

However, financial key figures aren't the only way we can measure our performance in the past business year. Our achievements and progress in the field of sustainability are equally important. We want our building materials to be used to create intelligent, resilient, and sustainable buildings as well as infrastructure for tomorrow – and we want to keep the ecological footprint associated with their production as small as possible. To underline the importance of sustainability to our business success, we are publishing a combined Annual and Sustainability Report for the first time and underpin our commitment to the United Nations Global Compact, whose ten principles relating to human rights, labour standards, the environment, and corruption prevention serve as key guidelines for our entrepreneurial activity.

### Heidelberg Materials – our new global brand

You'll notice that this report also has a fresh look. In September 2022, we introduced "Heidelberg Materials," our first global brand in our 150-year history, and work is now underway to gradually roll it out to all Group countries. Our new brand identity will allow us to take full advantage of our organisation's strengths and represent our positions consistently, both internally and externally. The fact that our colleagues in the Group's more than 50 countries have responded so positively to our new brand is proof of the great sense of cohesion felt by the Heidelberg Materials team worldwide, I'm personally very pleased of that.

### We continue to drive our industry's transformation

We have the ambition, the speed, the knowledge, the technologies, and the partners to lead the necessary process of transformation in our sector. Our focus is on expanding our portfolio of sustainable products, rapidly and significantly reducing our CO<sub>2</sub> emissions, proving that the production of carbon-neutral products is possible on a large scale, and creating a circular economy by rigorously implementing the principle of circularity. Our recently tightened Sustainability Commitments 2030 underscore this ambition.

**“We must take the entire value chain into account if we're to achieve climate neutrality.”**

**Dr Dominik von Achten**

We continue to make good progress towards net zero. We succeeded in reducing our specific net CO<sub>2</sub> emissions by a further 2% in the 2022 financial year. But we must take the entire value chain into account, from raw materials to reuse, if we're to achieve climate neutrality. That's why we pushed ahead our recycling activities, a particular focus of our portfolio optimisation in 2022. By acquiring recycling companies in Germany, the UK, and the USA, we have taken another important step towards implementing our circular economy strategy.

### CCUS roadmap as the key to decarbonisation

On our journey towards climate-neutrality, CCUS – carbon capture, utilisation, and storage – is a crucial tool for us as a building materials manufacturer when it comes to dealing with the raw material-related process emissions that have been unavoidable up to now. As early as next year, 2024, we will put the world's first industrial-scale carbon capture facility at a cement plant into operation in Brevik, Norway. This will make us a front runner in the use of this key technology for decarbonising our industry.

With a portfolio of nine innovative, industrial-scale CCUS projects to date, we are continuing to expand our pioneering role. In 2022, we launched our largest CCUS project so far in Mitchell, USA, which will have the capacity to capture approximately 2 million tonnes of CO<sub>2</sub> per year. In early 2023, we announced two more major CCUS projects. At our plant in Antwerp, Belgium, we will build a state-of-the-art hybrid carbon capture facility that will help us to reduce our CO<sub>2</sub> emissions by 800,000 tonnes. We're planning the same capacity at our plant in Devnya, Bulgaria. Both projects are scheduled to start in 2028.

(Aktiengesetz, AktG). The Supervisory Board is of the opinion that both Mr Mucic and Mr Merckle have expertise in the areas of accounting and auditing. For more information, see the [Corporate Governance statement chapter](#).

In the reporting year, the **Personnel Committee** focused on the preliminary discussion and recommendation to the Supervisory Board regarding the determination of the variable Managing Board remuneration for the 2021 financial year and on the definition of parameters for the variable Managing Board remuneration in 2022 and in the years from 2022 to 2024/25, respectively. Finally, the Personnel Committee assured itself that all members of the Managing Board have carried out the required individual investment in HeidelbergCement AG shares as part of the Managing Board remuneration system.

The **Sustainability and Innovation Committee**, which was newly formed in the reporting year, received reports about the Sustainability Office from the Managing Board and dealt with sustainability topics, in particular with regard to the decarbonisation roadmap, ESG benchmarking, and the status and development of the Innovation Hub, a department within the Sustainability Office that brings together and promotes innovative ideas.

Due to the announced resignation from the Supervisory Board of Mr Fritz-Jürgen Heckmann and Mr Tobias Merckle, the **Nomination Committee** discussed the issue of succession in the reporting year. It recommended that the Supervisory Board propose Dr Bernd Scheifele and Dr Sopna Sury to the 2022 Annual General Meeting for election to the Supervisory Board as successors to the two resigning shareholder representatives.

The **Mediation Committee**, formed in accordance with section 27(3) of the German Codetermination Law (MitbestG), did not need to meet.

The results of the committees' meetings were reported at the subsequent plenary sessions.

During the reporting year, there were no potential conflicts of interest of any Managing Board or Supervisory Board member that would have had to be disclosed to the Supervisory Board without undue delay. There were also no consulting or other contracts for services or work between any member of the Supervisory Board and the company in the 2022 reporting year.

In the reporting period, there were no transactions with related parties requiring disclosure within the meaning of sections 111a(1)(2) and 111b(1) of the AktG.

### Corporate Governance

The declaration of compliance in the reporting year was submitted by the Supervisory Board on 31 January 2022 and by the Managing Board on 11 February 2022. The declaration of compliance for the current year was submitted by the Managing Board on 13 January 2023 and by the Supervisory Board on 30 January 2023. The complete text can be found in the [Declaration of compliance section](#) pursuant to section 161 of the AktG in the [Corporate Governance statement chapter](#). The current declaration of compliance is made permanently available on the company's [website](#).

With regard to its composition and that of the Managing Board, the Supervisory Board thoroughly complies with the guidelines of the German Corporate Governance Code regarding the principles of diversity when appointing corporate bodies and leadership positions within the Group and of section 289f(2)(6) of the German Commercial Code (Handelsgesetzbuch, HGB) (diversity concept). Regarding its own composition, it

implements the diversity targets stated in the Code and the profile of skills for the Supervisory Board agreed on 11 September 2017. Detailed information on this topic can be found in the [Corporate Governance statement chapter](#).

In March 2020, the Supervisory Board resolved to set the target figure for the proportion of women on the Managing Board to at least one woman for the period from 1 July 2020 to 30 June 2025. With Dr Nicola Kimm as a member of the Managing Board since 1 September 2021, this target was achieved ahead of schedule. The Supervisory Board also welcomes and supports the Managing Board's target of further increasing the proportion of women in management positions in the first and second leadership levels below the Managing Board. For details, please refer to the [Corporate Governance statement chapter](#).

With regard to the remuneration for the members of the Managing Board for the 2022 financial year, specifics are included in the [Remuneration report chapter](#) to avoid repetition. A description of the adjusted version of the Managing Board remuneration system, applicable from 1 January 2021, can also be found here. Having been commissioned to do so by the company, the auditor also carried out the voluntary audit of the correctness of the content of the 2022 remuneration report and issued an unqualified audit opinion. The Supervisory Board examined the remuneration report in detail in the presence of the auditor and approved the report together with the Managing Board. The 2022 remuneration report will be submitted to the 2023 Annual General Meeting for approval and will be available on the company's [website](#) for ten years.

The members of the Supervisory Board are themselves responsible for obtaining the training required for their tasks and are supported by the company in this respect. The company also offers specific training sessions –

sometimes with external support – for members of the Supervisory Board, most recently in November 2022. These training courses cover topics that are particularly relevant to the company and the work of the Supervisory Board – for example, with regard to legal changes, the selection of suitable investment projects, the ongoing development of the company's antitrust law compliance system, the company's risk management system, the implementation of EU taxonomy, and the changes to the German Corporate Governance Code. If required, new members of the Supervisory Board are given an introduction to the legal framework surrounding the Supervisory Board and can also meet with members of the Managing Board and line managers to discuss fundamental and current issues in order to gain an overview of the topics that are relevant to the company. New Supervisory Board members also receive comprehensive information about the corporate governance of the company as well as insider law processes and obligations.

In addition, the Managing Board reports on corporate governance at Heidelberg Materials also for the Supervisory Board in the [Corporate Governance statement chapter](#).

With the statements listed above, the Supervisory Board has reaffirmed its commitment to effective corporate governance in the Group.

#### **Auditing and approval of annual financial statements, consolidated financial statements, and non-financial statement**

Before the contract for the auditing of the annual financial statements of the company and the consolidated financial statements of the Group was awarded, the points of focus for the audit and the content of the audit were discussed in detail with the auditor, PricewaterhouseCoopers GmbH Wirtschaftsprüfungsgesellschaft, Frankfurt am Main. The Audit Committee dis-

cussed the costs of the audit and with the auditor the assessment of audit risk, the audit strategy, audit planning, and the audit results with the auditor. The Chairman of the Audit Committee and the auditor regularly exchanged information on the progress of the audit, after which the Chairman reported to the committee.

In January 2023, the Managing Board informed the Supervisory Board about the preliminary, unaudited key figures for the 2022 financial year and provided a status report on the financial statements work. The annual financial statements of HeidelbergCement AG, the consolidated financial statements as at 31 December 2022, and the combined management report for the company and the Group, as prepared by the Managing Board, were examined by the auditor. In addition, the auditor performed a limited assurance engagement on the non-financial statement (sections 289b and 315b of the HGB) contained in the combined management report on behalf of the Supervisory Board. The financial statements together with the reading copies of the auditors' reports were sent in advance to the members of the Supervisory Board. At first, the Audit Committee dealt intensively with the financial statements documents (including the non-financial statement) in the presence of the auditor. The auditor reported on the main results of its audit. In addition, the Audit Committee had the auditor report on the effectiveness of the internal control and early risk identification system in relation to accounting, whereby the auditor stated that he had not found any significant weaknesses in this regard. Against this background and after its own consideration, the Audit Committee determined that the internal control system, the internal audit system, and the risk management system, including the early risk identification system, meet the requirements to be placed on them. The Supervisory Board shares the opinion of the Audit Committee on the effectiveness of these systems. Then, the Supervisory Board discussed the financial statement documents (including the

non-financial statement) in detail, once again in the presence of the auditor. Respective discussions in the Audit Committee and Supervisory Board also took place without the participation of the Managing Board. The Supervisory Board approved the audit results. It examined the annual financial statements and consolidated financial statements, the combined management report (including the non-financial statement), and the Managing Board's proposal for the use of the balance sheet profit. The results of the pre-audit conducted by the Audit Committee and the results of its own audit correspond fully to the results of the auditor. The Supervisory Board raised no objections to the final results of this examination. The auditor issued an unqualified audit opinion on the annual financial statements of HeidelbergCement AG and the consolidated financial statements as at 31 December 2022 as well as the combined management report of HeidelbergCement AG and the Group.

The Supervisory Board approved the Managing Board's proposal for the use of the balance sheet profit, including the payout of a dividend of €2.60 per share (previous year: €2.40).

# Compliance

Compliance is a vital element of our corporate values. The public image of Heidelberg Materials is shaped by the conduct of each and every employee. We respect the cultures and laws of the countries in which we operate as well as the local people and institutions. With our [Code of Business Conduct](#), we have introduced a Group-wide set of rules to which all of us are committed.

## Compliant behaviour is at the heart of our business activities

We can only achieve success by working as a team – and compliance is no exception. In turn, this means that compliance work itself must be clearly defined by rules and widely communicated. This is the role of our compliance management system. In addition to overseeing the system, the Managing Board takes the lead when it comes to reminding the workforce of their compliance obligations.

Compliant behaviour is also integral to our business model. Our production and extraction 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 and must prove our integrity time and time again.

## Our compliance management system

Our compliance management system consists of seven elements, which are also laid down in the auditing standard 980 issued by the Institute of Public Auditors in Germany (Institut der Wirtschaftsprüfer in Deutschland e.V., IDW).

- Our **compliance culture** is documented in our Code of Business Conduct.
- Our Code of Business Conduct and other compliance guidelines also define clear **compliance targets**.
- We generally carry out **compliance risk assessments** to help guide our compliance work, but also to specifically address the topics of anti-corruption and human rights.
- Our **compliance programme** includes, in particular, guidelines, a whistle-blower system and case management, sanctions screening, and reviews of business partners.
- The **compliance organisation** clearly defines responsibilities and ensures complete coverage of all compliance topics.
- **Compliance communications** include web-based and face-to-face training, videos, posters, online information, compliance letters, and other media use.
- Regular **compliance checks** are primarily carried out by Group Internal Audit.

We regularly make our employees aware of compliance matters. The topic is firmly integrated into all work processes through training opportunities and practical application on a daily basis. If there is no specific guideline on how to act in a particular situation, the compliance team can be consulted to give recommendations in line with our ethical standards and our Code of Business Conduct. We carry out our responsibilities towards customers, suppliers, official bodies, and business partners with honesty, integrity, and professionalism.

