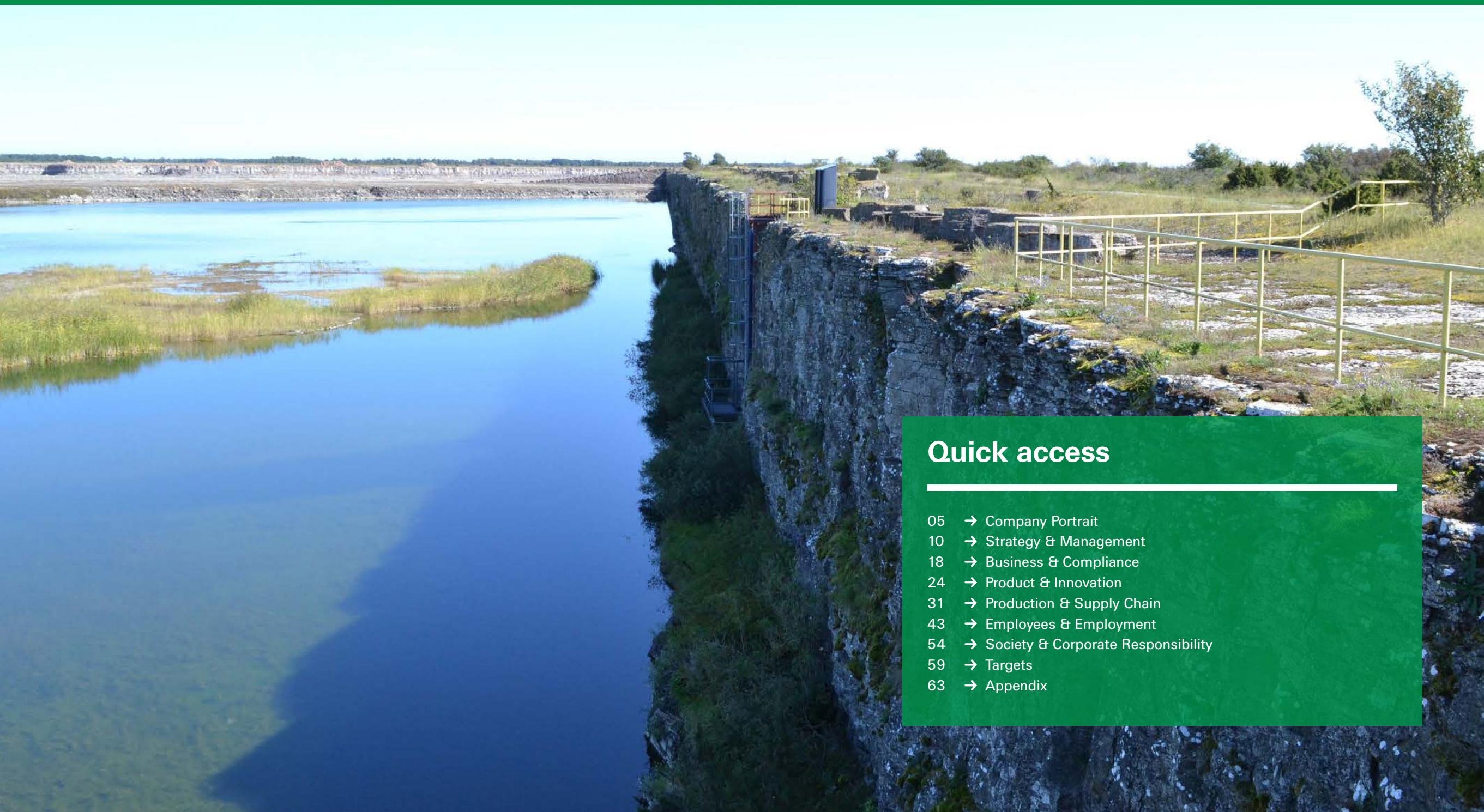


Sustainability Report

2017

HEIDELBERGCEMENT



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Dr. Bernd Scheifele, Chairman of the Managing Board

Introduction

Ladies and Gentlemen,

For HeidelbergCement, 2017 was a special year. In its history stretching back over 140 years, the Group has never sold more cement, concrete, gravel, and sand than in 2017. New record figures were also achieved in revenue and result. The successful integration of Italcerimenti played a key role in this respect. Our success shows that long-term thinking and responsible action pay off – especially in times characterised by a wide variety of economic and political challenges.

Sustainability: an integral part of the Group strategy

For us, sustainable corporate governance means constantly reconciling our profit targets with the need to safeguard our future viability. By taking on responsibility for the environment and society as well as reducing the negative effects of our activities as much as possible, we are minimising the risks for our business. This is achieved by using a holistic approach that is valid for all of our business lines and Group areas. Our sustainability strategy therefore focuses on local responsibility – towards our employees and our neighbours as well as towards the environment – at more than 3,000 locations in around 60 countries worldwide.

In 2017, we published our Sustainability Commitments 2030, which define the key topics and principles of our sustainability strategy. We focus on the six areas of economic strength and innovation, occupational health and safety, ecological footprint, circular economy, relationships with our neighbours, and compliance with legal standards and transparency.

Occupational safety: top priority at HeidelbergCement

Occupational health and safety has top priority at HeidelbergCement and is an integral part of our key corporate values. That is why we continuously strive to minimise the risks for our employees, contractors, and third parties and to achieve our goal of “zero harm”, which we reiterated in our Sustainability Commitments 2030.

At HeidelbergCement, all management levels are responsible for occupational health and safety. In 2017, we therefore once again underlined the importance of the exemplary role of line managers in occupational health and safety with a Group-wide training initiative.

Compared with 2016, we decreased the accident frequency rate in our core business by 21% in 2017. This represents a significant improvement. A large number of locations has now been accident-free for several years, while others have seen drastically reduced accident rates. Nevertheless, serious accidents still occurred in 2017, some of which were fatal. We will therefore further intensify our efforts to prevent accidents on a permanent basis.



Our sustainability strategy focuses on local responsibility – towards our employees and our neighbours as well as towards the environment.

Climate protection: intensive research on CO₂ reduction

We have made a commitment to accept our share of the worldwide responsibility to limit the global rise in temperature to below 2°C. With this in mind, HeidelbergCement set itself the goal of a 30% reduction in its specific net CO₂ emissions by 2030, compared with 1990. External verification has shown that this goal and the underlying measures are consistent with the roadmap defined for our industry by the International Energy Agency (IEA) and therefore with the Paris Agreement. By 2017, we had already achieved a reduction of 19%.

To further reduce our CO₂ emissions and conserve natural resources, we aim to continually increase the proportion of alternative raw materials and fuels and, wherever possible, make our production processes even more efficient.

Through various research programmes, we are also working on new technologies to capture CO₂ emissions and utilise them as a raw material. In addition, we are currently investigating the absorption of CO₂ by natural minerals with the aim of producing marketable building materials.

HeidelbergCement: well positioned for sustainable success

HeidelbergCement is globally well positioned for sustainable and profitable growth. Our strategy is clear: to achieve continuous growth, create long-term value for our shareholders, and safeguard high-quality jobs. We must operate on a sustainable basis to remain viable for the future. We will continue to focus on reducing CO₂ emissions and conserving natural resources – for example by recycling building materials. As one of the world's largest building materials manufacturers, we want to make our business and the future of the building materials industry sustainable – in the interests of our customers, our employees, and our business partners.

Yours sincerely,



Dr. Bernd Scheifele

Chairman of the Managing Board

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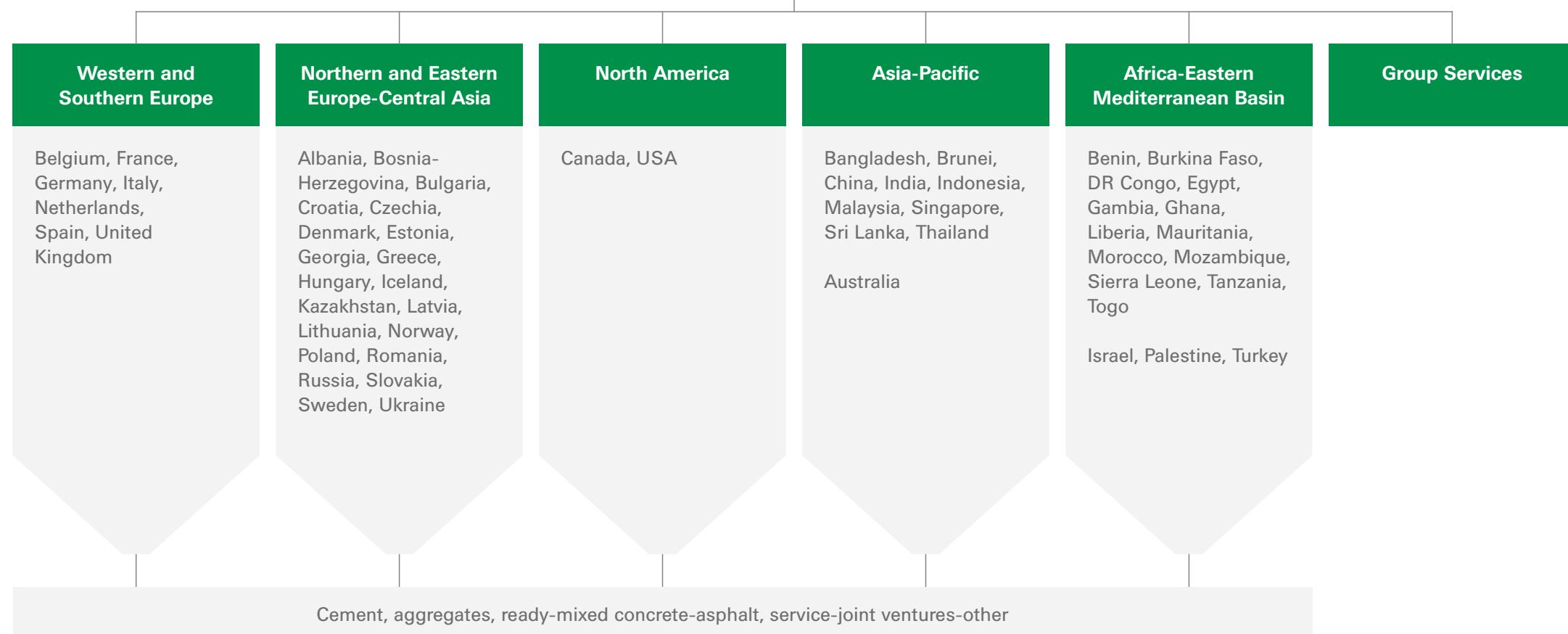


Organisational structure

The HeidelbergCement 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 (see organisation chart for breakdown of countries). Our global trading activities, especially the trading of cement, clinker, and fuels, are pooled together in the sixth Group area, Group Services.

Within the geographical Group areas, we have divided our activities into four business lines: cement, aggregates, ready-mixed concrete-asphalt, and service-joint ventures-other.

HEIDELBERGCEMENT



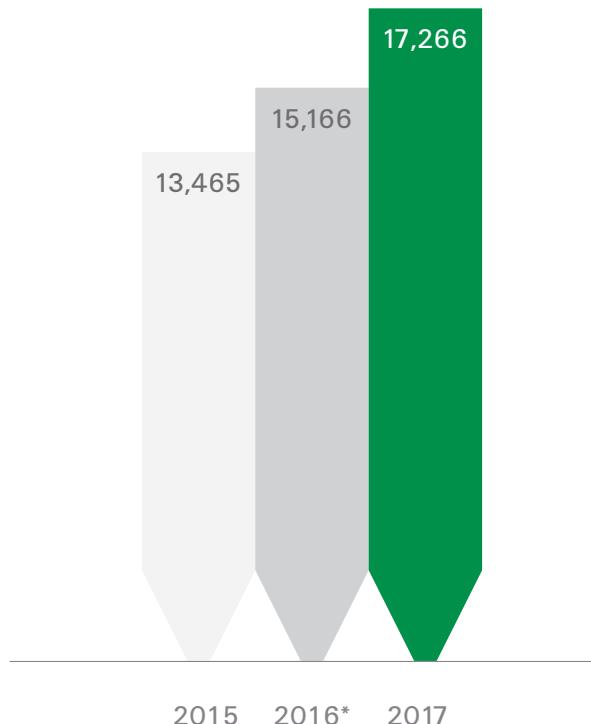
Key business figures at a glance

+13.8%

Total Group revenue

Increase from 2016 to 2017*

Figures in € millions

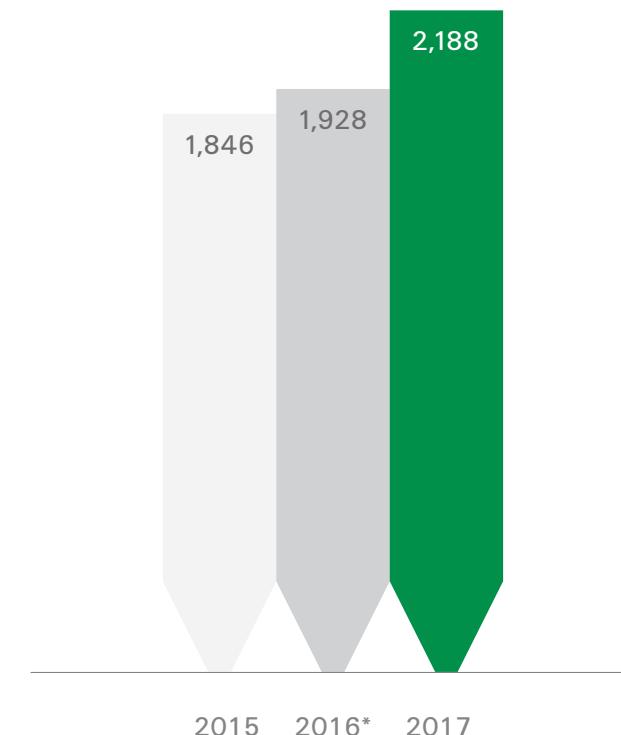


+13.5%

Result from current operations

Increase from 2016 to 2017*

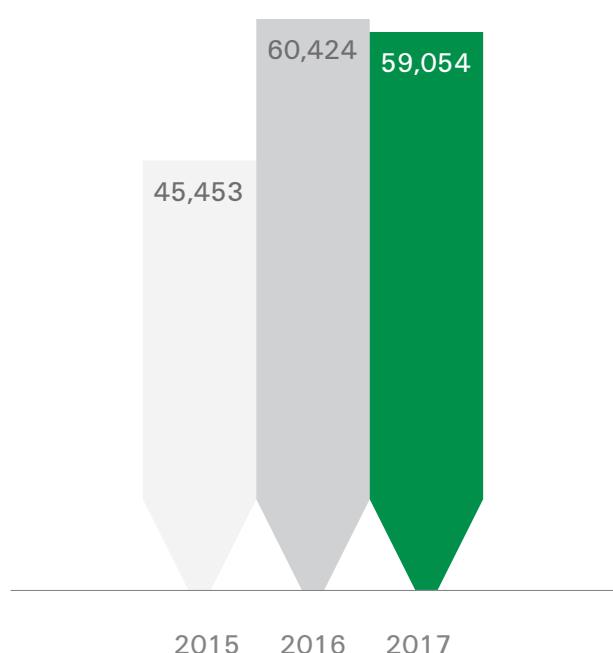
Figures in € millions



-2.3%

Number of employees

Decrease from 2016 to 2017**



Changes to the scope of consolidation, in particular the first-time consolidation of the Italcementi Group, contributed to the 13.8% increase in revenue.

