on Business and Human Rights and the German government's National Action Plan on Business and Human Rights. We also expect our employees and business partners worldwide to observe these central guidelines and recommendations. Our Leadership Principles therefore include a commitment to these standards. Suppliers are obligated to comply with them via our Supplier Code of Business Conduct.

By joining the United Nations Global Compact in 2018, we committed to incorporate its principles in the areas of human rights, labour standards, environmental protection, and corruption prevention as integral elements of our strategy, corporate culture, and day-to-day business. In this context, we will increase our involvement in charitable projects in order to play our part in achieving the development goals of the United Nations, particularly the sustainability goals. We report to the public annually on our progress on the implementation of projects and the achievement of objectives, in accordance with the rules of the Global Compact.

Our management and monitoring structures comply with the company's Articles of Association, the Rules of Procedure of the Managing Board and Supervisory Board, the regulations under the German Stock Company Act, and the German Corporate Governance Code.

Business performance

Group revenue for the 2020 financial year fell by 6.6% in comparison with the previous year to €17.6 billion. On a like-for-like basis, revenue declined by 4.6%. The result from current operations grew by 8.1% to €2,363 million. On a like-for-like basis, the increase amounted to 11.0%. The additional ordinary result of €-3,678 million was affected by impairment of goodwill caused by COVID-19 and of other non-current assets totalling €3,497 million. This led to a net loss of €-2,009 million. The Group share amounted to €-2,139 million. Excluding the additional ordinary result and one-time deferred tax income, the Group share improved by 7.6% to €1,365 million. The return on invested capital (ROIC) amounted to 7.9%. In the 2020 financial year, cash inflow from operating activities of continuing operations increased significantly by €370 million to €3,046 million. The leverage ratio fell to 1.86x and was therefore within the target range of 1.5 to 2.0 times the result from current operations before depreciation and amortisation.

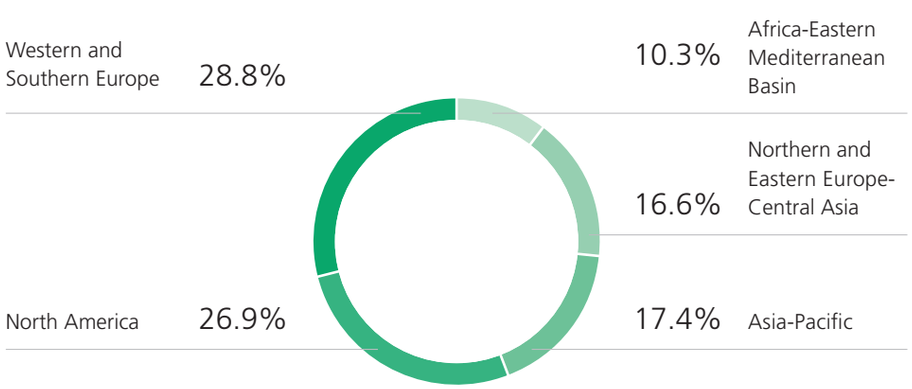
HeidelbergCement is represented in more than 50 countries at over 3,000 locations worldwide. We create jobs at our locations – both directly at our production sites and indirectly in upstream and downstream business sectors. We promote economic development with our wages, investment, purchasing, and taxes, particularly in economically weak regions. We are aware that tax revenues are an important cornerstone for financing

government investments and expenditures. It is part of our corporate responsibility to insist on compliance with applicable tax laws and regulations and to pay taxes in the countries where we are active and generate profits. Our internal control processes and guidelines are designed to ensure compliance with local tax laws and to prevent possible violations of applicable laws, thereby protecting our employees and averting possible reputational damage. We therefore organise our business transactions on the basis of sound economic, commercial, and legal grounds and facts, and do not use any aggressive or artificial tax arrangements. According to the list of participations, HeidelbergCement has subsidiaries in countries that are considered tax havens; these companies are known to the tax authorities and are not used for tax avoidance purposes. At our locations, local employees are given management responsibility wherever possible. The proportion of local managers in senior management positions in 2020 was approximately 80%. Each of our plants collaborates closely with local suppliers and service providers. And we invest around 90%[1)] of our procurement volume in the areas immediately surrounding our plants or within the respective country.

90%

of our procurement value is invested in areas immediately surrounding our plants or within the respective country.

Revenue by geographical Group areas



Our production and quarrying sites are generally designed for a service life of several decades. To maintain operating permits at our locations over these long periods and to renew our mining concessions at the required intervals, we need the constant support of the public. To achieve this, the key requirement is that we meet the conditions for regulatory approval, particularly in the area of environmental protection.

The impact of any new investment is taken into account in our due diligence process. Equal weight is given to human rights and business aspects when deciding on investments. We only proceed if our investment criteria are met.

1) Refers to around 50% of global procurement volume

Compliance management

We have implemented a compliance programme across the Group, based on our Code of Business Conduct, to ensure conduct that is compliant both with the law and with regulations. The Code of Business Conduct requires all employees to adhere to our basic principles of responsible corporate governance, regardless of whether or not such principles have been written into law. The compliance programme is reviewed on an ongoing basis for any necessary adjustments with respect to current legal and social developments, and it is improved and updated accordingly. In this context, we also revised our Code of Business Conduct and published a new version in January 2021. Human rights and sustainability aspects in particular are now given greater prominence.

→ Code of Business Conduct

A central element of this programme is the self-commitment made by the Group management not to tolerate violations of applicable laws and to impose sanctions accordingly. It also includes internal guidelines and measures that express the legal provisions in concrete terms. In addition to regular communication of these guidelines, our management issues compliance letters to raise awareness of compliance with laws and regulations. We also offer information brochures, employee training that makes use of modern technologies and media, such as e-learning modules, and an internet- and telephone-based reporting system. Our publicly accessible compliance hotline for reporting violations and misconduct is run by an external service provider in order to preserve complainant anonymity and is available in the relevant languages of each country. The range of electronic courses available covers topics such as discrimination and harassment in the workplace, competition law, and the prevention of corruption.

Violations of applicable laws and internal guidelines are consistently sanctioned. In addition, corrective and preventive measures ensure that similar incidents do not occur in the future.

Group-wide implementation of the compliance programme is monitored through regular and special audits by Group Internal Audit as well as via special half-yearly compliance reporting by the Director Group Compliance to the Managing Board and the Audit Committee of the Supervisory Board. The latter monitors the effectiveness of the compliance programme and verifies in particular whether it adequately satisfies the legal requirements and recognised compliance standards. An additional quarterly report regularly informs the Managing Board members with regional responsibility about the most important compliance incidents in their Group areas.

Compliance activities

In 2020, the country organisations of HeidelbergCement once again concentrated their efforts on implementing country-specific measures to tackle corruption and to ensure compliance with competition law, according to their risk profiles. This was backed by appropriate training measures. In the reporting year, almost 16,000 employees across the Group were registered for the Compliance e-learning programmes. Moreover, we intensified our efforts to protect human rights at our own locations and in the supply chain. In addition to training activities, this especially included the implementation of action plans drawn up from the human rights risk evaluations for the country organisations.

We already launched a risk analysis for human rights in 2017. This also explicitly examines the risk of violating the rights of indigenous peoples. By the end of 2020, we had carried out a human rights risk evaluation in almost all[1)] our country organisations. This involved identifying potential risks and existing measures as well as determining additional measures to be implemented. The aim is to repeat these risk assessments regularly at an interval of approximately three years.

1) Exceptions are countries where the scope of our economic activity is limited – e.g. where only one import terminal is operated, or where we cannot conduct the necessary surveys of employees because of a joint venture, such as in China and Turkey.

Our suppliers must subscribe to fundamental human rights relevant in the business context, such as the prohibition of child and forced labour, fair and safe work conditions, freedom of association, and a ban on discrimination. In 2020, we continued to further roll out the central supplier management system across the Group. Additional local and global measures to evaluate suppliers from a sustainability perspective were incorporated into an updated version of the global purchasing policy at the end of 2019. In 2021, we will continue to gradually introduce these measures in the various countries.

→ **Additional information on the measures taken to establish legally compliant and responsible conduct within the HeidelbergCement Group can be found in our Annual Report 2020 on pages 57 f. and 75 f.**

Compliance reporting system

Our compliance reporting system "SpeakUp", which also includes criteria for infringements of human rights and ILO core labour standards, offers employees and external parties the opportunity to report suspected violations of laws or guidelines. The system encompasses a variety of channels through which compliance violations can be addressed, ranging from reports sent directly to specifically authorised contact partners to information submitted via our whistle-blower hotline. All such reports are handled anonymously if desired. Our Compliance Incident Reporting & Case Management Guideline contains instructions and principles for reporting compliance issues, investigating submitted complaints, and protecting those reporting the incidents.

We examine every report we receive and take appropriate disciplinary action in cases of proven misconduct. These measures can range from reprimands to dismissal. We also initiate civil action and press criminal charges, if necessary. In addition to taking corrective action, we implement preventive measures to help stop similar incidents arising in the future.

In 2020, Group Compliance registered 136 confirmed or pending compliance cases across the Group, which corresponds to a rise of 37% compared with 2019. This increase can be explained, on the one hand, by an increase in reports during the introductory phase of the new compliance reporting system SpeakUp and, on the other hand, by increased reporting figures in connection with the COVID-19 pandemic.

Of the confirmed or pending cases, 42% were related to the working environment, 15% were property offences, and 8% concerned corrupt behaviour and conflicts of interest. The remaining 35% of allegations fall under various other categories. For example, the proportion of reports relating to occupational health and safety rose from 10% in 2019 to 13% in 2020, owing mainly to concerns about compliance with COVID-19 hygiene measures.

Apart from cases relating to health and occupational safety, only a few compliance cases were reported on human rights topics such as discrimination in 2020. These then turned out to be unfounded. The commitment to human rights aspects as a key selection criterion for suppliers is consistently promoted through our supplier management system. Our partners are thereby required to sign up to our Supplier Code of Conduct, which insists on compliance with ILO core labour standards, for example. We also cooperate with an external partner, with whom we have started to evaluate top-selling suppliers in North America, Germany, and the United Kingdom as well as the global suppliers in the Group. As part of this, suppliers are analysed with regard to the sustainability of their activities and asked to demonstrate their respect for human rights.

"With the revision of our Code of Business Conduct in 2020, we have formally anchored further topics such as human rights, anti-money laundering or product safety. Through communication campaigns and updated compliance trainings, we are raising awareness among our employees for these further developments."

Roland Sterr
Director Group Legal & Group Compliance

Risk and opportunity management

HeidelbergCement's risk policy is based on the business strategy, which focuses on safeguarding the Group's existence and sustainably increasing its value. HeidelbergCement is subject to various risks on account of its international business activity. The risk management process serves to identify these risks at an early stage and to assess and reduce them systematically.

Risk and opportunity management at HeidelbergCement is closely linked by Group-wide planning and monitoring systems. We consider events that may have a negative impact on the achievement of short-term and long-term operational and strategic corporate goals to be risks. Provided that these risks are consistent with the legal and ethical principles of entrepreneurial activity and are well balanced by the opportunities they present, these risks are classified as acceptable.

We see possible achievements that go beyond our corporate objectives as opportunities. Operational management in each country and the central Group departments are directly responsible for identifying and observing opportunities at an early stage. Risks and opportunities are recorded in the annual operational plan and followed up as part of monthly financial reporting.

HeidelbergCement has installed transparent regulations to govern competences and responsibilities for risk management that are based on the Group's structure. A code of conduct, guidelines, and principles apply across the Group for the implementation of systematic and effective risk management. Our risk management process reflects the decentralised structure of the company and identifies risks as part of the operational plan.

Risks that may have a significant impact on our assets, financial, and earnings position in the 2021 financial year are divided into five categories based on the risk catalogue established in the Group: financial risks, strategic risks, operational risks, legal and compliance risks, and climate risks. In 2020, HeidelbergCement carried out an extended analysis of the non-financial risks and implemented control and mitigation measures. This relates in particular to climate risks in accordance with the definitions of the Task Force on Climate-related Financial Disclosures (TCFD), which are linked to the Group's own business activity, business relationships, products, or services.

→ **TCFD report p. 25f.**

→ **Further information on our risk and opportunity management can be found in our Annual Report 2020 on pages 65–79.**

Product & Innovation

 Image: Employee working on concrete quality testing at our research centre in Leimen, Germany

We are working intensively on the development of cement types with reduced clinker content:

74.3%

was the clinker content in cement in 2020.

→ **p. 46**

Our specially developed solution for 3D printing with concrete,

i.tech 3D

came into use in several pilot applications in Germany in 2020.

→ **p. 47**

As a founding member of the

Concrete Sustainability Council

we are committed to sustainably produced concrete – along the entire value chain.

→ **p. 48**

GRI 102-40, 102-43

We are committed to reaching carbon neutrality of our whole product portfolio on concrete level by 2050. We are convinced that concrete has the potential to become the most sustainable and versatile building product, when considered across its entire life cycle, from production to recycling. A large part of our research and development (R&D) work is directed towards achieving this goal: through innovative products as well as improved processes and new cement and concrete formulations that help minimise energy consumption and CO_2 emissions. As a result, they also reduce the effects on the environment as well as costs.

Focus on customers

Our close proximity to the market enables us to provide our customers with extensive advice and develop our products in close consultation with them. The responsible departments and employees are directly incorporated into the organisation of the respective national subsidiaries and develop cements, aggregates, and concretes that are optimally adapted to local needs. This development work is often carried out in close cooperation with our customers. However, our work does not end with the product, but also includes providing the customers with expert advice on product usage. Customers who wish to file complaints can get in touch with their personal contact partners, whereby all complaints – whether of a technical, logistical, or commercial nature – are forwarded directly to the appropriate department.

In order to continually deliver more value to our customers and offer them the high-quality solutions they expect, we need to look beyond mere product innovation. By truly understanding our customers and their needs, we are able to optimise not just our products but also our services. We believe that this creates greater customer value, which brings major benefits, such as differentiation, loyalty, advocacy, and sustainable growth.

"The cement plant of the future will look significantly different from today: Our teams of experts are working in close cooperation with the operations to develop and implement new technologies in the areas of automation, CO_2 reduction and CCUS. The effects are already visible!"

Antonio Clausi
Director HTC Global

Since 2015, HeidelbergCement has been using the Net Promoter System (NPS®) as a customer experience optimisation program. This allows us to deliver superior value to our customers worldwide. In 2018, full customer journey mapping was introduced to deepen our customer insights. In recent years, over 2,500 optimisations based on customer feedback have been made to improve the experience we offer our customers. We treat all the customer data we collect confidentially and in line with GDPR, and we do not pass on any information to third parties.

Applying digital technologies to our core business

To build great digital tools, we need to understand the people who will use them. We use the knowledge gained from conversations with our customers to build and deliver solutions that address their specific needs.

Throughout the value chain, from raw materials quarrying, production, and logistics processes right through to the interface with the customer, digitalisation plays a crucial role. By introducing digital solutions, we intend to significantly increase our efficiency and reduce costs in production and administration. The strategy is centered on the three digital pillars HConnect, HProduce, and HService. While HConnect aims to cover more than 75% of our global sales volume via digital interfaces to customers by 2025, HProduce and HService focus primarily on improving efficiency and cutting costs. At Managing Board level, the Chairman of the Managing Board of HeidelbergCement is responsible for digitalisation. As of September 2021, there will be a newly created Managing Board position for digitalisation.

Research & technology

The aim of research and development (R&D) at HeidelbergCement is to develop innovative products as well as process improvements and new formulations, in order to minimise the use of energy, CO_2 emissions, and hence costs.

Our research and development activities

The innovation activities of HeidelbergCement focus on five main areas:

- **Products and applications:** The main priority is the development and improvement of binders and concretes with optimised properties and innovative functionalities. Improving the characteristics of cement and concrete is an important lever in terms of both optimising the use of these building materials and reducing the overall CO_2 emissions associated with concrete use. In 2020, particular emphasis was placed on further adapting the traditional building material concrete to the possibilities offered to us by digitalisation – such as its use in 3D printing.
- **Cement production:** Continuous improvement and sharing of best practice are important points of focus in the cement business line. This is illustrated by the Continuous Improvement Program (CIP), Maintenance Improvement Program (MIP), and Operational Excellence (OPEX). In 2020, we increased our focus on the digitalisation of cement plants (mainly to optimise production and maintenance, but also to provide support to our plants remotely), and on the development of new technologies related to carbon capture.
- **Aggregates:** In the aggregates business line, our Continuous Improvement and Performance Management programme (CI Agg) aims to make improvements along the entire value chain, from the extraction of raw materials to production processes and sales. There is a similar programme in the asphalt operating line.
- **Ready-mixed concrete:** The Competence Center Readymix (CCR) is pursuing the objective of generating savings in the ready-mixed concrete operating line and improving the quality of products and services. This will be achieved through an improvement programme examining all parts of the ready-mixed concrete business starting from the ground up: in raw materials, logistics, production, products, assets, and concrete pumps.
- **Development of cements and concretes with improved carbon footprints:** We are developing composite cements and concretes with less clinker and cement. Reducing the proportion of clinker in cement is the most important lever when it comes to minimising energy consumption and CO_2 emissions, and in preserving natural raw materials. We also work on processes to incorporate CO_2 in our products by means of carbonation, which allows us to use building materials for CO_2 storage.

Innovative building materials

The first 3D-printed home in Germany

Seizing the opportunities of digitalisation

In 2020, HeidelbergCement supplied the building material for Germany's first 3D printed residential building in Beckum, North Rhine-Westphalia. The two-storey single family house consists of multi-shell walls that were partly filled with insulating compound. It was printed by PERI, one of the leading manufacturers of formwork and scaffolding systems for the construction industry, using a 3D concrete printer installed on the construction site. In the process, the high-tech material i.tech® 3D was used, which was specially developed for 3D printing by Heidelberg-Cement subsidiary Italcementi and is suitable for versatile use with different types of 3D printers.

Resource-saving use of materials

The printing material has already been developed with sustainability in mind. It is purely mineral, and the binder it contains has a carbon footprint that is around 70% lower than that of Portland cement. Because the material can also be placed very precisely only where it is actually needed, this type of construction can save material – and thus conserve resources. The completely new construction technique, which was implemented for the first time in Germany, passed all official approval processes without any problems. The permits for the project issued by the North Rhine-Westphalian building authorities were obtained by HeidelbergCement together with PERI.

Organisation and fields of activity

Our global competence centers Heidelberg Technology Center (HTC), Competence Center Materials (CCM), Competence Center Readymix (CCR), and Global R&D (GRD), the center for R&D and product innovation, pool the knowledge in our Group and make it available to all operating units. International experts work in all of our competence centers, offering wide-ranging expertise in the areas of cement, aggregates, and concrete.