We believe that adhering to the principles of our Code of Business Conduct ensures the business success of Heidelberg Materials, creates a working environment built on trust, and leads to higher levels of satisfaction among all of our company's stakeholders.

## [Non-financial statement](#)

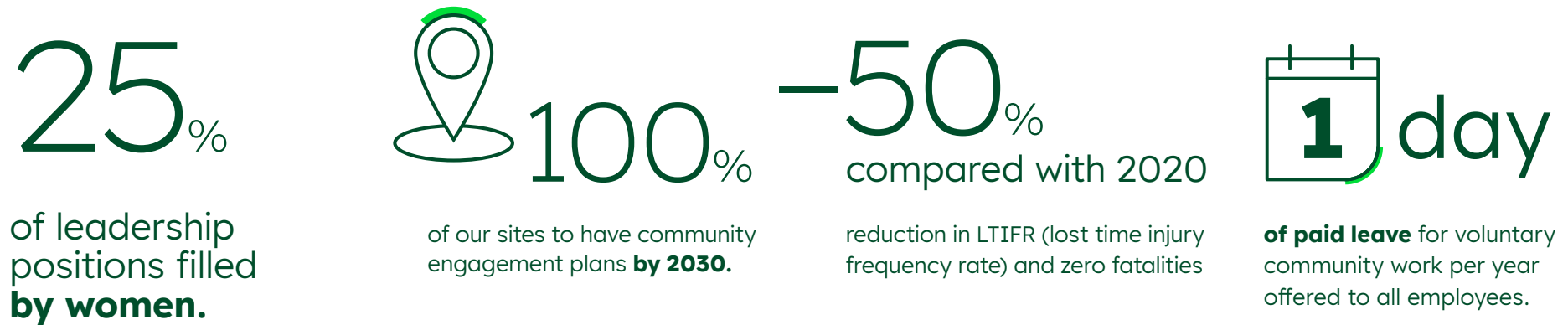


# Building a safe and inclusive future

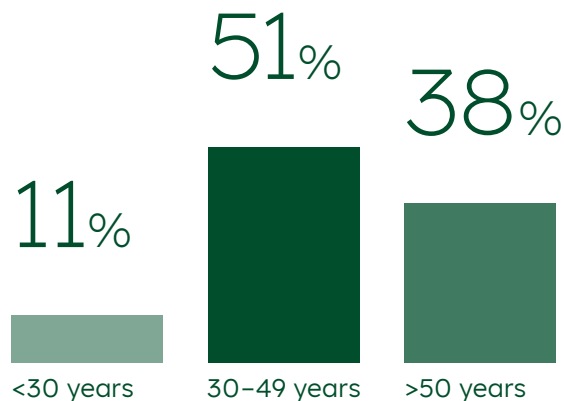


## Our commitment

## Our Sustainability Commitments 2030



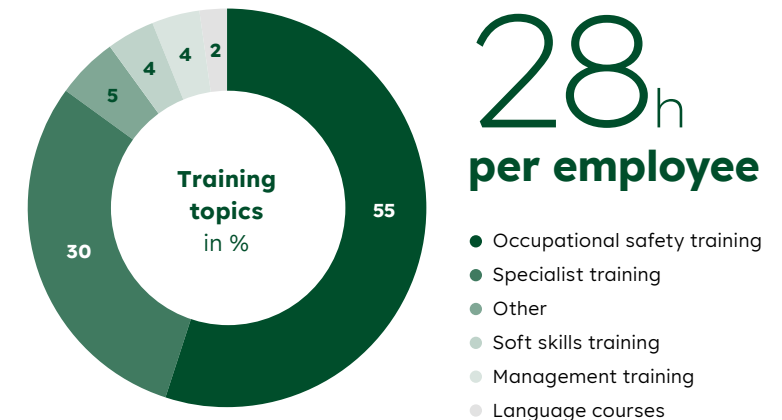
## Age structure within the Group



## Female executives



## Training hours



trend through active generation management and by offering numerous health management and preventive care measures adapted to regional requirements.

Flexible working time models, a digital workplace, and mobile working have become the norm for us in our commitment to work-life balance. This offering is complemented by virtual workshops and preventive screening, covering many different health topics, as part of our health management activities. The sports groups, courses, and our own gym at our headquarters support mental and physical health. To promote sustainable and flexible mobility, we also subsidise offers such as the JobTicket public transport and JobRad bike leasing schemes.

Through trainee programmes, dual apprenticeship and study partnerships, specialist and managerial development, and professional training, we invest specifically in the best possible qualification of our employees. With our e-campus and the possibility of international work assignments, we can also hold our own in the global labour market.

### **Remuneration policy and working time regulation**

The remuneration systems at Heidelberg Materials are based on performance and results in accordance with the market standards for internationally operating companies in our sector. Alongside fixed remuneration 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<sub>2</sub> 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 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 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.

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

Our working time regulations comply with the legal requirements in effect at our respective locations. We promote adherence to these regulations by means of our whistle-blower system, which employees can use to individually report possible violations (passive monitoring). To enable flexible working time options, we offer models such as flexitime, working time accounts, part-time work, and leaves of absence, for example in the form of a sabbatical, to our employees in many countries. Older employees also have the option of switching to partial retirement.

### **Employment and co-determination**

Employee co-determination has always been of great importance to us. Statutory, collective bargaining, and company regulations are implemented jointly in close cooperation with employee representatives. The works council and Group management work together in a spirit of trust.

In accordance with the defined co-determination and participation rights, the relevant committees are informed in good time so that opinions can be obtained, and then agreements are made with them. Heidelberg Materials works consistently and intensively with employee representatives in a spirit of trust. These representatives are involved in numerous committees and are informed at an early stage about operational changes. In the event of a reorganisation or job cuts, we work in close consultation to achieve a socially responsible solution and, for example, 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.

#### **Non-financial statement**



## Education

For Heidelberg Materials, forward-looking HR management means consistently investing in training. With an apprentice retention rate of 85% in Germany, steady growth of qualified young talent is guaranteed.

In addition to technical skills for ensuring functionally sound processes, digital competences have also become indispensable. We already cover the technical part with virtual learning platforms and multilingual e-learning courses, specifically developed by the German Cement Works Association (VDZ). A complete educational offering is ensured through additional training covering professional use of programmes for virtual communication and cooperation, how to deal personally with the new work and life situation, and topics of mental health and resilience.

As a manufacturing Group, occupational safety is always a key element of our training and career development programmes. In addition, we focus our efforts on specialist training and the training of our managers. Our training programmes in virtually every work area are characterised by practical and business-oriented learning and enable our employees to develop their skills in the best possible way.

The Cement Academy of the Competence Center Cement (CCC) offers seminars and training sessions around the world for the engineers and technicians at our cement plants, while the Aggregates Academy of the Competence Center Aggregates & Asphalt (CCA) provides apprenticeships and employee training in the aggregates business line. Process simulators and various web-based learning programmes, including the

multilingual Cement Manufacturing Curriculum, on which more than 3,000 employees are enrolled, are regularly used to supplement our classroom courses.

### Strengthening digital competences

There is undeniably a need to build and expand digital competences, drive change processes in the context of digital transformation, and further digitalise 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, all key global digitalisation projects and the tools used within the Group are explained on a platform to which all employees have access. We used external training databases to also significantly expand e-learning offerings on various digitalisation topics in the past year.

Training on the use of virtual communication and collaboration tools also accounted for a large part of demand in the past year. To meet this demand, we offer both in-house courses and comprehensive digital training and certification from external partners (Microsoft certification tracks).

### Successor planning

Securing and developing junior executives is an important pillar of our personnel development strategy. We have intensified our activities aimed at expanding our development programmes and strengthening our recruitment of university graduates worldwide. We offer them extensive, international trainee programmes focusing on the areas of technology, sales, finance, HR, and procurement, as well as interdisciplinary posts.

Through a special programme, we also 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 in different countries is a key element of the programme's success.

Since 2013, Heidelberg Materials has been the proud recipient of the trainee seal of the German initiative for career-enhancing and fair trainee programmes each year for our programmes for the advancement of future executives. As a member of the Fair Company initiative and bearer of the Fair Company seal, we have also been voluntarily committed to the creation of fair and attractive working conditions for trainees and young professionals. [Non-financial statement](#)

# Occupational health and safety

Occupational health and safety is one of the core values of our Group and therefore a fundamental element of our work processes. Our declared aim is to do zero harm. With effective preventive measures, we intend to reduce the risk of accidents and injuries as well as the risk of occupational illness.

The health and well-being of our employees, our contractors, and the people in our local communities are at the heart of our actions. We believe that work-related accidents and occupational diseases, including mental illnesses, are generally preventable and that a safe working environment is also the most successful in the long run. Our principles for protecting our own employees as well as those of companies contracted by us and those of third parties are specified in our Group policy on occupational health and safety.

Although the management of Heidelberg Materials has overall responsibility for ensuring that our working environments are safe, everyone involved also has individual responsibility: employees, contractors, and visitors are required to familiarise themselves with our occupational health and safety measures. They must observe all applicable rules, regulations, and work instructions and wear the personal protective equipment stipulated for the relevant situation. It is therefore also important for us to have a good working relationship with the employee representatives, and this is also laid down in our Group policy on occupational health and safety. They represent over 97% of our employees.

## Occupational safety at our locations

We work hard to minimise and prevent risks for our employees, customers, suppliers, and other third parties. To this end, we carry out regular risk assessments at our locations so that we can evaluate risks and take appropriate protective measures. Based on the results of these risk assessments, we have introduced and continuously updated various Group-wide safety standards in recent years in order to address activities with particularly high risks consistently. These standards are translated into local measures at our locations and, if necessary, supplemented by additional measures. As part of workplace inspections, we check compliance with these internal standards as well as with other legally mandated external requirements. Any shortcomings we identify are rectified as quickly as possible.

All our measures give due consideration not only to our own employees but also to the employees of external companies. They work for us in areas such as production, maintenance and repair, transport, other services, and consulting. We have therefore addressed the issue of contractor safety with a separate Group standard to take account of the particular requirements placed on external companies as well as those that must be met by Heidelberg Materials when engaging external companies.

Transport is another important focus of our work, as traffic accidents have unfortunately repeatedly led to uninvolved third parties sustaining injuries or even losing their lives. We address this issue in training courses for our own drivers and those who drive on our behalf. The driver training courses aim to raise drivers' safety

awareness so that they can identify and reduce potential risks at an early stage. This training in defensive driving is not only theory based; it is also increasingly delivered using driving simulators, at driving safety centers, or through supervised driving. In addition, we are making greater use of technical aids. As well as fitting vehicles with various assistance systems and using such systems, examples of this approach also include checking the roadworthiness of third-party vehicles before loading.

## Improving mental health

In addition to the measures outlined above for the prevention of accidents and standard occupational diseases, various Group countries are also increasingly working with external organisations in order to improve the mental health of employees. The idea is to raise awareness of mental health problems and train employees to recognise warning signs and offer support. The aim of the measures is to dispel prejudices and encourage those affected to talk about their problems and seek help.

In recognition of the sensitivity of the topic and to make it easier for those affected to access appropriate services, many of our subsidiaries offer external support programmes that provide help anonymously and free of charge. Countries in which such programmes are available include Germany, the UK, Belgium, Canada, the USA, and Australia.

## Non-financial statement



# Social responsibility

As a global Group with a strong regional business focus, we operate at many locations across the world. Our production and quarrying sites are generally designed for a service life of several decades. To maintain acceptance of our business activities at the sites over these long periods, we are active in the communities close to our plants and fulfil our corporate social responsibility (CSR). We create jobs and promote local economic development with our wages, investment, purchasing, and taxes, particularly in economically weak regions.

## Social engagement at our locations

We have made a commitment to social responsibility in our Code of Business Conduct. At our locations, we strive for a constructive, trusting, and neighbourly relationship with local residents. We support the social and economic development of our neighbouring communities and foster transparent communication with all stakeholders. We aim to work with local partners to create added value both for our Group and for the local communities. People in the communities where we operate also expect us to contribute to the areas surrounding our production sites by regularly providing information about our business activities and through our commitment to local social, economic, and environmental development. Taking social responsibility and

maintaining good relationships with our stakeholders – particularly at our production sites – are management tasks. The national management team, together with the national CSR manager, is responsible for social engagement in each country. Funding decisions for individual countries are made by the national management teams within their budgetary framework. Together with the location representatives, they are also responsible for analysing local needs and for selecting, implementing, and monitoring projects.

## Involving local communities

We involve local communities in our business activities through various dialogue formats as well as community engagement plans. Among other things, these strategies include long-term partnerships with non-governmental and non-profit organisations. In addition, we keep the local communities and stakeholders informed via newsletters or at open days.