Aside from the successful margin improvement programmes, the realisation of higher-than-expected synergies also contributed to the positive development of results of 13.5%.

The 2.3% decrease in the number of employees is mainly due to efficiency improvements and the realisation of synergies as part of the Italcementi integration.

* Italcementi fully consolidated since 1 July 2016.

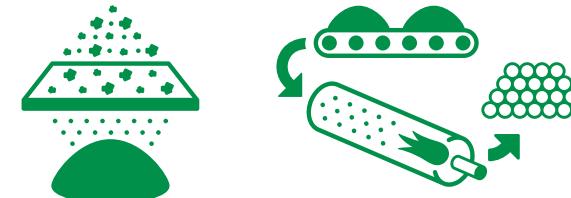
** Number of employees at the end of December of each year.

Value chain



Raw materials

- Extraction



Production

- Cement
- Aggregates
- Concrete
- Asphalt



Customers

- Public-sector projects
- Commercial projects
- Private customers

We generally extract the raw materials that we need for the production of our construction materials — limestone for the production of cement as well as sand and gravel — from our own quarries.

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

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

Research and Development

- CO₂ reduction
- Development of alternative clinkers
- Product innovation
- Recycling



The aim of our research activities is to provide customers with innovative products and to minimise energy consumption and CO₂ emissions by improving processes and creating new recipes.

Procurement

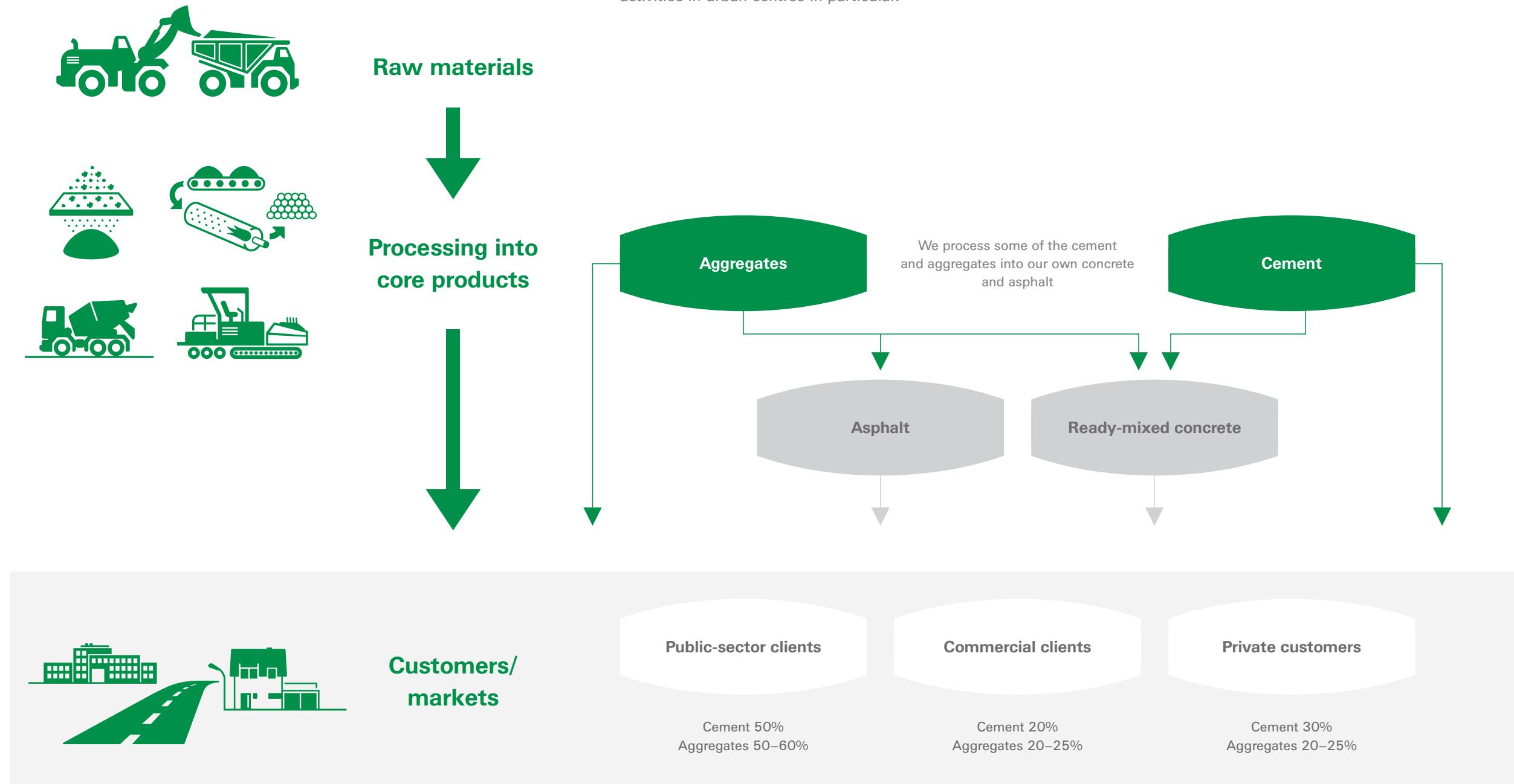
- Raw materials
- Energy
- Logistics
- Maintenance



In 2017, HeidelbergCement procured goods and services with a total value of around €11.7 billion, with 37% being spent on energy and raw materials.

Vertical integration

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



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SUSTAINABILITY COMMITMENTS **2030**

Our Sustainability Commitments 2030 describe HeidelbergCement's most important activities for promoting sustainability. They define the principles and objectives of our **sustainability strategy until the year 2030**, with a focus on six key areas.



CO₂ reduction → p. 14

We have made a commitment

to accept our share of the **worldwide responsibility** to limit the global **rise in temperature to below 2°C**. By 2030, we want to reduce the specific CO₂ emissions by 30% compared with 1990. External verification has confirmed that our goal is consistent with the roadmap defined for our industry by the International Energy Agency (IEA).

Stakeholder engagement → p. 15 f.

Industry association founded to promote sustainability.

On 31 January 2018, HeidelbergCement and eight other leading companies in the cement and concrete industry founded the **Global Cement & Concrete Association (GCCA)**. The aim is to collectively strengthen the industry's contribution to sustainable building and to foster innovation.

Materiality → p. 16 f.

An updated materiality matrix

was produced following a review of the **sustainability topics** that are **relevant** to us and an **evaluation of these topics from the perspective of our stakeholders**.

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For us, doing business means a lot more than just achieving outstanding financial results. We also want to act in an environmentally and socially responsible manner. This understanding of our company serves as the basis of our sustainability strategy and the resulting Sustainability Commitments 2030.

Vision & mission

We want to continue to grow. However, in the long term, we will only be able to achieve our business goals if we generate added value for society as a whole. We conserve natural resources, as they form the basis of our business activities, and we take our social responsibility at the various company locations and towards our employees seriously. We want to continue providing our employees with a secure income and good qualifications. In our production activities, we focus particularly on ensuring the health and safety of our employees. We want our customers to benefit from the high quality of our products and a close partnership. We maintain respectful relations with our suppliers and expect them to comply with our sustainability standards.

Our business activities are characterised by commercial prudence, the rule of law, and integrity. We promote value creation at our locations and help to increase prosperity and the quality of life in emerging economies in particular. By boosting growth, we achieve appropriate dividends and increase the value of the company for our shareholders. Growth and good returns also allow us to make further investments in cutting-edge technologies and Group-wide environmental management systems, thereby helping us to protect the environment.



HeidelbergCement is active at over 3,000 locations worldwide. Our sustainability strategy therefore focuses on local responsibility.

Organisational basis

Effective management systems at our various business lines help to ensure a continual process of improvement in accordance with our sustainability strategy. Within the framework of these systems, we have defined areas of responsibility and created structures that support the effective implementation and monitoring of the measures we employ to achieve our sustainability targets.

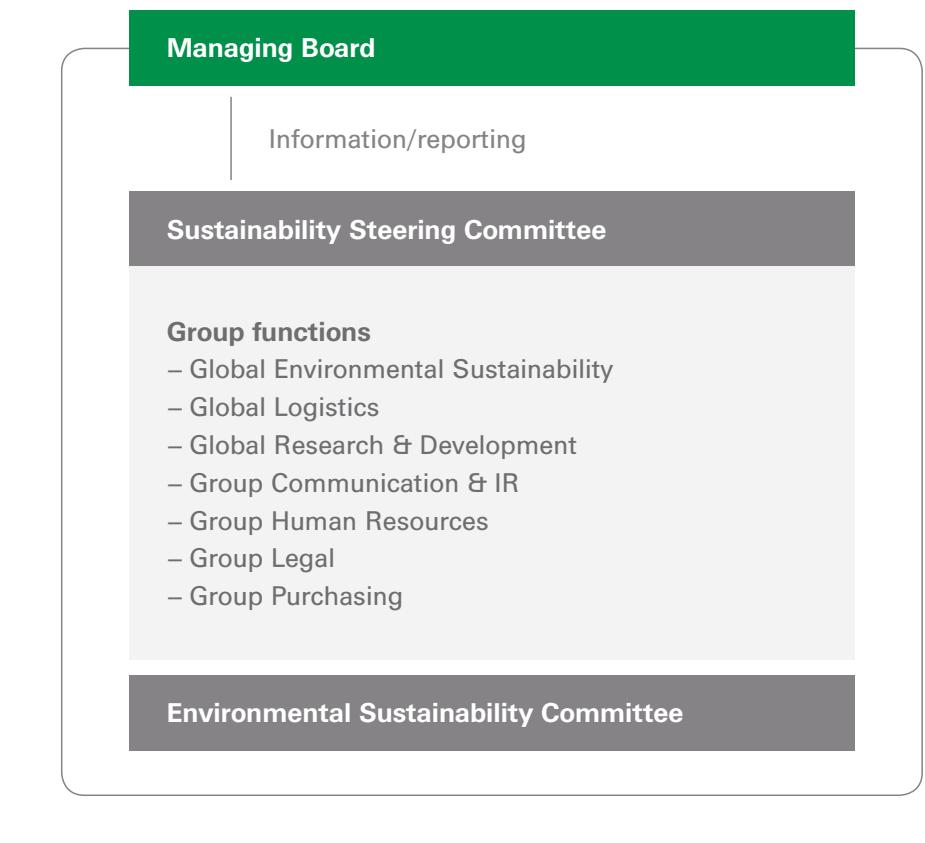
The Sustainability Steering Committee, which reports to the Chairman of the Managing Board, manages and monitors our sustainability strategy. The committee is made up of people from various business lines and disciplines, including the member of the Managing Board responsible for environmental sustainability, the Directors of the Group departments Global Environmental Sustainability, Global Logistics, Group Communication & IR, Group Human Resources, Group Legal, Group Purchasing, and Global Research & Development. Operational responsibility for implementing the sustainability goals and measures lies with the individual Group departments and

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the Group Environmental Sustainability Committee. This committee centrally manages the environmental management activities of the entire HeidelbergCement Group. In addition to occupational safety, environmental management plays a very important role within our sustainability strategy.

→ **More on environmental management: p. 33**

Sustainability management at HeidelbergCement



The Global Environmental Sustainability department also plays an important role in furthering progress towards environmental sustainability at Group level. This includes defining guidelines and goals,

identifying and exchanging proven measures for achieving these goals, internal and external benchmarking, coordinating action plans to implement research projects, and representing the company in international organisations.