Central R&D and innovation: At the end of 2020/start of 2021, we concentrated our Group-wide R&D and innovation activities in the cement, ready-mixed concrete, and aggregates business lines in our research center in Leimen, Germany, (GRD), to which we also transferred the activities of the Global Product Innovation unit (previously based in Bergamo, Italy). The team in Leimen is now focused on the reduction of CO_2 emissions, CO_2 use in building materials, resource efficiency, and a decrease in production costs as well as the development of sustainable concrete solutions for modern urban and infrastructure construction and new market opportunities. Individual projects are defined and implemented in close coordination with the operating companies. This close collaboration from the very start of any project facilitates the efficient implementation of the development results and a quick market launch.

Technology and innovation: Technical centers support our national companies in each Group area. In the cement business line, the HTC supports our cement plants from the quarry to dispatch with expertise in all relevant disciplines, including geology, quarrying, maintenance, quality control, and automation. This also includes the digitalisation of cement plants, the use of artificial intelligence solutions in the area of process optimisation, and predictive maintenance. The HTC manages all strategic projects from initial feasibility studies to implementation and commissioning (e.g. construction of new cement plants as well as new technology projects on CCU/S or alternative fuels). Similarly, the CCM supports the aggregates and asphalt business areas Group-wide with programmes for continuous improvement and performance management. Its tasks also include the planning and implementation of projects as well as digitalisation and automation. In addition, the CCM offers training and further education.

The CCR, a comparable organisation for the ready-mixed concrete business line, focuses on continuous improvement of the entire ready-mixed concrete business but primarily on the optimisation of raw materials and logistics costs.

Customer-related development and technical service: Our close proximity to the market facilitates intensive customer-oriented development and technical service. Integrated directly into the organisation of the respective national subsidiaries, the relevant departments and employees develop and optimise the cements, aggregates, and concretes that are tailored to local needs, often in close cooperation with customers.

Expenditure and number of employees

Total expenditure on research and technology amounted to €120.0 million in the reporting year (previous year: 133.5), corresponding to 0.7% of Group revenue. The following table shows a breakdown of expenses for the last three years for each of the three fields of activities mentioned above.

Expenditure on research and technology

€m	2018	2019	**2020**
Central R&D and innovation[1)]	18.3	15.3	**13.4**
Technology and innovation	64.0	61.6	**52.3**
Customer-related development and technical service	63.4	56.7	**54.3**
Total	145.7	133.5	**120.0**

1) Including capitalised expenses.

In the 2020 financial year, a total of 1,031 people (previous year: 1,083) were employed in research and technology. The personnel breakdown and development over the last three years is shown in the following table. The high importance of customer-related development and technical service and of technology and innovation is reflected not only in the costs but also in the number of employees.

Employees in research and technology

	2018	2019	**2020**
Central R&D and innovation	109	97	**91**
Technology and innovation	357	342	**309**
Customer-related development and technical service	690	644	**631**
Total	1,156	1,083	**1,031**

Research cooperation

Cooperation with institutes and universities at both a local and global level complements our own R&D and innovation activities. At a global level, we refer in particular to our participation in the research network INNOVANDI. The network includes cement and admixture companies as well as 40 leading international universities, which all work together to carry out fundamental research.

In terms of product development, we prefer bilateral cooperation with individual universities in order to complement our own expertise. In some cases, cooperative projects with universities are supported by public funding.

Alternative raw materials for improving the carbon footprint

One of the most important ways of reducing CO_2 emissions in cement manufacturing is the use of alternative raw materials that are produced as by-products or waste in other industries. A very large share of these alternative raw materials comes from the metalworking industry. Moreover, coal-fired power plants supply ash as well as synthetic gypsum. By using these materials, and thus avoiding waste, we actively promote the circular economy. The systematic assessment of the suitability of all materials used ensures the best and most consistent product characteristics.

HeidelbergCement generally uses alternative raw materials in two phases of the production process: in the combustion process for the production of clinker, which is the most important intermediate product in the manufacture of cement, and as additives that allow us to reduce the proportion of CO_2-intensive clinker in cement.

To produce clinker, we make use of used foundry sand, for example, or lime sludge from drinking water purification systems in order to reduce the consumption of finite natural resources. When we develop new types of cement with less clinker, we also use further primary components such as blast furnace slag from steel production operations as well as fly ash, a by-product from coal-fired power plants. Moreover, in Africa, for example, we use ground rock from local quarries as an additional component in cement production, thereby replacing imported clinker with local raw materials. In the Netherlands, Germany, and France, we are investigating whether the fines from concrete recycling can be used as a cement ingredient in order to fully close the loop in concrete recycling.

At Group level, the proportion of alternative raw materials in cement production was 11.4% during the reporting period; the clinker proportion in cement was 74.3%.

Sustainable construction

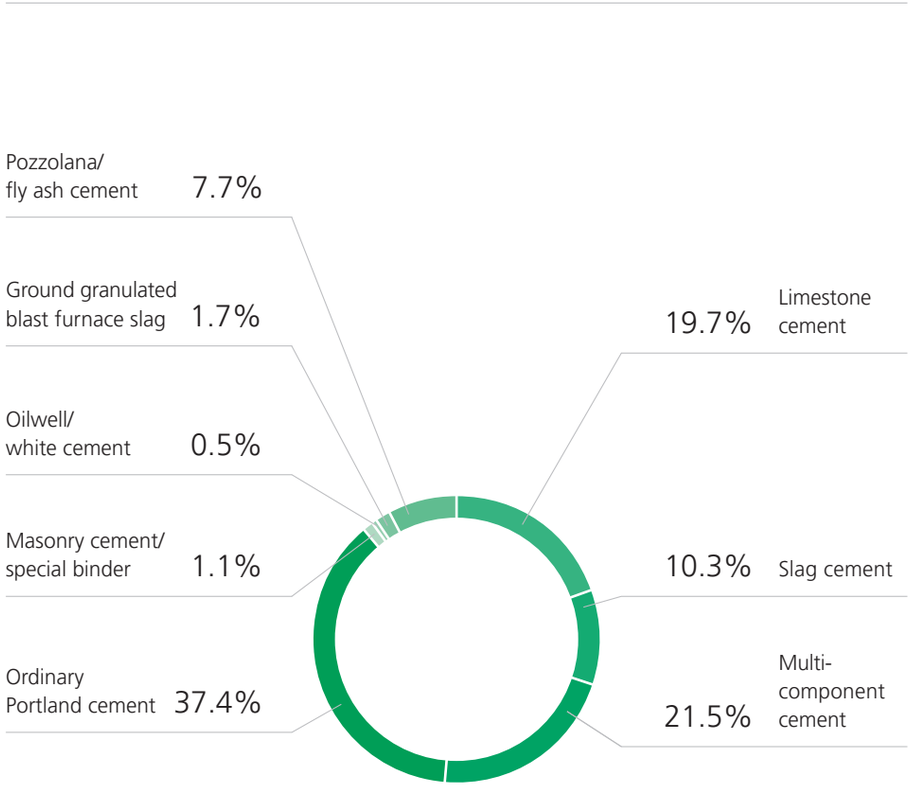
Besides reducing our carbon footprint through the use of alternative raw materials and efficient process technologies, our research laboratories are also working on products intended to improve the energy efficiency of buildings and to support the energy transition. One example of a product designed to support the energy transition is Powercrete®, a special concrete with outstandingly high thermal conductivity, which allows high-voltage cables to be laid underground.

Concrete is generally characterised by good thermal insulation properties and can, where used correctly, contribute towards significant energy savings in a building over the material's service life. Thanks to innovative formulations, concrete can also be used to store or conduct heat. Our new headquarters in Heidelberg, which have been occupied since mid-2020, have been constructed in accordance with the platinum standard of the German Sustainable Building Council (DGNB), and the energy demand of the building is exceptionally low.

We also make a significant contribution to sustainable construction through the development and marketing of cement types with a reduced proportion of clinker. In Canada, for instance, we have further reduced the carbon footprint of our local cement range by introducing InterCem™, a Portland-limestone cement.

Digitalisation, automation, and sustainability in the construction industry will also support the development of new building technologies, such as 3D printing with concrete. In the reporting year, for example, our building material solution developed specifically for 3D printing – i.tech® 3D – was used in pilot applications to print a two-storey house in Beckum and a multi-family residential unit in Wallenhausen, both in Germany.

Cement type portfolio



We have also strengthened our engagement in various national Green Building Councils, the European Construction Technology Platform, and other associations in order to support and accelerate developments in the area of sustainable construction and market transformation. Since June 2020, we have also been actively involved as an official partner in the Europe Regional Network (ERN) of the World Green Building Council.

Concrete Sustainability Council

Certification system for responsibly sourced concrete

Bringing transparency to the production process

As a founding member of the Concrete Sustainability Council, we contributed significantly to the development of a new certification system for sustainably produced concrete, which was introduced at the beginning of 2017 and has been continuously developed since then. With the certification of concrete, taking into account social, economic, and environmental aspects along the value chain, we expect to see greater acceptance of the product and the entire industry.

New Gold and Platinum CSC certifications

In 2020, concrete plants in Germany, Italy, and the Netherlands were certified, as were cement plants in Belgium, the Netherlands, Turkey, and Italy, and sand and gravel plants in Germany. The German subsidiary Heidelberger Sand und Kies GmbH was the first company worldwide to receive the highest CSC certification level (Platinum) for 11 of its production sites.

Concrete recycling as a contribution to the circular economy

Throughout its entire service life, concrete binds CO_2 from the air to form limestone. This natural carbonation process also continues during concrete recycling. As a result of this natural process, some of the CO_2 emitted in the production of the cement source material is already reabsorbed over the whole product life cycle of concrete.

With our increasing engagement in the production of recycled aggregates, we are making a contribution to the circular economy and thus also to sustainable construction. In Australia, Hanson Australia took over the Alex Fraser Group, one of the largest companies for building material recycling on the east coast of Australia, back in 2018. Alex Fraser recycles more than 3 million tonnes of demolition concrete and several hundred thousand tonnes of asphalt every year. The majority of this recycled material is currently still used in road construction. However, there are specific plans to increase the use of demolition concrete in the production of fresh concrete in the future.

Through our participation in the Dutch concrete recycling company Rewinn B.V., Amsterdam, which we established together with local partner Theo Pouw BV, Utrecht, Netherlands, we are able to produce up to 250,000 tonnes of aggregates from recycled concrete annually. These are already used in numerous applications, such as the production of fresh concrete. For example, we market Ecocrete®, a concrete with up to 100% recycled coarse aggregates, through our Dutch subsidiary Mebin. Ecocrete was used in numerous projects in 2020, such as the new building for the National Institute for Public Health and the Environment (RIVM) in Utrecht, Netherlands.

As part of our research activities, we are also driving forward the targeted processing of recycled concrete components, as well as their recarbonation and reuse in building materials – particularly in the context of the increasing scarcity of traditional cement additives such as blast furnace slag and fly ash. In the C2inCO2 research project, the intention is to use the principle of the natural carbonation reaction of concretes during their life cycle in a targeted way and on an industrial scale to bind CO_2 again as calcium carbonate in recycled concrete components so that they can be used in the production of construction materials.

→ **Innovations for climate protection p.55**

Collecting data about sustainable products

We use a life cycle approach to measure the sustainability of our products based on their environmental, social, and economic contribution. In the reporting year, work therefore began on the development of a tool for evaluating the sustainability performance of our concrete products throughout their entire life cycle. In the future, we intend to use this to record revenue from sustainable products in our ready-mixed concrete operating line. Our Sustainable Product Portfolio tool, or SPP tool for short, has already been successfully tested in a pilot project. Through this, we can record the sustainability value contributions of our products in the categories of energy and climate, resource efficiency, social added value, and cost efficiency. The products are considered over their entire life cycle, i.e. from production, transport, and installation through to the end of life of the respective structure and the recycling of the materials. With the aid of the tool, all concrete products are assigned to four different, graded sustainability performance classes based on their related performance.

The SPP tool, as a new assessment system for measuring sustainability performance, will replace our Product Evaluation Tool (PET) introduced in ten countries to date, as it has not been possible to apply PET consistently and comparably to all markets in our Group countries.

Production & Supply Chain

In order to achieve our CO_2 reduction targets, we want to increase the share of alternative fuels in the fuel mix to

43%

by 2030. In 2020, it was 25.7%.

→ **p. 53**

In a project with the Bombay Natural History Society in 2020,

117

bird species

were observed in four of our Indian quarries – where they find good habitats.

→ **p. 61**

The specific water consumption in 2020 was

271.9

litres per tonne of cement. We aim to reduce the specific water consumption further by switching to closed cooling circuits and the complete recycling of process water.

→ **p. 64**

HeidelbergCement's sustainability strategy focuses on climate protection, environmental responsibility, and ensuring the permanent availability of resources. This has given rise to our objective of operating sustainable production processes at all of our operational sites worldwide. We also expect our suppliers to be aware of our standards: that is why a Code of Conduct forms the basis of all of our partnerships, and our contractors have to commit themselves to upholding this code.

Environmental management

Environmental protection is an integral element of HeidelbergCement's business strategy, which is defined by the Managing Board in consultation with the Supervisory Board. One member of the Managing Board is responsible for the topic of environmental sustainability and coordinates all activities at Group level. The ESG (Environmental Social Governance) department also reports to him. The task of this department is to manage and support the progress of operating activities with regard to environmental sustainability.

As HeidelbergCement has a decentralised structure, the country organisations take responsibility for all areas of our operating activities, including compliance with all legal provisions and regulatory conditions. This also covers the correct recording and transmission of all necessary production, operating, consumption, and emissions data that HeidelbergCement is obligated to provide in the various countries by law or by regulations, or because of voluntary commitments. Every plant manager is essentially responsible for the environmental management system and the environmental performance of their plant.

The internal monitoring of all relevant operating data is carried out by our competence centers: HTC for the cement business line, CCM for the aggregates business line, and CCR for concrete. Any irregularities identified during the check are followed up immediately. Where necessary, this also includes supporting the relevant production plant in resolving any technical issues.

In the reporting year, there were isolated violations of environmental protection laws from ongoing business activities that resulted in fines or non-financial penalties. At the time of reporting, there were 11 known cases involving amounts of over US$10,000.[1)] These included, for example, fines for late reporting of relevant emissions data. We analyse each case to derive changes and improvements.

In an effort to place environmental protection on a firmer footing at our production locations and achieve continual improvements in this area, we plan to introduce certified environmental management systems at all of our cement plants worldwide by 2030. We will focus here on the ISO 14001 international standard, but also use locally recognised environmental management systems. At the end of 2020, 97.4% of our integrated cement plants were operating with a certified environmental management system.

Energy & climate protection

Due to the high temperatures needed to burn limestone, the production of cement consumes a lot of energy and thus causes combustion-related CO_2 emissions. In the calcination process, the raw material is heated to up to 1,450°C, which leads to further, process-related CO_2 emissions from the limestone.

1) Related to the cement business line in all Group areas and to the aggregates business line in the Africa-Eastern Mediterranean Basin, Northern and Eastern Europe-Central Asia, as well as Western and Southern Europe Group areas.

This is why climate protection is a fundamental part of our environmental policy, as is also reflected in our Sustainability Commitments 2030 and our Climate Policy, which was revised at the beginning of 2021. In these documents, HeidelbergCement has set itself the objective of reducing its ecological footprint. As a company, we are committed to fulfilling our share in the responsibility to keep the global rise in temperature well below 2°C, as set out in the Paris Agreement.

By 2020, we had already achieved a 23% reduction of our specific net CO_2 emissions per tonne of cementitious material compared with 1990 levels. We have therefore brought forward our 2030 target of a 30% reduction to 2025 and defined a new ambitious objective of less than 500 kg CO_2 per tonne of cementitious material for 2030, which is a reduction of 33%. To reach this target, we will, for instance, increase the proportion of alternative fuels in the fuel mix to 43% by 2030. In 2020, this figure reached 25.7%. At the same time, we plan to further intensify the use of alternative raw materials and further reduce the proportion of clinker in our cement – that is to say, the clinker ratio. This currently stands at 74.3%.

Our reduction targets and the measures defined to achieve them are in accordance with the road map set out by the International Energy Agency (IEA) for our industry in order to successfully limit the global temperature rise to below 2°C, as agreed at the COP21 Climate Change Conference in Paris. We have since had this conformity reviewed and confirmed by the Science Based Targets initiative (SBTi), thereby making HeidelbergCement the first company in the cement sector to have its reduction targets approved by the SBTi.

We are also working intensively to reach our goal of being able to offer our customers throughout the world carbon-neutral concrete by 2050 at the latest. To achieve this, we are investigating a number of measures, including the option of capturing and utilising CO_2 emissions in the product life cycle over the long term. It is HeidelbergCement's view that concrete has the potential to become the most sustainable building material.

Climate protection

	2018	2019	**2020**
Specific net CO_2 emissions (kg CO_2 per tonne of cementitious material)	598.6	589.4	**576.0**
Alternative fuel rate	22.0%	24.0%	**25.7%**
Clinker ratio	74.7%	74.5%	**74.3%**

Participation in the European Union's emissions trading system

HeidelbergCement currently has 50 facilities in 16 countries that participate in the EU Emissions Trading Scheme (EU ETS). As in previous years, the compliance requirements for the past financial year were met without incident. The debate regarding the reform of the EU ETS for Phase IV (2021–2030) has become much more concrete in 2020. At the end of the year, the first version of the new allocation rules for emission certificates and, in particular, the level of the product-specific benchmark for the cement industry were announced by the EU. Further regulation is expected in the coming years as a result of the EU Green Deal, but no detailed information on this was available at the end of 2020.

Emissions trading systems outside Europe

Emissions trading systems are also being set up in regions outside the EU. The implementation of a national emissions trading system in China as a follow-up to the pilot projects run in some provinces will initially only be set up for the energy sector. The exact timing of the cement industry's inclusion in the national ETS had not yet been decided by the end of 2020. In North America, the Western Climate Initiative combines the Canadian and Californian emissions trading programmes. In the United States, California has had an emissions trading system since 2013. In Canada, we are currently subject to a CO_2 tax and operate as part of an emissions trading system at provincial level. A carbon price floor has also been introduced at national level, which defines a lower price limit for Canada's individual emissions trading systems over the next few years.

Sustainability strategy

We have revised and republished our Climate Policy

Proactive cooperation with our stakeholders

HeidelbergCement's Climate Policy, which was published for the first time in 2018, has been updated in 2020 to reflect the latest developments in the field of climate protection: Based on HeidelbergCement's carbon neutrality strategy and our ambitious CO_2 reduction targets, we revised the existing Climate Policy and republished it in April 2021.

The new Policy includes a commitment to proactive cooperation with policy makers, communities, sectoral business partners and other stakeholders to create the appropriate framework conditions to support the implementation of sustainable solutions for climate change mitigation and adaptation.

Moving toward carbon neutrality by 2050

HeidelbergCement advocates for global level playing field conditions to enhance effective responses to climate change, based on sectoral and local action. We have set our own binding targets and will continue to cooperate closely with industry peers as well as competent advisors and suppliers to reduce the carbon emissions of our industry. At the same time, we are strengthening our cooperation with associations across our product value chain to move toward net zero carbon buildings by 2050.