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.

Our engagement is focused on the following areas:

- Culture: we promote cultural initiatives for all age groups in our local communities.
- Environment: we support initiatives that promote environmental protection and strengthen the diversity of nature at our locations.
- Infrastructure: we provide practical help in the construction of buildings and infrastructure by making products, financial means, and expertise available.
- Education: in this area, we are guided by the specific needs of our locations. We foster potential and encourage initiatives such as education partnerships.

## Focus of our engagement in 2022

At Heidelberg Materials, we stepped up our humanitarian efforts in 2022 in response to the Russia-Ukraine war. The country organisation in Poland, for example, took direct action and made the conference center on site available to host refugees. In addition to numerous other initiatives there, financial aid was provided for Ukrainian students at the University of Opole, a charity run was organised, and deliveries of relief supplies to Ukraine were supported. In Germany, too, one of our buildings was made available to host refugees and a fundraising campaign was organised among employees.

Heidelberg Materials' business model encompasses the entire value chain, from the extraction of raw materials to further processing into cement through to the end product, concrete and its recycling.

Heidelberg Materials operates as a fully integrated building materials company. Key business processes include the extraction of raw materials, the production of building materials, as well as their sales and distribution to customers. Operating activities are supported by central competence centers for technology as well as by shared service centers in individual countries and regions. Operating business processes include the geological exploration of raw material deposits, the purchase or lease of the land where the deposits are located, applying for mining concessions and environmental impact assessments, the construction of manufacturing facilities in cooperation with external service providers, as well as the actual production of building materials, including extracting raw materials, processing and recycling building materials, and maintenance of the facilities.

### **Products**

Our core products cement, aggregates, ready-mixed concrete, and asphalt are homogeneous bulk goods. Their product characteristics are mostly standardised in order to ensure the required stability, reliability, and processability in the application.

Cements are classified according to their early and final strength as well as their composition. In addition to cements that consist of almost 100% clinker, there are so-called composite cements, in which a portion of the clinker is replaced by alternative raw materials, such as fly ash, ground slag, or limestone. Cement is used as a binder mainly in concrete production.

Aggregates (sand, gravel, and crushed rock) are classified according to their particle size and texture. They are the main component in the production of concrete and asphalt but are also used as base courses in the construction of infrastructure, such as roads.

Concrete is a mixture of aggregates (about 80%), cement (about 12%), and water. Concrete is usually delivered to the construction site by ready-mix trucks and is poured locally into forms. Moreover, concrete is also used for the production of precast concrete parts, such as stairs, ceiling elements, or structural components.

Asphalt is a mixture of aggregates (about 95%) and bitumen and is generally used as a top layer in road construction.

### **Locations and sales markets**

Due to the heavy weight of cement, aggregates, and ready-mixed concrete in proportion to their price, production is usually located in close proximity to the sales markets. The cement transportation radius by road normally does not exceed 200 km. The delivery radius for aggregates, ready-mixed concrete, and asphalt by road is generally less than 100 km. Consequently, we have local production sites in more than 50 countries in which we offer building materials.

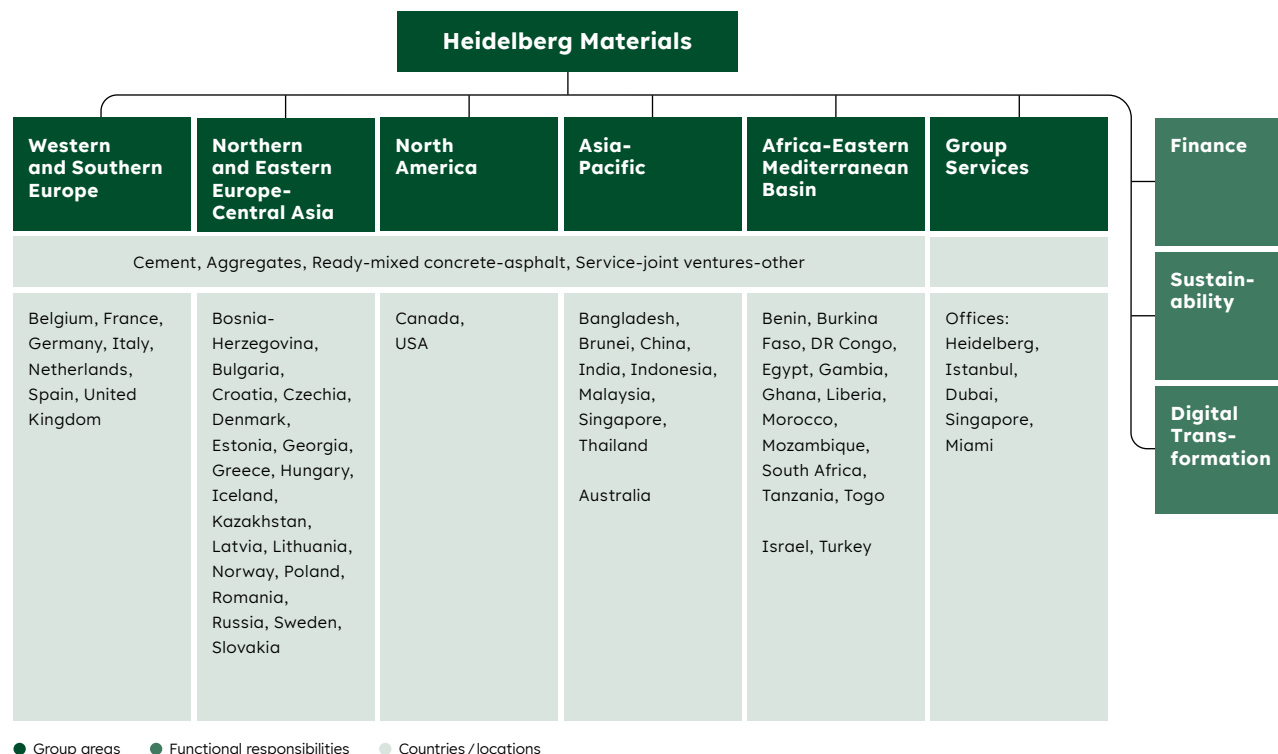
We operate around 130 cement plants (plus a further 20 as part of joint ventures), just under 600 quarries and aggregates pits, as well as around 1,320 ready-mixed concrete production sites worldwide. In total, the Group employs 50,780 people at around 2,500 locations on five continents. There are additionally more than 350 production sites belonging to joint ventures.

### **Organisational structure**

The Group is divided into five geographical Group areas: Western and Southern Europe, Northern and Eastern Europe-Central Asia, North America, Asia-Pacific, and Africa-Eastern Mediterranean Basin. Our global trading activities, especially the trading of cement and clinker, are pooled together in the sixth Group area, Group Services.

Within the geographical Group areas, we have divided our activities into four business lines. The cement and aggregates business lines comprise the essential raw materials that are required for the manufacture of the downstream products ready-mixed concrete and asphalt, which are combined in our third business line. The fourth business line, service-joint ventures-other, primarily covers the activities of our joint ventures.

## Organisational structure



### Importance of sustainability to the business model

We want to significantly reduce the impact of our business activities on the climate and lower our carbon footprint. As a leading building materials manufacturer, we see it as our responsibility to play a decisive role in transforming our industry to meet current and future needs. We want to make a substantial contribution to sustainable construction and carbon neutrality and assume social and environmental responsibility.

Climate protection is an integral part of the Group strategy. The production of cement generates a large amount of CO<sub>2</sub> due to the chemical processes involved in burning clinker and the high temperatures this requires. Therefore, we are making greater use of alternative raw materials and fuels to reduce CO<sub>2</sub> emissions. We also optimise our production processes to increase energy efficiency. To reduce the consumption of primary raw materials, we are committed to circularity and strengthening the circular economy. At product level, our focus is on the broad introduction of low-carbon cements and concretes, the use of recycled mate-

rials, and the application of new technologies such as 3D concrete printing.

Heidelberg Materials is a manufacturing company. The extraction of raw materials and the production of cement and aggregates carry various risks of accident and injury, for example with regard to the transportation of raw materials and finished products, working at great heights, high voltage currents, using heavy technical equipment, or with respect to rotating parts of kilns, mills, or conveyor belts as well as hot temperatures around the cement kilns. With effective preventive measures, we intend to minimise the risk of accidents and injuries as well as the risk of work-related illness. Occupational health and safety is a cornerstone of our corporate culture and work processes.

Heidelberg Materials is committed to responsible corporate governance, which includes respect for human rights, zero tolerance of corruption and antitrust violations, and ensuring diversity, equity, and inclusion.

For further information, refer to the [Non-financial statement chapter](#).

### External factors of influence

In addition to weather conditions and economic and population growth, the most significant external factors influencing the economic development of Heidelberg Materials are developments in prices on the energy and raw materials markets, the regulatory environment, and competition in the markets in which we operate.

## Information according to the EU Taxonomy Regulation

The Taxonomy Regulation is a classification system that translates the EU's climate and environmental objectives into criteria for certain environmentally sustainable economic activities for investment purposes. Economic activities are recognised as "environmentally sustainable" if they make a substantial contribution to at least one of the EU's climate and environmental objectives while not significantly harming any of the other defined environmental objectives. In addition, minimum social standards must be met.

### Assessment of taxonomy eligibility

The portfolio of our business activities was assessed in the reporting year with regard to taxonomy eligibility under the delegated acts on climate change mitigation and adaptation. In addition to 3.7 Manufacture of cement (represented in the following as the cement business line), 5.9 Material recovery from non-hazardous waste (represented in the following as the recycled aggregates operating line within the aggregates business line) has been identified as a relevant economic activity (see [Circular economy section](#)) and included in the reporting pursuant to the requirements of Article 8 of the EU Taxonomy Regulation. There are also other taxonomy-eligible economic activities within Heidelberg Materials' business lines, such as transport services, which are, however, not shown separately and are included in the reporting for the cement business line and activity 3.7.

Heidelberg Materials' other business activities, such as the ready-mixed concrete-asphalt business line, are taxonomy-non-eligible under the currently known legal acts. We also analysed cross-sectional economic activities for the CapEx and OpEx KPIs, but this did not result in any additional reportable activities.

## Review of the technical screening criteria

The technical screening criteria for taxonomy alignment with the act on climate change mitigation were reviewed by an interdisciplinary working group and with the involvement of further experts, especially with regard to the interpretation of the "do no significant harm" (DNSH) criteria. The requirements of the climate change adaptation act were not pursued further, as we are currently unable to achieve taxonomy-aligned revenue, capital expenditure and operating expenditure in accordance with the regulation.

To review the criteria determining whether a substantial contribution to climate change mitigation (substantial contribution criteria) is made, internal reporting systems and data were used to verify compliance with the respective limit values at plant level. The analysis differentiates between the various types of plants (integrated plants, clinker plants, grinding plants) on the basis of the reporting definitions set out by the GCCA industry association.

For the somewhat more qualitative DNSH criteria, the individual (legal) requirements and their applicability to Heidelberg Materials were reviewed and potential approaches for proving the alignment of the individual plants were devised. For example, a location-based assessment for climate change adaptation was developed, covering various climate scenarios and time horizons. If risks are identified, the plants will be expected to implement appropriate adaptation measures. At the same time, for criteria such as "protection and restoration of biodiversity and ecosystems" or "sustainable use and protection of water and marine resources," use is made of existing processes. We regularly assess the proximity of our operational sites to protected areas and, if necessary, develop biodiversity management plans. For the "sustainable use and protection of water and marine resources" criterion, we have extended our existing approach of creating water management

plans and make use of the assessment of (potential) risks and impacts carried out for this purpose.

For the manufacture of cement and the "pollution prevention and control" criterion, we use, among other things, our long-established processes for monitoring air pollutants to verify compliance. We have also examined the additional requirements for the products we manufacture, such as those relating to placing hazardous substances on the market. We come to the conclusion that these criteria are fulfilled. With respect to circular economy, there are no requirements within the Taxonomy Regulation for 3.7 Manufacture of cement and 5.9 Material recovery from non-hazardous waste.

In order to comply with the minimum safeguards, we have closely coordinated with the Group Legal and Compliance department and compared our existing measures on human rights, anti-corruption, fair competition, and taxation with the requirements of the EU Taxonomy Regulation. As we have been implementing compliance processes in these areas for many years and are continuously reviewing and expanding them, we have come to the conclusion that the minimum safeguards are being met. One current example of our continuous optimisation efforts, is our work in the field of human rights to further expand our analysis of significant risks and their impact on potentially affected parties. Particularly with respect to our supply chains, we have supplemented our existing risk management with suitable processes (in the context of the requirements of the German Supply Chain Due Diligence Act (LkSG), among other things). Further information on this topic can be found in the [Compliance section](#).