Challenges & strategy

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

- **Occupational safety:** HeidelbergCement is a manufacturing company. Occupational health and safety is therefore our top priority. We use targeted measures to improve the technical and organisational safety standards and to raise awareness of safe working practices. This is aimed not only at our own employees but also at the employees of external companies and third parties.
 - **Securing raw materials and conserving resources:** Our business operations are dependent on having long-term access to mineral-based raw materials in the vicinity of our plants. Such resources are finite, and their local exploitation often leads to conflicts of interest. We therefore view the sustainable securing of raw materials and conservation of resources as a key strategic task. Our strategy of preserving resources in cement production includes the use of alternative raw materials and fuels. In line with the European Commission's circular economy targets, HeidelbergCement is involved in research projects for the reuse of recycled building materials, for instance in fresh concrete.
- **Additional information: Energy and climate protection p. 34 ff., Building material recycling p. 30**

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CO₂ reduction

-30%

is our target reduction in CO₂ emissions.

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

- **Energy efficiency and climate protection:** The production of cement requires a lot of energy. From both an economic and an ecological standpoint, it is therefore imperative that we further increase our energy efficiency. Cement production by its nature also leads to a high level of CO₂ emissions. We have made a commitment to accept our share of the worldwide responsibility to limit the global rise in temperature to below 2°C. Our goal is to reduce our specific CO₂ emissions by 30% compared with the 1990 level by 2030. We plan to achieve this by increasing the proportion of alternative CO₂-neutral raw materials and fuels, developing innovative cement types with a lower CO₂ footprint, and – in the long term – capturing and utilising CO₂ emissions. Our goal and the associated measures are consistent with the roadmap defined by the International Energy Agency (IEA) to allow the industry to comply with the limit set in Paris. This has been verified and confirmed externally.

→ Additional information: Energy and climate protection p. 34 ff.

Sustainability Commitments 2030

The HeidelbergCement Sustainability Commitments 2030 describe our most important activities for promoting sustainability. This programme, which is valid throughout the Group, defines the principles, main components, and objectives of our sustainability strategy until the year 2030.

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

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

→ www.heidelbergcement.com/commitments



Our objective is long-term corporate success. The Sustainability Commitments 2030 will help us to grow sustainably and not only find innovative solutions to societal challenges but also generate opportunities for our business.

Peter Lukas

Director Global Environmental Sustainability

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Stakeholder engagement

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

Relations with local stakeholders

Most of our plants and quarries are situated near local communities. It is therefore a matter of course for us to maintain ongoing contact with the respective local community, government agencies, and local

organisations, informing them about our activities and planned projects at the plant. Plant or facility management teams are generally responsible for such stakeholder relationships. Along with personal discussions, we also make use of the entire range of modern information and dialogue media, including newsletters and guidelines as well as different concepts of public participation.

We aim to reconcile the interests of the company with those of the local community. The concerns of our local stakeholders vary from location to location, and range from complaints about noise and dust levels to reservations regarding imminent modernisation and expansion measures at our plants and quarries.

→ [Society: p. 54 ff.](#)

Stakeholder dialogue at a national and international level

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

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

→ www.econsense.de/en

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Materiality analysis

17

action areas for promoting sustainability were identified and evaluated as part of our materiality analysis.

At an international level, we are involved in the Cement Sustainability Initiative (CSI), which seeks to create a more sustainable cement industry. The CSI always involves affected third parties, such as trade associations or non-governmental organisations (NGOs), in the process of developing standardised guidelines and projects for the cement industry. HeidelbergCement is also a founding member of the Global Cement and Concrete Association (GCCA), established in January 2018. The new association focuses on the industry's contribution to sustainable construction.

→ www.wbcsdcement.org

HeidelbergCement and its subsidiaries also work with national Green Building Councils in different countries. The goal here is to jointly develop certification systems for sustainable construction and to make the design, construction, and operation of buildings more sustainable.

→ [Sustainable construction: p. 30](#)

Dialogue with political decision-makers

Legislation in the European Union is increasingly affecting our business operations by addressing all aspects of sustainability. For this reason, HeidelbergCement has established a separate corporate function for political dialogue at EU level. The manager responsible for this dialogue chiefly represents our interests in the European Cement Association (CEMBUREAU), which speaks for European cement manufacturers in discussions and negotiations with the EU and other institutions. As a member of the European Aggregates Association (UEPG), we also present our positions on aggregates to political decision-makers. Our interests concerning concrete are represented by the European Ready-Mixed Concrete Organisation (ERMCO) and the European Concrete Platform (ECP).

Our lobbying activities are in accordance with transparent rules and represent the positions that HeidelbergCement takes in public.

Dialogue with analysts and investors who focus on sustainability issues

Dialogue with the capital markets is also becoming more and more important, as our shareholders and a growing number of financial analysts and rating agencies want to know how HeidelbergCement integrates the issue of sustainability into its corporate strategy. They also want to know how successful the company has been in this regard. Dialogue with capital-market stakeholder groups generally has a bilateral format. In the past year, the central concerns discussed were measures and strategies for climate protection, the occupational safety of our employees and contractual partners, and respect for human rights.

Materiality analysis

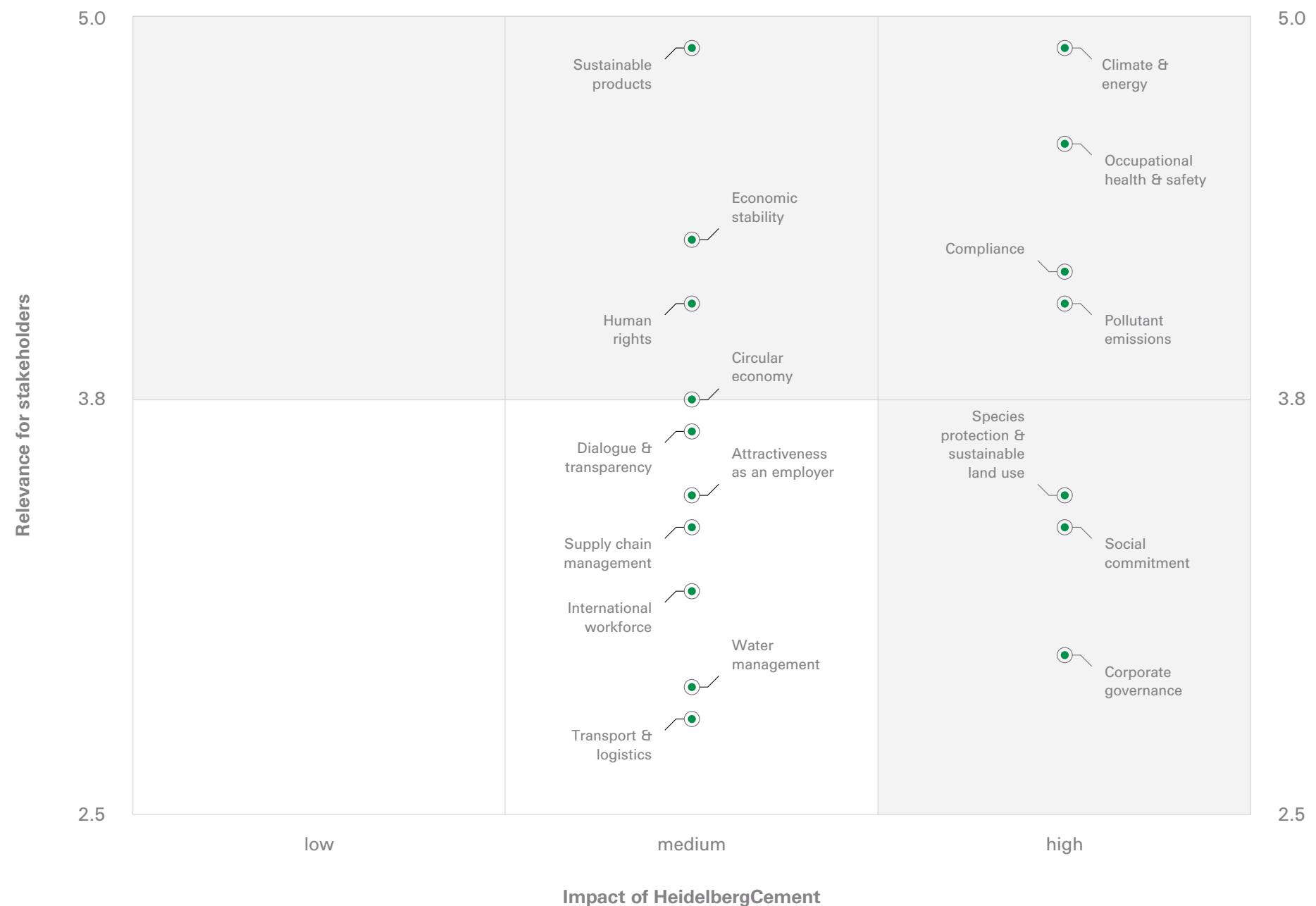
We use a materiality analysis to regularly determine how important individual sustainability issues are for different stakeholder groups and for the company itself. The analysis thus helps us identify and evaluate issues and trends that are important for our business success today, or could prove to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

→ [Stakeholder engagement: p. 15 f.](#)

At the end of 2017, in order to determine the topics that are relevant for HeidelbergCement, we compared the sustainability topics identified in the past with the topic series of the GRI Standards, as well as other frameworks and industry requirements, and examined their relevance to the business. This resulted in 17 action areas that we structured, consolidated, and allocated to the relevant GRI topic areas. The next step was to draw up an analysis from a stakeholder perspective and determine the social, economic, and environmental impact of our business activity. This process resulted in an updated materiality matrix.

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Materiality matrix



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Human rights position established across the Group.

In 2017, we introduced our human rights position across the Group. We also compiled **performance indicators relating to human rights** for the first time and commenced work on a **risk analysis**. The topic will also be given more attention as part of **compliance training** in the future.



Growth → p. 20

13.8%

revenue growth

compared with the previous year was achieved in 2017. As a result, Group revenue reached €17.3 billion – a **new record** for HeidelbergCement.

Compliance programmes → p. 22

14,500

employees

registered for our **Compliance e-learning programmes** in 2017. The available courses cover topics such as discrimination and harassment at the workplace, competition legislation, and the prevention of corruption.

Compliance reporting system → p. 22 f.

Both employees and external parties

can use our compliance reporting system to report suspected **violations of laws or guidelines**. The system encompasses a variety of channels through which compliance violations can be addressed, anonymously if desired.

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Local added value

90%

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

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

Legal compliance

In all the countries in which we operate, we comply with and respect the applicable laws and regulations. They form the legal basis for our business activity. As a globally active company, we are also bound by global values and standards. We are therefore committed to the core labour standards of the International Labour Organisation (ILO), the OECD Guidelines for Multinational Enterprises, and the United Nations Universal Declaration of Human Rights. We also expect our employees and business partners worldwide to observe these central guidelines and recommendations. Our Leadership Principles therefore also reflect our commitment to these standards. Suppliers are obligated to comply with our Code of Business Conduct for Suppliers.

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

Business performance

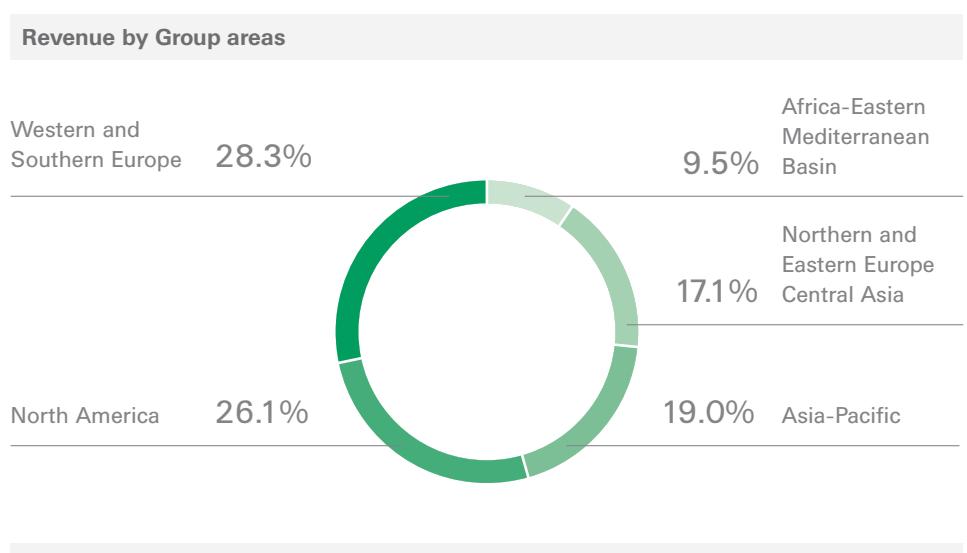
In 2017, Group revenue increased to €17.3 billion, corresponding to a rise of 13.8%. After adjustment for exchange rate effects and changes in the scope of consolidation, revenue was up by 2.1%. Personnel costs rose in comparison with the previous year by 11.8% to €2,990 million. The financial result improved by €102 million to €-391 million. The tax expense increased by €292 million in comparison with the previous year to €606 million, particularly as a result of non-recurring, non-cash burdens connected with the US tax reform. The Group share of profit for the financial year amounted to €918 million.

Free cash flow rose significantly by €130 million to €1.4 billion, after maintenance investments. We spent €291 million of this amount on net expansion investments and €583 million on reducing debt. A total of €529 million was paid out to our shareholders and to non-controlling interests.

HeidelbergCement operates in around 60 countries and at more than 3,000 locations worldwide. We create jobs at our locations – both directly at our production sites and indirectly in upstream and downstream business sectors. We promote economic development with our wages, investment, purchasing, and taxes, particularly in economically disadvantaged regions. At our locations, local employees are given management responsibility wherever possible. Over the past three years, local managers have held 74% of the senior management positions at our various sites. All of our plants work closely with local suppliers and service providers, and we invest around 90% of our procurement volume in the areas immediately surrounding our plants or within the respective country.