→ www.heidelbergcement.com/climatepolicy

Innovations for climate protection

HeidelbergCement takes a leading role when it comes to climate protection research projects and invests in particular in studies into innovative techniques for the capture and utilisation of CO_2. By using various technologies, we aim to capture CO_2 in its purest form in order to either utilise or safely store it. Cement and concrete companies can also support the circular economy through resource efficiency, co-processing of waste materials, and concrete recycling, including its forced carbonation. We test a variety of materials for CO_2 absorption and the possibility of using them to produce marketable building products.

By doing so, we also fulfil our obligation under the Low Carbon Technology Partnerships Initiative (LCTPi), which aims to scale up deployment of low-carbon technologies in industry.

Current research projects investigating carbon capture

LEILAC (Low Emissions Intensity Lime And Cement)

The EU-funded LEILAC (Low Emissions Intensity Lime And Cement) project, in which HeidelbergCement is one of the strategic partners, started in 2016 and aims to demonstrate the technical and economic feasibility of process technology designed to capture CO_2 in its purest form when it is released as the raw material is heated. After extensive preparations, construction of the 60-metre-high demonstration calciner at our cement plant in Lixhe, Belgium, was completed in 2019 and actual process trials have begun. In spring 2020, a decision was made to scale up the LEILAC technology to an industrial scale. After a very successful first phase of the LEILAC project in Lixhe, HeidelbergCement intends to work with Australian technology company Calix and a European consortium to build a plant four times as large at the HeidelbergCement plant in Hanover. Key aspects of the LEILAC 2 project include the further scale-up of the technology to industrial standard, the complete integration of the process into an existing cement plant, and the use of renewable energies to supply heat to the plant so as to ensure climate-neutral carbon capture.

→ **www.project-leilac.eu**

AC²OCem – ongoing development of oxyfuel technology for CO_2 capture

In the oxyfuel process, the rotary kiln is supplied with pure oxygen instead of ambient air, which facilitates carbon capture. To further develop the oxyfuel technology, HeidelbergCement participates in the AC²OCem project, which aims to drive forward the use of technologies for the capture of CO_2 in the cement industry and is co-financed by the ACT (Accelerating CCS Technologies) European development programme. As part of the AC²OCem project, the first-generation oxyfuel technology, which aims to modify existing kiln lines, and the second-generation oxyfuel technology will be investigated for use in new systems.

→ **http://ac2ocem.eu-projects.de/**

catch4climate – applicability of oxyfuel technology to cement plants

In order to further develop the oxyfuel technology for carbon capture, HeidelbergCement participated in a joint research project to construct an oxyfuel kiln line together with four other European cement manufacturers as part of the catch4climate pilot scheme. Together with Buzzi, Dyckerhoff, Schwenk, and Vicat, HeidelbergCement hopes that catch4climate will create the necessary conditions for large-scale use of low-energy and therefore more cost-effective technologies for CO_2 capture at cement plants, in order to allow the CO_2 to be used subsequently as a raw material for other industrial processes, for example. The aim is to use the CO_2 obtained in this trial to manufacture climate-neutral synthetic fuels, such as kerosine for aviation.

Current research projects investigating carbon sequestration and utilisation

Long-term storage of CO_2

CCS Brevik, Norway

In June 2020, after many years of preparation and various FEED studies, HeidelbergCement signed a contract with engineering company Aker Solutions to deliver a facility for the capture, liquefaction, and intermediate storage of CO_2 at the Brevik cement plant in Norway. This will make Brevik the world's first industrial-scale carbon capture plant in the cement industry. The aim of the project is to demonstrate that carbon capture and storage (CCS) is a viable, safe, and cost-effective technology. At the end of 2020, Norway's government and parliament approved the implementation of this project, which will involve the capture of 400,000 tonnes of CO_2 a year. According to the planned schedule, the CO_2 emissions captured as part of the project will be transported to an underground storage site below the North Sea from 2024.

→ **https://www.norcem.no/en/CCS**

CCS Slite, Sweden

In our Slite plant on the Swedish island of Gotland, the world's first climate-neutral cement plant is to be developed until 2030. The installation at the Slite plant will be scaled to capture up to 1.8 million tonnes of CO_2 annually, which corresponds to the plant's total emissions. Additionally, the use of biobased fuels in the cement production at Slite will be increased. A feasibility study is currently addressing questions of technology selection, environmental impact, legal aspects, financing, logistics and energy supply. According to the plans, the captured CO_2 is to be transported to a permanent storage site under the North Sea.

Edmonton, Alberta, Canada

At our cement plant in Edmonton, Alberta, Canada, the organisation Emissions Reduction Alberta (ERA) is providing 1.4 million Canadian dollars for a feasibility study for an industrial-scale carbon capture and storage (CCS) project. The study comprises technical designs, cost estimates, and a comprehensive profitability analysis. Work is currently underway on a more detailed FEED study.

HyNet North West

In the spring of 2021, our British subsidiary, Hanson UK, joined HyNet North West, a consortium aiming to establish the world's first low-carbon industrial cluster in North West England. Initially, a feasibility study will be carried out to provide a clear design basis and cost estimate for the planned carbon capture facility at Hanson's Padeswood cement plant and the connection to HyNet North West's CO_2 transport and storage system. The project is expected to reduce regional CO_2 emissions by up to 10 million tonnes a year by 2030, including up to 800,000 tonnes from Hanson's Padeswood cement plant.

→ **https://hynet.co.uk/**

Carbon capture & storage

World's first industrial-scale carbon capture installation in a cement plant

The Brevik CCS project

In December 2020, the Norwegian parliament approved investment in a carbon capture and storage (CCS) facility at HeidelbergCement's Brevik cement plant in Norway. This CCS project will enable 400,000 tonnes of CO_2 to be captured annually and transported for permanent storage.

The goal: to reduce CO_2 emissions by 50%

It is the world's first industrial-scale CCS project in a cement plant. Construction of the new plant in Brevik has already started, and the capture of CO_2 from the cement production process is scheduled to begin in 2024. The aim is to reduce CO_2 emissions from the cement produced at the plant by 50%. Carbon capture is an important cornerstone for achieving national and international climate targets. Funding for the project is largely supported by the Norwegian government and is part of the Norwegian "Longship" climate investment project, which comprises CO_2 capture, transport and storage on an industrial scale.

2 kg CO_2

are processed during photosynthesis by one kg of algae – the microalgae cultivated in our project in Safi/Morocco serve as high-quality animal feed.

Use of CO_2 in algae cultivation

In cooperation with our Dutch partner OmegaGreen, we launched a large-scale research and demonstration project at our Safi cement plant in Morocco in 2018 to use CO_2 captured from the cement kiln to breed microalgae and therefore to manufacture fish food and other animal feed. In Safi, we are producing 50,000 kg of microalgae annually on a 0.5 ha area. The algae farm is operated by a local team, which means that new and sustainable jobs have been created in Safi in an innovative field. Similar exploratory research projects have already been carried out in Sweden, Turkey, and France. It is now being investigated whether the project can be transferred to large-scale production.

Recarbonation of cement dust in concrete recycling processes

By recarbonating the cement fraction generated in concrete recycling, we can return CO_2 to the cement and concrete materials cycle. This process requires access to sufficient quantities of demolition concrete and their cost-effective processing as well as the sustainable management of the material streams of recycled material and CO_2.

CO2MIN – incorporation of CO_2 into concrete

In 2017, HeidelbergCement launched the CO2MIN project in collaboration with RWTH Aachen University and the Institute for Advanced Sustainability Studies (IASS) in Potsdam, Germany. This project aims to investigate the potential of natural minerals for absorbing CO_2 and the possibility of using them to produce marketable building materials. Besides natural minerals like olivine and basalt, industrial waste products such as different slags from steel mills are also being tested. The research and development programme, initially planned to run for three years, is supported by €3 million in funding from the German Federal Ministry of Education and Research (BMBF) and was subsequently extended by a further year to the end of 2020 in order to gain fundamental insights into the carbonation potential of the materials studied. The findings are the basis for further-reaching R&D activities on the topic of recarbonisation, among other things.

C2inCO2 – calcium carbonation for the industrial use of CO_2

The C2inCO2 project – calcium carbonation for the industrial use of CO_2 – explores the potential of adding CO_2 to recycled waste concrete, so that it can be used as a building material. By developing optimised preparation processes and efficient carbonation methods, it addresses the two key elements that are needed to close the CO_2 and material cycle in the cement and concrete industry. The three-year project is supported by the BMBF as part of the CO2-WIN funding initiative. With a funding volume totalling €3.2 million (overall budget: €6.0 million), C2inCO2 is the biggest project funded in the tender. Alongside HeidelbergCement as the project coordinator, thyssenkrupp IS, Loesche, Sika, the universities of Aachen and Weimar, and the Fraunhofer Institute for Building Physics are also contributing to the implementation of the concept.

→ **https://co2-utilization.net/en/projects/co2-mineralization/c2inco2/**

Alternative fuels

Many waste materials and by-products from other industries serve as valuable raw materials for HeidelbergCement. We use these resources as alternatives to finite natural raw materials and fossil fuels in the production of cement. In this way, we are helping to conserve resources and solve the problems associated with waste disposal faced by municipalities and industrial companies near our plants. At the same time, these efforts are also reducing our CO_2 emissions. The biomass used, which accounted for around 39% of the alternative fuel mix in 2020, makes a special contribution here, as it is classified as climate-neutral.

Alternative fuels replace natural resources

The Alternative Fuel Master Plan project was launched in mid-2018. It aims to increase the proportion of alternative fuels across the Group, helping us to meet our commitment to reduce CO_2 emissions by more than 33% by 2030. The project is being led by a working group comprising experts from various Group areas and departments.

In 2020, we also further increased the proportion of alternative fuels in the overall fuel mix. This is predominantly pre-processed and quality-controlled waste, such as non-recyclable household waste or biomass (e.g. dried sewage sludge or waste wood), as well as waste products from other industries. Co-processing as a fuel in clinker kilns is a worthwhile option that supports a circular economy, as it not only uses the waste's energy content but also embeds its mineral components into the clinker. The waste is co-processed without any residue. The use of alternative raw materials and fuels is always part of an official approval procedure. In addition to the completely different process management of waste incineration plants and cement plants, the high temperatures in the clinker burning process and long retention times in particular lead to the safe destruction of organic compounds and, compared to all other incineration processes, offer the best conditions for complete burnout with the lowest emissions at the same time.

During the reporting year, we made various investments in the use of alternative fuels. For example, in our cement plant in Vác, Hungary, we implemented a project to supply alternative fuels directly to the main burner. At the Matera cement plant in Italy, an increase in the use of alternative fuels was approved, which we were able to implement using the existing plant technology. A storage hall for alternative fuels was refurbished at our Slite cement plant in Sweden.

In 2020, the proportion of alternative fuels in the fuel mix was 25.7%. By 2030, we intend to increase this figure to 43%. Through the Alternative Fuel Master Plan, we aim to further increase the proportion of alternative fuels in 2021 and set goals at country level for reducing CO_2 within the CO_2 Master Plan.

Use of hazardous materials

The careful handling of hazardous wastes is a key element of every country's waste disposal infrastructure. For most types of hazardous waste, reuse in cement plants has proved to be a safe means of disposal and utilisation. The high temperatures of over 1,450°C and long incineration period in the kilns ensure that all harmful components are completely destroyed. This has been confirmed by measurements taken by independent state-certified institutes.

Land management & biodiversity

We only extract worthwhile deposits if they can be exploited in an environmentally compatible and economical manner. Before making any decision concerning the development of a new quarry or the expansion of an existing one, the company first conducts an extensive approval process in line with the corresponding laws and regulations. Our sites are operated in accordance with relevant international, national, and local environmental legislation, and environmental impact assessments are generally prepared as a pre-requisite for the permitting of quarrying activities. Through this process, we manage our impact on biodiversity in line with the sequential steps of the mitigation hierarchy: avoid, minimise, and mitigate.

86%

of our quarries in the cement business line and 79% in the aggregates business line have reclamation plans.

Concepts for the limitation of land consumption

For environmental and economic reasons, we strive to limit land consumption when planning our quarrying and reclamation activities. As a matter of principle, the authorised raw material supply is always completely extracted in order to minimise land consumption. We therefore prefer to expand existing quarries rather than develop new sites. When constructing production and plant facilities, we also take care to use as little land as possible.

Subsequent use and reclamation

Reclamation plans are now an integral part of approval processes. These plans define the goals and timetable for the reintegration of a quarry into the surrounding landscape. Even while a quarry is still in operation, we reclaim those areas of the quarry that are no longer used. In 2020, the proportion of quarries with after-use plans was 86% for cement and 79% for aggregates. We intend to increase these figures to 100% by 2030 at the latest.

Biodiversity management at our quarries

As early as 2010, we began to collect and analyse information about the biodiversity value of our quarries. In cooperation with our partner, BirdLife International, we conducted a study to determine how far our quarries are from areas of recognised high biodiversity value in Europe, Africa, and Asia. The study has now been extended to cover all our active extraction sites worldwide. We are collecting data about the proportion of active quarries in areas with a high level of biodiversity and for which biodiversity management plans are being implemented. In 2020, this proportion amounted to 48% of cement quarries and 56% of aggregates quarries. We are steadily extending biodiversity monitoring to more and more quarries and implementing corresponding management plans.

Protecting biodiversity and habitats

We believe in helping to conserve habitats and biodiversity features throughout the life cycle of our quarrying sites. Even during the extraction phase at an operational site, we can create optimal conditions for threatened species that are associated with early stages of ecological succession. Through the reclamation process, we are also able to create new habitats,

such as wetlands and species-rich grasslands, and integrate biodiversity features into any intended subsequent use. In Europe in particular, our quarries are now important refuges and stepping-stone habitats for specially protected species such as the sand martin, the yellow-bellied toad, the eagle owl, and the Eurasian otter, which are accordingly also the focus of numerous biodiversity projects.

In 2020, we placed a thematic focus on migratory birds and the role of quarries as their resting and breeding places. The first findings on migratory wetland birds at some of our locations in India were already obtained in 2019. To investigate these further, we set up a partnership project with the Bombay Natural History Society (BNHS), the local partner of the BirdLife International organisation. BNHS conducted scientific surveys at four quarries in January 2020. In the process, 117 bird species were observed, of which six are found exclusively on the Indian subcontinent. Wetlands in quarries seem to offer favourable conditions for the birds. The results of the survey will be included into the development of biodiversity measures to further enhance the value of these quarries for nature.

Cooperation with nature conservation organisations

We work with many local nature conservation organisations worldwide. Our partnership with the largest international nature conservation organisation, BirdLife International, which we began in 2012, was extended for a further three years in 2018, for the third time in succession. The interaction with BirdLife International and our cooperation with its national partner organisations help us to minimise our impact on the environment and promote biodiversity at our quarrying sites and in their surroundings. Besides the projects connected with the Quarry Life Award (p. 62), over 30 local projects were undertaken at locations in Europe and in African countries between the beginning of the partnership and the end of 2020. A new updated interactive map was launched at the end of 2020 on the BirdLife website and provides information about our joint projects:

→ **www.birdlife.org/europe-and-central-asia/project/project-map**

→ **www.birdlife.org**

During the reporting year, HeidelbergCement once again supported BirdLife International's Spring Alive project. This project aims to encourage children in Europe and Africa, as well as their families and teachers, to take an interest in migratory birds. In 2020, the focus was on the question "How do I become a birdwatcher?". Despite complications arising from COVID-19, the initiative went ahead, with the country organisers finding innovative ways of hosting the event in a virtual environment. To integrate the theme into HeidelbergCement operations, the first ever global "bird race" was held. Employees were encouraged to spend some time recording birds seen preferably in the quarries, but due to many people working at home, it was also extending to birds people saw in their gardens, supported by visual check lists provided by BirdLife. The bird race challenge was taken up by employees across the Globe, with nine countries across three geographic regions; Northern America, Europe, and Asia-Pacific participating. Close to 200 different bird species were recorded, of which almost a third were migratory species and more than 20 were different birds of prey species.

The COVID-19 pandemic presented many challenges for engaging NGOs and communities on site, however HeidelbergCement Poland were not deterred. Supported by a number of species specific NGOs, including the BirdLife partner OTOP, colleagues at Gorazdze cement plant developed a virtual tour of the quarry where visitors can follow a trail and find out more about the nature on site through the use of informative posters.

→ **https://www.heidelbergcement.com/en/virtual-tour-around-the-gorazdze-limestone-quarry**

Quarry Life Award

HeidelbergCement's research and education competition, the Quarry Life Award, is targeted at scientists, university students, and non-governmental organisations as well as our neighbours in the communities where our facilities are located. All of these groups are invited to develop and – provided they qualify to participate in the competition – implement biodiversity related projects focused on our company's quarries worldwide. In this way, we want to promote the evaluation of the quarries' biological value and support the development of new methods that benefit scientists and government authorities as well as our company.

Up to 2018, we have successfully organised four Quarry Life Award competitions. In order to allow more time for the winning projects to be implemented, the competition will now be held every three years rather than every two years. Because of the COVID-19 pandemic, the fifth edition of the Quarry Life Award had to be postponed and was launched in May 2021. From January to September 2022, HeidelbergCement will open its quarries for the implementation of the selected projects. By the end of 2022, the winners will be awarded at national and international level.

→ **www.quarrylifeaward.com**

Local environmental impact

Air pollutants and noise

In addition to addressing the issues of dust and noise, HeidelbergCement faces a particular challenge in terms of the air pollutant emissions from the cement business line. While dust and noise are emitted from different points in the production process, nitrogen oxides, sulphur oxides, and other air pollutants are mainly emitted from kiln lines. There are national legal limits that must be observed by all production locations. As part of its Sustainability Commitments 2030, HeidelbergCement has also pledged to reduce air pollutants. By 2030, we aim to reduce the emissions of sulphur oxides (SO_X) and nitrogen oxides (NO_X) generated in our cement production by 40% – and dust emissions by 80% – in comparison with 2008 levels. This is in addition to our objective to continuously reduce all other air pollutant emissions, bringing them down below the average of the industry. The reduction target for dust emissions was already met in 2020.

Reduction of specific emissions (g/t clinker)

We monitor emissions of air pollutants on an ongoing basis. By using new filter technologies and innovative production processes, we reduce pollutants and thus mitigate the impact of our activities on the environment and neighbouring communities. In 2020, the electrostatic precipitators in kiln lines 5 and 8 at the Citeureup cement plant in Indonesia were replaced by modern fabric filters in order to reduce dust emissions. We also modernised small filter systems at several cement plants.

Quarry Life Award

Nature is the biggest winner

HeidelbergCement's Quarry Life Award

Promoting biodiversity is a priority within HeidelbergCement's sustainability strategy. Based on the projects that emerge from our international biodiversity competition, the Quarry Life Award, the company develops best practices and innovative ideas for quarry management which are then applied on a global scale. In Ghana, for example, practical solutions were developed to stabilise quarry slopes, enabling successful revegetation. Projects across Central Europe raised appreciation for nature, in particular the crucial role of pollinators.