## Explanation of the key figures

The key figures revenue, capital expenditure (CapEx), and operating expenditure (OpEx) relevant to the Taxonomy Regulation were determined with reference to the definitions set out in the Annex to the Delegated

Act to Article 8 of Regulation 2020/852. The relevant revenue, CapEx, and OpEx were assigned to the above-mentioned taxonomy-eligible economic activities. Standard reporting (assignment by business line) was used to determine the key figures, avoiding the possibility of double counting across the two economic activities.

### Revenue

The key figure for sustainable revenue pursuant to the Taxonomy Regulation is calculated on the basis of revenue related to the taxonomy-aligned economic activities (numerator) divided by total revenue (denominator). Revenue is defined as the revenue shown in the consolidated income statement that relates to revenue from contracts with customers pursuant to IFRS 15. This can be found in the Notes item 7.1.

The total revenue pursuant to the Taxonomy Regulation amounts to €21,095.1 million, of which €11,005.8 million (52.2%) is attributable to taxonomy-eligible revenue for the cement business line and €57.2 million (0.3%) to the recycled aggregates operating line. The taxonomy-aligned share of revenue is €156.7 million (0.7%) for the cement business line and €11.1 million (0.1%) for the recycled aggregates operating line.

### Share of taxonomy-eligible and taxonomy-aligned revenue

	in €m	in %
Taxonomy-non-eligible revenue	10,032.1	47.6
Taxonomy-eligible revenue	11,063.0	52.4
thereof taxonomy-aligned revenue	167.7	0.8
<b>Total revenue</b>	<b>21,095.1</b>	<b>100.0</b>

The detailed quantitative information at economic activity level can be found in the table on [page 117](#).

### Capital expenditure (CapEx)

CapEx comprises all additions of tangible and intangible assets, including leases but excluding goodwill and revaluations. The CapEx thus results from the additions to intangible assets (Notes item 9.1) and from property, plant and equipment including right-of-use assets (Notes item 9.2) in the Notes to the balance sheet. Besides additions from ordinary business operations (see line "Additions"), additions from business combinations (see line "Business combinations") are also included in the total CapEx

Total CapEx pursuant to the Taxonomy Regulation amounts to €1,570.1 million. Of this, €952.5 million (60.7%) is attributable to taxonomy-eligible CapEx for the cement business line and €33.1 million (2.1%) to the recycled aggregates operating line. The taxonomy-aligned share of CapEx is €360.8 million (23.0%) for the cement business line and €5.1 million (0.3%) for the recycled aggregates operating line. These taxonomy-aligned CapEx include €365.9 million from additions to property, plant and equipment as well as €0.0 million from additions to intangible assets as well as right-of-use assets.

### Share of taxonomy-eligible and taxonomy-aligned CapEx

	in €m	in %
Taxonomy-non-eligible CapEx	584.4	37.2
Taxonomy-eligible CapEx	985.7	62.8
thereof taxonomy-aligned CapEx	365.9	23.3
<b>Total CapEx</b>	<b>1,570.1</b>	<b>100.0</b>

The detailed quantitative information at economic activity level can be found in the table on [page 118](#).

CapEx in cross-sectional economic activities involve marginal as well as no strategic investments. The review of these investments in the 2022 financial year revealed that they are negligible in relation to the total CapEx.

### Investment plan ("CapEx plan") within the meaning of the EU taxonomy

Pursuant to the Taxonomy Regulation, as outlined above, only the cement business line and the recycled aggregates operating line are taxonomy-eligible in the context of the climate change mitigation environmental objective. In order to continuously increase the share of taxonomy-aligned economic activities, investments in carbon capture, utilisation, and storage (CCUS, see [Climate, energy, and emissions section](#) and [Research and development chapter](#)) and technical equipment are important factors.

In 2022, Heidelberg Materials set ambitious targets for 2030 based on detailed activities and plans (CO<sub>2</sub> roadmap). Large-scale projects in particular require a long planning and implementation phase, which is why the extension of the planning period to more than five years is objectively justified and in line with the internal CO<sub>2</sub> roadmap. By 2030, Heidelberg Materials plans to invest a total of €3,250.0 million in the 3.7 Manufacture of cement economic activity and €280.0 million in OpEx for the expansion of our taxonomy-aligned activities so that they fulfil the technical screening criteria (substantial contribution criteria and DNSH criteria).

## Responsibility towards our employees

### Employees

Heidelberg Materials has around 51,000 employees worldwide. We want to offer attractive working conditions and jobs with a secure future. For us, a good personnel policy means respecting our employees with their range of talents, qualities, and diversity of experience as well as creating the right conditions to allow them to do their jobs with efficiency and dedication. As a manufacturing company, we also attach importance to occupational safety and the protection of our employees' health.

At the end of 2022, the number of employees at Heidelberg Materials stood at 50,780 (previous year: 51,209), based on full-time equivalents. The decrease of around 430 employees essentially results from two opposing developments. On the one hand, around 1,200 jobs were cut across the Group as a result of portfolio optimisation measures, the realisation of synergies, efficiency gains in sales and administration, as well as location optimisations. On the other hand, around 770 new employees joined the Group, among others in North America, Australia, and the United Kingdom. Information on the number of employees in the Group areas can be found in the [segment reporting](#).

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.

## Diversity, equity, and inclusion

Group-wide, we aim for a mix of diverse nationalities, personalities, skills, and experience. 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. We are convinced that this diversity, in harmony with an appreciative corporate culture, has a positive effect on our innovative strength and the commitment of our employees.

The international composition of our top and senior management also gives us the benefit of a broad range of experience from different cultural backgrounds. This allows us 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 our headquarters, we aim to ensure that the workforce is composed of employees from the countries in which we operate, with the intention of improving cooperation with local personnel. Currently, more than 50 different nationalities are represented at our headquarters.

There are trade unions and similar organisations in nearly all of the countries in which Heidelberg Materials operates. We also engage in regular, open dialogue with representatives of these organisations.

### Targets and commitments

Our aim is to attract and develop highly qualified and committed employees worldwide who bring their individual skills and different perspectives to our company and thus contribute to our business success.

In 2022, we defined a new, ambitious target for the proportion of women at management level. In Germany, we want the proportion of women in the first and second leadership levels below the Managing Board to reach 27% on each level by 2027. Our global target is for women to occupy 25% of management positions by 2030.

We have been signatories to the Diversity Charter since early 2013.

## Responsibility and organisation

The Group Human Resources (HR) department is subordinate to the Chairman of the Managing Board, to whom the Director Group Human Resources reports directly. Group HR is also responsible for the topics of diversity, equity, and inclusion. Each country has its own personnel organisation and sets country-specific human resources priorities. The individual HR directors of the countries report directly to the general manager of the respective country and, in a functional reporting line, to the Group Human Resources department.

Members of the employee committees at the individual locations form the General Works Council for HeidelbergCement AG and the Group Works Council. The representative body for severely disabled employees is embedded in the local works council for the headquarters in Heidelberg.

### Policies

Heidelberg Materials is committed to upholding the core labour standards of the International Labour Organization (ILO), the OECD Guidelines for Multinational Enterprises, and both the Universal Declaration of Human Rights 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 worldwide



to comply with these central guidelines and recommendations.

Our Code of Business Conduct is binding across the Group and describes our values as well as our ethical and legal standards. These include non-discriminatory employment conditions and an open and fair dialogue with employee representatives.

With the Company Agreement on Mobile Working in Germany, we are placing particular emphasis on making our working time models more flexible in order to help our employees achieve a better work-life balance.

We have defined guidelines within the Group that concern, for example, respectful behaviour towards co-workers, the involvement and development of employees, a commitment to a strong feedback culture, and the importance of our customers to our corporate success. We urge our managers and employees worldwide to adapt the way they behave towards one another accordingly, taking local circumstances into account.

### Processes

Employee and employer representatives maintain a close and regular dialogue. For instance, monthly meetings take place between Human Resources representatives and the works councils at the various locations. Furthermore, the works council organises quarterly staff meetings at the headquarters, which are attended by the Chairman of the Managing Board and the Director Group Human Resources every six months. A meeting of the General Works Council is held once a year, to which the Chairman of the Managing Board, the Managing Director of the German organisation, the Director Group Human Resources, and the Director HR for Germany are invited. In addition, the works council has formed various committees which liaise with the Group Human Resources department as required.

Examples include the Personnel Planning Committee, data protection, IT systems, and monthly meetings with the works council at headquarters. Group management and employee representatives also engage in an established, constructive dialogue in the European Works Council.

Human resources issues are considered at Managing Board meetings to which the Director Group Human Resources is invited depending on the topic. The Supervisory Board meets at specified intervals to discuss personnel issues related to the Managing Board.

We have embedded key leadership principles in standard human resources processes. In annual salary review processes, we ensure that the remuneration of our managers and employees not covered by collective agreements develops appropriately for each individual. As part of a structured target agreement process, managers and employees jointly define the forthcoming tasks and expectations. Individual performance appraisals also have an impact on remuneration. A further purpose of career development discussions is to support our employees' development and career planning. These processes have been automated for 11 years through our HR Globe HR system and offer self-service features for employees and managers. A total of around 10,000 employees worldwide are registered in the system. Over 35,000 employees have access to e-campus, our current learning management system, in which we offer training activities on specialist and general work-related topics. We began working on the introduction of our new Workday HR system in a Group-wide project in 2021 with the intention of establishing it as the Group's central HR IT system worldwide.

Workday will gradually replace systems such as e-campus and HR Globe. We laid the foundation with the global roll-out of Workday in December 2022. More than 45,000 employees are monitored with their HR master data in the system. The roll-out of further modules is planned for 2023, including processes relating to talent management.

### Measures and progress

In recent years, we have further developed our measures aimed at promoting women. The proportion of women in programmes for the advancement of future executives across Germany was 31% (previous year: 31%) and therefore, as in previous years, significantly higher than the proportion of women in the total workforce in Germany of 16.9% (previous year: 15.9%). We also provide targeted support for the career development of our female future executives. In Germany, for example, we participate in a cross-company mentoring programme in cooperation with other companies from the Rhine-Neckar metropolitan region, where our headquarters is located.

The global NOW – Network of Women, which was launched at Heidelberg Materials in 2011, connects female employees around the world virtually and in person and supports individual career development as well as promoting women in general. The initiative aims, among other things, to support the network's members in developing their career potential and to build greater awareness throughout the company of the changing demands on working and living environments. The Allies of NOW programme, introduced in 2021, also offers opportunities for male employees to advocate for gender equality at Heidelberg Materials.

As in previous years, Heidelberg Materials took part in activities for German Diversity Day in 2022.

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. They include 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, which apply equally to all countries and must be translated into local regulations.

### **Processes**

Occupational health and safety management systems, such as the internationally accepted ISO 45001 standard and comparable local standards, have already been implemented in 99% of our locations. These systems require a structured approach from the local line management with planning, clear safe work procedures, responsibilities, and controls to ensure an ongoing improvement process and thus prevent accidents.

To support this approach, we use HC Protect throughout the Group. This is a standardised software in which accidents are recorded by our own employees, employees of external companies, and if appropriate, third parties. An accident event cannot be closed in HC Protect until the causes of the accident have been analysed and documented and corrective or preventive actions have been defined. The system tracks the measures defined to ensure that opportunities for improvement are realised. We share the findings from accident investigations across the Group in the form of safety alerts in order to prevent similar accidents happening anywhere else. In the event of an accident resulting in a fatality, this incident will also be discussed by the Managing Board.

In addition, we place special emphasis on the preventive recording of unsafe conditions in the workplace so that we can remedy them and derive measures. We therefore record in HC Protect any near misses or unsafe conditions observed during safety conversations or plant inspections and determine appropriate corrective actions and the target date with the responsible parties. In the last software upgrade, we broadened the range of accident types covered in order to be able to investigate in more detail incidents that do not result in personal injury but do involve damage to vehicles or the environment. The data collected is used at all management levels for monthly reporting.

### **Measures and progress**

In order to obtain an up-to-date overview of the implementation status of our safety standards at our plants, we have expanded the target/actual analyses begun in the previous year for all locations to include topics on driver safety and the safety of visitors and contractors. The gaps and remedial measures identified in the process, as well as progress made, are discussed with local management on a regular basis, and at least quarterly.

We place a special focus on potential fatal incidents (PFIs) in order to set them apart from the multitude of less critical incidents. Incidents that could have been fatal are flagged as PFIs in HC Protect and must also be investigated in full if no one was harmed. The incident can only be approved and closed once a root cause analysis has been completed and corrective actions have been defined.