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



Compliance management

The compliance organisation is under the authority of the Chairman of the Managing Board, to whom the Director Group Compliance reports directly. Each country in which we operate also has its own Compliance Officer, who reports directly to the country manager. Responsibility for ensuring that employees' conduct complies with the law and regulations lies with all managers and, of course, the employees themselves.

We have implemented an integrated compliance programme across the Group, based on our Code of Business Conduct, to ensure conduct that is compliant with both the law and regulations. The Code of Busi-

ness Conduct requires all employees to adhere to our basic principles of responsible corporate governance, regardless of whether or not such principles have been written into law. The compliance programme is reviewed on an ongoing basis for any necessary adjustments with regard to current legal and social developments, and it is improved and developed accordingly.

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 where appropriate. It also includes internal guidelines and measures that express the legal provisions in concrete terms. In addition to regular communication of these guidelines, our management issues compliance letters to raise awareness of compliance with laws and regulations. We also offer information brochures, an internet- and telephone-based reporting system, which can be used anonymously, and employee training that makes use of modern technologies and media, such as electronic learning modules. The range of electronic courses available covers topics such as discrimination and harassment in the workplace, competition legislation, and the prevention of corruption.

Violations of applicable laws and internal guidelines will be appropriately sanctioned. In addition, corrective and preventive measures will be taken to help prevent similar incidents arising in the future.

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

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Compliance activities

In the reporting year, around 14,500 employees across the Group registered for the Compliance e-learning programmes. In 2017, the Group Compliance department also had the suitability of its compliance management system at Group level successfully verified in accordance with the standards IDW PS980 and ISO 19600 by an auditing firm. In 2017, a scheduled external audit was also completed in connection with the Antitrust Compliance Programme.

Besides introducing a Group position on human rights, we compiled performance indicators relating to human rights for the first time in 2017 and commenced work on a human rights risk analysis. Among other issues, this explicitly examines the risk of violating the rights of indigenous peoples. A pilot project to identify potential risks and existing measures, and to determine additional measures to be implemented, was successfully completed. The aim is to regularly repeat the analysis after a period of around three years. Our suppliers must also subscribe to fundamental human rights. A supplier management system is currently being introduced across the Group to improve monitoring in this area. In the future, compliance training will cover the topic of human rights more extensively.

In 2017, the country organisations of HeidelbergCement once again concentrated their efforts on implementing country-specific measures to tackle corruption and ensure compliance with competition legislation, according to their risk profile. This was backed by appropriate training measures in these areas. Comparable measures will, in the future, also be undertaken in connection with the protection of human rights.

Appeals were lodged against new fines for antitrust violations in Spain and Italy (the latter relating to a period prior to the acquisition of the relevant activities by HeidelbergCement) in 2016 and 2017. There are plans to introduce special audits as well as supplementary training and awareness-raising measures.

→ **Additional information on the measures taken to establish legally compliant and responsible conduct within the HeidelbergCement Group can be found in our Annual Report 2017 (pages 63 ff. and 83).**

Compliance reporting system

Our compliance reporting system offers both employees and external parties the opportunity to report suspected violations of laws or guidelines. It also includes criteria for violations of human rights and the ILO's core labour standards such as anti-discrimination and anti-child-labour regulations. The system encompasses a variety of channels through which compliance violations can be addressed, ranging from reports sent directly to specifically authorised contact partners to information submitted through our whistle-blower hotline. All such reports are handled anonymously if desired. Our Compliance Incident Reporting & Case Management Guideline contains instructions and principles on how to report compliance-related incidents, investigate submitted complaints, and protect those reporting the incidents.

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

In 2017, most of the reported violations involved employee issues. In total, there were 87 confirmed or outstanding reports, including only a few cases of alleged discrimination. No instances of child labour or forced labour were reported.

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Only a few cases of alleged corruption were submitted through our compliance reporting system in 2017. The results of the investigation led to disciplinary action and, in particular, a number of different improvements to the internal control mechanisms. HeidelbergCement analyses corruption risks on an ongoing basis in line with the Corruption Perception Index from Transparency International and formulates and implements anti-corruption measures based specifically on its own risk analyses conducted together with our country organisations. Furthermore, a few cases of conflicts of interest were reported. The cases were spread across four continents.

Risk & opportunity management

HeidelbergCement's risk policy is based on the business strategy, which focuses on safeguarding the Group's existence and sustainably increasing its value. Entrepreneurial activity is always forward-looking and therefore subject to certain risks. Identifying risks, understanding them, as well as assessing and reducing them systematically are the responsibility of the Managing Board and a key task for all managers.

HeidelbergCement is subject to various risks that are not fundamentally avoided, but instead accepted, provided they are consistent with the legal and ethical principles of entrepreneurial activity and are well balanced by the opportunities they present. Opportunity and risk management at HeidelbergCement is closely linked by Group-wide planning and monitoring systems. Opportunities are recorded in the annual operational plan and followed up as part of monthly financial reporting. Operational management in each country and the central Group departments are directly responsible for identifying and observing opportunities at an early stage.

HeidelbergCement has installed transparent regulations to govern competences and responsibilities for risk management that are based on the Group's structure. A code of conduct, guidelines, and principles apply across the Group for the implementation of systematic and effective risk management. The standardised internal control and risk management system is based on financial resources, operational planning, and the risk management strategy established by the Managing Board.

Risks that may have a significant impact on our assets, financial, and earnings position are divided into four categories based on the risk catalogue established in the Group: financial risks, strategic risks, operational risks, as well as legal and compliance risks. These also include sustainability and non-financial risks.

→ **Comprehensive information on our risk and opportunity management can be found in our Annual Report 2017 on pages 73–84.**



Entrepreneurial activity is always forward-looking and therefore subject to certain risks. We believe that risk management also includes opportunity management – and we see potential for value enhancement in the areas of sustainability and environmental protection in particular.

Franziska Schenker
Senior Risk Manager



Product & Innovation

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25 **Figures, data, facts**

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26 → Research & technology



We offer innovative and sustainable products.

The target of our research and development activities is to generate **added value for customers and the Group** through innovative products. We also reduce our energy consumption and CO₂ emissions by improving processes and creating new mix formulations.



Investments → p. 28

€141 million

were spent on research and technology in 2017, around €24 million more than in the previous year. This corresponds to 0.8% of revenue.

Research → p. 28

1,136 employees

were employed in **research and technology in 2017**. The rise in the number of employees in this area reflects the high importance of customer-related development and consultancy as well as technology and technical service.

Innovation → p. 29 f.

30% less CO₂

is emitted with the production of our **alternative clinker technology Ternocem®**. This innovation also generates an energy saving of approximately 15%. We are now planning a market testing phase in Scandinavia.

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 26 **Research & technology**

Our customers place the highest requirements on our products and services. Our research and development (R&D) activities are oriented towards these requirements as we strive to innovate. Improved processes and new cement and concrete mix formulations help minimise energy consumption and CO₂ emissions. As a result, they also reduce the effects on the environment as well as costs.

Focus on customers

Our close proximity to the market enables us to provide our customers with extensive advice and develop our products in close consultation with them. The responsible departments and employees are directly incorporated into the organisation of the respective national subsidiaries and develop cements, aggregates, and concretes that are optimally adapted to local needs. This development work is often carried out in close cooperation with our customers. However, our work does not end with the product, but also includes providing our customers with expert advice on the application and optimisation of their products.

Customers who wish to file complaints can get in touch with their local contact partners, whereby all complaints – whether of a technical, logistical, or commercial nature – are forwarded directly to the appropriate department.

The global function of Market Intelligence and Sales Processes (MI&SP) was established in 2016. The target of this new global function is to increase the top line revenue performance of all HC Group companies, across all product lines, by outperforming the market. Putting the customer to the forefront of our business is an essential pre-requisite to achieve this. The Net Promoter System is a closed-loop process with our customers that delivers meaningful customer insights. The NPS is built on an ongoing evaluation of customer satisfaction and needs

analysis that drives a continuous improvement of the customer experience. As a result of our continuous improvement, we create greater value for our customers. We treat all the customer data we collect confidentially and do not pass on any information to third parties.

Research & technology

The target of HeidelbergCement's research and development (R&D) activities is to generate added value for customers and the Group through innovative products and to minimise the use of energy, CO₂ emissions, and therefore also costs by means of process improvements and new mix formulations.

Our research and development activities

The innovation activities of HeidelbergCement focus on five main areas:

- **Products and applications:** Our R&D activities are geared strongly towards the market and our customers. The main priority is the development and improvement of binders and concretes with optimised properties and innovative functionalities.
- **Cement production:** In 2017, the focus was on integrating the Italcementi plants into the HeidelbergCement Group. The main task was to achieve synergy effects and improve the processes and cost structure. This includes the cost-efficient substitution of fossil fuels and natural raw materials with alternative fuels and raw materials as well as the reduction of energy consumption in production.

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In Bergamo, Italy, i.lab focuses on product-related innovations. The building is home to more than 120 scientists and meets the most stringent requirements for sustainable construction.

- **Aggregates:** In addition to continual efficiency improvements, the main development focus in 2017 was on digitisation. The integration of operational, sales-related, and financial data in one joint management tool allows for greater transparency and the simplified coordination of production, sales, and quality control.
- **Optimisations across all business lines:** Vertical integration, especially in urban centres, is a strong focus for us. Long-term financial improvements can be achieved through the coordinated optimisation of product portfolio, production processes, and logistics across the aggregates, ready-mixed concrete, and cement business lines. Moreover, our CO₂ emissions are reduced by a high level of transport efficiency.

- **Development of cements and concretes with improved carbon footprints:** A key focus for us is to further develop composite cements with less clinker. Reducing the proportion of clinker is the most important lever when it comes to minimising energy consumption and CO₂ emissions as well as preserving natural raw materials. Finally, we are also researching new kinds of binder systems that dispense with the use of conventional clinker altogether. These innovative alternative products are still in the early stages of development, and it will take some more years until they are ready for the market.

Organisation and fields of activity

Our global competence centres Heidelberg Technology Center (HTC), Competence Center Materials (CCM), the newly founded Competence Center Readymix (CCR), and teams from the two centres for R&D and product innovation – Global R&D (GRD) and Global Product Innovation (GPI) – pool the knowledge in our Group and make it available to all operating units. Numerous international experts work in all of our competence centres, covering a broad range of expertise in the areas of cement, concrete, and aggregates.

The Group-wide activities in the area of research and technology are divided into the following tasks:

- **Central R&D and innovation:** We have concentrated the Group-wide R&D and innovation activities in the cement, ready-mixed concrete, and aggregates business lines in our two research centres in Leimen, Germany (GRD), and Bergamo, Italy (GPI). While the R&D team in Leimen focuses on the reduction of CO₂ emissions, resource efficiency, and a decrease in production costs, product innovation in Bergamo concentrates on the development of high-end concrete applications and new market opportunities. Individual projects are defined and implemented by the two teams in close coordination with the operating companies. This close collaboration from the very start of the project facilitates the efficient implementation of the development results and a quick market launch.

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- **Technology and innovation:** Technical centres support our national companies in each Group area. In the cement business line, it is the Heidelberg Technology Center (HTC) that supports our cement plants on all technical issues, from securing raw materials and operational optimisations to process control and quality assurance. With investment projects, the regional HTC locations are involved in project management until a new installation or plant is commissioned or optimisation measures have been completed. Similarly, the Competence Center Materials (CCM) supports the aggregates and asphalt business areas across the Group. There is a similar organisation for the ready-mixed concrete business line: the Competence Center Readymix (CCR).
- **Customer-related development and technical service:** Our close proximity to the market requires intensive customer-oriented development and technical service. The relevant departments and employees, which are integrated directly into the organisation of the respective national companies, develop and optimise the cements, aggregates, and concretes that are tailored to the local needs, often in close cooperation with the customers.

Expenditure and number of employees

Total expenditure for research and technology amounted to €141.0 million in the reporting year (previous year: 116.6), corresponding to 0.8% of revenue. Personnel costs accounted for around three quarters of the total expenses. The following table shows a breakdown of expenses for the last three years for each of the three fields of activities mentioned above.

Expenditure for research and technology

€m	2015	2016	2017
Central R&D and innovation ^{1) 2)}	8.9	13.6	21.9
Technology and innovation	52.6	55.6	61.7
Customer-related development and technical service	46.2	47.4	57.4
Total	107.8	116.6	141.0

1) Including capitalised expenses

2) Since 2017, the Global Environmental Sustainability (GES) department has been included in these figures.

In the 2017 financial year, a total of 1,136 people (previous year: 1,063) were employed in research and technology. The personnel breakdown and development over the last three years is shown in the following table. The high importance of customer-related development and technical service as well as technology and innovation is reflected not only in the costs but also in the number of employees.

Employees in research and technology

	2015	2016	2017
Central R&D and innovation ¹⁾	59	97	127
Technology and innovation	333	358	348
Customer-related development and technical service	531	608	661
Total	924	1,063	1,136

1) Since 2017, the Global Environmental Sustainability (GES) department has been included in these figures.

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Clinker ratio

75.3%

represented the clinker proportion in cement in 2017.