Quarry Life Award 2021 open for participation

Applications for the next Quarry Life Award are open until November 2021. Students, researchers, NGOs and local communities can submit project proposals in the "Research" or "Community" streams. A maximum of six project ideas per country will be selected by the national juries to participate in the competition. The juries are composed of experts from local universities and NGOs as well as HeidelbergCement specialists. From January to September 2022, HeidelbergCement will then open its quarries for the realisation of the selected projects.

→ www.quarrylifeaward.com

In order to reduce NO_X emissions, a high-dust selective catalytic reduction (SCR) system was commissioned at the Ennigerloh plant in Germany and a selective non-catalytic reduction (SNCR) system at the Tehachapi plant in California, USA, during the reporting year. At the Guangzhou plant in China, we optimised an SNCR system to comply with the new, very strict NO_X limits.

Water management

HeidelbergCement has committed itself to the goal of minimising the impact of its activities on natural water resources. We comply with stringent environmental regulations to ensure that our raw material quarrying will not endanger local bodies of surface water or groundwater resources.

Water is hugely important for our production processes and is used, for example, when washing gravel and sand as well as for cooling or cleaning transport vehicles. Water is also one of the source materials for concrete manufacturing and becomes part of the building material during its production. We obtain some of the water we use from the public water supply, but the majority comes from our own approved well systems or from rivers and lakes. All direct withdrawals are heavily regulated and closely monitored by governments worldwide. The local operating permit at each plant specifies the allowable amounts of water extraction and recirculation. Some of the water – the water used for cooling, for instance – evaporates and is released into the atmosphere. The cleaning water that accumulates when transport vehicles are washed is fully recycled. We dispose of the domestic wastewater accruing at our company buildings via the municipal wastewater systems.

271.9 l

was the specific water consumption per tonne of cement in 2020.

In the last few years, we have introduced a water reporting system at all of our company's cement plants. The specific water consumption amounted to 271.9 litres per tonne of cement in 2020. We are continuously working to reduce our water consumption, e.g. by converting to closed cooling circuits. We have therefore also started to introduce measurement systems and key figures on water reporting in our aggregates and ready-mixed concrete business lines. As there are more than two thousand operational sites in all, implementation is not expected to be completed until 2025. In 2020, we have sharpened this and other targets in the area of water and brought forward the corresponding deadlines for implementation by several years.

In 2014, a global water-risk study supplied us with fundamental information for the creation of a Group-wide guideline concerning sustainable water management in the cement, aggregates, and ready-mixed concrete business lines. We updated this data in 2019, after adjusting our methodology. To do this, we made use of the World Resources Institute's online Aqueduct database, which provides information on water risks worldwide. The updated study showed that around 36% of our plants are located in regions where water scarcity is projected for 2030. The increase

"Water is not only essential for our production processes, but also a resource shared by local stakeholders. Conserving this resource is crucial to ensure its availability for our operations, and to fulfil our responsibility towards local communities."

Clara Schuhmair
Expert Water & Digitalization
Environmental Social Governance (ESG)

in this proportion from 14% in comparison with 2018 is due to the change in our methodology and the use of a more comprehensive definition of water scarcity, reflecting the huge significance of this topic.[1)] There were no significant changes for 2020: Due to adjustments in the scope of consolidation, the share of plants in regions suffering from water scarcity for 2020 is 34%. Back in 2015, in response to the first water-risk study, we began developing individual water management plans for those plants in regions suffering from water scarcity. The plans include concepts and measures to ensure careful use of scarce water resources and enable local stakeholders to become involved so that the water utilisation concepts support the common good and thus minimise local water risks. Implementation of these plans will begin at those locations where water scarcity is an especially urgent problem. These activities were continued in 2020 and will be expanded over the next few years. Our objective is to have water management plans in place by 2030 for all plants in regions affected by water scarcity. Alongside this process, we are developing a global strategic water reduction plan, which aims to coordinate the work at Group level and reduce water consumption locally, wherever economically and technically possible. Because we are facing a water surplus in other regions of the world, where we need to pump off large quantities of water in order to operate our quarries, it does not make sense to define a general global reduction target for the Group based on water withdrawal rates.

In 2020, we once again reported on the key figures for water from 2019 and on our strategy and governance on this topic to the CDP. Thanks to our long-term success and our transparent reporting, we repeated the achievement of the previous year and obtained an "A-" classification in the water security category of the CDP company ranking for 2020. This assessment confirms HeidelbergCement's leading role within the industry.

→ **www.cdp.net**

Waste materials

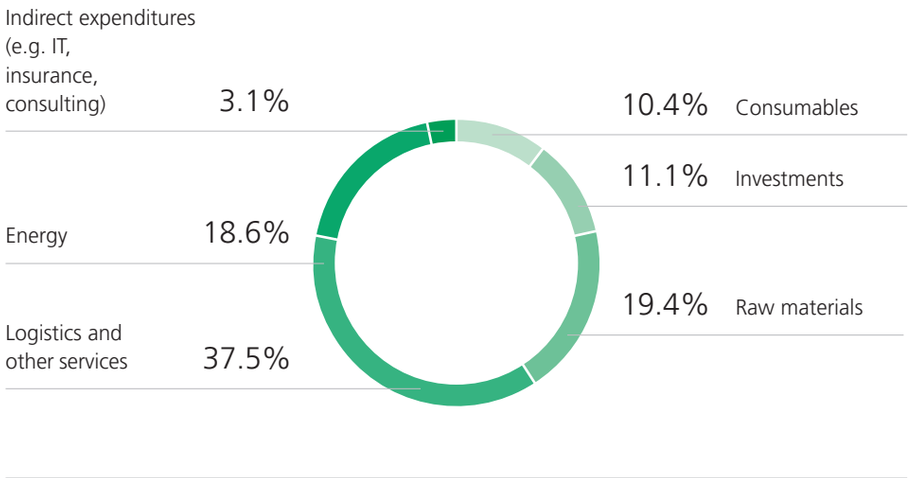
Our primary focus in terms of waste management concerns the kiln dust that is a by-product of clinker production. This dust has to be removed from the kiln systems at several facilities in order to prevent disruptions to proper kiln operations. We generally use the kiln dust as an alternative raw material in the production of certain types of cement, thereby improving our ecological efficiency. In some exceptional cases, the locally produced cement type portfolio prevents us from fully recycling the dusts. A second possibility for us is to use the kiln dust as a raw material for the production of special concrete. If no other option is available, it can be deposited in underground landfill sites in a controlled process. The local operating permit at each plant specifies the allowable amount of process-related waste products and how it is to be used.

1) We define water scarcity as high or extremely high water stress in a region, projected for 2030. Around 16% of our locations are in regions with extremely high water stress, and around 20% in regions with high water stress.

Management of supplier relations

In the reporting year, HeidelbergCement procured goods and services with a total value of €11,277 million. This corresponds to 64.1% of total revenue.

Expenditure by category



HeidelbergCement strives to ensure compliance with sustainability standards in the supply chain. Group-wide purchasing guidelines therefore provide clear instructions regarding our supplier relations and purchasing activities. The most important tool used for this purpose is our Supplier Code of Conduct, which we consistently communicate to our global and local suppliers, who are obligated to act in line with the principles defined in the Code. The Code incorporates the key elements of the SA 8000 International Social Accountability Standard, the ISO 14001 international environmental standard, and the principles of the International Labour Organization (ILO). If a supplier fails to abide by the Code and does not correct a weakness or deficiency that has been identified, this can result in the termination of the contractual relationship. The Supplier Code of Conduct was revised again at the end of 2020 to significantly expand the self-commitment by the suppliers with particular regard to human rights and compliance with environmental regulations.

Our Supplier Sustainability Initiative was also further developed and rolled out in 2020. In cooperation with our sustainability partner Avetta, more suppliers were reviewed according to defined sustainability criteria. The process actively monitors our suppliers' compliance with the principles outlined in the Supplier Code of Conduct – extending well beyond the mere self-commitment by suppliers. In 2020, we continued to drive forward the use of our central online platform for supplier management. This platform simplifies the systematic recording and consolidation of supplier data as well as its assessment in accordance with the sustainability aspects addressed in our Supplier Code of Conduct.

Measures for 2021

In 2021, we will introduce a new supplier management platform featuring an integrated risk assessment module, the goal being to replace the existing solution with this platform in the medium term. In future, this will also allow us to identify and monitor sustainability risks much more effectively via adverse media alerts, for instance. From mid-2021, we will gradually migrate all countries from the previous online platform to the new platform, thereby enabling them to establish a more comprehensive risk management system for suppliers with a particular focus on sustainability topics.

Employees & Employment

Image: Employee of our Egyptian subsidiary Suez Cement.

Around

54 %

of all training hours at HeidelbergCement are focused on occupational safety topics – this amounts to an average of around 11.3 hours per employee across the Group.

→ **p. 73**

In 2020, we hired a total of

198

university graduates

– including as part of our international trainee programmes focusing on technology, sales, finance, human resources, purchasing and IT.

→ **p. 77**

Two-thirds of the 887 employees at the Group headquarters in Heidelberg come from Germany and one-third from

59

other countries.

We consciously ensure that the workforce is made up of employees from the countries in which we operate.

→ **p. 78**

Around 53,000 women and men work for HeidelbergCement worldwide. Their achievements make us one of the leading companies in our sector. That's why it is crucial to provide them with attractive working conditions. As a manufacturing company, we also attach particular importance to occupational safety and the protection of our employees' health.

With the "Beyond 2020" strategy and in light of the increasing pace of change in the business world, it is important to provide guidance to employees and managers. With our newly defined corporate purpose "Material to build our future", we strengthen our common identity and emphasise what we stand for and want to stand for as a company. In addition, our four culture principles serve as a guide for cooperation and interaction within the Group.

Principles

For us, a good personnel policy means having due and proper regard for our employees with their range of talents and wealth of experience. And it therefore means creating the right conditions to allow them to do their job with efficiency and dedication. This includes fair remuneration and tailor-made qualification opportunities in addition to a non-discriminatory working environment and flexible conditions that allow them to reconcile professional demands and private life. Another area of particular importance to us as a manufacturing company is occupational safety and the protection of our employees' health. We are proud of the international nature of the workforce at our headquarters and in our technical centers in Heidelberg and Leimen, which is made up of local managers and employees from 52 countries. Our staff form the foundation of the worldwide success of HeidelbergCement.

Our Leadership Principles prescribe binding rules for personnel management. They concern, for example, respectful behaviour towards co-workers, employee development, and a commitment to our company's strong feedback culture. The main leadership principles are embedded in standard human resources processes and described in detail in HeidelbergCement's Human Resources Guidelines.

We believe that law-abiding and ethical behaviour is a key requirement of good leadership and of each and every employee. This is why the Managing Board has approved a Code of Business Conduct that is binding across the Group and specifies our values as well as the ethical and legal standards upheld at our company. In particular, this includes non-discriminatory employment conditions and an open and fair dialogue with employee representatives.

HeidelbergCement also subscribes to the core labour standards of the International Labour Organization (ILO), the OECD Guidelines for Multinational Enterprises, and both the Universal Declaration of Human Rights

„It is important to us that all HeidelbergCement employees feel valued and respected – regardless of their ethnic origin and nationality, gender, age, physical and mental abilities, sexual orientation and identity, their religion and world view, or any other aspect that defines them."

Carmen-Maja Rex
Director Group Human Resources

and Guiding Principles on Business and Human Rights developed by the United Nations. Moreover, we have enshrined this commitment in our Leadership Principles. We expect our employees and our business partners worldwide to comply with these central guidelines and recommendations.

Employment and co-determination

Development of the number of employees worldwide

At the end of 2020, the number of employees at HeidelbergCement stood at 53,122 (previous year: 55,047). The decrease of around 1,900 employees essentially results from two opposing developments. On the one hand, around 2,300 jobs were cut across the Group as a result of portfolio optimisations, the realisation of synergies, efficiency increases in sales and administration, as well as location optimisations. On the other hand, approximately 400 new employees joined the Group, particularly as a result of first-time consolidations in Australia and in the Nordic Precast Group in Northern Europe.

53,122

people were employed by HeidelbergCement at more than 3,000 locations in over 50 countries at the end of 2020.

Dialogue with employee representatives GRI 102-41

HeidelbergCement has a long tradition of employee co-determination, which has demonstrated its worth at our locations in Germany. Members of the employee committees at the individual locations form the General Council of Employees for HeidelbergCement AG as well as the Group Council of Employees. Moreover, employees are equally represented on the Supervisory Board.

Group management and employee representatives also engage in a continuous, constructive dialogue in the European Council of Employees. This council supplements the information and consultation processes that take place at a local level in the individual European countries.

In addition, there are trade unions and similar organisations in nearly all of the countries in which HeidelbergCement operates. As required by our Code of Business Conduct, we also engage in a fair and open dialogue with representatives of these organisations.

In the event of a reorganisation or job cuts, we work in close consultation with employee representatives to achieve a socially responsible solution. For example, we initially examine the possibility of transferring employees within the Group. If this is not feasible, we try to cushion the individual impact through retraining, early-retirement schemes, outplacement, and severance payments.

Remuneration policy & working time regulation

Our remuneration systems are based on performance and results in accordance with the market standards for internationally operating companies in our sector. Alongside fixed salaries governed by a collective agreement or an individual work contract, our employees also receive variable remuneration elements based on their individual performance and on corporate success. Our CO_2 reduction targets are consistently anchored in our global

remuneration systems as well: the full variable remuneration can only be achieved if both the financial targets and the sustainability target are met. This regulation applies to all members of the Managing Board and to every bonus-eligible employee worldwide since the start of the 2021 financial year.

We consciously aim to achieve a high variable element as part of the total remuneration of our managers in order to directly reflect the connection between personal performance and corporate success.

The employees in our foreign subsidiaries benefit from attractive remuneration systems that correspond to the respective local market conditions. Collective regulations apply to more than half of the Group's employees.

Personnel costs and social benefits

Expenditure on wages and salaries, social security costs, costs of retirement benefits, and other personnel costs decreased by 5.1% in comparison with the previous year to €3,025 million (previous year: 3,187). This corresponds to a share in revenue of 17.2% (previous year: 16.9%).

The amount of the contribution to the pension scheme at HeidelbergCement is based on accepted market standards. In Germany, we have created a matching model of contributions from the employer and the employees within the framework of the pension scheme. In countries without statutory retirement or health insurance, we support our employees at least in line with local practices.

Working time regulation

In our working time regulations, we conform to the legal requirements in effect at our locations. We promote adherence to these regulations by means of our compliance system, which enables employees to individually report possible violations (passive monitoring). To promote flexible working time options, we offer models such as flexitime, working time accounts, part-time work, and leaves of absence to our employees in many countries. Older employees have the option of switching to partial retirement. The part-time ratio at HeidelbergCement AG is 11% (previous year: 11%); for the Group as a whole, it is unchanged at 2.3%.

Occupational health & safety

Occupational health and safety has top priority at HeidelbergCement and is an integral part of our key corporate values. Our declared aim is to achieve "zero harm". With effective preventative measures, we intend to minimise the risk of accidents and injuries as well as the risk of occupational illness. Our principles for protecting the workforce are specified in our Group policy on occupational health and safety.

→ **www.heidelbergcement.com/en/occupational-health-and-safety**

Responsibility and organisation

At HeidelbergCement, all management levels are accountable for occupational health and safety. Our occupational safety organisation is subordinate to the Chairman of the Managing Board, to whom the Head of Group Human Resources, who is responsible for Group Health & Safety, reports directly. The Managing Board members responsible for the different Group areas are in turn supported by H&S advisors who report to them.

Individual occupational health and safety measures designed to tackle any weak points are defined either by Group Health & Safety or the local units, depending on the nature and impact. Occupational safety measures are part of the personal goal agreements of the members of the Managing Board and operating top managers in the countries, who break down these measures to the relevant target groups at location level. Last but not least, each individual employee, contractor, and visitor is responsible for following the occupational safety regulations.

89%

of our operational sites have a work management system.

Occupational health and safety management systems, such as those in accordance with the internationally accepted OHSAS 18001 or ISO 45001 standards, have already been implemented in 89% of our locations. These systems require a structured approach from the local line managers with planning, regular risk assessments, clear safe work procedures, responsibilities, and controls to ensure an ongoing improvement process and thus prevent accidents.

We place great emphasis on cooperation on matters of preventive occupational health and occupational safety with the employee representatives, who represent more than 97% of our entire workforce.

To support our processes, we use standardised software throughout the Group in which accidents involving our own employees and contractors are recorded and their investigation documented and tracked. To ensure that any identified areas of concern are addressed, we also use the software to monitor corrective and preventive measures resulting from the accident investigations. In addition, we use the system to record and analyse other preventive occupational safety aspects, such as safety conversations, safety inspections, and near misses, in order to derive measures from them. This data is used at all management levels for monthly reporting.

Targets and commitments

We believe that injuries, occupational illnesses, and work-related health impairments are avoidable. That's why we continuously strive to minimise the risks for our employees, contractors, and third parties and to achieve our goal of "zero harm", which we also reiterated in our Sustainability Commitments 2030.

In all countries, occupational health and safety is subject to legal requirements that have to be fulfilled. Furthermore, as a member of the Global Cement and Concrete Association (GCCA), HeidelbergCement is bound by its guidelines. These have been integrated into our internal standards.

As part of our Group policy on occupational health and safety, we have defined a set of cardinal rules that are mandatory for all employees and contractors. They relate especially to those activities that have been identified as main risk areas for accidents. This includes in particular all transport activities, both at the locations and during shipping to the customer, working at height and in confined spaces, as well as working on and with running machines. These main risk areas for accidents are therefore also addressed in specific Group standards and must be translated into local regulations. Through intensive training measures, we aim to ensure that everyone affected remains aware of these risk areas in order to decrease the number of accidents – especially those resulting in fatalities. We ensure compliance with the defined safety requirements through regular safety inspections, for example, as well as safety conversations between line managers and employees.

Occupational safety as a management task

In addition to various training and other measures on the topic of COVID-19, we instructed our employees during the reporting year in a wide range of occupational safety topics that were both legally mandated and defined internally. We want to raise their awareness for all risks related to their work in order to reduce the number of accidents, especially those with fatal consequences. We made use of conventional training held in classrooms, training centers, or on site, in addition to e-learning courses, which are only ever used to supplement face-to-face training. Owing to the COVID-19-related restrictions, face-to-face training only took place if hygiene and distancing rules could be observed. Since this was not always the case, the proportion of e-learning courses increased. Occupational safety topics account for around 54% of all training hours at HeidelbergCement, corresponding to an average of around 11.3 hours per employee across the Group.

Development of accident figures

Occupational health and safety is one of the core values of our Group and therefore a fundamental element of our work processes. Our priority is to ensure that employees return home healthy at the end of the working day. In 2020, we were not able to further decrease the accident frequency rate across the Group. There were more accidents in some countries, especially where there were more COVID-19 cases. Although many of our operational sites remained accident-free in 2020, we have not yet achieved our self-imposed Group goal of "zero harm". We must therefore continue to focus on suitable preventative measures.