To prevent job-related illnesses, we check our work sites habitually for exposure to factors hazardous to health, such as noise or dust. Employees who are exposed to these risks are regularly examined by occupational health specialists. 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 health check-ups for all employees and in some instances for their families. In regions where diseases like HIV/AIDS, Ebola, and malaria occur more frequently, programmes have been set up 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.

In Germany, we have incorporated our health management activities 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. For employees in Germany, we have introduced the option of company bicycles and set up a fitness studio at the Group headquarters offering physiotherapy support. 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 a range of age groups.

To help our employees deal with stress, conflicts, changes at work or in their private lives, as well as health problems, we offer counselling programmes in some Group countries. In some cases, we work together with external, professional providers of counselling services. Use of these services is free of charge and is treated confidentially. In many countries, we also offer appropriate support in the event of accidents to help the colleagues affected to come to terms with what they have experienced.

The steps taken in previous years regarding travel restrictions and protective measures taken at individual locations in response to the coronavirus pandemic were adapted in the reporting year to the relevant local infection situations and regulations. Although many measures have been lifted altogether, some remain in many places because they have proven effective as preventive measures against other infectious diseases, such as flu. These include the increased provision of disinfectants, the installation of physical partitions, and more virtual meetings.

In 2022, we continued training our employees on a range of occupational safety topics, including both legally mandated and internally defined topics relating to key hazards that are relevant locally and across the Group. By doing so, we aim to increase awareness of risks and further reduce the number of accidents, especially those resulting in fatalities.

We make use of conventional training in classrooms or on site in addition to e-learning courses, which are only ever used to supplement face-to-face training. Occupational safety topics account for around 55% of all training hours at Heidelberg Materials, corresponding to an average of approximately 15 hours per employee across the Group.

In addition to the conventional training activities, safety conversations also play a central role as a preventive measure against accidents. During these conversations between managers and employees, both safe and unsafe behaviour in the relevant situation are discussed and, if necessary, safer procedures are agreed. In 2022, we asked managers to place a strong focus on conducting last-minute risk assessments in their safety conversations. Our analyses of the causes of accidents show that some accidents could have been prevented if an additional short risk assessment had been performed immediately before the work was car-

ried out, i.e. at the last minute, taking into account factors such as the current weather conditions or the health of the employees. By focusing more on this issue, we want to build greater awareness of this important preventive step on the part of both management and employees. We record the results of the safety conversations in HC Protect so that, for example, we can detect local pockets of unsafe behaviour. By carrying out regular safety inspections, we want to contribute towards compliance with the defined safety requirements.

### Performance indicators

Lost time injury frequency rate increased slightly in the reporting year to 1.7 (previous year: 1.6). The lost time injury severity rate, on the other hand, decreased significantly from 95 to 79. This development shows that on average we had fewer serious accidents with long periods of absence. The increased focus on conducting “last minute” risk assessments as a preventive measure is likely to have had a positive impact here. In the business year 2022, we had to mourn the death of one of our own employees and four employees of contractors lost their lives. In four cases, the accidents occurred during work to remedy unexpected disruptions in the operating process, and in another case there was a traffic accident in the quarry.

### Accident development

	2020	2021	2022
Lost time injury frequency rate <sup>1)</sup>	1.6	1.6	1.7
Lost time injury severity rate <sup>2)</sup>	86	95	79
Fatality rate <sup>3)</sup>	0.4	0.0	0.2

1) Number of accidents (with at least one lost working day) suffered by Group employees per 1,000,000 working hours

2) Number of lost working days resulting from accidents suffered by Group employees per 1,000,000 working hours

3) Number of fatalities of Group employees per 10,000 Group employees

### Compliance

As a global Group, Heidelberg Materials is subject to a variety of legal requirements, which vary from country to country. In order to take account of these differences and ensure corporate governance, we have implemented a compliance management system across the Group. Within this framework, we carry out compliance risk assessments every four years, most recently in 2020, and determine areas of focus for the content of the compliance programme. This is done by conducting structured interviews with the general managers of the country organisations and the Group directors. Compliance risk areas are identified and ranked. The risks in the topic areas of corruption, competition law, and human rights are among the ten most important risks that we mitigate by means of our compliance management system.

### Corruption topic area

Heidelberg Materials' business activity involves significant cash flows, particularly in sales, procurement, financing, and investments, providing opportunities for corruption to occur in all countries of the world. According to Transparency International's Corruption Perceptions Index, many of the countries in which

Heidelberg Materials operates have an increased risk of corruption.

### Competition law topic area

As Heidelberg Materials' products are largely standardised, competition is heavily determined by price. In addition, the markets in which we operate have a relatively high degree of transparency and are often characterised by oligopolistic structures. All of this can, on the one hand, increase the incentive for unlawful restraints on competition and, on the other hand, also lead to mere suspicions of antitrust violations.

### Human rights topic area

Working with heavy technical equipment or in logistics poses a potential risk to safe working conditions in our industry. This is also a significant human rights risk at our suppliers and service providers. There is a risk of discrimination in all countries. Particular attention should be paid to the risk of discrimination against women in the sector, which is still male-dominated. The extraction of raw materials can lead to conflicts with the rights of the population, for example if there are resettlement plans or if specially protected indigenous groups are affected.

### Targets and commitments

We apply a zero tolerance policy to violations of applicable laws, regulations, and internal company policies. We also expect our employees and business partners worldwide to comply with key guidelines and recommendations, such as the principles of the eight core labour standards of the International Labour Organization (ILO), the OECD Guidelines for Multinational Enterprises, and the United Nations Guiding Principles on Business and Human Rights. All suppliers are also obligated to comply with our Supplier Code of Conduct.

Our management and monitoring structures are regulated in the company's Articles of Association, the

Rules of Procedure of the Managing Board and the Supervisory Board, and the German Stock Corporation Act (AktG) and are in line with the German Corporate Governance Code (see [Corporate Governance statement chapter](#)).

The impacts of any new investment on our compliance management system and, in particular, our human rights obligations are also part of our due diligence process. Human rights and business considerations are both taken into account when making investment decisions.

### Responsibility and organisation

The compliance programme, which is anchored in the Group-wide management and supervisory structures, is part of our management culture. It comprises the entire compliance organisation within the Group, the set-up of guidelines, and the verification of compliance with these guidelines. The compliance management addresses all compliance topics that Heidelberg Materials has identified as relevant in the compliance risk assessment.

The compliance organisation is under the authority of the Chairman of the Managing Board, to whom the Director Group Legal & Compliance reports directly. Each country has its own compliance officer, who reports directly to the country manager and indirectly to the Group Compliance department. The Compliance function is also responsible for the compliance management system for human rights. In 2022, the Managing Board appointed a Group human rights officer. In order to implement the human rights compliance programme, two new positions have been created in the Group Compliance department with a focus on human rights expertise. The future incumbents will cover topics ranging from risk analysis to preventive and remedial measures – in both their own business line and the supply chain. Since the end of 2022, a human rights coordina-

tor has been responsible for human rights compliance management in each of the country organisations. In addition, the country organisations appoint environmental experts to assist human rights coordinators as partners in assessing and addressing human rights risks related to environmental aspects.

### Policies

Our compliance principles are laid down in the Code of Business Conduct, which covers all compliance topics identified as material for Heidelberg Materials. The organisation of the compliance management system is defined in the internal Compliance Policy.

In 2022, we specified standardised rules for all governance documents in a new framework policy. Against this background, several compliance policies have also been adjusted, such as our Group Compliance Incident Reporting & Case Management Guideline, which lays down the principles for reporting compliance issues, processing and investigating submitted complaints, and protecting those reporting the incidents.

The Group Anti-Corruption Guideline defines principles such as behaving with integrity towards business partners or avoiding conflicts of interest.

As regards competition law, the acceptable behaviour for Heidelberg Materials is derived firstly from the applicable antitrust laws including relevant international regulations, such as the antitrust regulations in the Treaty on the Functioning of the EU. In its Code of Business Conduct and with the Group Competition Law Guideline, the content of which was also adjusted in 2022, plus the national antitrust law guidelines based on the latter, Heidelberg Materials has made an explicit internal commitment to strict compliance with antitrust laws, such as the prohibition of cartels and the abuse of a dominant market position, as well as with the rules of merger control.

Heidelberg Materials' position on human rights is a commitment by the Group to respect human rights. Among other things, it addresses employees' working conditions, responsibility at our locations (including the rights of indigenous peoples), and the selection of suppliers and customers. The internal Guideline on Human Rights Compliance Management regulates the organisation and responsibilities associated with implementing compliance with human rights.

### Processes

The compliance programme integrated across the Group serves as a cornerstone for achieving our compliance targets. 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. The programme also includes internal guidelines and measures that express the legal provisions in concrete terms. In addition, suitable corrective and preventive measures are taken to help prevent similar incidents in the future. Further to annual communication of these guidelines, compliance letters and video messages are circulated to the workforce. Software is used for the administration of compliance tasks and reporting. The intention is that this will also replace the previous software for compliance risk assessments in 2023. Furthermore, we have established SpeakUp, a web- and telephone-based reporting system accessible across the Group and also to people outside the organisation.

As well as face-to-face training, employee training is also carried out online. The range of digital courses, which are mandatory for specified groups of employees, covers topics such as the Code of Business Conduct, competition law, and the prevention of corruption. In order to achieve a 100% completion rate for all digital compliance training, we require the country managers to additionally report on training attendance to the responsible member of the Managing Board. The group of persons required to attend the online training courses includes, depending on the course, all employees who have a company email address or employees of specific departments and/or managers. The training courses are mandatory for new hires and are repeated every two years. In addition, training sessions are conducted on other compliance topics such as human rights or money laundering. They are carried out both at the request of specific departments and on the instructions of the Compliance function.

The entire compliance programme is continuously reviewed for the need to adapt to current legal and social developments by keeping track of news and exchanging information with compliance experts, and is improved and further developed accordingly.

Group-wide implementation of the compliance programme is monitored by regular and special audits by Group Internal Audit as well as via half-yearly reporting by the Director Group Legal & 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 informs the Managing Board members with regional responsibility about the most important compliance incidents in their Group areas. Following the adequacy assessment of the compliance management system of HeidelbergCement AG carried out in

2021 on the basis of the IDW PS980 auditing standard, which was confirmed without qualification of the audit opinion, the recommendations for improvement have either already been implemented in 2022 or are in implementation.

Approximately every three years, we conduct a comprehensive analysis to assess and prevent corruption risks and possible conflicts of interest. A rolling approach ensures that different Group countries are analysed each year as part of this cycle. First, the potential risks within a country organisation are assessed. Then, the measures already in place to limit these risks are evaluated, and finally, we examine whether further measures are needed. On the basis of this assessment, an action plan is drawn up for each country, and its implementation is monitored by the Group Legal & Compliance department.

In the area of competition law, we have a comprehensive reporting system on antitrust investigation proceedings. An annual competition law update takes place at the level of the Managing Board and of the employees who report directly to the members of the Managing Board with responsibility for sales. Furthermore, annual qualitative assessments of the antitrust risks take place in the countries. A regular external audit of the competition law compliance programme is conducted by a specialist law firm approximately every three years.

We have established management processes that allow us to exercise effective human rights due diligence and in our opinion meet the requirements of both the United Nations Guiding Principles and the German Supply Chain Due Diligence Act (LkSG).

In our country organisations, we carry out human rights risk analyses, which are currently still scheduled to be repeated every three years. The exact timetable is agreed individually with each country organisation. From 2023, HeidelbergCement AG is required by law to carry out annual risk reviews. The process will consider risks relating to discrimination, child or forced labour, risks to freedom of association and collective bargaining, risks to fair and safe working conditions, to the right of peoples to self-determination, and to the rights of indigenous peoples. The analysis includes determining potential risks from the perspective of different functions, such as production, procurement, or sales, as well as identifying existing measures and defining additional measures to be implemented. The commitment to human rights aspects as a central selection criterion for suppliers is driven forward by our supplier management system. This obliges our partners to commit to our Supplier Code of Conduct, which requires compliance with human rights due diligence obligations as defined by the German LkSG, such as the prohibition of forced labour and rules on non-discrimination.

### Measures and progress

Non-compliance with our guidelines by employees may result in disciplinary measures up to and including dismissal. Violations of corruption or competition laws, human rights, or contractual agreements by third parties may result in their exclusion from conducting business with Heidelberg Materials or require them to meet certain test conditions.

Our SpeakUp reporting platform, helps us not only to track compliance violations, but also to improve our preventive measures. SpeakUp is publicised on the intranet, on the internet, and at the various locations by means of informative posters. To reinforce our efforts to combat corruption, the country organisations are working on the implementation of individual country measures that were defined as part of the corruption risk assessment. The same applies to competition law and the protection of human rights.