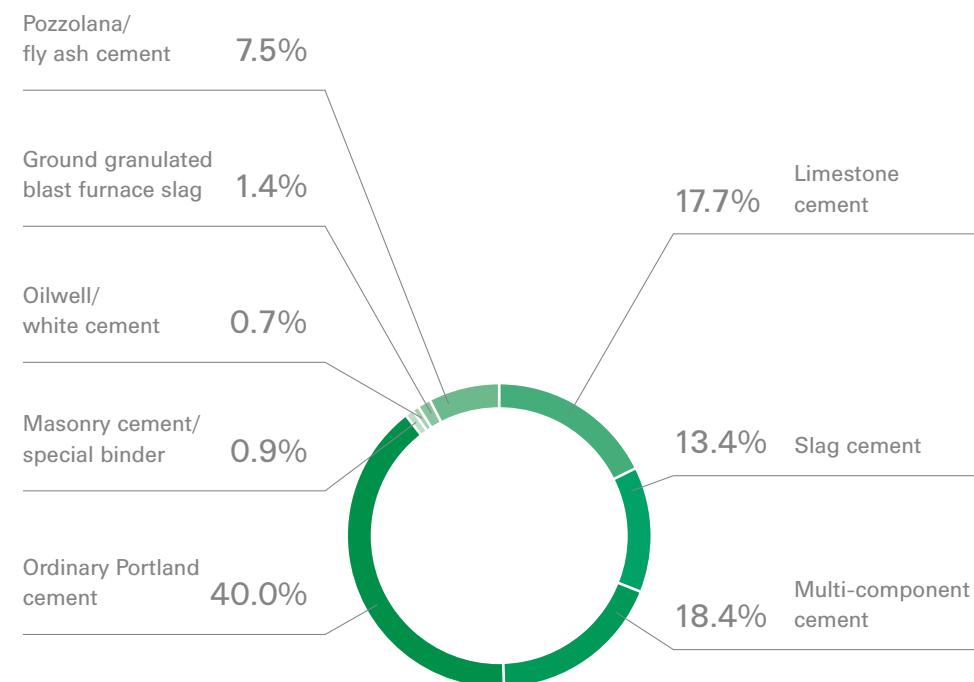
Alternative raw materials for improving the carbon footprint

One of the most important ways of reducing CO₂ emissions in cement manufacturing is the use of alternative raw materials that are produced as waste in other industries. A very large share of these alternative raw materials comes from the metalworking industry. Moreover, coal-fired power plants supply ash as well as synthetic gypsum. By using these materials, we actively contribute to improving waste management and recycling. The systematic assessment of the suitability of all raw materials used ensures the best and most consistent product characteristics.

HeidelbergCement generally uses alternative raw materials in two areas: in the combustion process for the production of clinker, which is the most important intermediate product in the manufacture of cement, and as additives that give cement special properties in order to reduce the content of CO₂-intensive clinker in cement.

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

Cement type portfolio



At Group level, the proportion of alternative raw materials in cement production was 11.1% during the reporting period; the clinker proportion in cement was 75.3%.

Development of alternative clinker

With the discovery of a new reactive clinker phase, we have established the basis for Ternocem®, an alternative clinker technology. The associated altered chemical composition and low combustion temperatures result in CO₂ emissions that are roughly 30% lower than is the case with a conventional clinker, as well as energy savings of about 15%. The basic technology is protected by various patent applications.

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A multi-year research programme was launched in 2015 to bring the technology to market maturity. This programme is substantially supported by the EU-funded "ECO-BINDER" project. With this, we intend to prepare the ground for future product standardisation.

→ www.ecobinder-project.eu

In 2017, we made significant progress in developing Ternocem®, our alternative clinker technology, and are currently planning a market testing phase in Scandinavia.

Dr. Wolfgang Dienemann

Director Global Research & Development

Sustainable construction with concrete

As a founding member of the Concrete Sustainability Council, we contributed significantly to the development of a new certification system for sustainably produced concrete, which was introduced at the beginning of 2017. In the reporting year, all our cement and concrete plants in the Netherlands as well as nine concrete plants of the German subsidiary Heidelberger Kurpfalz Beton GmbH & Co. KG in the Heidelberg area, were certified. With the certification of concrete, taking into account social, economic, and ecological aspects along the value chain, we expect to see greater acceptance of the product and the entire industry. We have also strengthened our involvement in Green Building Councils, the European Construction Technology Platform, and other associations in order to support developments in the area of sustainable construction and the reorientation of the market towards sustainability.

In 2017, we intensified our efforts to develop products with improved sustainability performance and solutions to support sustainable development. One of the focal areas of these activities was the development of products with a better carbon footprint and improved performance in terms of the energy efficiency of buildings. With our innovative products, we are also in a position to support the expansion of infrastructure for the purposes of supplying renewable energies. For the construction of underground high-voltage routes or the continuous backfilling of geothermal probes, HeidelbergCement developed PowerCrete®, ThermoCem®, and CableCem®, special highly thermally conductive building materials that make installation much more efficient and therefore more cost-effective.

Our photocatalytic cement TioCem®, by contrast, helps to break down air pollutants. We also offer drainage concrete, which drains surface water into the subsoil. Rainwater falling on roads or car parks is able to trickle away uniformly, as soil sealing is prevented.

Our commitment to the circular economy is also reflected in our involvement in the Dutch concrete recycling company Rewinn, which we established together with our local partner Theo Pouw. The company developed positively in 2017, and we are now in a position to produce up to 250,000 tonnes of aggregates from recycled concrete per year. These are already used in numerous applications, such as the production of fresh concrete. In addition, HeidelbergCement acquired the Alex Fraser Group, a leading Australian producer of recycled building materials and asphalt, at the start of 2018. With three production sites in Melbourne and two in Brisbane, this purchase complements the existing activities and will allow us to make our entry into additional markets.



Production & Supply Chain

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We manufacture our products in a responsible manner.

All of our facilities around the world have strict rules for ensuring **sustainable, environmentally compatible production processes**. Our suppliers also have to commit themselves to a Code of Conduct, and we monitor their compliance with this code.

**CO₂ emissions → p. 34****A 30%**

reduction in our **CO₂ emissions** compared with the 1990 level is our goal for 2030. To achieve this, we will increase the proportion of alternative fuels in the fuel mix to 30%. At the same time, we plan to further intensify the use of alternative raw materials and decrease the proportion of clinker in our cement.

Research → p. 35 f.

CO₂ capture

is the focus of joint research with our partners as part of the EU-financed **LEILAC project**. The construction plans for the demonstration plant were completed in 2017, and building work has now commenced at our Lixhe cement plant in Belgium.

Biodiversity → p. 37 f.

A new handbook on biodiversity

was published in 2017. It offers our employees **practical advice** on managing a variety of habitats, for example.

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As a raw materials company, HeidelbergCement's sustainability strategy focuses on environmental responsibility, climate protection, and ensuring the permanent availability of resources. One of the key aims that result from this strategy is the creation of sustainable production processes at all of our locations worldwide. We also want to sharpen our suppliers' awareness of our standards. That is why a Code of Conduct forms the basis of all of our partnerships and our contractors have to commit themselves to upholding this code.

Environmental management

Environmental protection is an integral element of HeidelbergCement's business strategy, which is defined by the Managing Board in consultation with the Supervisory Board. One member of the Managing Board is responsible for the topic of environmental sustainability and heads the Group Environmental Sustainability Committee. The committee's task is to accelerate the progress of operating activities with regard to environmental sustainability and profile HeidelbergCement as a sustainable company. The Global Environmental Sustainability department also plays an important role in furthering progress towards environmental sustainability at Group level.

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



To meet stricter environmental protection requirements in Germany in future, HeidelbergCement has been investing in the modernisation of its plants, such as here in Lengfurt, Germany, since 2014.

The internal monitoring of all relevant operating data is carried out by the Heidelberg Technology Center (HTC) for the cement business line, the Competence Center Materials (CCM) for the aggregates business line, and the Competence Center Readymix (CCR) for concrete. Any irregularities identified during the check are followed up immediately. This also includes, if necessary, supporting the relevant production plant in resolving any technical issues.

No violations of environmental protection laws that would have led to significant fines or non-financial penalties were reported during the reporting year.

In an effort to place environmental protection on a firmer footing at our production locations and achieve continual improvements in this area, we plan to introduce certified environmental management systems at all of our cement plants worldwide by 2030. We will focus here on the ISO 14001 international standard, but also use locally recognised environmental management systems. At the end of 2017, 89% of our integrated cement plants were operating with a certified environmental management system.

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Alternative fuels

20.8%

was the alternative fuel rate in 2017.

Energy & climate protection

Due to the high temperatures needed to burn limestone, the production of cement consumes a lot of energy and thus causes combustion-related CO₂ emissions. When the raw material is heated to over 800°C, it is de-acidified, which leads to further, process-related CO₂ emissions.

Climate protection is therefore a fundamental part of our environmental policy, and this is reflected in our Sustainability Commitments 2030, published in October 2017, in which HeidelbergCement set itself the objective of reducing its ecological footprint. As a company, we are committed to fulfilling our share of the global responsibility to keep the temperature rise below 2°C, as established worldwide in the Paris climate agreement. In concrete terms, this means that HeidelbergCement's goal is to reduce its CO₂ emissions by 30% compared with the 1990 level by 2030. This goal and the associated measures defined by HeidelbergCement are consistent with the roadmap defined by the International Energy Agency (IEA) to allow the industry to comply with the limit set in Paris. To achieve this goal, we will increase the proportion of alternative fuels in the fuel mix to 30%, for example. At the same time, we plan to further intensify the use of alternative raw materials and further reduce the proportion of clinker in our cement – i.e. the clinker ratio.

Compared with the figures in the Sustainability Report 2016, the values for climate protection have changed. Following the completion of Italcementi's integration on 1 July 2016, all three key figures for climate protection are reported for the entire Group. With the inclusion of the Italcementi figures in the second half of 2016, all three key figures have deteriorated in 2017. Nevertheless, between 1990 and 2017, we reduced the specific net CO₂ emissions by approximately 18.7% to 609.2 kg CO₂ per tonne of cement.

Climate protection

	2015	2016	2017
Specific net CO ₂ emissions (kg CO ₂ /t cement)	595.2	597.9	609.2
Alternative fuel rate	22.7%	21.4%	20.8%
Clinker ratio	74.1%	74.4%	75.3%

Thanks to our long-term success and our transparent reporting, the CDP (formerly the Carbon Disclosure Project) gave HeidelbergCement an "A-" classification in its Climate Disclosure Programme. This distinction confirms HeidelbergCement's leading role within the industry.

→ www.cdp.net

Participation in the EU's emissions trading system

HeidelbergCement currently has 57 facilities in 16 countries that participate in the EU Emissions Trading Scheme (EU ETS). The debate regarding the reform of the EU ETS for Phase IV (2021–2030) continued in 2017. At the start of 2018, the three EU institutions – the European Commission, the European Parliament, and the Member States – agreed on a final regulation during the trilateral negotiations.

Emissions trading systems outside Europe

Emissions trading systems are also being set up in regions outside the EU. However, the development of a national emissions trading system will be delayed in China until 2018. By the end of 2017, no decision had yet been made regarding the inclusion of the cement industry. In the United States, California has had an emissions trading system, which we helped to develop, since 2013.

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Innovations for climate protection

In accordance with our commitment to the Low Carbon Technology Partnerships initiative (LCTPi), which we joined in 2015 with 17 other cement companies, we are continuing to invest in research into innovative techniques for the capture and utilisation of CO₂.

Following the completion of a comprehensive feasibility study in 2016, the carbon capture project at our Brevik cement plant in Norway entered its next phase with the start of the concept study in April 2017. The Norwegian government's CCS (Carbon Capture and Storage) project is being undertaken in different sectors of industry, including at our Brevik cement plant. The captured CO₂ emissions will be transported to an underground repository in 2023, according to the planned schedule.

→ www.norcem.no/en/carbon_capture

To further develop the oxyfuel technology, HeidelbergCement participates in the CEMCAP project, which aims to drive forward technologies for the capture of CO₂ in the cement industry and is funded by the Horizon 2020 EU development programme. In the oxyfuel process, the rotary kiln is supplied with pure oxygen instead of ambient air, which facilitates the capture of CO₂. In 2017, we installed a test cooler at our plant in Hanover in order to investigate the possibility of cooling clinker with CO₂ only and without compromising process efficiency. The result was positive, confirming that a clinker cooler running on CO₂ works more efficiently than a unit that runs on air.

→ www.sintef.no/projectweb/cemcap

The EU-funded LEILAC project, in which HeidelbergCement is one of the main strategic partners, started in January 2016. This project aims to demonstrate the technical and economic feasibility of a process technology for the capture of the released CO₂ in its purest form during the heating of the raw material. In 2017, the construction plans for the calciner were completed. Construction work on the 60-metre-high



At the HeidelbergCement plant in Lixhe, Belgium, the LEILAC consortium is working on capturing CO₂ in its purest form, thereby reducing the ecological footprint of cement production.

demonstration calciner will now commence at our Lixhe cement plant in Belgium. To disseminate the knowledge gathered to date, an international conference on innovation in industrial carbon capture took place at the start of February 2018 in Lixhe.

→ www.project-leilac.eu

In June 2017, HeidelbergCement launched the CO2MIN project in collaboration with RWTH Aachen University, Germany, and the Institute for Advanced Sustainability Studies (IASS) in Potsdam, Germany. This project aims to investigate the potential of natural minerals for absorbing CO₂ and the possibility of using them to produce marketable building materials. Besides natural minerals like olivine and basalt, industrial waste products such as blast furnace slag or fines made from recycled concrete are also being tested. We expect the first results to be available at the end of 2018. The three-year research and development programme received €3 million in funding from the German Federal Ministry of Education and Research.

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📍 CO₂ for algae cultivation



HeidelbergCement is also researching the use of microalgae in CO₂ recycling for the manufacture of fish food and other animal feed. Our research and development projects in Sweden, Turkey, and France achieved very encouraging results and make an important contribution to our strategy of making CO₂ useable. In Morocco, we are now developing a large-scale demonstration project to produce algae. We intend to invest more than €1 million in an algae farm covering one hectare at our Safi plant location. The production facilities are scheduled to be built in 2018.