It was with great regret that in the reporting year we had to announce the death of two of our own employees, one of whom died in a road accident. Furthermore, three employees from external companies lost their lives, two of whom died in internal traffic accidents.

We analyse each accident and share the findings across the Group by means of safety alerts that describe both the sequences of events and causes of the accidents as well as the corrective measures taken in order to prevent similar accidents at other locations. An accident event cannot be closed in the internal safety alert system until the aforementioned causes of the accident have been analysed and corrective or preventive measures have been defined. Fatal accidents are also discussed by the Managing Board.

Accident trends for the HeidelbergCement Group

	2018	2019	**2020**
Accident frequency rate [1]	1.7	1.5	**1.6**
Accident severity indicator [2]	70	80	**86**
Fatality rate [3]	0.4	0.7	**0.4**

1) Number of accidents involving Group employees with at least one lost working day per 1,000,000 hours worked.
2) Number of working days lost due to accidents involving Group employees per 1,000,000 hours worked.
3) Number of fatalities of Group employees per 10,000 Group employees.

In 2020, one black spot of fatal accidents was again traffic accidents occurring during the transportation of our products. These transportations were frequently carried out by external forwarding companies working on our behalf. In 2020, we therefore continued to work on implementing the new safety requirements contained in the Driving Safety Group standard drawn up by experts in 2019. They include, for instance, the equipment of trucks with retro-reflective markings or the retrofitting of heavy mobile equipment at our production sites with rear view cameras.

"Our occupational health services for HeidelbergCement employees also focus on aspects of mental health. This was particularly important in 2020 because of the changes in working conditions caused by the COVID 19 pandemic."

Klaus Hormann
Senior Manager Health & Safety
Group Human Resources

Occupational health

The general illness rate at HeidelbergCement has been low for many years and amounted to 1.37% of all hours worked in 2020.

Noise-induced hearing impairment was the most frequent cause of cases of occupational illness acknowledged in recent years. In addition, some employees suffered from back problems and other musculoskeletal disorders or respiratory illnesses.

To prevent job-related illnesses, we check our work sites regularly for exposure to factors hazardous to health, such as noise or dust, and regularly send our employees for medical examinations conducted by occupational physicians. Employees trained as first aiders can provide first aid in emergencies at all operational sites.

In countries with less-developed statutory healthcare systems, our subsidiaries offer comprehensive health check-ups for all employees and in some instances for their families. In regions where HIV/AIDS, Ebola, or malaria frequently occur, the local units have set up programmes to advise the employees and inform them of the risks. These services are mostly offered through our own medical stations or the medical staff of in-house clinics.

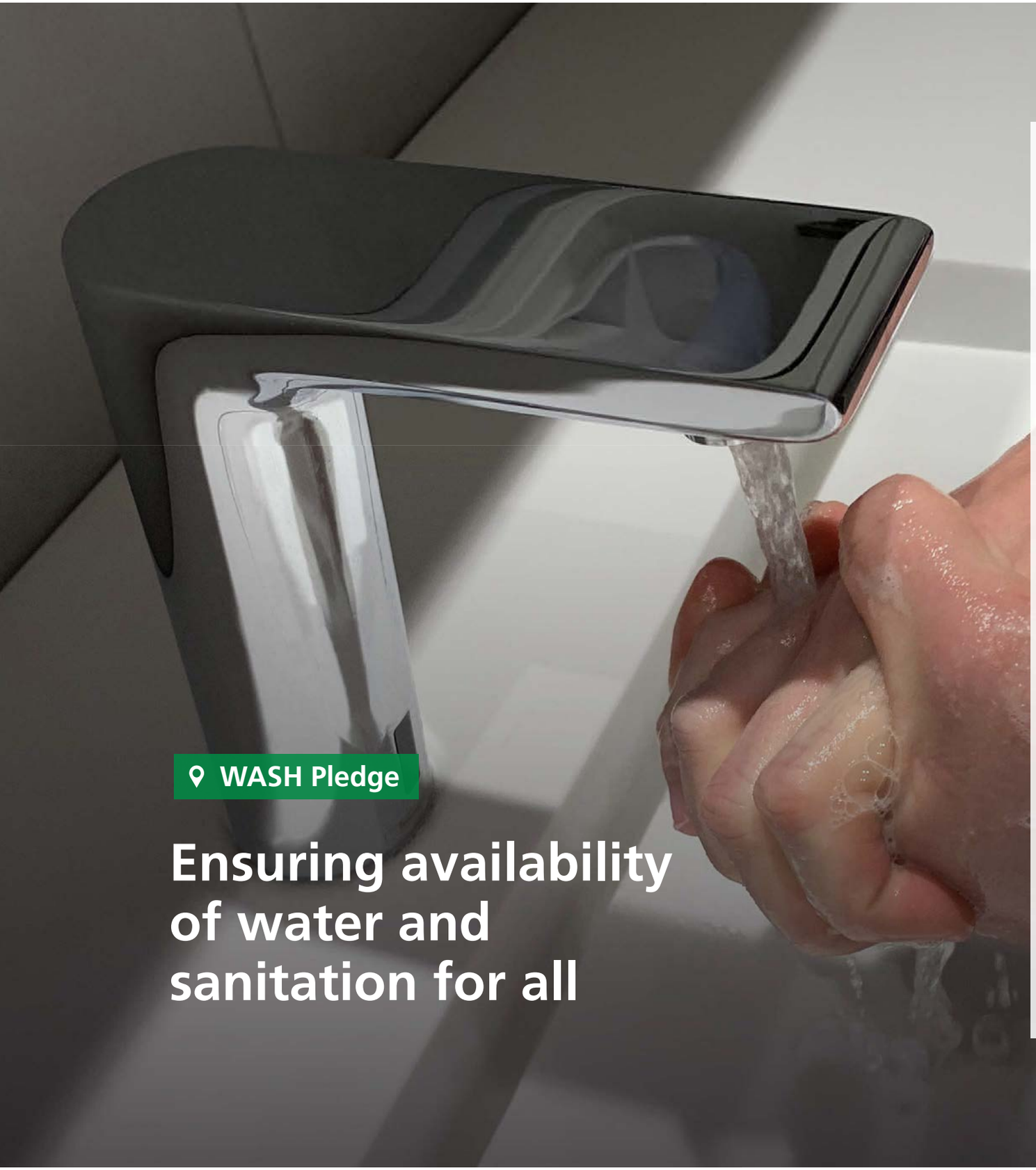
We were able to draw on these competences and put in place suitable protective measures in order to respond swiftly and pragmatically to the COVID-19 pandemic as well as offer preventive services for addressing the particular psychological stresses resulting from this situation.

Human resources development

Talent management

Qualified and motivated employees are an important prerequisite for the success of HeidelbergCement. Identifying our employees' talents, developing them, and – in competition with other companies – retaining those employees within the Group are therefore at the core of the Group-wide personnel policy. We use the HeidelbergCement competence model to do so. This model defines the essential professional and personal capabilities and skills that are critical for the success of our business. It thus enables the respective superiors to perform systematic, Group-wide assessments of performance and potential in accordance with standardised regulations and serves as a basis for the strategic development of managers and successor planning. Superiors and employees discuss development opportunities and prospects within the framework of structured appraisal interviews. The dialogue is primarily targeted at upper and middle management, those in specialist roles, and future executives. It helps us to attain three goals:

- To fill key positions worldwide with top-class candidates from within the business
- To develop top talent at HeidelbergCement in a targeted way
- To retain employees in the Group for the long term by means of personalised development planning



WASH Pledge

Ensuring availability of water and sanitation for all

We are signatories to the **Access to Safe Water, Sanitation, and Hygiene (WASH) at the Workplace Pledge** – the COVID-19 pandemic has further highlighted how important safe drinking water is in terms of prevention.

WASH: Access to safe and affordable drinking water

HeidelbergCement actively supports the United Nations' Sustainable Development Goal to ensure that everyone has access to safe and affordable drinking water. In 2018, we therefore signed the Access to Safe Water, Sanitation, and Hygiene (WASH) at the Workplace Pledge, organised by the World Business Council for Sustainable Development (WBCSD). The COVID-19 pandemic has once again underlined the importance of this issue.

Our goal: Fully implement WASH at all sites by 2021

The HeidelbergCement Group's first self-assessment was carried out in 2018 and revealed that most locations already meet the WASH standards. This result was confirmed by the 2019 and 2020 self-assessments. Above all, we are using the self-assessment tool, which is provided by the WBCSD, to continuously improve our processes and to take action where there is still potential for improvement. By 2021, we aim to satisfy all of the requirements of the WASH Pledge at our around 3,000 locations. We also focused on the area of water in the update of our Sustainability Commitments 2030 and have sharpened the corresponding targets.

Ongoing training

For HeidelbergCement, forward-looking HR management means consistently investing in training, that is to say, employing and training qualified talent. The proportion of apprentices in Germany in 2020 was 4% (previous year: 4%). The retention rate of these apprentices stood at 79% (previous year: 90%).

Technical skills are essential in ensuring the functionally sound operational management of process technology and maintenance in our plants. For a few years already, we have offered multilingual e-learning courses about cement production, specifically developed by the German Cement Works Association (VDZ).

The outbreak of the COVID-19 pandemic and the accompanying restrictions on contact have adversely affected our training programmes. In spite of the pandemic, the number of training participants increased by 11%, while the total number of training hours decreased by 19% compared with the previous year. This was the result of the expansion of virtual formats that allowed us to offer training despite the pandemic's restrictions.

As in the previous year, a focus of our training programmes throughout the Group was on occupational safety, which made up around 54% (previous year: 48%) of the total training measures. Owing to COVID-19, we increased training and information campaigns on the importance of hygiene measures in the workplace in 2020. Other priorities were specialist training, which made up 31% (previous year: 28%), and the training of our managers, which made up 4% (previous year: 4%). Because of the pandemic, the challenges of mobile working were a point of focus this year. Training and information materials were offered on the professional use of digital programmes for virtual communication and collaboration as well as on dealing with the new work and life situation from a personal perspective.

Our extensive training programmes in virtually every work area are characterised by practical and business-oriented learning and enable our employees to develop their skills.

The Cement Academy at the Heidelberg Technology Center (HTC) offers seminars and training sessions around the world for the engineers and technicians at our cement plants. The Aggregates Academy of the Competence Center Materials (CCM) offers training for the employees in the aggregates business line. To supplement our classroom courses, we offer various web-based learning programmes, including the multilingual Cement Manufacturing Curriculum, on which more than 3,000 employees are enrolled. We continue to provide our process control operators with regular training on a simulator.

Our Aggregates Academy also continued its employee training offer in the aggregates business line. Over 120 training sessions on the topic of aggregates were held in eight countries. These were carried out locally for the plant management teams in the form of practical training at production sites and as virtual training on account of the pandemic.

Strengthening digital competences

From an HR perspective, this involves building and expanding our digital competences, supporting change processes for digital transformation, and further digitalising personnel processes and systems. Our efforts are focused on fundamental digital media skills as well as topics related to specific functions. To increase the transparency of our digital activities for employees, a platform was set up to provide information on the key global digitalisation projects and the tools used within the Group. We used external training databases to significantly expand our e-learning courses on various digitalisation topics in the past year.

The use of virtual communication and collaboration tools was a particular focus of our training in the past year, for which we offered both in-house and comprehensive digital training and certification courses from external partners (Microsoft certification tracks).

Management training

The motivation and skills of our managers play a crucial role in determining how well HeidelbergCement positions itself among its global competitors and how well-prepared the Group is for future challenges. To equip our managers for their future tasks, we offer training programmes tailored specifically to the needs of our company. This applies both to traditional topics, such as strategy, leadership, and management, or the method of capital expenditure budgeting, and to special training topics, for instance in the area of technology. Uniform training content ensures that a common understanding of strategy, integrated management approach, and leadership is developed everywhere.

Securing and advancing future executives

Since 2013, HeidelbergCement has been awarded the trainee seal of the German Initiative für karriereförderndе und faire Trainee-Programme (initiative for career-enhancing and fair trainee programmes) each year for its high-quality programmes for the advancement of future executives. As a member of the Fair Company initiative, we have been voluntarily committed to the creation of fair working conditions for trainees and young professionals since 2004 and have carried the Fair Company seal since then.

In the reporting year, we continued our efforts to advance future executives. We offer university graduates international trainee programmes focusing on the areas of technology, sales, finance, HR, purchasing, and IT, as well as interdisciplinary trainee programmes. In 2020, we hired 198 (previous year: 269) university graduates. The programmes were therefore still maintained at a good level in spite of the pandemic.

198

university graduates were hired by us in 2020.

Moreover, we continued to work on expanding our programmes for the advancement of future executives and strengthening our recruitment of university graduates and graduates with first professional experience worldwide. In 2020, 455 (previous year: 490) employees took part in programmes that prepared them for more advanced tasks. Through a special programme, we equip highly qualified engineers in the cement business for senior engineering positions. The participants undergo individually tailored training programmes that allow them to gain the necessary knowledge, skills, and experience to prepare them for the next stage of their career. Spending time at cement plants that are operated in exemplary fashion in different countries is a key element of the programme's success.

Diversity management

Diversity as a factor for success

In the Group-wide personnel policy, we aim for a mix of diverse nationalities, personalities, skills, and experience when putting together teams of employees. We see the diversity in our workforce in terms of cultural and ethnic origin, gender, age, mental and physical abilities, and sexual

orientation and identity as an asset to our global teams. It is also reflected in our presence in international markets, our customer structure, and our business environment. We are convinced that this diversity, in harmony with an inclusive corporate culture, has a positive effect on our innovative strength and the commitment of our employees, thus increasing the overall performance of our company. We aim to achieve diversity in the following ways:

- Local country management and therefore an international management team
- An international workforce at the Group headquarters
- A complementary composition of management and other teams (internationality, expertise, experience, age, gender, etc.)
- Women in management positions reflecting the proportion of women in the total workforce in Germany

Our goal is to attract and advance highly qualified and committed employees around the world who can bring various social and professional skills to our company and thus contribute to our business success.

80%

was the share of local managers in our senior management in 2020.

With the international composition of our management team, we intend to benefit from a broad range of experience from different cultural backgrounds. This is linked to our goal of being able to respond flexibly and quickly to global challenges as well as local market needs. The proportion of local managers at the upper management level amounts to around 80%.

At the Group headquarters, we consciously aim to ensure that the workforce is composed of employees from the countries in which we operate. We benefit considerably from their local knowledge, and this also improves cooperation with the local personnel. We have 887 employees at the Group headquarters and at our technical centers in Heidelberg and Leimen, with around two-thirds of these employees coming from Germany and one-third representing 59 other countries.

In early 2013, we signed the Diversity Charter as an affirmation of all our activities in this area to date and as a public statement of our respect for diversity. As in previous years, HeidelbergCement took part in activities connected with German Diversity Day in 2020.

→ **https://www.charta-der-vielfalt.de/en/**

Women in leadership positions

For us, diversity also means that we reflect the ratio of women to men in our workforce as a whole when hiring to fill management positions. In 2020, women made up 13% of the total workforce and held 10% of the upper management positions within the Group. In accordance with legal requirements, we have set targets for the proportion of women in the first and second leadership levels below the Managing Board: by 30 June 2022, the proportion of women in Germany in the first and second leadership levels below the Managing Board is to be increased to 15%. The proportion of women in leadership positions in Germany at the first and second level below the Managing Board was 16% each as of 31 December 2020. We have thus already reached our target ahead of schedule.

In addition, at least one woman is to be a member of the Managing Board by 2025: This goal was also achieved with the appointment of the newly created Managing Board position Chief Sustainability Officer from September 2021 onwards.

We have worked on the promotion of women in the past few years and achieved significant success. The proportion of women in programmes for the advancement of future executives across Germany is 31% (previous year: 31%) and therefore significantly higher than the proportion of women in the total workforce. A big challenge remains the development in operational functions, such as sales and plant management, especially, since the number of women studying technical subjects relevant for building materials production is still rather small. Experience in these fields is a key qualification for assuming higher leading positions in these areas. We intend to develop and introduce programmes in these areas that will make it easier to access and generate interest in the processes and workings of our plants.

The global NOW – Network of Women at HeidelbergCement is an initiative that brings together female employees worldwide. NOW is implemented on a country-by-country basis through a personal exchange of information and experiences, as well as special, one-off events. It aims, among other things, to support the network's members in developing their career potential and to increase awareness throughout the company of the changing demands on working and living environments.

Improving the work-life balance

In the race for the best employees, we adapt ourselves globally to social changes. In terms of what we offer to encourage a good work-life balance, we focus on flexible working time models and mobile forms of work. Because of the small size of our locations, cooperation with external networks has proven itself, for example in terms of children's day care and holiday programmes or caring for family members. Employees benefit from having easy access to a professional and flexible network at reasonable costs. As part of our FIT for FAMILY initiative, we have entered into cooperation with day-care centers for the location in Heidelberg, Germany. These arrangements mean we have our own quota of places to offer our employees.

Generation management

Our Group, too, is faced with the consequences of demographic change. Around 11% (previous year: 12%) of our employees are under the age of 30. The majority of the employees are aged between 30 and 49, making up around 51% (previous year: 52%) of the Group's total workforce, and 38% (previous year: 37%) of our employees are over 50 years of age. We are responding to the effects of demographic change with numerous measures adapted to regional requirements. In Germany, for example, we have continued to develop our health management activities and have incorporated them in the FIT for LIFE initiative. This includes a prevention programme for the early diagnosis of illnesses and risk factors, but primarily focuses on the initiative of individuals to adopt a healthy lifestyle. In the future, our health management activities will continue to focus on preventing typical age-related health risks and supporting health-conscious behaviour. We are therefore specifically promoting company sports activities for all age groups.

Society & Corporate Responsibility

 Image: Young women in Kamakwie in northern Sierra Leone present shoulder bags made from cement bags as part of a project.

Our Group-wide

CSR Policy

defines the criteria and objectives of our social commitment in the areas of infrastructure, environment, and education.

→ **p. 82**

Our commitment to "being a good neighbour" applies at more than

3,000

locations worldwide:

This is how we want to combine business and social development.

→ **p. 82**

To counter the spread of the COVID-19 virus, we have launched a project at our plant in Tabligbo, Togo, for the

renovation of the local hospital

– together with the German Agency for International Cooperation (GIZ).

→ **p. 83**

"Being a good neighbour" means tying the knot between business and social development. It is important to us that people in the areas surrounding our approximately 3,000 locations worldwide are involved in our business activity and benefit from our products as well as the jobs that we create. This generates win-win situations for HeidelbergCement and local communities. In line with our principle "think global – act local", we also take measures that protect the environment and promote social progress.

GRI 102-40, 102-43

Social responsibility

Good cooperative relationships with the communities in the areas where we are active are indispensable for our business operations and one of the keys to our business success. In these areas, we establish business contacts, capitalise on local know-how, and maintain a dialogue with our neighbours. By making this voluntary commitment to society, we strengthen the exchange of ideas and achieve long-term socio-economic added value for local communities.