In 2022, the preventive activities of the compliance officers once again placed great emphasis on compliance with the provisions of competition law and anti-corruption regulations. In order to implement the German LkSG, the compliance officers have intensified their cooperation with the Group department Group Procurement as part of the Responsible Procurement initiative. Other functions were made aware of their human rights due diligence obligations via information events backed by appropriate training measures.

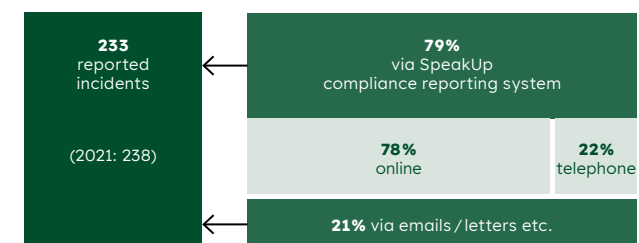
After pandemic-related restrictions were lifted, more training measures could be carried out again in 2022, with virtual concepts continuing to dominate. Compliance audits by Group Internal Audit were carried out on-site again.

Efforts to protect human rights at our own locations – with a focus on safe working conditions and anti-discrimination – and in the supply chain continued and were intensified by the new human rights compliance organisation described above and the Responsible Procurement initiative. In addition to training activities, this work included systematically assessing human rights risks on a country-by-country basis and compiling key indicators relating to human rights. The results were analysed jointly by the respective country organisation and the Group Compliance department. The implementation of the agreed action plans for further risk reduction was reviewed and reported to the responsible member of the Managing Board.

### Performance indicators

In 2022, a total of 233 incidents were reported in our case management system and investigated under the supervision of compliance employees in the country organisation or by Group Compliance.

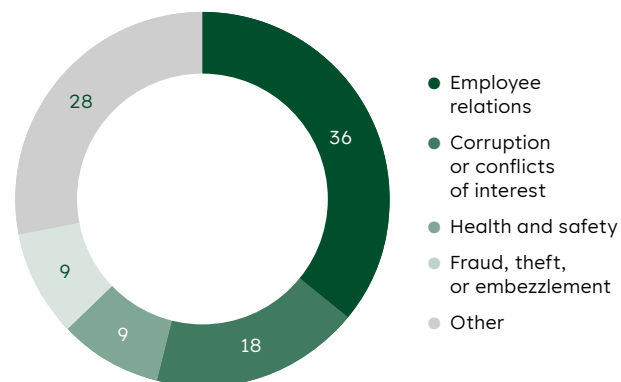
### Incidents reported via case management system



Most of the reports received concerned employee relations. Other reports related to health and safety; fraud, theft or embezzlement; and corruption or conflicts of interest. Other categories of cases accounted for lower percentages of the total.



### Incident categories in %



Of the 233 incidents reported, around half proved to be unfounded, while for 20%, no final investigation result had been determined by the editorial deadline. For just under 28% of the incidents, the investigations revealed that they were at least partially substantiated. None of the substantiated incident reports had a material impact on the consolidated financial statements.

For all substantiated cases, measures were taken, ranging from root cause analysis, changes to policies and processes, and communication and training through to disciplinary action (such as a written warning or dismissal). In 42% of the substantiated cases, sanctions are imposed and for 81% of these incidents, preventive measures are implemented.

At the end of the reporting year, the compliance e-learning programmes assigned to employees across the Group, covering the Code of Business Conduct and anti-corruption issues, had completion rates of 94%<sup>10)</sup> and 95%<sup>10)</sup> respectively.

Electronic training on antitrust law is additionally assigned to employees who work in sales or procurement, have management responsibility, or otherwise have contact with competitors, customers, and suppliers, achieving a completion rate of 93%<sup>10)</sup> at the end of the reporting year. There were also other compliance activities in the area of antitrust law (seminars, lectures, and other measures).

The country organisations are required to report key figures, such as the number of compliance cases reported through the case management system that involve suspected human rights violations. Apart from cases on health and occupational safety, four cases of discrimination were reported in relation to human rights issues, one of which was confirmed, and seven cases of harassment, with four justified complaints. The confirmed cases were responded to with sanctions and/or preventive measures.

<sup>10)</sup> Since 2022, the training status of the persons to be trained at the end of the financial year has been reported over the two-year training repetition period.

### Privatisation and compensation disputes in Egypt

Claims for compensation amounting to US\$17 million (plus default interest claims exceeding this amount many times over) from unfulfilled commission claims have been brought against our Egyptian subsidiary Helwan Cement Company S.A.E. (Helwan) before courts in Egypt and California. Helwan is defending itself against these claims. The alleged claims for compensation are said to arise from an exclusive distribution agreement regarding cement exports with The Globe Corporation, California, and its legal successor Tahaya Misr Investment Inc. The claim has been conclusively dismissed in California. In addition, Tahaya Misr Investment Inc. filed a claim with the Egyptian courts against Suez Cement Company S.A.E. (Suez Cement), the majority shareholder of Helwan, for the same content in 2018. For the legal proceedings in Egypt, we think there is a good chance of the same positive outcome as in California.

There are currently suspended lawsuits involving Helwan and our Egyptian subsidiary Tourah Portland Cement Company S.A.E. with regard to the effectiveness of their past privatisations, which took place prior to the acquisition of these companies by the Italcementi Group. The plaintiffs' entitlement to these claims is currently being verified as part of a constitutional court review of a law that allows such claims to be made only by persons directly involved in the privatisation, which does not include the plaintiffs. We assign a low risk to each of these cases and in total a medium risk.

### Mining concession in Sweden

In July 2021, the Swedish Land and Environment Court of Appeal annulled a decision of first instance on the granting of a successor permit for the mining concession for limestone in the quarry belonging to the Slite plant, which expired in November 2021. Our Swedish subsidiary Cements AB has repeated the approval process. An interim concession was granted for the period up to 31 December 2022, allowing temporary continued use of the quarry. A four-year follow-on concession was granted in December 2022, which could have been challenged in court until 3 January 2023. That did not happen. Had the concession been revoked, the Slite plant, as the largest of two cement plants in Sweden, would only have been able to maintain its production temporarily through deliveries of raw materials. As the follow-on concession was in fact not challenged, this risk was eliminated shortly after the 2022 reporting date.

### Potential risks due to climate claims

Recent international developments show an increasing number of civil proceedings against CO<sub>2</sub> emitters by private individuals and environmental associations, although the legal basis of such claims is contested. We cannot rule out the possibility that HeidelbergCement AG or Group companies will also face legal action of this kind. The risks arising from such climate-related claims could be high, but cannot be estimated in more detail at present, given the wide variety of potential courses of such claims. The risk assessment is unchanged compared with the previous year.

### Sustainability and compliance risks

As part of its sustainable corporate governance, Heidelberg Materials makes a special commitment to protect the environment and climate, preserve resources, conserve biodiversity, and act in a socially responsible way. Compliance with applicable law and Group regulations is a part of our corporate culture and therefore a task and an obligation for all employees. Violations of our self-commitments or of laws and Group guidelines pose direct sanction risks in addition to strategic and operational risks, and also entail a risk to our reputation.

### Compliance programme

We have implemented an integrated compliance programme across the Group to ensure conduct that is compliant both with the law and with Group guidelines. Our compliance programme comprises, among other things, the communication of compliance topics via letters and videos, a compliance hotline, and training measures, and it covers, for example, the risk areas of antitrust and competition law, anti-corruption regulations, and human rights. Violations of applicable laws and internal guidelines will be sanctioned. In addition, corresponding corrective and preventive measures will be taken to help prevent similar incidents from arising in the future.

Moreover, we have implemented a Group-wide system for the evaluation and reduction of corruption risks and potential conflicts of interest. A comparable system to assess human rights risks has also been implemented within the Group. These risk analyses in conjunction with supplier risk assessments and other elements of the compliance management system, such as the online and telephone-based reporting system SpeakUp, also serve to prepare for the German Supply Chain Due Diligence Act (Lieferkettensorgfaltspflichtengesetz,

# Corporate Governance statement

The corporate governance statement for HeidelbergCement AG and the Group in accordance with the provisions of sections 289f and 315d of the German Commercial Code (HGB) includes the declaration of compliance pursuant to section 161 of the German Stock Corporation Act (AktG). It also provides information on corporate governance practices and the functioning of the Managing Board and Supervisory Board, including the corporate governance of the company, the remuneration of the boards, the diversity concept for the Supervisory Board and Managing Board, and the legal requirements for equal participation of women and men in management positions.

## Declaration of compliance with the German Corporate Governance Code

On 13 January 2023 and 30 January 2023, the Managing Board and the Supervisory Board submitted the following declaration of compliance pursuant to section 161(1) of the AktG:

Since issuing the last declaration of compliance in January/February 2022, HeidelbergCement AG has complied with all recommendations of the German Corporate Governance Code in the version of 16 December 2019 published by the Federal Ministry of Justice and Consumer Protection in the official section of the Federal Gazette (Bundesanzeiger), with the following exceptions:

– The recommendation in C.4 was not complied with. According to this recommendation, a member of the Supervisory Board who is not a member of any Managing Board of a listed company shall not hold more than five supervisory board mandates at non-group listed companies or comparable functions, with an appointment as chair of the supervisory board being counted twice. The member of the Supervisory Board Fritz-Jürgen Heckmann exceeded this number until his retirement on 12 May 2022. However, this has at no time impaired the fulfilment of his duties as a member of the Supervisory Board of HeidelbergCement AG.

– The recommendation in G.10 is not fully complied with. According to this recommendation, Managing Board members' variable remuneration shall be granted predominantly as share-based remuneration; furthermore, granted long-term variable remuneration components shall be accessible to Managing Board members only after a period of four years. The Managing Board remuneration system of HeidelbergCement AG provides that only the capital market component of the long-term variable remuneration is share-based. The management component of the long-term variable remuneration is already paid out after three years.

The reason for this deviation is that an exclusively share-based long-term variable remuneration only measures a partial area of the company's success, whereas the long-term variable remuneration granted by HeidelbergCement AG to the members of the Managing Board allows a more comprehensive representation of the long-term success of the company.

– The recommendation in G.13 sentence 2 is not complied with. According to this recommendation, the severance payments shall be taken into account in the calculation of any compensation payments if

post-contractual non-compete clauses apply. This is not the case at HeidelbergCement AG.

The reason for this deviation is that a possible severance payment and a waiting allowance are intended to compensate for different issues in terms of content.

HeidelbergCement AG currently complies with all recommendations of the German Corporate Governance Code in the version of 28 April 2022, which entered into force upon publication in the Federal Gazette (Bundesanzeiger) on 27 June 2022, and will continue to comply with them in the future, with the following exceptions:

– The recommendation in G.10 is not fully complied with. According to this recommendation, Managing Board members' variable remuneration shall be granted predominantly as share-based remuneration; furthermore, granted long-term variable remuneration components shall be accessible to Managing Board members only after a period of four years. The Managing Board remuneration system of HeidelbergCement AG provides that only the capital market component of the long-term variable remuneration is share-based. The management component of the long-term variable remuneration is already paid out after three years.

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## **Remuneration system and remuneration report**

The remuneration system for members of the Managing Board, which was approved by the Annual General Meeting on 6 May 2021, and the resolution also adopted by the Annual General Meeting on 6 May 2021 pursuant to section 113(3) of the AktG on the remuneration of members of the Supervisory Board, are publicly available on the company's [website under Corporate Governance](#). The remuneration report and the auditor's report are made publicly available at the same internet address pursuant to section 162 of the AktG. The remuneration report can also be found in the [Remuneration report chapter](#).

## **Information on corporate governance practices**

### **Fundamentals of corporate governance**

HeidelbergCement AG is a German public limited company based in Heidelberg. In accordance with the legal regulations, it has three institutions: the Annual General Meeting, the Supervisory Board, and the Managing Board. The tasks and responsibilities of these institutions are primarily based on the AktG and the company's Articles of Association.

As a German public limited company, HeidelbergCement AG is required by law to have a two-tier board system.

The Managing Board is responsible for independently managing the Group; its members are jointly accountable for the management of the Group; the Chairman of the Managing Board coordinates the work of the members of the Managing Board. The Supervisory Board appoints the members of the Managing Board for a maximum period of five years (in the case of an initial appointment, usually for a maximum of three years) and extends their appointment if necessary; they may only be removed from office prematurely for good cause. The Supervisory Board also monitors and advises the Managing Board and is directly involved in decisions of fundamental importance to the Group; the Chairman of the Supervisory Board coordinates the work of the Supervisory Board.