→ [More information on our research projects: AR 2017 on p. 27 f.](#)

Alternative fuels

Many waste materials and by-products from other industries serve as valuable raw materials for HeidelbergCement. We use these resources as alternatives to finite natural raw materials and fossil fuels in the production of cement. In this way, we are helping to conserve resources and solve the problems of municipalities and industrial companies near our plants regarding waste disposal. At the same time, these efforts are also reducing our CO₂ emissions, because the biomass which accounts for around 37.4% of the alternative fuel mix is classified as climate neutral.

Alternative fuels replace natural resources

In all of the countries in which HeidelbergCement produces clinker (the main component of cement), we investigate possibilities for using waste from municipalities, agriculture, and industry in an economically and environmentally responsible manner. In order to develop optimal solutions, we work together with regulatory authorities, waste producers, neighbours, NGOs, and other stakeholders. Co-processing of waste in cement kilns is regarded as a worthwhile option, as it uses the waste's calorific value at a much higher energy efficiency level compared with waste incineration plants and also embeds mineral components into the clinker. The waste is co-processed without any residue.

In 2017, we integrated the newly added Italcementi plants into our programmes to promote the use of alternative fuels. We significantly increased the proportion of alternative fuels in 2017, particularly in Russia, Spain, Bulgaria, Egypt, and Thailand. In most countries, local teams are exploring additional possibilities for the use of alternative fuels, drawing on the experience of experts from across the Group. Emissions of air pollutants are monitored on an ongoing basis and fully comply with all national regulations.

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Restoration plans

80%

of our quarries in the cement business line have restoration plans.

In 2017, the proportion of alternative fuels in the fuel mix was 20.8%. By 2030, we intend to increase this figure to 30%.

Use of hazardous wastes

The careful handling of hazardous wastes is a key element of every country's waste disposal infrastructure. For most types of hazardous waste, reuse in cement plants has proved to be a safe means of disposal and utilisation. The high temperatures of over 1,450°C and long incineration period in the kilns ensure that all harmful components are completely destroyed. This has been confirmed by measurements taken by independent state-certified institutes. At the same time, HeidelbergCement does not use certain types of waste, such as nuclear waste.

Land use & biodiversity

We only extract worthwhile deposits if they can be exploited in an environmentally compatible and economical manner. Before making any decision concerning the development of a new quarry or the expansion of an existing one, the company first conducts an extensive approval process in line with the corresponding laws and regulations. This process includes an environmental impact assessment and – if the affected area is of exceptional biological value – special biodiversity studies. In these studies, the priorities are set as follows: prevention, mitigation, compensation. We accordingly first check whether excavation work can be avoided or at least adjusted to local conditions in such a way that the ecosystem is not disrupted or that they can be reduced by means of compensatory measures.

Concepts for the limitation of land consumption

For environmental and economic reasons, we always strive to limit land consumption when planning our quarry and renaturation activities. As a matter of principle, the authorised raw material supply is always completely extracted in order to minimise land consumption. As a result, we prefer to expand existing quarries rather than develop new sites. Our production and plant facilities are also optimised so as to require the smallest possible amount of land area.

Biodiversity management at our quarries

Recultivation plans are now an integral part of approval processes. These plans define the goals and timetable for the reintegration of a quarry into the surrounding landscape. Even while a quarry is still in operation, we renaturate and recultivate those areas of the quarry that are no longer used.

As early as 2010, we began to collect and analyse information about the biodiversity of our quarries. In cooperation with our partner, BirdLife International, we conducted a study to determine how far our quarries are from nature reserves in Europe, Africa, and Asia. The study encompassed more than 90% of our active quarries worldwide.

We collect data on two key indicators at our quarries in Europe, Africa, and Asia: the proportion of active quarries with a subsequent use plan and the proportion of quarries in areas with a high level of biodiversity for which biodiversity management plans are being implemented. In 2017, the proportion of quarries in the cement business line with restoration plans was 80%. By 2030, we plan to increase this figure to 100%.

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Quarries provide important habitats for rare animal and plant species. The recultivated area of our Needingworth quarry is to become the largest reed bed in the United Kingdom.

In 2017, 43% of the quarries in areas with a high level of biodiversity were implementing biodiversity management plans at the cement business line, while the corresponding figure at the aggregates business line was 38%. We are steadily extending biodiversity monitoring to more and more quarries and implementing corresponding management plans.

Habitat protection

HeidelbergCement is able to restore many natural habitats by recultivating and renaturating former quarries. This is especially true of habitats where endangered species settle and that are associated with early stages of ecological succession. In Europe in particular, our quarries are now important refuges and stepping-stone biotopes for especially protected species such as the sand martin, the yellow-bellied toad, the eagle-owl, and the tree frog.

In 2017, we published a new internal Biodiversity Handbook for Central Europe, which updates the biodiversity guidelines set out in 2010. This new handbook offers practical advice on creating and managing a variety of habitats, as well as guidelines for promoting native species. The handbook also includes a chapter about invasive species as this is a major cause of biodiversity loss worldwide. By the end of 2018, there will be similar handbooks for North America, Africa, and the Asia-Pacific region.

Cooperation with nature conservation organisations

We work with many local nature conservation organisations worldwide. Since 2012, we have also been working together with the largest international nature conservation organisation, BirdLife International. Our work with BirdLife and our cooperation with its national partner organisations help us minimise our environmental impact and promote biodiversity in our quarries and the surrounding areas. More than 25 local projects have been undertaken or are currently under way at locations in Europe, Asia, and various African countries. An interactive map on the website of BirdLife provides information about a selection of our joint projects:

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



Collaborating with players from the business community is strategically important for us. Together with leading partners from industry, like HeidelbergCement, we want to be a force for positive change in the world.

Patricia Zurita

CEO, BirdLife International

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📍 Quarry Life Award



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

The fourth edition of the Quarry Life Award was launched in May 2017. Owing to the success of previous editions of the competition, there will be two competition streams this time round: research and community. In this way, we hope to ensure a fairer competition for all participants, irrespective of their scientific background. A total of 317 project proposals were submitted in 25 countries, of which 110 were selected to take part in the competition.

→ www.quarrylifeaward.com

Local environmental impact

Air pollutants and noise

In addition to addressing the issues of dust and noise, HeidelbergCement faces a challenge in terms of the air pollutant emissions of the cement business line. While dust and noise are emitted from different points in the production process, nitrogen oxides, sulphur oxides, and other air pollutants are mainly emitted from kilns. There are national legal limits that have to be observed by all production locations. HeidelbergCement has also pledged to reduce air pollutants as part of its Sustainability Commitments 2030. By 2030, we further aim to reduce the SO_x and NO_x emissions generated in our cement production by 40% and dust emissions by 80% – in comparison with 2008 – as well as continuously reducing all other air pollutant emissions, bringing them below the industry average.

We monitor emissions of air pollutants on an ongoing basis. By using new filter technologies and innovative production processes, we reduce pollutants and thus mitigate the impact of our activities on the environment and neighbouring communities.

We made several investments in 2017 to reduce dust emissions: at the plants in Cirebon and Citeureup, Indonesia, for example, the electrostatic precipitators in two kiln lines were replaced by fabric filters. Electrostatic precipitators have also been replaced by new fabric filters at coal mills in Pukrang, Thailand, and Cesla, Russia.

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To reduce NO_x emissions, we have installed SNCR systems in both kiln lines at the plants in Jingyang and Fufeng, China, as well as at the plants in Isola delle Femmine and Samatzai, Italy. Further optimisations were made to existing SNCR systems. In Radotin, Czechia, we installed a low-NO_x burner. Similar measures are currently being undertaken in India, for example.

A flue gas desulphurisation system was commissioned in Tarjun, Indonesia, to reduce SO₂ emissions. At our plants in Isola delle Femmine and Samatzai, Italy, systems were installed to carry out desulphurisation during the dry process.

Reduction of specific emissions (g/t clinker)



-27.5 %

2008–2017



2008–2017



2008–2017

In 2017, activities in our aggregates and ready-mixed concrete business lines continued to focus on reducing noise and dust emissions – primarily by modernising our facilities.



HeidelbergCement is also using the latest technology for the modernisation of its Vac plant in Hungary – for better environmental protection and lower emissions.

Water management

HeidelbergCement has committed itself to the goal of mitigating the impact of its activities on natural water resources to the greatest extent possible. We comply with stringent environmental regulations to ensure that our raw material quarrying will not endanger local bodies of surface water and ground water resources.

In recent years, we have introduced a water reporting system at all of our company's cement plants. The specific water consumption amounted to roughly 307 litres per tonne of cement in 2017. In 2015, we also started to introduce key figures on water reporting in our aggregates and ready-mixed concrete business lines. As there are more than two thousand locations, the implementation is not expected to be completed until 2030.

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Water management

14.3%

of our plants are in regions that suffer from water scarcity.

In 2014, a global water-risk study supplied us with fundamental information for the creation of a Group-wide guideline concerning sustainable water management in the cement, aggregates, and ready-mixed concrete business lines. This showed that, including the Italcementi locations, 14.3% of our plants are located in regions that are officially defined as suffering from water scarcity, i.e. regions where less than 1,000 m³ of water is available per person each year. In response to this situation, we began developing individual water management plans for these facilities back in 2015 and want to extend this measure to all of these plants by 2030. The plans include concepts and measures for reducing water consumption in order to ensure the sustainable use of scarce water resources. In addition, the plans aim to involve external local stakeholders in order to ensure the water utilisation concepts promote the common good so that local water risks are minimised. We will begin this process at those locations where water scarcity is an especially urgent problem. The process will include a global strategic water reduction plan, which aims to coordinate the work at Group level and reduce water consumption locally, wherever economically and technically possible.

In 2017, we reported on the key figures for water from 2016 and our strategy and governance on this topic to the CDP for the first time, and our work was given an "A-" classification.

Waste materials

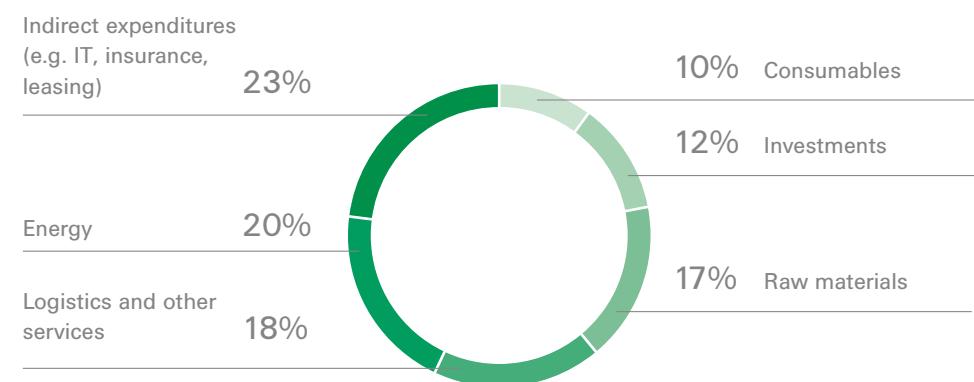
Our primary focus in terms of waste management concerns the kiln dust that is a by-product of clinker production. This dust has to be removed from the kiln systems at several facilities in order to prevent disruptions to proper kiln operations. We generally use the kiln dust as an alternative raw material in cement production, thereby improving our ecological efficiency. In some exceptional cases, the composition

of the dust prevents us from being able to recycle it in full. A second possibility for us is to use the kiln dust as a raw material for the production of special concrete. If no other option is available, it can be deposited in underground landfills in a controlled process. The local operating permit at each plant specifies the allowable amount of process-related waste products and how it is to be used.

Management of supplier relations

In 2017, HeidelbergCement procured goods and services with a total value of €11,687 million (previous year: €9,968 million). This corresponds to 68% of total revenue. These costs are distributed among the various categories as follows:

Expenditure by category



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HeidelbergCement strives to ensure compliance with sustainability standards in the supply chain. Group-wide procurement guidelines therefore provide clear instructions regarding our supplier relationships and procurement activities. The most important tool for this purpose is our Supplier Code of Conduct. We consistently communicate this code to our global and local suppliers, who are obligated to act in line with the principles defined in the Code. The Code incorporates the key elements of the SA 8000 International Social Accountability Standard, the ISO 14001 international environmental standard, and the principles of the International Labour Organisation (ILO). If a supplier fails to abide by the Code and does not correct a weakness or deficiency that has been identified, this can result in the termination of the contractual relationship.

2017 was a pivotal year for the systematisation of our supplier management, which aims to ensure the sustainability of the supply chain. An online platform for supplier management, which was introduced in a number of countries back in 2016, has now been developed into a Group-wide standard. This platform simplifies the systematic recording and consolidation of supplier data as well as its assessment in accordance with the sustainability aspects addressed in our Supplier Code of Conduct. In 2017, we started to introduce this platform in our country organisations.

A supplier sustainability initiative was also launched in 2017, which means that we actively monitor our suppliers' compliance with the principles outlined in the Supplier Code of Conduct. This goes well beyond the previous commitment by suppliers to the Supplier Code of Conduct. With support from an external advisor, we have already undertaken reviews of the first suppliers in Germany in relation to various sustainability aspects.

Measures for 2018

In 2018, we will complete the Group-wide rollout of the online platform for supplier management. We will consistently seize opportunities for digitisation in order to guarantee transparency and sustainability in the supply chain.

The global supplier sustainability initiative will also be implemented in additional countries, with the aim of introducing a comprehensive global standard. However, where appropriate, we will also take into account specific local requirements relating to supplier sustainability. The main focus of the 2018 rollout will be on our country organisations in North America as well as Northern and Western Europe.



In 2018, HeidelbergCement will consistently seize the opportunities offered by digitisation in order to create a transparent and sustainable supply chain.