We have made an express commitment to social responsibility in the Leadership Principles adopted by our Managing Board. Taking social responsibility and maintaining good relationships with our stakeholders are therefore management tasks. Together with the site managers, all country managers are responsible for these tasks in their respective countries. This also includes analysing local requirements as well as selecting, implementing, and monitoring charitable projects. Funding decisions for individual countries and locations are made at a local level by the country managers within their budgetary framework. The financial dimension of social engagement across the Group is around €10 million per year. A more detailed breakdown of spending can be found on our website:

→ **https://www.heidelbergcement.com/en/corporate-citizenship**

We involve local communities in our business activities through various dialogue formats, for example, as well as through local community engagement plans. This also includes long-term partnerships with local non-governmental organisations. Moreover, we keep the communities at our locations informed by means of newsletters, open days, and so on. However, because of the restrictions imposed in connection with the COVID-19 pandemic, many activities were limited or did not take place at all during the reporting year. The Group Handbook for Community Relationship Management and other internal guidance documents are a source of design and implementation strategies for dialogue formats, partnerships, and charitable commitments.

In addition, the Group-wide Corporate Social Responsibility Policy defines the general criteria and objectives related to our social engagement. This engagement is focused on three areas in which we have specific expertise and can achieve the best results for society:

- **Infrastructure:** We provide practical help in the construction and preservation of buildings and infrastructure by making products, financial means, and expertise available.
- **Environment:** We support initiatives that promote environmental protection, improve local environmental quality, and strengthen the diversity of nature at our locations.
- **Education:** We foster education and training and are guided in this area by the specific needs of the communities where we are located.

→ **The exact wording of our CSR Policy:**
www.heidelbergcement.com/en/society

We have also defined clear evaluation criteria to ensure that our activities are both transparent and effective. We support projects, initiatives, and organisations that are active at our locations or to which we have a direct link. We attach great importance to ensuring that the guidelines and principles of these organisations align with our own corporate philosophy.

In 2020, HeidelbergCement took further steps to strengthen the processes and improve the management structure of our social commitment in the various countries. The aim is to make our social engagement more systematic and transparent, as well as more efficient and targeted. For example, CSR aspects have been integrated more closely into the evaluation of major investments. We also provided training, as far as was possible under the more challenging pandemic conditions, and continued to roll out the audit programme from Group Internal Audit for the targeted handling of donations and CSR activities. The Group also pursues a decentralised approach in this area, and the countries can contact the ESG department for content-related support as required.

As part of our Sustainability Commitments 2030, we defined concrete performance indicators that will allow us to measure the quality of our relationships with the communities at our locations:

- Percentage of locations with a community engagement plan
- Total value of annual donations (monetary/material donations)
- Number and type of development programmes supported by HeidelbergCement
- Hours of voluntary charitable work per year

We are currently developing a management and reporting system for this area so that in the future we will be able to record relevant measures, progress, and performance indicators.

Social engagement at our locations

To support local communities and demonstrate that we are a responsible corporate citizen, we took various measures and promoted various initiatives during the reporting year. As part of the global effort to combat the spread of the COVID-19 virus, we worked with the German Agency for International Cooperation (GIZ) to launch a project at our plant in Tabligbo, Togo, to comprehensively renovate and upgrade the local hospital.

"Our business is a local business. To be successful in the long-run, we depend on the trust of the neighboring communities and stakeholders. Building and maintaining this relationship is the first priority in all our operations."

Tobias Hartmann
CSR Manager
Environmental Social Governance

In Germany, we have been pursuing the project "Kooperation Industrie-Schule" (KIS) for many years in Heidelberg, where our headquarters are located, and in several locations of our plants. The activities include, for example – depending on the location – plant and quarry tours, special lectures at schools, and career exploration measures. By providing KiTec boxes (in cooperation with Wissensfabrik Deutschland e.V.), we want to help spark an interest in technology and nurture the next generation of engineers.

We also provide supplementary teaching material on loan – e.g. on the topics of petrology and hydrology. Unfortunately, owing to the COVID-19 pandemic, it was not possible to carry out as many activities as usual.

From cement bag to fashion accessory

Together with an NGO, HeidelbergCement's subsidiary Leocem supports the Sella Vocational Centre in Kamakwie, 280 km from Sierra Leone's capital Freetown. In order to offer school graduates a career perspective, Mahmoo e.V. has launched a graduate programme for tailors, which also teaches basic knowledge about setting up a business. The aim is to enable local, socially responsible, and sustainable start-ups.

Creating fair jobs with sustainable products

At the same time, the project contributes to the circular economy, as plastic waste is recycled through the production of "Lionbags". In addition, fair jobs are created in an economically disadvantaged region: the young tailors from Sierra Leone earn four times the local average income. The German Embassy in Freetown also supports the programme.

Upcycling in Sierra Leone

In a Leocem training project, cement sacks are turned into carrier bags

Targets

 Image: Employees of our Hungarian joint venture Duna-Dráva Cement.

Strategy & Management

Target	Measures	Achieved in 2020	Deadline	Status	Page
Ensuring sustainable profitability through the effective management of all processes.	Commitment to sustainable cement production at industry and association level: continuation of the reporting on the implementation of the GCCA guidelines for cement production.	In 2020, the environmental and occupational safety indicators were once again subjected to an external audit in line with GCCA obligations.	Ongoing	■	→ 20, 72, 92–101
	Strengthening and digitalisation of efficient ESG management and reporting structure on country, area and Group level.	In 2020, we continued to elaborate and fortify responsibilities for ESG topics throughout the Group. A concept for the introduction of a new IT platform for data collection has been developed and will be rolled out in 2021.	Ongoing	■	→ 17f., 25f., 52, 83

Business & Compliance

Target	Measures	Achieved in 2020	Deadline	Status	Page
Further development of the Group compliance management programme and of Group compliance activities with regard to current developments.	Realisation of concrete measures to protect human rights, including implementation of a human rights analysis. Target: Risk assessment for all countries in which HeidelbergCement is active. Between 2018 and 2020, one-third of the country organisations are audited each year.	By the end of 2020, we have carried out our first round of human rights risk assessments as planned in the country organisations where we have sole management control, with the exception of countries where we only operate terminals. The action plans developed are currently being implemented. In the next step, we will also introduce the risk analysis in some countries where we operate together with a joint venture partner. We will also start a review of the first round of human rights risk assessments in several countries in 2021.	Ongoing	■	→ 35–38
Continuous improvement of customer satisfaction.	Introduction of the Net Promoter System® (NPS) at HeidelbergCement in 2015 – for the ongoing analysis of customer satisfaction and needs, in order to continuously improve the customer experience and our business results.	Net Promoter System® introduced in 40 countries. – Net Promoter Score® for HeidelbergCement Group: 2018: 45 2019: 49 2020: 55	Ongoing	■	→ 42
Efficient use of resources in order to earn a premium on our cost of capital.	Disciplined investment and cash flow management. Continuation of programmes to increase efficiency.	ROIC of 7.9%, premium on cost of capital earned.	Ongoing	■	→ 35f., 92

■ Target achieved ■ Target partly achieved ■ Target not achieved □ New target

Product & Innovation

Target	Measures	Achieved in 2020	Deadline	Status	Page
Continuous innovation of products and services, especially in the areas of CO_2 reduction and incorporation of recycled material.	Continuation of the activities in the area of research and technology. This includes participation in and coordination of a research project in Germany to develop practice-oriented concepts for the use of recycled aggregates in concrete production.	Consistent continuation of research and cooperation in the areas of low-carbon concretes and cements, building materials recycling, and special concretes.	Ongoing	■	→ 31, 43–49, 55–58
	Countries will implement a commercial strategy focusing on the sustainability characteristics of the specific product.	Start of three pilot projects in the UK, Germany and Poland at the end of 2020 to gain initial market experience for a global roll-out.	2025	□	→ 47–49
	Implementation of a Group-wide assessment system for concrete deliveries into sustainable construction applications.	In 2020, concrete production sites in Germany, Italy and the Netherlands received CSC certifications.	2024	□	→ 47–49

Production & Supply Chain

Target	Measures	Achieved in 2020	Deadline	Status	Page
All integrated cement plants are to operate with a certified environmental management system.	Implementation of an action plan for the Group-wide control and monitoring of the ongoing introduction of certified environmental management systems.	97.4% of all integrated cement plants worldwide operate with an environmental management system. The number was 93.5% in 2019. Due to the COVID 19 pandemic, not all certifications could be carried out as planned in 2020.	2021	■	→ 52, 94
We reduce Scope 1 carbon emissions from our cement production operations by 30% until 2025 and further reduce to less than 500 kg per tonne of cementitious material by 2030.	Investment in research in the following areas: energy efficient production processes, CO_2 capture and use, composite cements with reduced clinker content, and new clinker technologies. Increased use of alternative fuels and biomass. Investment in research into technologies for carbon capture and recycling.	As at 2020: – Reduction of approx. 23% to 576.0 kg CO_2 per tonne of cement	2025/2030	■	→ 13–19, 52–54, 95
We reduce our Scope 2 carbon emissions from electrical power consumption by 65% by 2030 compared to 2016.	Investment into own renewable electricity production and power purchase agreements with electricity providers.	Development of a Group strategy by the Group Energy Purchasing department to show the countries local options for purchasing green electricity or options for producing their own green electricity. This strategy is to be rolled out Group-wide in 2021.	2030	■	→ 13–19, 52–54, 95
Lowering clinker content of cement to 70%.	Development of new composite cements. Use of alternative raw materials.	As at 2020: – Clinker proportion: 74.3% (previous year: 74.5%)	2025	■	→ 46
Increasing the share of alternative fuels used to 43%.	Focus on three waste flows: sorted fractions of household and domestic waste with high calorific values, sewage sludge, and hazardous waste.	As at 2020: – Proportion of alternative fuels: 25.7% (previous year: 24%)	2030	■	→ 14, 52f., 59, 96

■ Target achieved ■ Target partly achieved ■ Target not achieved □ New target

Production & Supply Chain

Target	Measures	Achieved in 2020	Deadline	Status	Page
All production sites will have a comprehensive and efficiency-oriented digital water recording system in place and follow a standardised water reporting procedure by 2023/2025.	Monitoring of water consumption and introduction of key figures on water reporting in all business lines.	– Monitoring of water consumption in the cement business line. – Specific water consumption in 2020: 271.9 L/t cement (previous year: 259.8 L/t cement). – Gradual implementation of key figures on water reporting in our aggregates and ready-mixed concrete business lines initiated.	2023/2025	■	→ 14, 27f., 64f., 98
All sites in water scarcity areas will have implemented own Water Consumption Reduction Plans by 2025 and will have engaged with local community representatives on water consumption and offer own surplus water resources to local users.	Implementation of water management plans with a focus on water consumption reduction measures at all sites located in water scarcity areas. Initiation of community dialogue focusing on water availability for production sites in water scarce areas.	– Development of initial individual water management plans for cement plants.	2025	■	→ 14, 27f., 64f., 98
Measuring emissions of heavy metals, volatile organic compounds (VOC), and dioxins/furans at all locations.	Individual measurements of all substance groups mentioned at all continuously operated kiln plants by external, certified measuring institutes at least once a year.	As at 2020: – 95 kilns report on mercury emissions (previous year: 106) – 91 kilns report on dioxins/furans (previous year: 108) The decrease is due to travel restrictions during the COVID-19 pandemic, as not all measurements could be carried out by the responsible institutes as planned.	Ongoing	■	→ 14, 62, 97
Lowering emissions per tonne of clinker (reference year: 2008): – Dust: by 80% – Nitrogen oxides: by 40% – Sulphur oxides: by 40%	Continuous optimisation and modernisation of processes (best available technology, or BAT) in the cement plants.	As at 2020: – Dust: -89% – Nitrogen oxides: -22% – Sulphur oxides: -37%	2030	■	→ 14, 62, 97
Restoration plans for 100% of the active quarries for cement and aggregates (in Europe, Africa, and Asia).	Continuous expansion of restoration plans.	As at 2020: – In the cement business line: 86% (previous year: 88%) – In the aggregates business line: 79% (previous year: 79%)	2030	■	→ 14, 60–62, 97
All sites comply with a minimum reclamation standard as defined by the Quarry reclamation guideline, with corresponding plans developed for each extraction site. Reclamation provisions need to be available and secured.	Definition of minimum reclamation standard. Review of existing reclamation plans and provisions.	Proposal developed to define minimum standards for reclamation. Following its finalization, reviews to be carried out from 2021.	2025	□	→ 14, 60–62

■ Target achieved ■ Target partly achieved ■ Target not achieved □ New target

Production & Supply Chain

Target	Measures	Achieved in 2020	Deadline	Status	Page
HC business operations located within 1km of a recognised high biodiversity value area are to implement a biodiversity management plan.	Development of training documentation and manuals; provision of corresponding training on site. Continuous expansion of biodiversity management plans.	As at 2020: – In the cement business line: 48% (previous year: 47%) – In the aggregates business line: 56% (previous year: 49%)	2030	■	→ 14, 60–62, 97
To determine a consolidated Group value of the impact of biodiversity, net impact studies will be undertaken at all extraction sites.	Development of a methodology for net impact assessments.	First methodological approach developed and rolled out in pilot projects at two sites in Sweden and the UK.	2025	■	→ 60–62

Employees & Employment

Target	Measures	Achieved in 2020	Deadline	Status	Page
Reduction of accident frequency and the accident severity indicator to zero for Group employees.	Further intensification of proactive measures such as the performance and analysis of safety conversations, the reporting of near-accidents with the corresponding measures, continuation of the "Clean site/Safe site" initiative, updating of Group standards.	As at 2020: – Accident frequency rate: 1.6 (previous year: 1.5) – Accident severity indicator: 86 (previous year: 80) Occupational safety topics accounted for around 54% of all training hours at HeidelbergCement, corresponding to almost 11.3 hours per employee.	Ongoing	■	→ 14, 71–74, 101
Reduction of the number of fatalities to zero for Group employees.	Further intensification of proactive measures such as the performance and analysis of safety conversations, the reporting of near-accidents with the corresponding measures, continuation of the "Clean site/Safe site" initiative, updating of Group standards.	As at 2020: – Fatality rate: 0.4 (previous year: 0.7)	Ongoing	■	→ 14, 71–74, 101
Implementation of the WASH Pledge of the World Business Council for Sustainable Development (WBCSD).	Performing a yearly self-assessment to monitor the success of the implementation, and publication of the results. Aspects monitored include compliance with local and national regulations and laws, the supply of drinking water to the workplace, and access to sanitation and hygiene at the workplace. Investments into water infrastructure at sites not yet fully compliant.	Implementation of the annual self-assessment regarding the fulfilment of the requirements in a global sample of sites in all Group countries. Evaluation of the results: All requirements over 90% fulfilled throughout the sample. Preparation of action plans for sites with potential for improvement.	2022	■	→ 14, 75
Share of women in management positions (first level) in Germany: 15%. Share of women in management positions (second level) in Germany: 15%.	Targeted support of women by means of appropriate management programmes and programmes for the advancement of future executives.	As at 2020: – Share of women in management positions in Germany: 16% each at first and second level below Managing Board – Share of women in programmes for the advancement of future executives in Germany: 30.8%	2022	■	→ 78f., 100

■ Target achieved ■ Target partly achieved ■ Target not achieved □ New target

Employees & Employment

Target	Measures	Achieved in 2020	Deadline	Status	Page
Sustainable talent management.	Key positions are filled internally with top-class candidates worldwide.	As at 2020: – 39% of all positions are filled internally (worldwide) – 40% of all positions within Group functions at the headquarters are filled internally	Ongoing	■	→ 74–77
Promoting diversity in the workforce.	Promoting an international composition of the workforce at Group headquarters, bringing together different cultures, talents, and experiences, and reflecting the company's presence on international markets.	As at 2020: – 315 international employees from 59 countries at Group headquarters (of a total of 887 employees)	Ongoing	■	→ 77–79

Society & Corporate Responsibility

Target	Measures	Achieved in 2020	Deadline	Status	Page
Ensuring transparent communication with stakeholders.	Strengthening of contact with stakeholders and intensification of dialogue on both local and Group levels. All sites should implement a "Community Engagement Plan" to guide the interaction with the local key stakeholders.	Conducting numerous different kinds of dialogues with the stakeholders at national level. However, due to the COVID-19 pandemic, engagement activities had to be limited as well. Formalisation of community engagement target as part of the updated Sustainability Commitments 2030. Development of guidance documents for structured community engagement.	2023	■	→ 19f., 82–84
Support for the economic and social development of neighbouring communities.	Provision of in-kind and monetary donations for non-profit organisations as focusing on the topics education, environment, and infrastructure.	Strengthening of the CSR management structures. Development of internal guidelines to improve CSR management. Implementation of numerous projects to support the local communities.	Ongoing	■	→ 82–84
	60,000 hours annually of corporate volunteering across the Group.	Initiation of structured volunteering programmes in some countries.	2025	■	→ 82–84

■ Target achieved ■ Target partly achieved ■ Target not achieved ☐ New target

Appendix

 Image: Employees of our subsidiary Lehigh Hanson in Mitchell/Indiana, USA

Key figures

Strategy & Management

		2018	2019	**2020**	Unit	Assurance[1]
Revenue/result	Total Group revenue	18,075	18,851	**17,606**	€ million	✓
	Result from current operations before depreciation and amortisation (RCOBD)[2]	3,100	3,580	**3,707**	€ million	✓
	Result from current operations (RCO)[2]	2,010	2,186	**2,363**	€ million	✓
	Profit / loss for the financial year	1,286	1,242	**-2,009**	€ million	✓
	Group share of profit	1,143	1,091	**-2,139**	€ million	✓
	Dividend per share	2.10	0.60	**2.20**	€	✓
	Earnings per share	5.76	5.50	**-10.78**	€	✓
Investments in tangible fixed assets	Including maintenance, optimisation, and environmental protection measures	1,061	1,183	**969**	€ million	✓
Depreciation and amortisation		1,090	1,394	**1,344**	€ million	✓
Balance sheet	Equity (including non-controlling interests)	16,822	18,504	**14,548**	€ million	✓
	Balance sheet total	35,783	38,589	**32,335**	€ million	✓
	Net debt[3]	8,323	8,410	**6,893**	€ million	✓
Material costs and other operating expenses		7,478	7,586	**6,483**	€ million	✓
Expenditure on research and technology		145.7	133.5	**120.0**	€ million	✓
Group sales	Cement and clinker:					
	– Western and Southern Europe	30.8	29.9	**28.2**	million t	✓
	– Northern and Eastern Europe-Central Asia	25.6	23.9	**23.6**	million t	✓
	– North America	16.2	16.1	**15.6**	million t	✓
	– Asia-Pacific	36.9	35.8	**32.9**	million t	✓
	– Africa-Eastern Mediterranean Basin	19.7	19.5	**21.2**	million t	✓
	– Total	130.0	125.9	**122.0**	million t	✓

1) External assurance of the key figures for 2020 within the framework of the Annual Report 2020 or in line with our obligation with regard to the Global Cement and Concrete Association (GCCA). According to the GCCA Sustainability Framework, baseline/historical data must be adjusted following acquisitions or divestments.
2) 2018 amount was restated, see Annual Report 2019, page 119f.
3) 2018 amount was restated due to adjusted net debt definition.