In line with the options provided for in accordance with the law or the Articles of Association, the shareholders exercise their rights before or during the Annual General Meeting and thereby exercise their voting right. Each share carries one vote at the Annual General Meeting. The ordinary Annual General Meeting is normally held in the first five months of the financial year. In particular, the Annual General Meeting passes resolutions on the use of profit, approval of the actions of the members of the Supervisory Board and Managing Board, the conclusion of inter-company agreements, changes to the Articles of Association, and the approval of the remuneration report. It also elects the shareholder representatives to the Supervisory Board and the auditor. Shareholders are entitled to file motions and have a comprehensive right to speak and ask questions at the Annual General Meeting in accordance with the statutory provisions. In special cases, the AktG provides for the convening of an extraordinary general meeting.

All important documents for exercising shareholder rights as well as the resolution issues and documentation are duly and easily available on our [website](#) for

shareholders to access. Both the notice of the agenda for the Annual General Meeting and our website will provide shareholders with the information they need to exercise their rights, and particularly their voting rights at the Annual General Meeting, including by way of proxy or postal vote. Company proxies bound by instructions are also available to shareholders to exercise their voting rights at the Annual General Meeting. After the end of the Annual General Meeting, the attendance and voting results for the individual agenda items will be published on our website.

Because of the coronavirus pandemic, and using the legal basis established in this regard, the company again held its Annual General Meeting virtually in May 2022. The main reason for doing so was to avoid health risks to shareholders as well as employees, external service providers, and board members. The virtual format led to modifications in the course of the meeting and in the way shareholders' rights were exercised. In particular, physical participation by the shareholders or their authorised representatives was not permitted. However, shareholders had the opportunity to follow the entire Annual General Meeting in real time on the internet. Questions could be submitted electronically beforehand, and these were then answered at the Annual General Meeting. Shareholders or their authorised representatives exercised voting rights exclusively by postal vote or by granting power of attorney and issuing instructions to the proxies appointed by the company.

### **Internal control and risk management system**

Heidelberg Materials is subject to various risks on account of its international business activity. Responsible risk management is an essential component of good corporate governance. The comprehensive and Group-wide risk management system at Heidelberg Materials serves to ensure the early identification, systematic

assessment, and targeted management of risks. Heidelberg Materials also has an internal control system that consists of process-independent and process-integrated control measures. Our risk management system and internal control system are used to identify circumstances with the potential to jeopardise the Group. The internal control and risk management system is implemented both at the level of HeidelbergCement AG and across the Group. The Managing Board of HeidelbergCement AG is responsible for fulfilling the obligation to set up the systems and for continuously monitoring their effectiveness. At Heidelberg Materials, the two systems are comprehensive in design and, in addition to an accounting-related component, also include business and purely operational risks and controls, including those associated with our internally defined sustainability targets, which are not directly related to accounting. With regard to the internal control and risk management system's main accounting-related features, there are comprehensive statutory disclosure obligations, which are set out in greater detail at Group level by German Accounting Standard no. 20 (DRS 20). The relevant disclosures and further information about the internal control and risk management system can be found in the [Risk and opportunity report chapter](#). The statements made there for the accounting-related components of the internal control and risk management system essentially also apply to the business and operational system components.

### **Compliance management system**

Integrity, legality, and compliance are integral to everyday business at Heidelberg Materials. The company has a compliance management system that is subject to constant further development. In accordance with the Institute of Public Auditors in Germany (Institut der Wirtschaftsprüfer, IDW) auditing standard 980, the structure of the compliance management system in-

cludes compliance culture, targets, risk assessments, and reporting, the compliance programme with guidelines and whistle-blower system, the compliance organisation, communication, training, and controls. Practical implementation in the operating units is the responsibility of the compliance officers of the individual country organisations.

Further information about the compliance management system can be found in the [Non-financial statement chapter](#).

Based on its review of the internal control and risk management system, including the compliance management system, and the reporting by Group Internal Audit, the Managing Board is not aware of any circumstances that cast doubt on the adequacy and effectiveness of these systems.

The Managing Board has the quality, adequacy, and effectiveness of the internal control and risk management system, including the compliance management system, regularly monitored and assessed by independent parties, in particular by Group Internal Audit. The latter performs independent objective audit procedures, which, in addition to examining the design and effectiveness of the aforementioned systems, also explore the potential for value and optimisation in the operational processes. In compliance with internationally recognised auditing principles and standards, Group Internal Audit contributes to the evaluation and optimisation of the control and risk management system and the compliance and governance processes. The activities of Group Internal Audit are thus intended to support the company in terms of both reducing risks and strengthening its organisational governance processes and structures.

The Managing Board and the Audit Committee of the Supervisory Board receive regular reports on the audit

results. In addition, the Supervisory Board also satisfies itself that the Managing Board has installed an internal control and risk management system appropriate to the business activities and risk situation of the company, as well as a functioning monitoring system within the meaning of section 91(2) of the AktG that is effective and capable of recognising at an early stage any developments that could jeopardise the Group as a going concern. The Supervisory Board also has certified the functionality of the accounting-related internal control system and the early risk identification system by the auditor. Furthermore, the Supervisory Board has satisfied itself of the effectiveness of the compliance management programme, which guarantees Group-wide compliance with law, legality and with internal guidelines.

### **Code of Business Conduct**

A Group-wide Code of Business Conduct requires all employees to observe the basic rules of business decorum – irrespective of whether these rules are prescribed by law or not. Heidelberg Materials' Code of Business Conduct is an important element of our corporate governance and is published on the website under [Governance and compliance](#). The Code of Business Conduct is binding on the Managing Board and all employees worldwide. It forms part of Heidelberg Materials' comprehensive compliance programme and its observance is monitored by control mechanisms included in the programme. In particular, the Code of Business Conduct calls for:

- Integrity and professional behaviour towards customers, suppliers, authorities, and other business partners
- Strict compliance with all applicable laws
- Compliance with competition and antitrust law

- The provision of healthy and safe workplaces
- Efforts to combat corruption and the consistent avoidance of conflicts of interest
- The consideration of sustainability and environmental concerns
- The protection of human rights and employee rights, including fair, non-discriminatory employment conditions and fair dialogue with the employee representatives
- Careful and responsible handling of the Group's property and assets
- Careful and responsible handling of company and business secrets as well as personal data

To ensure that the rules of the Code of Business Conduct are understood and observed, all members of the Managing Board and employees must regularly complete an online training programme.

## Functioning and composition of the Managing Board, Supervisory Board, and Supervisory Board committees

### Managing Board

The Managing Board is the company's managing body and has overall responsibility for corporate governance. In this regard, it is obliged to act exclusively in the Group's best interests within the framework of the law. It takes into account the interests of shareholders, its employees, and other stakeholders with the aim of creating sustainable added value. The Managing Board develops the Group's strategy, coordinates it with the Supervisory Board, and ensures its implementation. It

makes sure that all provisions of law and the Group's internal guidelines are adhered to and works to achieve compliance by Group companies. It ensures appropriate risk management and risk controlling within the Group.

The Rules of Procedure for the Managing Board govern, in connection with the schedule of responsibilities, the work of the Managing Board, in particular the departmental responsibilities of individual members of the Managing Board, matters reserved for the full Managing Board, and the required majority for resolutions. In accordance with these rules, each member of the Managing Board runs their management department independently and on their own responsibility, with the provision that all matters of clearly defined fundamental importance are to be decided upon by the full Managing Board. This takes place in the regular meetings of

the Managing Board, led by the Chairman of the Managing Board, on the basis of prepared meeting documents. The results of the meetings are recorded in minutes, which are issued to all members of the Managing Board. There are no Managing Board committees. Further details can be found in the Rules of Procedure for the Managing Board on our [website](#).

### Composition of the Managing Board

There are currently nine members on the Managing Board of HeidelbergCement AG: the Chairman of the Managing Board, the Chief Financial Officer, the two functional members of the Managing Board (Chief Digital Officer and Chief Sustainability Officer), and five members of the Managing Board each in charge of the business in one Group area. The Managing Board is composed of the following persons

### Composition of the Managing Board

Name	Responsibility	Year of birth	Initial appointment	Appointed until
Dr Dominik von Achten	Chairman of the Managing Board	1965	2007	31 January 2025
René Aldach	Chief Financial Officer	1979	2021	31 August 2024
Kevin Gluskie	Group area Asia-Pacific	1967	2016	31 January 2024
Hakan Gurdal	Group area Africa-Eastern Mediterranean Basin	1968	2016	31 January 2024
Ernest Jelito	Group area Northern and Eastern Europe-Central Asia	1958	2019	31 December 2023
Dr Nicola Kimm	Chief Sustainability Officer	1970	2021	31 August 2024
Dennis Lentz	Chief Digital Officer	1982	2021	31 August 2024
Jon Morrish	Group area Western and Southern Europe	1970	2016	31 January 2024
Chris Ward	Group area North America	1972	2019	31 August 2028

Further information on the composition of the Managing Board and on the areas of responsibility and mandates of the individual members can be found in the [Boards chapter](#). Some personal details can be found in the [Managing Board chapter](#).



### **Diversity concept for the Managing Board**

The requirements for filling a Managing Board position include, among others, many years of international experience either in leadership positions in operations at plant or country level or in finance at Heidelberg Materials or in comparable positions at other companies. With the targeted use of programmes for the advancement of future executives, Heidelberg Materials is working at creating a pool of suitable candidates. Subject to the achievement of the below-mentioned target figure for the proportion of women, the Supervisory Board makes no distinction on the basis of gender, origin, or any other characteristics when filling Managing Board positions. It makes its decisions regarding appointments to leadership positions within the company solely on the basis of objective criteria such as professional qualifications (international leadership experience, industry knowledge) and the personal suitability of the relevant person for the actual task. In this context, the Supervisory Board also pays particular attention to an internationally balanced and complementary composition of the Managing Board. This diversity regarding the origin of the members reflects the international and regional positioning of Heidelberg Materials. The diversity concept mentioned above is taken into account in the composition of the Managing Board. The standard retirement age for members of the Managing Board is 65 years.

### **Long-term successor planning for the Managing Board**

With the support of the Managing Board, the Supervisory Board ensures long-term successor planning for the Managing Board. The chairs of the Managing Board and the Supervisory Board are in regular contact for this purpose. In addition, the Supervisory Board's Personnel Committee regularly addresses the issue by discussing the contract durations and renewal options

for current members of the Managing Board and consulting on possible successors. In addition to the requirements of the AktG and the German Corporate Governance Code, the target set by the Supervisory Board for the proportion of women on the Managing Board and the criteria in accordance with the diversity concept adopted by the Supervisory Board for the composition of the Managing Board are taken into account. This allows candidates to be identified for the Managing Board at an early stage and prepared for their tasks in a targeted way. Structured discussions are held with these candidates, involving the Supervisory Board's Personnel Committee and, if necessary, supported by external advisors. A recommendation for resolution is then presented to the Supervisory Board.

### **Cooperation between Managing Board and Supervisory Board**

The Managing Board and Supervisory Board cooperate closely for the benefit of the Group. To this end, the Managing Board coordinates the Group's strategic approach with the Supervisory Board and discusses the current state of strategy implementation with it at regular intervals. For clearly defined transactions of fundamental importance, the Supervisory Board has stipulated reservations of consent in the Rules of Procedure for the Managing Board.

The Managing Board informs the Supervisory Board regularly, in a timely manner, and comprehensively, of all issues of importance to the Group with regard to strategy, planning, business development, risk situation, risk management, and compliance. The Managing Board explains deviations of the actual business development from previously formulated plans and targets, indicating the reasons for this. Documents required for decisions, in particular, the annual financial statements, the consolidated financial statements, and the auditors' report, are sent to the members of the Super-

visory Board in due time before the meeting. The cooperation between the Managing Board and the Supervisory Board is shaped by mutual trust and a culture of open debate while fully protecting confidentiality.

In the periods between Supervisory Board meetings, the Chairman of the Supervisory Board also maintains regular contact with the Managing Board, especially the Chairman of the Managing Board, to discuss Group issues regarding strategy, planning, business development, risk situation, risk management, and compliance. The Chairman of the Supervisory Board is informed by the Chairman of the Managing Board without delay on important events that are essential for the assessment of the situation and development, as well as for the management of the company.

### **Supervisory Board**

The Supervisory Board of HeidelbergCement AG consists of 12 members. Pursuant to the German Codetermination Law (Mitbestimmungsgesetz, MitbestG), it is composed of an equal number of shareholder representatives and employee representatives. The shareholder representatives are elected by the Annual General Meeting by a simple majority. At HeidelbergCement AG, these elections are held regularly as individual elections. The employee representatives are elected by the employees in accordance with the rules of the MitbestG. Further information on the members of the Supervisory Board and the information required under section 285(10) of the HGB can be found in the [Boards chapter](#).