Dr. Ines Ploss
Director Group Purchasing

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Good work needs a positive environment.

Attractive working conditions are a key factor in our success. As a manufacturing company, we also place high priority on **occupational safety** and the **protection of our employees' health**.



Italcementi integration → p. 45

1,000 responses

to an employee survey showed that the **integration process** following the takeover of Italcementi has been perceived **very positively** overall.

Accident rate → p. 49

"Zero harm"

is one of our goals, which we reiterated in our Sustainability Commitments 2030. Compared with the previous year, we decreased the accident frequency rate by 21% in 2017.

Advancement of future executives → p. 51

254 university graduates

were hired during the reporting year. We offer them **international trainee programmes** in various areas of the business – since 2017, these programmes have also been interdisciplinary.

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Almost 60,000 women and men work for HeidelbergCement worldwide. Their achievements make us one of the leading companies in our sector. That's why it is crucial to provide them with attractive working conditions. As a manufacturing company, we also place high priority on occupational safety and the protection of our employees' health.

Principles

For us, a good personnel policy means having due and proper regard for our employees with their range of talents and wealth of experience. And it therefore means creating the right conditions to allow them to do their job with efficiency and dedication. This includes fair remuneration, tailor-made qualification opportunities, a non-discriminatory working environment, and flexible conditions that allow them to reconcile professional and family demands. As a manufacturing company, we also place high priority on occupational safety and the protection of our employees' health. We are proud of the international nature of the workforce at our headquarters and in our technical centres in Heidelberg and Leimen, which is made up of local managers and employees from over 40 countries. Our employees form the foundation of the worldwide success of HeidelbergCement.

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

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

HeidelbergCement also subscribes to the core labour standards of the International Labour Organisation (ILO), the OECD Guidelines for Multinational Enterprises, and the UN's Universal Declaration of Human Rights. We have also enshrined this commitment in our Leadership Principles. We expect our employees and our business partners worldwide to comply with these central guidelines and recommendations.

Integration of Italcementi

Since the acquisition of Italcementi on 1 July 2016, one of the focal points of our human resources work has been the integration of the new employees. We have taken the differences between the corporate cultures as an opportunity to learn from each other, combine our respective strengths, and work together on a joint corporate culture. In 2017, we continued to make use of employee surveys, called "pulse checks", to assess how the employees perceive the integration process. More than a thousand responses from all the countries in which the Group operates showed an overall very positive perception of the integration process and the results so far.

The objective of deploying highly qualified Italcementi employees in our headquarters and at the technical centres in Heidelberg and Leimen has been achieved: a significant number of Italcementi employees have been integrated and are now strengthening our teams in Heidelberg and Leimen, with some taking up middle or top management positions.

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Employees

59,054

people were employed by HeidelbergCement at the end of 2017.

Employment & co-determination

Development of workforce numbers worldwide

At the end of 2017, the number of employees at HeidelbergCement came to 59,054 (previous year: 60,424). The decrease of 1,370 employees essentially results from two opposing developments. On the one hand, around 2,600 jobs were cut across the Group – firstly, as part of the realisation of synergies in former Italcementi subsidiaries and, secondly, in connection with efficiency increases in sales and administration as well as location optimisations. On the other hand, the headcount grew by around 700 as a result of consolidation effects, including those due to the acquisition of construction activities from Cemex in the northwest of the USA and the business operations of the Saunders Companies in the US state of New York. Furthermore, there was an increase of almost 500 employees in some countries in the Western and Southern Europe and Northern and Eastern Europe-Central Asia Group areas, and in particular in Australia, owing to the solid market development and the insourcing of truck drivers.

Dialogue with employee representatives

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

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

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



Although the Group's headcount decreased in 2017, almost 500 new employees, including truck drivers, were recruited in Australia, for example.

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

Remuneration policy & work time regulation

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

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

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

Personnel costs and social benefits

Expenditure on wages and salaries, social security costs, costs of retirement benefits, and other personnel costs rose by 11.8% in comparison with the previous year to €2,990 million (previous year: 2,674). This corresponds to a share in revenue of 17.3% (previous year: 17.6%). The rise in personnel costs results predominantly from the acquisition of Italcementi on 1 July 2016 and effects from additional changes to the scope of consolidation.

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

Work time regulation

In our work time regulation practices, we conform to the legal requirements in effect at our locations. We promote adherence to these regulations by means of our compliance system, which enables employees to individually report possible violations (passive monitoring). To promote flexible work time options, we offer models such as flexitime, work time accounts, part-time positions, and leaves of absence to our employees in many countries. Older employees have the option of switching to partial retirement. The part-time ratio at HeidelbergCement AG is 11% (previous year: 11%) and 2.5% (previous year: 2.4%) for the Group as a whole.

Occupational health & safety

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

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

Organisation and processes

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



Occupational safety is a duty and depends on the commitment of each and every employee.

Magnar Eide

QHSE Director Northern Europe

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Occupational safety takes priority. That is why our subsidiary Ciments du Maroc awards an internal occupational safety prize and has set up an information centre at each of its plants.

Each country also has an H&S advisor reporting directly to the country manager, who coordinates the measures within the relevant country. The line managers at regional and local management level in a country are also supported by H&S advisors.

Occupational safety measures form part of the personal goal agreements for all managers. Last but not least, each individual employee, contractor, and visitor is responsible for following the occupational safety regulations.

Work management systems, such as those in accordance with the internationally accepted OHSAS 18001 standard, have already been implemented in 88% of our operational locations. These systems require a structured approach from the location managers with planning, clear work regulations, responsibilities, and controls to ensure an ongoing improvement process and thus prevent accidents.

Guidelines and standards

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

In all countries, occupational health and safety is subject to legal requirements that have to be fulfilled. Furthermore, as a member of the Cement Sustainability Initiative (CSI) within the World Business Council for Sustainable Development (WBCSD), HeidelbergCement is bound by the guidelines of the CSI. These have been integrated into our internal standards.

As part of our Group guideline on occupational health and safety, we have defined a set of "cardinal rules" that are mandatory for all employees and contractors. They relate in particular to those activities that have been identified as main accident black spots. They are therefore also addressed in specific Group standards and must be translated into local regulations. Through intensive training measures, we ensure that everyone involved remains acutely aware of these risk areas, in order to decrease the number of accidents.

Measures: occupational safety as a management task

In 2017, we once again underlined the importance of the exemplary role of line managers in occupational health and safety with a Group-wide training initiative. Participation in these training sessions was compulsory for managers from all levels, and we took this opportunity to introduce safety briefings as an additional Group-wide management instrument.

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Occupational safety

88%

of our operational sites already have a work management system.

We train our employees in a wide range of occupational safety topics that are both legally mandated and defined internally. We make use of conventional training held in classrooms, training centres, 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 half of all training hours at HeidelbergCement, corresponding to an average of almost 13 hours per employee across the Group.

Development of accident figures

Compared with 2016, we decreased the accident frequency rate in our core business by 21% in 2017. This is a significant improvement. A large number of locations have now been accident free for several years, while others have seen drastically reduced accident rates. This is a clear sign that the goals we have set are achievable. Unfortunately, this is not true for all locations, and we must urgently provide extra support to these locations so that they can implement preventive measures.

We reduced the number of fatalities of Group employees by 50% compared with the previous year, but it was with great regret that we had to announce the death of two of our own employees, who died as a result of accidents at work. Furthermore, the lives of nine employees from external companies were claimed, two of whom died in road accidents. All of these fatalities are very painful and clearly highlight that we have not yet achieved our goal of being accident free and the need to further intensify our efforts. We analyse each accident and share this information across the Group in order to prevent similar accidents. Every fatal accident is also presented and discussed in the Managing Board.

Accident trends¹⁾

	2015	2016	2017
Accident frequency rate ²⁾	2.3	2.2	1.8
Accident severity rate ³⁾	106	98	79
Fatality rate ⁴⁾	1.7	0.7	0.4

1) Accident trends in the business areas of cement, ready-mixed concrete, and aggregates in companies where HeidelbergCement is in charge of occupational safety.

2) Number of accidents involving Group employees with at least one lost working day per 1,000,000 hours worked.

3) Number of working days lost due to accidents involving Group employees per 1,000,000 hours worked.

4) Number of fatalities of Group employees per 10,000 Group employees.

Occupational illnesses

The general sick rate at HeidelbergCement has been low for many years, amounting to around 2% of all hours worked. Most of the cases of occupational illness acknowledged in recent years have involved noise-induced hearing impairment. In addition, some employees suffered from back problems and other musculoskeletal disorders.

To prevent job-related illnesses, we check our work sites for exposure to factors hazardous to health and regularly conduct medical examinations of our employees. In countries with less-developed statutory health care systems, our subsidiaries offer comprehensive health check-ups for all employees and in some instances for their families. In regions where HIV/AIDS, Ebola, or malaria frequently occur, the local units have set up programmes to advise the employees and inform them of the risks. These services are mostly offered through our own medical stations or the medical staff of in-house hospitals.

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Human resources development

Talent management

Qualified, motivated employees are a key prerequisite for the long-term success of our company. That's why our Group-wide personnel policy focuses on identifying and further developing highly talented individuals and competing with other companies to retain them. We use the HeidelbergCement competence model to do so. This model defines the professional and personal talents and skills that are crucial for our business success. It thus allows the respective supervisors to carry out systematic Group-wide evaluations of performance and potential on the basis of standardised criteria. It also serves as a basis for strategic executive development and effective succession planning. Superiors and employees discuss development opportunities and prospects within the framework of structured appraisal interviews. The dialogue is primarily targeted at upper and middle management, those in specialist roles, and future executives. It helps us to attain three goals:

- To fill key positions with top-class internal candidates worldwide
- To develop highly talented individuals in a targeted way
- To retain talented employees in the Group for the long term by means of personalised development planning

Training and career development

Sustainable HR management means consistently investing in training, i.e. employing and training qualified talent. The proportion of apprentices in Germany is 5% (previous year: 5%). The retention rate of these apprentices stands at 82% (previous year: 91%).

As in the previous year, a focus of our training programmes throughout the Group was occupational safety, which made up around 50% (previous year: 47%) of the total training measures.

The HeidelbergCement Technology Center (HTC) in our Cement Academy offers seminars and training sessions around the world for the engineers and technicians at our cement plants. In the reporting year, we extended our range of courses considerably in the area of plant maintenance for foremen. Our control room employees also received targeted training via an interactive process simulator ("virtual cement plant"). A total of 1,370 participants from 42 countries, including 360 participants from the former Italcementi plants, attended these training sessions. To supplement our classroom courses, we offer the Cement Manufacturing Curriculum as a multilingual e-learning programme. Overall, more than 2,000 employees have registered for this programme. In the reporting year, the range was extended to include a new e-learning programme focusing on mechanical maintenance.

The Aggregates Academy also continued its employee training offer in the aggregates business line. Over 240 training sessions on the topic of aggregates were held in 20 countries. These were mostly carried out locally in the form of practical exercises at production sites. In 2017, training sessions at all hierarchical levels focused on the continuous improvement of production processes.

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A focus of our training measures is occupational safety. However, our broad range of training programmes also includes technical and management courses.

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

Management training

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

Securing and advancing future executives

In the reporting year, we consistently pursued our efforts to advance future executives. We offer highly motivated and qualified university graduates international trainee programmes focusing on the following areas: technology, sales, finance, personnel, purchasing, and IT. We have also offered interdisciplinary trainee programmes since 2017. Since 2013, HeidelbergCement has been awarded the trainee seal of the "Initiative for career-enhancing and fair trainee programmes" each year for its high-quality programmes for the advancement of future executives. As a member of the Fair Company initiative, we have been voluntarily committed to the creation of fair working conditions for trainees and young professionals since 2004, and have carried the Fair Company seal since then. We also continued to work intensively on expanding our programmes for the advancement of future executives and strengthening our recruitment of university graduates and graduates with first professional experience worldwide. In 2017, we hired 254 (previous year: 256) university graduates. Currently, around 719 (previous year: 875) employees take part in programmes that prepare them for more advanced tasks.

Through a special programme, we prepare highly qualified engineers in the cement business for senior engineering positions. Besides project visits to cement plants in Germany and abroad, 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.

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- 45 → Principles
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- 52 Diversity management**

Diversity

74%

was the proportion of local managers at our upper management level in 2017.

Diversity management

Generation management

Like many companies in western industrial countries, we too are faced with the consequences of demographic change. Around 12% (previous year: 12%) of our employees are younger than 30. The majority of the employees are aged between 30 and 49, making up around 52% (previous year: 52%) of the Group's total workforce. 36% (previous year: 36%) of our employees are above 50 years of age.

We are responding to the effects of demographic change with numerous measures adapted to regional requirements. In Germany, for example, we have continued to develop our health management activities and have incorporated them in the "FIT for LIFE" initiative. It 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. The focal points in 2017 included examinations for colon cancer prevention, flu vaccinations, ergonomic workplace inspections, and a health day.

In the future, health management activities will continue to focus on the prevention of typical age-specific health risks and change in awareness. We are therefore specifically promoting company sports activities for all age groups.

Diversity as a success factor

When putting together teams of employees, it is our Group-wide personnel policy to prioritise diversity. We understand diversity as a management concept that brings together people with different cultures, personalities, skills, and experiences in such a way as to reflect the international and multiform character of our markets, our customer base, and our business environment. We achieve this goal with the following measures:

- Appointing local country management in order to create an international management team
- Maintaining an international workforce at the Group headquarters
- Ensuring a complementary composition of management and other teams (internationality, expertise, experience, age, sex, etc.)
- Ensuring the percentage of men and women in management positions reflects the respective proportions in the total workforce in Germany

Our goal is to attract and advance highly qualified and committed employees around the world who can bring various social and professional skills to our company and thus contribute to our business success. The international composition of our management team enables us to benefit from a varied spectrum of experiences in different cultural backgrounds, thereby allowing us to respond more flexibly to global challenges as well as to local market needs. Local managers hold around 74% of all of our senior management positions.