Strategy & Management

		2018	2019	**2020**	Unit	Assurance[1)]
Group sales	Aggregates:					
	– Western and Southern Europe	81.3	83.5	**78.2**	million t	✓
	– Northern and Eastern Europe-Central Asia	51.3	48.2	**48.7**	million t	✓
	– North America	123.4	128.1	**125.9**	million t	✓
	– Asia-Pacific	43.4	39.8	**36.1**	million t	✓
	– Africa-Eastern Mediterranean Basin	10.1	8.9	**7.4**	million t	✓
	– Total	309.4	308.3	**296.3**	million t	✓
	Ready-mixed concrete:					
	– Western and Southern Europe	17.5	18.4	**17.2**	million m^3	✓
	– Northern and Eastern Europe-Central Asia	7.0	6.8	**6.0**	million m^3	✓
	– North America	7.1	7.7	**7.8**	million m^3	✓
	– Asia-Pacific	11.6	12.0	**10.6**	million m^3	✓
	– Africa-Eastern Mediterranean Basin	5.3	5.3	**5.0**	million m^3	✓
	– Total	49.0	50.7	**46.9**	million m^3	✓
	Asphalt:					
	– Western and Southern Europe	3.6	3.6	**3.5**	million t	✓
	– North America	4.1	5.0	**5.0**	million t	✓
	– Asia-Pacific	2.1	2.3	**2.3**	million t	✓
	– Africa-Eastern Mediterranean Basin	0.5	0.4	**0.3**	million t	✓
	– Total	10.3	11.3	**11.0**	million t	✓

1) External assurance of the key figures for 2020 within the framework of the Annual Report 2020 or in line with our obligation with regard to the Global Cement and Concrete Association (GCCA). According to the GCCA Sustainability Framework, baseline/historical data must be adjusted following acquisitions or divestments.

Strategy & Management

		2018	2019	**2020**	Unit	Assurance[1)]
Cement type portfolio	– Ordinary Portland cement	39.0	37.6	**37.4**	%	–
	– Limestone cement	18.0	18.1	**19.7**	%	–
	– Pozzolana/fly ash cement	9.2	8.3	**7.7**	%	–
	– Slag cement	12.1	12.2	**10.3**	%	–
	– Multi-component cement	18.5	20.1	**21.5**	%	–
	– Oilwell/white cement	0.6	0.5	**0.5**	%	–
	– Masonry cement/special binder	0.8	1.6	**1.1**	%	–
	– Ground granulated blast furnace slag	1.7	1.7	**1.7**	%	–
Share of integrated cement plants with a certified environmental management system		96.0	93.5	**97.4**	%	–

Product & Innovation

		2018	2019	**2020**	Unit	Assurance[1)]
Sustainable construction	Production volume of recycled aggregates (100% recycled content)	–	–	**4,595**	kt	–
	Share of recycled aggregates in total aggregates production	–	–	**1.6**	%	–
	Share of alternative raw materials contained in other building materials such as asphalt	–	–	**9.4**	%	–
	Membership of Green Building Councils and Sustainable Infrastructure Councils	12	13	**13**	number	–

1) External assurance of the key figures for 2020 within the framework of the Annual Report 2020 or in line with our obligation with regard to the Global Cement and Concrete Association (GCCA). According to the GCCA Sustainability Framework, baseline/historical data must be adjusted following acquisitions or divestments.

Production & Supply Chain

		1990	2018	2019	**2020**	Unit	Assurance[1)]
Reduction in CO_2 emissions	Cement business line:						
	– Absolute gross CO_2 emissions (Scope 1)	83.1	75.4	72.5	**68.0**	million t	✓
	– Absolute net CO_2 emissions (Scope 1)	81.5	71.4	68.3	**63.6**	million t	✓
	– Specific gross CO_2 emissions per tonne of cementitious material (Scope 1)	759.2	627.2	621.4	**610.7**	kg CO_2/t	✓
	– Specific net CO_2 emissions per tonne of cementitious material (Scope 1)	751.5	598.6	589.4	**576.0**	kg CO_2/t	✓
	– Indirect CO_2 emissions	7.8	4.0	4.4	**7.1**	million t	✓
	Aggregates business line:						
	– Absolute CO_2 emissions from fuels (Scope 1)	–	–	0.48	**0.40**	million t	–
	– Absolute CO_2 emissions from purchased electricity (Scope 2)	–	–	0.30	**0.24**	million t	–
	– Specific CO_2 emissions from fuels (Scope 1)	–	–	1.63	**1.52**	kg CO_2/t	–
	– Specific CO_2 emissions from purchased electricity (Scope 2)	–	–	1.02	**0.92**	kg CO_2/t	–
	All business lines:						
	– CO_2 emissions from purchased goods and services (Scope 3)	–	–	9.42	**8.87**	million t	✓
	– CO_2 emissions from purchased fuels (Scope 3)	–	–	3.89	**3.51**	million t	✓
	– CO_2 emissions from upstream and downstream transportation and distribution (Scope 3)	–	–	9.40	**8.88**	million t	✓
Energy/raw materials	Absolute energy consumption:						
	– Cement	453,690	375,281	362,548	**343,203**	TJ	✓
	– whereof clinker production	388,511	318,521	307,671	**290,689**	TJ	✓
	– Aggregates	n.a.	9,203	9,281	**8,181**	TJ	–
	Specific energy consumption:						
	– Cement	4,185	3,145	3,130	**3,109**	MJ/t	✓
	– whereof clinker production	4,362	3,563	3,572	**3,576**	MJ/t	✓
	– Aggregates	n.a.	32.1	31.6	**30.6**	MJ/t	–

1) External assurance of the key figures for 2020 within the framework of the Annual Report 2020 or in line with our obligation with regard to the Global Cement and Concrete Association (GCCA). According to the GCCA Sustainability Framework, baseline/historical data must be adjusted following acquisitions or divestments.

Production & Supply Chain

		1990	2018	2019	**2020**	Unit	Assurance[1)]
Energy/raw materials	Fuel mix for clinker production:						
	– Hard coal	52.4	46.8	44.2	**38.2**	%	✓
	– Lignite	0.0	2.2	1.7	**2.1**	%	✓
	– Petroleum coke	8.7	18.3	19.6	**23.4**	%	✓
	– Natural gas	17.0	8.3	9.6	**10.3**	%	✓
	– Light fuel oil	0.6	0.2	0.2	**0.2**	%	✓
	– Heavy fuel oil	16.2	2.1	0.4	**0.2**	%	✓
	– Other fossil fuels	2.2	0.2	0.3	**0.0**	%	✓
	– Alternative fossil fuels	2.8	13.4	14.8	**15.8**	%	✓
	– Biomass	0.2	8.5	9.1	**9.9**	%	✓
	– Proportion of biomass in mix of alternative fuels	6.4	38.8	38.1	**38.6**	%	✓
	Alternative fuel mix for clinker production:						
	– RDF	1.7	26.9	25.8	**27.5**	%	✓
	– Waste oil	28.2	3.1	3.6	**3.0**	%	✓
	– Used tyres	17.3	12.2	9.8	**9.5**	%	✓
	– Solvents	31.2	5.7	6.0	**7.0**	%	✓
	– Dried sewage sludge	0.0	2.0	1.7	**1.8**	%	✓
	– Meat and bone meal	0.0	3.8	3.4	**3.3**	%	✓
	– Agricultural waste and waste wood	0.0	6.5	6.0	**7.7**	%	✓
	– Other biomass	6.4	26.5	27.0	**25.8**	%	✓
	– Other alternative fuels	15.3	13.3	16.8	**14.4**	%	✓
	Proportion of alternative fuels (incl. biomass)	2.9	22.0	24.0	**25.7**	%	✓
	Clinker content in cementitious material	82.0	74.7	74.5	**74.3**	%	✓
	Proportion of alternative raw materials:						
	– Clinker	n.a.	3.1	2.9	**3.3**	%	✓
	– Cement	n.a.	11.3	11.3	**11.4**	%	✓

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Production & Supply Chain

		2008	2018	2019	**2020**	Unit	Assurance[1)]
Emissions	Absolute NO_X emissions	84,571	114,514	110,079	**99,983**	t	✓
	Specific NO_X emissions	1,585	1,263	1,273	**1,230**	g/t clinker	✓
	Absolute SO_X emissions	27,007	31,858	31,639	**26,085**	t	✓
	Specific SO_X emissions	506	351	366	**321**	g/t clinker	✓
	Absolute dust emissions	17,043	7,272	5,454	**2,930**	t	✓
	Specific dust emissions	319	80	63	**36**	g/t clinker	✓
	Proportion of clinker produced in kilns with continuous or discontinuous measurement of all emissions	65	83	78	**70**	%	✓
	Proportion of clinker produced in kilns with continuous measurement of dust, NO_X, and SO_X emissions	87	90	87	**88**	%	✓
	Mercury:						
	– Specific emissions	n.a.	0.030	0.038	**0.020**	g/t clinker	✓
	– Number of kilns reporting	n.a.	112	106	**95**		–
	Dioxins and furans:						
	– Specific emissions	n.a.	0.035	0.056	**0.053**	µg TEQ/t clinker	✓
	– Number of kilns reporting	n.a.	125	108	**91**		–

		2018	2019	**2020**	Unit	Assurance[1)]
Biodiversity and conservation of resources	Proportion of quarries in areas with a high biological value, with biodiversity management plan:					
	– Cement	47	47	**48**	%	✓
	– Aggregates	41	49	**56**	%	✓
	Proportion of active quarries with a restoration plan:					
	– Cement	88	88	**86**	%	✓
	– Aggregates	76	79	**79**	%	–

1) External assurance of the key figures for 2020 within the framework of the Annual Report 2020 or in line with our obligation with regard to the Global Cement and Concrete Association (GCCA). According to the GCCA Sustainability Framework, baseline/historical data must be adjusted following acquisitions or divestments.

Production & Supply Chain

		2018	2019	**2020**	Unit	Assurance[1)]
Water management (cement)	Total water withdrawal	65.4	59.8	**60.2**	million m³	✓
	– whereof in areas with water scarcity	–	–	**15.7**	million m³	–
	By source:					
	– Surface water	33.6	32.0	**29.1**	million m³	✓
	– Groundwater	9.5	8.4	**9.4**	million m³	✓
	– Seawater	3.2	3.5	**2.9**	million m³	✓
	– Public/private water supply	5.5	4.8	**4.5**	million m³	✓
	– External wastewater	0.0	0.0	**0.0**	million m³	✓
	– Quarry water	9.4	9.5	**11.8**	million m³	✓
	– Collected rainwater	4.1	1.6	**2.5**	million m³	✓
	Total water discharge/wastewater	33.1	29.6	**29.5**	million m³	✓
	– whereof in areas with water scarcity	–	–	**t 6.6**	million m³	–
	By place of discharge:					
	– Surface water	27.7	24.4	**24.7**	million m³	✓
	– Groundwater	0.0	0.1	**0.1**	million m³	✓
	– Seawater	1.2	3.9	**3.3**	million m³	✓
	– External water treatment systems	1.2	0.7	**0.9**	million m³	✓
	– Other discharge area	0.6	0.6	**0.5**	million m³	✓
	Water consumption (water withdrawal minus wastewater discharge)	32.2	30.2	**30.7**	million m³	–
	– whereof in areas with water scarcity	–	–	**9.0**	million m³	–
	Quarry water not used	57.1	61.9	**73.4**	million m³	–
	Specific water withdrawal for clinker	721.2	693.3	**739.5**	L/t	✓
	Specific water withdrawal for cement	547.8	514.6	**533.0**	L/t	✓
	Specific water discharge for clinker	–	–	**362.3**	L/t	✓
	Specific water discharge for cement	–	–	**261.1**	L/t	✓
	Specific water consumption for clinker	355.4	350.0	**377.2**	L/t	✓
	Specific water consumption for cement	269.9	259.8	**271.9**	L/t	✓

1) External assurance of the key figures for 2020 within the framework of the Annual Report 2020 or in line with our obligation with regard to the Global Cement and Concrete Association (GCCA). According to the GCCA Sustainability Framework, baseline/historical data must be adjusted following acquisitions or divestments.

Employees & Employment

		2018	2019	**2020**	Unit	Assurance[1)]
Employees and employment	Number of employees as at 31 December:					
	– Western and Southern Europe	15,903	15,608	**15,250**	employees	✓
	– Northern and Eastern Europe-Central Asia	12,515	11,251	**11,097**	employees	✓
	– North America	8,750	9,047	**8,585**	employees	✓
	– Asia-Pacific	14,086	13,190	**12,629**	employees	✓
	– Africa-Eastern Mediterranean Basin	6,214	5,498	**5,175**	employees	✓
	– Group Services	472	454	**388**	employees	✓
	– Total	57,939	55,047	**53,122**	employees	✓
	Employee turnover:					
	– Western and Southern Europe	14	12	**8**	%	–
	– Northern and Eastern Europe-Central Asia	14	12	**9**	%	–
	– North America	20	20	**16**	%	–
	– Asia-Pacific	9	9	**6**	%	–
	– Africa-Eastern Mediterranean Basin	5	5	**4**	%	–
	– Total	13	11	**8**	%	–
	Personnel costs and social benefits:					
	– Wages, salaries, social security costs	2,816.0	2,975.1	**2,822.9**	€ million	✓
	– Costs of retirement benefits	176.4	179.2	**167.4**	€ million	✓
	– Other personnel costs	39.3	33.1	**35.1**	€ million	✓
	– Total	3,031.7	3,187.4	**3,025.4**	€ million	✓
	Proportion of part-time employees (Group)	2.5	2.3	**2.3**	%	–
	Proportion of part-time employees (HeidelbergCement AG)	11.6	11.3	**10.7**	%	✓
	Age structure (Group):					
	– Younger than 30	12	11.7	**10.6**	%	✓
	– 30–49	54	51.8	**51.2**	%	✓
	– 50 and older	34	36.5	**38.1**	%	✓

1) External assurance of the key figures for 2020 within the framework of the Annual Report 2020 or in line with our obligation with regard to the Global Cement and Concrete Association (GCCA). According to the GCCA Sustainability Framework, baseline/historical data must be adjusted following acquisitions or divestments.

Employees & Employment

		2018	2019	**2020**	Unit	Assurance[1]
Diversity	Share of female employees (Group)	13	13	**12.9**	%	✓
	Share of female employees N-1 & N-2 with leadership responsibility (Group)	–	–	**15.5**	%	–
	Share of female employees in programmes for the advancement of future executives (Group)	22	17.8	**10.6**	%	–
	Share of female employees (Germany)	15	15.3	**15.9**	%	✓
	Share of female employees N-1 with leadership responsibility (Germany)	12	10.3	**16**	%	✓
	Share of female employees N-2 with leadership responsibility (Germany)	13	13.6	**16**	%	✓
	Share of female employees in all management positions independent of leadership responsibility (Germany)	–	–	**21.1**	%	–
	Share of female employees in programmes for the advancement of future executives (Germany)	26	31.2	**30.8**	%	✓
	Share of female employees in revenue-generating functions	–	–	**9.9**	%	–
	Share of local managers in senior management positions (Group)	79	79.7	**80.4**	%	✓
	Proportion of disabled employees:					
	– Germany	4.1	4.4	**3.8**	%	–
	– HeidelbergCement AG	4.8	4.3	**3.8**	%	–
Apprenticeships and employee training	Employees in programmes for the advancement of future executives	474	490	**455**	individuals	✓
	Training hours per employee	28	26.3	**21**	hours	–
	Structure of training hours:					
	– Management training	4	6.8	**4.0**	%	✓
	– Soft skills training	3	3.4	**3.7**	%	✓
	– Specialist training	23	27.6	**30.7**	%	✓
	– Occupational safety training	61	48.2	**53.7**	%	✓
	– Language courses	3	7.8	**2.4**	%	✓
	– Other	5	6.1	**5.5**	%	✓
	Percentage of trainees in Germany	4	4.1	**3.8**	%	✓
	Percentage of trainees retained as permanent employees in Germany	85	90	**91**	%	✓

1) External assurance of the key figures for 2020 within the framework of the Annual Report 2020 or in line with our obligation with regard to the Global Cement and Concrete Association (GCCA). According to the GCCA Sustainability Framework, baseline/historical data must be adjusted following acquisitions or divestments.

Employees & Employment

		2018	2019	**2020**	Unit	Assurance[1]
Occupational health and safety	Accident frequency[2]	1.7	1.5	**1.6**		✓
	Accident frequency, cement business line	1.0	1.1	**1.2**		✓
	Accident severity indicator[3]	70	80	**86**		✓
	Accident severity indicator, cement business line	39	62	**58**		✓
	Fatality rate[4]	0.4	0.7	**0.4**		✓
	Fatality rate, cement business line	0.4	0.8	**0.0**		✓
	Number of fatalities:					
	– Group employees	2	4	**2**	individuals	✓
	– Employees of other companies	8	10	**3**	individuals	✓
	– Third parties	19	11	**4**	individuals	✓
	– thereof outside our plants	19	10	**4**	individuals	✓
	Accident frequency by region:					
	– Western and Southern Europe	2.1	2.6	**2.2**		–
	– Northern and Eastern Europe-Central Asia	2.2	1.7	**2.1**		–
	– North America	1.6	1.2	**1.6**		–
	– Asia-Pacific	1.2	1.0	**0.9**		–
	– Africa-Eastern Mediterranean Basin	1.4	0.6	**1.1**		–
	Occupational illness rate[5]	0.91	1.16	**0.47**		–
	Illness rate[6]	1.90	1.11	**1.37**		–
	Proportion of employees represented by H&S committees	99.8	99.9	**97.5**		–
	Proportion of employees represented by H&S committees with trade union representation[7]	91.1	94.3	**94.7**		–

1) External assurance of the key figures for 2020 within the framework of the Annual Report 2020 or in line with our obligation with regard to the Global Cement and Concrete Association (GCCA). According to the GCCA Sustainability Framework, baseline/historical data must be adjusted following acquisitions or divestments.
2) Number of accidents involving Group employees with at least one lost working day per 1,000,000 hours worked.
3) Number of working days lost due to accidents involving Group employees per 1,000,000 hours worked.
4) Number of fatalities of Group employees per 10,000 Group employees.
5) Number of officially recognised occupational illnesses suffered by Group employees per 1,000,000 hours worked.
6) Proportion of working hours lost due to illness relative to the total number of working hours (excluding Egypt, Morocco, North America, and United Kingdom, as the general illness hours are not recorded there).
7) The lower proportion is due to the lack of appropriate trade unions in several countries.