## Composition of the Supervisory Board

Shareholder representatives	Employee representatives
Fritz-Jürgen Heckmann (Chairman) (until 12 May 2022)	Heinz Schmitt (Deputy Chairman)
Dr Bernd Scheifele (Chairman) (since 12 May 2022)	Barbara Breuninger
Ludwig Merckle	Birgit Jochens
Tobias Merckle (until 12 May 2022)	Dr Ines Ploss
Luka Mucic	Peter Riedel
Margret Suckale	Werner Schraeder
Dr Sopna Sury (since 12 May 2022)	
Professor Dr Marion Weissenberger-Eibl	

The Supervisory Board advises and supervises the Managing Board in the management of the company. The Managing Board involves the Supervisory Board in all decisions of fundamental importance to the Group directly and at an early stage. The Supervisory Board also appoints the members of the Managing Board. The Supervisory Board and Managing Board Rules of Procedure govern the organisation and work of the Supervisory Board and Managing Board, in particular the required majority for resolutions, the standard retirement age for Managing and Supervisory Board members, the regular limit of length of membership of the Supervisory Board, and the tasks of established committees. Furthermore, the Supervisory Board has defined a catalogue of transactions and measures that require its consent, based on the size and risk profile of the company. The Supervisory Board decides on the granting of consent for significant company transactions with members of the Managing Board or their related parties (related party transactions).

The Supervisory Board meets at least twice every half-year; at these meetings, it usually discusses the open topics and passes the required resolutions, on the basis of reports drawn up by the Managing Board and documents received in advance in preparation for the meeting. Additional or extraordinary meetings are held if necessary. The results of the meetings are recorded in minutes, which are issued to all members of the Supervisory Board. Separate preliminary meetings of the employee representatives are held regularly to prepare for the meetings. The Supervisory Board also meets regularly without the Managing Board. Information on any conflicts of interest of a member of the Supervisory Board and how these are treated is disclosed annually in the Report of the Supervisory Board to the Annual General Meeting.

An onboarding process is in place for new members of the Supervisory Board, which provides them with information relevant to their Supervisory Board activities. If required, they are given an introduction to the legal framework surrounding the Supervisory Board and can also meet with members of the Managing Board and line managers to discuss fundamental and current issues in order to gain an overview of the topics that are relevant to the company. The purpose of this is to familiarise the new members of the Supervisory Board with their rights and obligations as well as the company's business model and the structures at Heidelberg Materials. The members of the Supervisory Board are themselves responsible for obtaining the training required to fulfil their tasks, such as on changes to the legal framework and new, future-oriented technologies, and are supported by the company in this respect. The company also offers specific training sessions – sometimes with external support – for members of the Supervisory Board, most recently in November 2022.

## Supervisory Board committees

In accordance with the Articles of Association, the Supervisory Board has set up a total of five committees, which are entrusted with the tasks and functioning described below. The following respective plenary session of the Supervisory Board is given an account of the results of the committee work.

The **Personnel Committee** is responsible for preparing the decision of the Supervisory Board concerning the appointment of members of the Managing Board, for preparing the election of the Chairman of the Managing Board, and for establishing the Managing Board's remuneration structure as well as the remuneration paid to the individual members of the Managing Board. It is also responsible for making a decision concerning the structuring of the non-remuneration-related legal relationships between the company and the members of the Managing Board. The Personnel Committee comprises Mr Ludwig Merckle (Chairman), Mr Fritz-Jürgen Heckmann (until 12 May 2022), Ms Birgit Jochens, Mr Luka Mucic, Dr Ines Ploss, Dr Bernd Scheifele (since 12 May 2022), Mr Heinz Schmitt, Mr Werner Schraeder, and Ms Margret Suckale.

The **Audit Committee** is responsible for preparing the decision of the Supervisory Board concerning the adoption of the annual financial statements and the approval of the consolidated financial statements, including the non-financial statement. It is also responsible for monitoring the accounting process, the effectiveness of the internal control system, the risk management system, the internal audit system, the compliance management system, the audit, and the quality of the audit. When dealing with the audit, it is responsible in particular for the preparation of the Supervisory Board's proposal to the Annual General Meeting for the appointment of the auditor, as part of the selection and proposal procedure provided by law

if applicable, for issuing the audit assignment, establishing points of focus for the audit, verifying additional services provided by the auditor in accordance with the guideline adopted by the Audit Committee on 8 November 2016, concluding the fee agreement with the auditor, verifying the auditor's independence including obtaining the auditor's statement of independence, and making the decision concerning measures to be taken if reasons emerge during the audit to warrant the possible disqualification of the auditor or suggest a conflict of interest on the part of the auditor. Furthermore, the Audit Committee discusses the half-year financial report and quarterly statements with the Managing Board before they are published. The Audit Committee monitors the adequacy and effectiveness of the internal process for related party transactions.

The Audit Committee comprises Mr Luka Mucic (Chairman), Mr Ludwig Merckle (Deputy Chairman), Ms Barbara Breuninger, Mr Fritz-Jürgen Heckmann (until 12 May 2022), Mr Peter Riedel, Dr Bernd Scheifele (since 12 May 2022), Mr Heinz Schmitt and Mr Werner Schraeder, and Ms Margret Suckale. The financial experts pursuant to section 100(5) of the AktG are Luka Mucic (Chairman of the Audit Committee), on account of the expertise he has acquired in the areas of accounting and auditing through his professional activity as Chief Financial Officer of SAP SE, and Ludwig Merckle, due to the expertise in the areas of accounting and auditing he has acquired as a result of his professional activity and his long-standing membership of the Audit Committee of HeidelbergCement AG. Both have specialist knowledge and experience in the application of accounting standards and internal control and risk management systems, in auditing, and in sustainability reporting and the auditing thereof.

The **Sustainability and Innovation Committee**, which was newly formed on 12 May 2022, is responsible for advising and monitoring the Managing Board on all

aspects of sustainability, particularly in connection with the reduction of the company's carbon footprint and the resulting innovation topics and growth opportunities, digital transformation, and other ESG issues. The Sustainability and Innovation Committee comprises Professor Dr Marion Weissenberger-Eibl (Chairwoman), Mr Ludwig Merckle, Dr Ines Ploss, Mr Peter Riedel and Mr Werner Schraeder, and Dr Sopna Sury.

The **Nomination Committee** is responsible for putting suitable candidates forward to the Supervisory Board for its proposals for election to be made to the Annual General Meeting. It comprises Mr Ludwig Merckle (Chairman), Ms Margret Suckale, and Professor Dr Marion Weissenberger-Eibl as shareholder representatives.

The **Mediation Committee**, formed pursuant to sections 27(3) and 31(3) of the MitbestG, is responsible for making a proposal to the Supervisory Board for the appointment or removal of members of the Managing Board if the necessary two-thirds majority is not initially achieved. It comprises Professor Dr Marion Weissenberger-Eibl (Chairwoman), Mr Fritz-Jürgen Heckmann (until 12 May 2022), Dr Ines Ploss, Dr Bernd Scheifele (since 12 May 2022), and Mr Heinz Schmitt.

#### **Self-assessment of the effectiveness of the work of the Supervisory Board**

Every two years, the Supervisory Board carries out the regular self-assessment of the effectiveness of the work of the Supervisory Board and its committees, as required by the German Corporate Governance Code. The last such self-assessment took place in November 2021. The next self-assessment of the Supervisory Board and its committees is scheduled for the 2023 financial year.

#### **Profile of skills, diversity concept, and targets for the composition of the Supervisory Board**

Taking into account the recommendations stated in C.1 of the German Corporate Governance Code and in section 289f(2)(6) of the HGB (diversity concept), the Supervisory Board agreed specific objectives regarding its composition and a profile of skills for the Board as a whole. In doing so, the Supervisory Board aims to make a wide range of expertise available to the Group and to have the broadest possible pool of candidates at its disposal for the election of future Supervisory Board members.

##### **Profile of skills**

The profile of skills shall ensure that each of the skills and areas of knowledge or technical experience listed below is held by at least one member of the Supervisory Board, so that the Supervisory Board as a whole covers all of the necessary skills:

- Industry knowledge (familiarity with the building materials sector or related industries)
- International management experience (own management activities in an international environment)
- Personnel competencies (experience in the composition of corporate bodies, knowledge of procedures for identifying candidates for relevant positions, experience in/with change management)
- Governance, Legal & Compliance (knowledge of stock corporation and capital markets law, compliance structures and concepts, and corporate governance standards, membership in and leadership of co-determined corporate bodies)

- Accounting, auditing and controlling (experience and expertise in the fields of accounting and auditing, experience in controlling and risk management structures)
- Strategy, capital markets (experience in developing and implementing corporate strategies, M&A experience)
- Sustainability (experience in the field of sustainability and sustainable corporate governance, integration of ambitious sustainability goals into existing business processes as well as corresponding change management, new sustainable technologies and corresponding business models)
- Digitalisation (experience in the digitalisation of existing processes and the development of new digital and data-based business models).

### **Diversity concept**

On the Supervisory Board, the skills listed above should be represented as broadly and in as balanced way as possible. In addition, the in-depth skills of the individual members of the Supervisory Board should complement each other in individual fields. Furthermore, the Supervisory Board shall ensure an appropriate diversity with regard to the age structure and the respective educational and professional background of its members as well as their personal, national and/or international background. Attention shall be paid to the time availability of the Supervisory Board members. The composition of the Supervisory Board shall appropriately reflect the national and international orientation of Heidelberg Materials as a leading building materials manufacturer. The Supervisory Board shall be composed of at least 30% women and at least 30% men.

### **Independence**

The Supervisory Board aims to include at least four shareholder representatives who are independent within the meaning of recommendation C.6 of the German Corporate Governance Code.

### **Age limit and length of membership**

At the time of election, the members of the Supervisory Board shall not be older than 70 years. The standard limit for the length of membership in the Supervisory Board is twelve years.

### **Status of implementation**

The Supervisory Board considers that its current composition corresponds to its specified targets and the profile of skills. Details on the status of implementation of the fulfilment of the profile of skills for the Supervisory Board can be found in the following qualification matrix, which was adopted by the Supervisory Board on the basis of a self-assessment by the individual Supervisory Board members.

## ESG indicators

	2020	2021	2022	Unit	Assurance 2022
<b>Occupational health and safety</b>					
Lost time injury frequency rate (LTIFR) <sup>18)</sup>	1.6	1.6	1.7		○ ●
Lost time injury frequency rate (LTIFR), cement business line	1.2	1.2	1.0		○ ●
Lost time injury frequency rate (LTIFR) for contractors	2.3	1.8	1.9		
Lost time injury severity rate <sup>19)</sup>	86	95	79		○ ●
Lost time injury severity rate, cement business line	58	48	50		○ ●
Fatality rate <sup>20)</sup>	0.4	0.0	0.2		○ ●
Fatality rate, cement business line	0.0	0.0	0.0		○ ●
Number of fatalities					
– Group employees	2	0	1	persons	○ ●
– Employees of other companies	3	1	4	persons	○ ●
Lost time injury frequency rate (LTIFR) by region					
– Western and Southern Europe	2.2	3.4	3.2		○ ●
– Northern and Eastern Europe-Central Asia	2.1	1.6	1.7		○ ●
– North America	1.6	1.0	1.5		○ ●
– Asia-Pacific	0.9	0.7	0.7		○ ●
– Africa-Eastern Mediterranean Basin	1.1	0.9	0.6		○ ●
Occupational illness rate <sup>21)</sup>	0.47	0.28	0.84		
Illness rate <sup>22)</sup>	1.37	1.30	1.66		
Proportion of employees represented by H&S committees	97.5	97.7	97.2	%	
Proportion of employees represented by H&S committees with trade union representation	94.7	92.6	93.6	%	
<b>Management systems</b>					
Share of integrated cement plants with an environmental management system (ISO 14001 or similar)	97.4	96.5	96.4	%	○
Share of active aggregates production facilities with an environmental management system (ISO 14001 or similar)	40.0	41.4	40.0	%	
Share of integrated cement plants with an energy management system (ISO 50001 or similar)	–	41.9	42.9	%	○
Share of operational sites with a occupational health and safety management system (ISO 45001 or similar)	89	98	99	%	○
<b>Compliance</b>					
Number of reported incidents	239	238	233	number	○
– thereof on the topic of employee relations <sup>23)</sup>	–	40	36	%	○
– thereof on the topic of health and safety <sup>23)</sup>	–	15	9	%	○
– thereof on the topic of fraud, theft, or embezzlement <sup>23)</sup>	–	8	9	%	○
– thereof on the topic of corruption or conflicts of interest <sup>23)</sup>	–	9	18	%	○
– thereof on other topics <sup>23)</sup>	–	28	28	%	○
– thereof share of substantiated incidents <sup>23)</sup>	–	35	28	%	○