About this report

GRI 102-40, 102-45, 102-46

HeidelbergCement is publishing a Group Sustainability Report for the twelfth time. In this publication, we explain how the company is fulfilling its economic, environmental, and social responsibilities and report on the progress we have made in 2020. The report is aimed at our employees, investors and analysts, and business partners as well as political players and non-governmental organisations.

Report content and organisation

This Sustainability Report has been prepared according to the GRI Standards of the internationally recognised Global Reporting Initiative (GRI). This report has been created in accordance with the GRI Standards: "Core" option. At the same time, it is our annual progress report (Communication on Progress) on the status of the implementation of the ten principles of the UN Global Compact (UNGC).

→ **GRI content index p. 90**

When deciding on the most important sustainability themes for the articles in our report, we were guided by the GRI principles (materiality, stakeholder inclusiveness, sustainability context, completeness). We continuously refine our reporting processes in line with these standards.

→ **Materiality analysis p. 21, 22**

HeidelbergCement endorses the recommendations of the Task Force on Climate-Related Financial Disclosures (TCFD), and is listed as an official supporter of TCFD-aligned disclosure since September 2020. We have included the recommended disclosures in the Strategy and management chapter of this report.

→ **TCFD report p. 25f.**

Precise definition and methodology of the report

This Sustainability Report for 2020 deals with the 2020 financial year, which runs from 1 January to 31 December. The key facts and figures included in this report correspond to those in the consolidated financial statements and the Group management report of HeidelbergCement's Annual Report 2020. This also applies to the facts and figures concerning our employees. In 2016, we adjusted the consolidation of the key environmental figures to the international accounting standards. In accordance with the revenue consolidation process, joint ventures are not taken into account, even retrospectively. We report our key figures for environmental performance and occupational safety according to the guidelines of the Global Cement and Concrete Association (GCCA). The guidelines in their original wording:

→ **http://bit.ly/GCCAGuidelines**

Some of the key figures on environmental protection and occupational safety from the cement business line were once again subject to an independent limited assurance and are marked as such in this report. As a member of the GCCA, we are required to have these key figures reviewed. The results of this audit can be found on our website:

→ **https://www.heidelbergcement.com/en/sustainability-report**

Data collection

Methods and systems that have been defined across the Group are used to collect data at our business locations. Internal reporting and consolidation of the data take place via centralised electronic KPI data management systems at the Group; here, the key figures are checked for completeness and credibility. Uniform Group-wide definitions of all the relevant key figures, as well as process guidelines for the reporting processes, are available on the intranet.

Information about the editing process

This Sustainability Report is published in German and English. The editorial deadline was 31 May 2021. The previous Sustainability Report was published in June 2020. In line with this annual reporting cycle, the next report will be published in 2022.

Disclaimer of liability

We have compiled the information and key figures contained in this report with extreme care. All of the contents of this report were examined by the employees responsible for this task. However, we cannot completely exclude the possibility that this report includes erroneous information. The report and the information contained in it do not constitute a test of compliance with the current laws, legal regulations, or recognised sustainability practices in the industry.

GRI content index

The Sustainability Report 2020 was available to the Global Reporting Initiative (GRI) for the implementation of the GRI Materiality Disclosures Service. The correct positioning of the materiality disclosures (102-40 to 102-49) in the report was confirmed by the GRI Services team.

GRI 101: Foundation 2016
GRI 102: General disclosures 2016

GRI standard		Page	Comments	UN GC principle
	GRI 101: Foundation 2016			
	GRI 102: General Disclosures 2016			
Organisational profile	GRI 102-1: Name of the organisation	→ **109**		
	GRI 102-2: Activities, brands, products, and services	→ **8–10**		
	GRI 102-3: Location of headquarters	→ **69**		
	GRI 102-4: Location of operations	→ **8, 35**		
	GRI 102-5: Ownership and legal form	→ **AR 2020 p. 17**		
	GRI 102-6: Markets served	→ **8, 9/10**		
	GRI 102-7: Scale of the organisation	→ **35, 69/70, 92/93**		
	GRI 102-8: Information on employees and other workers	→ **71, 99**		6
	GRI 102-9: Supply chain	→ **9, 66**		
	GRI 102-10: Significant changes to the organisation and its supply chain	–	In the reporting year, there were no significant changes.	
	GRI 102-11: Precautionary principle or approach	→ **27/28, 39**		
	GRI 102-12: External initiatives	→ **5, 13, 19/20, 25, 35, 69, 78**		
	GRI 102-13: Membership of associations	→ **13, 20, 55**		
Strategy	GRI 102-14: Statement from senior decision-maker	→ **2–4**		1–10
	GRI 102-15: Key impact, risks, and opportunities	→ **13–19**		
Ethics and integrity	GRI 102-16: Values, principles, standards, and norms of behaviour	→ **13, 20, 35, 37/38, 66, 69**		10
	GRI 102-17: Mechanisms for advice and concerns about ethics	→ **37/38**		10
Governance	GRI 102-18: Governance structure	→ **17/18, 26; AR 2020 p. 82/83**		
	GRI 102-19: Delegating authority	→ **17/18, 26**		
	GRI 102-20: Executive-level responsibility for economic, environmental, and social topics	→ **17/18, 25/26, 37, 39, 52, 71**		
	GRI 102-21: Consulting stakeholders on economic, environmental, and social topics	→ **AR 2020 p. 85**		
	GRI 102-22: Composition of the highest governance body and its committees	→ **49; AR 2020 p. 84f., 100f.**		

GRI standard		Page	Comments	UN GC principle
Governance	GRI 102-23: Chair of the highest governance body	→ **AR 2020 p. 100/101**		
	GRI 102-24: Nominating and selecting the highest governance body	→ **AR 2020 p. 84**		
	GRI 102-25: Conflicts of interest	→ **AR 2020 p. 11**		
	GRI 102-26: Role of highest governance body in setting purpose, values, and strategy	→ **17/18, 26, 52**		
	GRI 102-27: Collective knowledge of highest governance body	→ **AR 2020 p. 12**		
	GRI 102-29: Identifying and managing economic, environmental, and social impacts	→ **18, 25–27, 39**		
	GRI 102-30: Effectiveness of risk management processes	→ **26**		
	GRI 102-31: Review of economic, environmental, and social topics	→ **26; AR 2020 p. 66/67**		
	GRI 102-33: Communicating critical concerns	→ **AR 2020 p. 85**		
	GRI 102-35: Remuneration policies	→ **13, 17, 31/32, 71; AR 2020 p. 86–91, 99**		
	GRI 102-36: Process for determining remuneration	→ **AR 2020 p. 86/87**		
Stakeholder engagement	GRI 102-40: List of stakeholder groups	→ **19–21, 42, 82, 102**		
	GRI 102-41: Collective bargaining agreements	→ **70**		3
	GRI 102-42: Identifying and selecting stakeholders	→ **19–21**		
	GRI 102-43: Approach to stakeholder engagement	→ **19–21, 42, 82**		
	GRI 102-44: Key topics and concerns raised	→ **19–21, 23/24**		
Reporting practice	GRI 102-45: Entities included in the consolidated financial statements	→ **102**		
	GRI 102-46: Defining report content and topic Boundaries	→ **23, 102**		
	GRI 102-47: List of material topics	→ **24**		
	GRI 102-48: Restatements of information	–	In the reporting year, the information was not restated.	
	GRI 102-49: Changes in reporting	→ **24**		
	GRI 102-50: Reporting period	→ **102**		
	GRI 102-51: Date of most recent report	→ **102**		
	GRI 102-52: Reporting cycle	→ **102**		
	GRI 102-53: Contact point for questions regarding the report	→ **109**		
	GRI 102-54: Claims of reporting in accordance with the GRI Standards	→ **102**		
	GRI 102-55: GRI content index	→ **103–108**		
	GRI 102-56: External assurance	→ **102**		

Material topics

GRI standard		Page	Comments	UN GC principle
GRI 201: Economic performance 2016	GRI 103: Management approach 2016 (including 103-1, 103-2, 103-3)	→ 13/14		7
	GRI 201-1: Direct economic value generated and distributed	→ 35, 71, 82, 92, 99		
	GRI 201-2: Financial implications and other risks and opportunities due to climate change	→ 27–31		7
	GRI 201-3: Defined benefit plan obligations and other retirement plans	→ 71, 99; AR 2020 p. 155–159		
	GRI 201-4: Financial assistance received from government	→ 29, 55–58		
GRI 202: Market presence 2016	GRI 103: Management approach 2016 (including 103-1, 103-2, 103-3)	→ 36, 78		6
	GRI 202-2: Proportion of senior management hired from the local community	→ 36, 78		6
GRI 203: Indirect economic impacts 2016	GRI 103: Management approach 2016 (including 103-1, 103-2, 103-3)	→ 13/14, 35/36, 82–84		
	GRI 203-2: Significant indirect economic impacts	→ 13/14, 35/36, 58, 82, 84		
GRI 204: Procurement practices 2016	GRI 103: Management approach 2016 (including 103-1, 103-2, 103-3)	→ 13, 36		
	GRI 204-1: Proportion of spending on local suppliers	→ 36		
GRI 205: Anti-corruption 2016	GRI 103: Management approach 2016 (including 103-1, 103-2, 103-3)	→ 13/14, 17, 35, 37/38		10
	GRI 205-1: Operations assessed for risks related to corruption	→ 37; AR 2020 p. 58		10
	GRI 205-2: Communication and training about anti-corruption policies and procedures	→ 37	We do not currently report on trained employees by region and employee category because the data is not available. We plan to introduce a data collection process and report on this data in the future.	10
	GRI 205-3: Confirmed incidents of corruption and actions taken	→ 38		10
GRI 206: Anti-competitive behaviour 2016	GRI 103: Management approach 2016 (including 103-1, 103-2, 103-3)	→ 13/14, 17, 35, 37/38		
	GRI 206-1: Legal actions for anti-competitive behaviour, antitrust, and monopoly practices	→ 38; AR 2020 p.76		
GRI 301: Materials 2016	GRI 103: Management approach 2016 (including 103-1, 103-2, 103-3)	→ 13/14, 19, 52/53		7–9
	GRI 301-1: Materials used by weight or volume	→ 9, 92/93	We do not report on the weight or volume of the materials used, as this information is subject to confidentiality. This information is relevant to competition. We report on sales.	7, 8
	GRI 301-2: Recycled input materials used	→ 94		7, 8
GRI 302: Energy 2016	GRI 103: Management approach 2016 (including 103-1, 103-2, 103-3)	→ 13–16, 18, 30, 32, 52/53, 59		7–9
	GRI 302-1: Energy consumption within the organisation	→ 32, 53, 59, 95/96		7, 8
	GRI 302-3: Energy intensity	→ 32, 95		8
	GRI 302-5: Reductions in energy requirements of products and services	→ 47		7–9

GRI standard		Page	Comments	UN GC principle
GRI 303: Water and effluents 2018	GRI 103: Management approach 2016 (including 103-1, 103-2, 103-3)	→ **13/14, 28, 52, 64**		7, 8
	GRI 303-1: Interactions with water as a shared resource	→ **13/14, 28, 64**		
	GRI 303-2: Management of water discharge-related impacts	→ **64/65**		
	GRI 303-3: Water withdrawal	→ **98**		7, 8
	GRI 303-4: Water discharge	→ **98**		8
	GRI 303-5: Water consumption	→ **98**		
GRI 304: Biodiversity 2016	GRI 103: Management approach 2016 (including 103-1, 103-2, 103-3)	→ **13/14, 17, 19, 52, 60**		8
	GRI 304-1: Operational sites owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas	→ **60, 97**	We do not report on the details for each extraction site, as this is not possible due to the large number of extraction sites involved.	8
	GRI 304-2: Significant impacts of activities, products, and services on biodiversity	→ **19, 60–62**		8
	GRI 304-3: Habitats protected or restored	→ **61**	We do not report the details of each protected or restored habitat, as this is not possible given the large number.	
GRI 305: Emissions 2016	GRI 103: Management approach 2016 (including 103-1, 103-2, 103-3)	→ **13–18, 25–27, 32, 43/44, 46, 52–55, 62**		7–9
	GRI 305-1 Direct (Scope 1) GHG emissions	→ **32, 95**		7, 8
	GRI 305-2: Energy indirect (Scope 2) GHG emissions	→ **32, 95**		7, 8
	GRI 305-3: Other indirect (Scope 3) GHG emissions	→ **95**		8
	GRI 305-4: GHG emissions intensity	→ **32, 53, 95**		8
	GRI 305-5: Reduction of GHG emissions	→ **15, 32, 43/44, 53**		
	GRI 305-7: Nitrogen oxides (NO_X), sulphur oxides (SO_X), and other significant air emissions	→ **97**		7, 8
GRI 306: Waste 2020	GRI 103: Management Approach 2016 (incl. 103-1, 103-2, 103-3)	→ **13/14, 52, 65**		8
	GRI 306-1: Waste generation and significant waste-related impacts	→ **59, 65**		
	GRI 306-2: Management of significant waste-related impacts	→ **13/14, 16, 19, 32, 46, 59, 65**		
	GRI 306-3: Waste generated	–	We plan to introduce a data collection process and report this data in the future.	
GRI 307: Environmental compliance 2016	GRI 103: Management approach 2016 (including 103-1, 103-2, 103-3)	→ **13/14, 35, 36, 52, 60**		8
	GRI 307-1: Non-compliance with environmental laws and regulations	→ **52**		8
GRI 308: Supplier environmental assessment 2016	GRI 103: Management approach 2016 (including 103-1, 103-2, 103-3)	→ **13, 35, 38, 52, 66**		8
	GRI 308-2: Negative environmental impacts in the supply chain and actions taken	→ **38, 66**		8
GRI 401: Employment 2016	GRI 103: Management approach 2016 (including 103-1, 103-2, 103-3)	→ **13, 69, 79**		6
	GRI 401-1: New employees hires and employee turnover	→ **70, 99**	We do not report data on new hires and employee turnover by gender and age group because the data is not available and not material to us.	6

GRI standard		Page	Comments	UN GC principle
GRI 402: Labour/ management relations 2016	GRI 103: Management approach 2016 (including 103-1, 103-2, 103-3)	→ **69/70**		3
	GRI 402-1: Minimum notice periods regarding operational changes	→ **70**		3
GRI 403: Occupational health and safety 2018	GRI 103: Management approach 2016 (including 103-1, 103-2, 103-3)	→ **13/14, 17/18, 28, 69, 71**		1, 6
	GRI 403-1: Occupational health and safety management system	→ **71**		
	GRI 403-2: Hazard identification, risk assessment, and incident investigation	→ **71/72**		
	GRI 403-3: Occupational health services	→ **74**		
	GRI 403-4: Worker participation, consultation, and communication on occupational health and safety	→ **72, 101**		
	GRI 403-5: Worker training on occupational health and safety	→ **72/73**		
	GRI 403-6: Promotion of worker health	→ **74, 79**		
	Prevention and mitigation of occupational health and safety impacts directly linked by business relationships	→ **71, 73**		
	GRI 403-8: Workers covered by an occupational health and safety management system	→ **71/72**		
	GRI 403-9: Work-related injuries	→ **73, 101**	We do not report on documentable work-related injuries and injuries with serious consequences, because the data is not available. We plan to introduce a data collection process and report this data in the future.	
GRI 404: Training and education 2016	GRI 103: Management approach 2016 (including 103-1, 103-2, 103-3)	→ **13, 69, 74, 76/77**		6
	GRI 404-1: Average hours of training per year per employee	→ **100**	We do not report average training hours by gender and employee category because the data is not available. We plan to introduce a data collection process and report this data in the future.	6
	GRI 404-3: Percentage of employees receiving regular performance and career development reviews	→ **74**		6
GRI 405: Diversity and equal opportunity 2016	GRI 103: Management approach 2016 (including 103-1, 103-2, 103-3)	→ **69, 77–79**		1, 6
	GRI 405-1: Diversity of governance bodies and employees	→ **69, 78/79, 99/100; AR 2020 p. 102ff.**		6
	GRI 405-2: Ratio of basic salary and remuneration of women to men	→ **70**	Our Code of Business Conduct sets out fair working conditions for all employees. Naturally, this also includes equal pay for women and men.	6

GRI standard		Page	Comments	UN GC principle
GRI 406: Non-discrimination 2016	GRI 103: Management approach 2016 (including 103-1, 103-2, 103-3)	→ **14, 69**		6
	GRI 406-1: Incidents of discrimination and corrective actions taken	→ **38**		6
GRI 407: Freedom of association and collective bargaining 2016	GRI 103: Management approach 2016 (including 103-1, 103-2, 103-3)	→ **14, 37**		2, 3
	GRI 407-1: Operations and suppliers in which the right to freedom of association and collective bargaining may be at risk	→ **14, 37**		2, 3
GRI 408: Child labour 2016	GRI 103: Management approach 2016 (including 103-1, 103-2, 103-3)	→ **14, 37**		2, 5
	GRI 408-1: Operations and suppliers at significant risk for incidents of child labour	→ **14, 37**		2, 5
GRI 409: Forced or compulsory labour 2016	GRI 103: Management approach 2016 (including 103-1, 103-2, 103-3)	→ **14, 37,**		2, 4
	GRI 409-1: Operations and suppliers at significant risk for incidents of forced or compulsory labour	→ **14, 37**		2, 4
GRI 412: Human rights assessment 2016	GRI 103: Management approach 2016 (including 103-1, 103-2, 103-3)	→ **13/14, 35–38, 66**		1, 2
	GRI 412-1: Operations that have been subject to human rights reviews or impact assessments	→ **37**		2
GRI 413: Local communities 2016	GRI 103: Management approach 2016 (including 103-1, 103-2, 103-3)	→ **13/14, 19/20, 82**		1
	GRI 413-1: Operations with local community engagement, impact assessments, and development programs	→ **19/20, 82**		1
GRI 414: Supplier social assessment 2016	GRI 103: Management approach 2016 (including 103-1, 103-2, 103-3)	→ **13/14, 35, 38, 52, 66**		2
	GRI 414-2: Negative environmental impacts in the supply chain and actions taken	→ **38, 66**		2
GRI 416: Customer health and safety 2016	GRI 103: Management approach 2016 (including 103-1, 103-2, 103-3)	→ **42**		
	GRI 416-1: Assessment of the health and safety impacts of product and service categories	–	HeidelbergCement sells standardised products whose effects have been analysed in detail. Specific safety data sheets are required for all these products.	
GRI 418: Customer privacy 2016	GRI 103: Management approach 2016 (including 103-1, 103-2, 103-3)	→ **35, 42/43**		
	GRI 418-1: Substantiated complaints concerning breaches of customer privacy and losses of customer data	–	We are not aware of any justified complaints regarding violations of the protection or loss of customer data.	
GRI 419: Socioeconomic compliance 2016	GRI 103: Management approach 2016 (including 103-1, 103-2, 103-3)	→ **13, 17, 35**		
	GRI 419-1: Non-compliance with laws and regulations in the social and economic area	→ **38; AR 2020 p. 75/76**		

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