At our Group headquarters, we consciously aim to ensure that the countries in which we operate are represented in the workforce. We benefit considerably from their local knowledge, and this also facilitates cooperation with the local personnel. We have 654 employees at our Group headquarters and at the technical centres, the Competence Center Materials and HeidelbergCement Technology Center in Heidelberg and Leimen, with 214 of these employees representing 48 different countries in addition to Germany.

In early 2013, we signed the Diversity Charter as an affirmation of all our activities in this area to date and as a public statement of our respect for diversity. To mark the German Diversity Day in 2017, we held a Diversity Week at our Group headquarters in Heidelberg, featuring a wide range of lectures, panel discussions, and workshops.

→ <https://www.charta-der-vielfalt.de/en/diversity-charter/>

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52	Diversity management

Women in leadership positions

For us, diversity also means that we reflect the ratio of women to men in our workforce as a whole when we are hiring to fill management positions. Within the Group, women made up 13% of the total workforce and held 10% of the upper management positions in 2017.

According to the legislation on the promotion of women in leadership positions, companies in Germany have to define targets for the proportion of women in the two leadership levels below the Managing Board. Managers who report directly to the Managing Board form the first level at HeidelbergCement, and any of their employees with leadership responsibility form the second level below the Managing Board.

As part of the integration of Italcementi, HeidelbergCement set itself the target of increasing the proportion of women in Germany in these two leadership levels to 15% by the end of June 2022. This also corresponds to the average proportion of women in the total workforce in Germany since 2014. In 2017, the proportion of women in leadership positions in Germany at the first level below the Managing Board was 11% (previous year: 10%), and 11% (previous year: 9%) at the second level. Our existing self-commitment to increasing the ratio of women in leadership positions, which we signed in 2011 together with other DAX companies, has been superseded by this statutory regulation.

We have worked consistently on the promotion of women in the past few years and achieved significant success. The proportion of women in programmes for the advancement of future executives across Germany is already 36% (previous year: 28%) and therefore significantly higher than the proportion of women in the total workforce.

The global “NOW – Network of Women” at HeidelbergCement is an initiative that brings together female employees worldwide. Within the various countries, “NOW” provides an opportunity for female employees to come together and exchange information and experiences.

It aims, among other things, to support the network’s members in developing their career potential and to increase awareness throughout the Group of the changing demands of work and life.



At our company, the promotion of women starts with the future executives: the proportion of women in programmes for the advancement of future executives across Germany was 36% and therefore significantly higher than the proportion of women in the total workforce.

Andreas Schnurr

Director Group Human Resources

Work-life balance

In the race for the best employees, we adapt ourselves globally to changing lifestyles. In terms of what we offer to improve work-life balance, we focus on models such as flexitime, part-time, and leave of absence. Because of the small size of our locations, it has proved more effective to cooperate with external networks for the provision of support such as children’s daycare, caring for family members, or holiday camps for children. Our employees benefit from having easy access to a professional and flexible network at reasonable costs. As part of our “FIT for FAMILY” initiative, we have entered into cooperation with daycare centres at the location in Heidelberg, Germany. In this way, we can offer a number of daycare slots specifically for our employees.

Society & Corporate Responsibility

- 55 → Figures, data, facts
- 56 → Social responsibility
- 58 → Local conflicts of interest



55 **Figures, data, facts**
56 → Social responsibility
58 → Local conflicts of
interest



Creating local value

We have production sites almost everywhere around the globe. By our commitment to society, we strengthen the exchange of ideas and achieve long-term socio-economic added value for local communities.



Dialogue → p. 56

Various dialogue formats

as well as local community engagement plans and councils allow us to involve local communities in our business activities.

Responsibility → p. 57

“Being a good neighbour”

is one of the six goals we published in 2017 as part of our Sustainability Commitments 2030. That is why we aim to make our social responsibility more strategically oriented in the future.

Sponsorship → p. 57

An area for children and families

at a new library in the Thai province of Saraburi was sponsored by HeidelbergCement and its subsidiary Asia Cement. This area measures 150 m² and is used for both learning and playing.

- 55 → Figures, data, facts
- 56 **Social responsibility**
- 58 → Local conflicts of interest

As a global Group with strong regional business operations, we act according to the principle “think global – act local”. Our business operations also create added value for the communities at our locations across the world. Beyond our business activities, we are also committed to protecting the environment and promoting social progress.

Social responsibility

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

We have made an explicit commitment to social responsibility in the Leadership Principles adopted by our Managing Board. Taking social responsibility and maintaining good relationships with our stakeholders are therefore management tasks. Together with the site managers, all country managers are responsible for these tasks in their respective countries. This also includes analysing local requirements as well as selecting, implementing, and monitoring charitable projects. Given the decentralised nature of these responsibilities, it is not possible at present to make a statement as to the financial scope of this Group-wide social involvement.

We involve local communities in our business activities, for example through various dialogue formats, as well as through local community engagement plans and councils. This also includes long-term partnerships with local non-governmental organisations. Moreover, we keep the communities at our locations informed via newsletters or at open days. The Group Handbook for Community Relationship Management is a useful source of design and implementation strategies for dialogue formats, partnerships, and charitable commitments.

In addition, the Group-wide Corporate Citizenship Policy defines the general criteria and objectives related to our social responsibility. There are three areas of focus in which our core competences enable us to make a particularly strong contribution and achieve noticeable improvements:

- Building, architecture, and infrastructure: we provide practical help in construction projects by providing products, financial means, time, and expertise.
- Environment, climate, and biodiversity: we support initiatives that address the most significant environmental impacts associated with our business operations.
- Education, training, and culture: in this area, we are guided by the specific needs of our locations.

We have also defined evaluation criteria in order 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.

The exact wording of our Corporate Citizenship Policy can be found here:

→ www.heidelbergcement.com/society

- 55 → Figures, data, facts
56 Social responsibility
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Stakeholder engagement

Every year,

each location must create a community engagement plan (until 2030).



A trusting relationship with the local community is essential for HeidelbergCement. That's why we get involved locally at a number of levels – in line with clear guidelines but tailored to local needs.

Tobias Hartmann

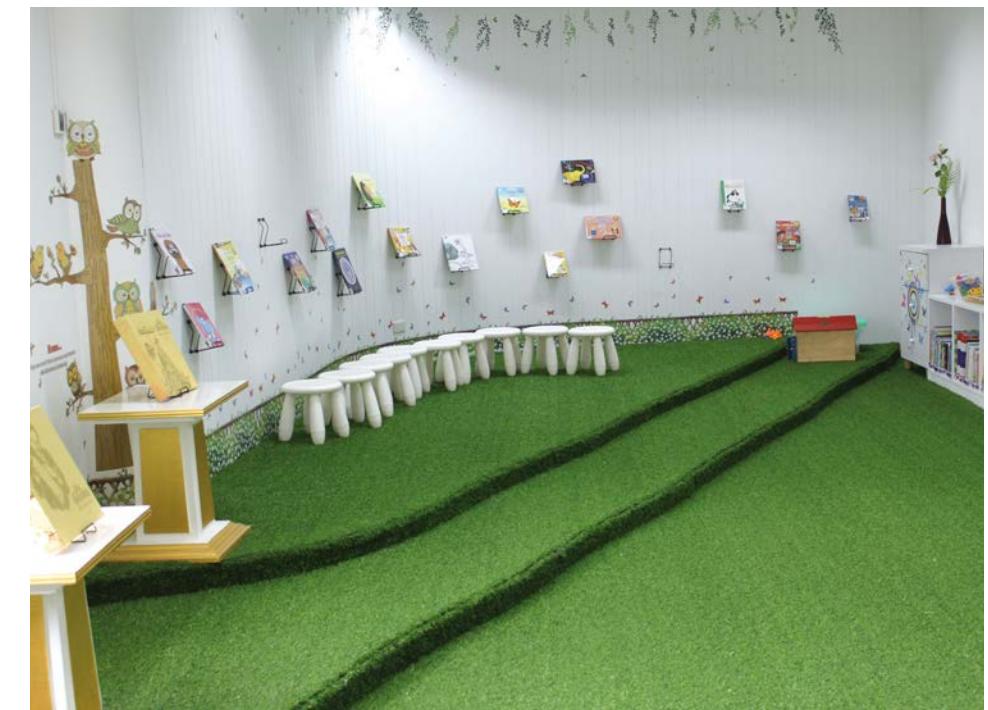
CSR-Manager

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

- Creation of an annual community engagement plan for every location
- One hour of voluntary charitable work per full-time employee per year (60,000 hours)

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

Commitment to children and families



To support local communities, we took a number of measures and sponsored various projects in 2017, such as the construction of a public library in Thailand. The library in Phra Phuttabat (Saraburi province) serves as a learning centre for local residents at the same time. HeidelbergCement and its subsidiary Asia Cement financed an area of 150 m² dedicated to children and families at the centre. This area, which offers children a fantastic environment in which they can develop and learn through play, is equipped with books and other learning resources as well as a playing area.

55 → Figures, data, facts
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58 Local conflicts of interest

Local conflicts of interest

In recent years, allegations have been made that the business operations of a quarry belonging to our Israeli subsidiary, which is located in the area of the West Bank occupied and administered by Israel (Area C), are not in conformance with international standards. A lawsuit filed by an Israeli human rights organisation concerning the general cessation of aggregates mining by foreign companies in this territory was, however, dismissed by the Supreme Court of Israel in a legally binding ruling on 26 December 2011. The quarrying of aggregates was thus deemed as being in compliance with international law, since it brings benefits for the Palestinian population and makes hardly any impact on local resources.

The Palestinian people benefit economically from our quarrying activities, as these create valuable jobs in an area otherwise plagued by high unemployment. Palestinians from the occupied territories account for more than 60% of the workforce in our quarry in the West Bank, and the wages we pay them are many times higher than the local average.

We have carefully examined this issue with our local management team. Our subsidiary also takes care to ensure that Israeli and Palestinian employees are treated and paid equally. Here, we place high priority on close cooperation in intercultural teams that promote an exchange between our Israeli and Palestinian employees and thus an understanding between these two groups in a conflict-ridden region. Moreover, our quarrying activities have virtually no impact on the existing raw material reserves in the region, which will last for several centuries.

We received all required mining concessions, without exception, before we commenced our quarrying activities. In addition, there has never been a single instance in which we continued our quarrying activities without permission, and no such instances will ever occur in future.

We respond in a transparent manner to all enquiries from non-governmental organisations and interest groups. Furthermore, we are holding a dialogue with individual investors on the development of this issue and are offering both face-to-face talks with local leaders and employees as well as tours of the facility.

Targets

- 60 → Strategy & Management
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- 60 → Product & Innovation
- 61 → Production & Supply Chain
- 62 → Employees & Employment



Strategy & Management

Target	Measures	Achieved in 2017	Deadline	Status	Page
Strategic involvement of stakeholders.	Expansion of contacts to stakeholders and intensification of dialogue on both local and Group levels. Stakeholder dialogue was included as an explicit obligation in the Sustainability Commitments 2030.	Further promulgation of the "Community Relationship Management" handbook throughout the Group and extension of the documentation of Group-wide activities in the area of corporate citizenship.	Ongoing		→ 15–16, 56–57
Implementation of the CSI guidelines.	Development of internal guidelines in line with CSI stipulations. Continuation of reporting on implementation of the CSI guidelines.	In 2017, the environmental and occupational safety indicators were once again subjected to an external audit in line with CSI stipulations.	Ongoing		→ 72

Business & Compliance

Target	Measures	Achieved in 2017	Deadline	Status	Page
Further development of the Group compliance programme and of Group compliance activities with regard to current developments.	Development of a Group human rights position, first-time collection of key figures relating to human rights, and start of a human rights risk analysis.	Introduction of a Group human rights position.	Ongoing		→ 21–23
Continuous improvement of the customer satisfaction	The Net Promoter System is adopted by HeidelbergCement Group since 2015 to continuously analyze customer satisfaction and needs, and improve the experience and our business based on these insights.	<ul style="list-style-type: none"> – 35 countries have adopted the Net Promoter System – HeidelbergCement Group NPS score: 2015: 48% 2016: 48% 2017: 47% 	Ongoing		→ 26
Continuous improvement of efficiency and margins in all business lines.	Implementation of the Continuous Improvement Program (CIP) for cement (2015–2017), the CI Aggregates programme for aggregates (2016–2018), and the CCR (Competence Center Ready-Mix) for ready-mixed concrete (2017–2019) with the target of improving margins by €120 million in each business line over a three-year period.	The programmes proved very successful in 2017 and yielded results that exceeded expectations.	Ongoing		→ 7, AR 2017: 26–27
Efficient use of resources in order to earn a premium on our cost of capital.	Disciplined investment and cash flow management. Continuation of programmes to increase efficiency.	ROIC of 7.2% compared with the weighted average cost of capital (WACC) of 6.6%.	Ongoing		→ 20, AR 2017: 45

Product & Innovation

Target	Measures	Achieved in 2017	Deadline	Status	Page
Identification of sustainable products in the HeidelbergCement portfolio.	Development of a product evaluation tool (PET) and introduction in pilot countries.	Introduction of the PET in the Netherlands and Czechia.	2023		–
Innovation in the areas of alternative clinker technology, building material recycling, and special concretes.	Expansion of capacity in the area of research and technology. This includes participation in and coordination of a research project in Germany to develop practice-oriented concepts for the use of recycled aggregates in concrete production.	Consistent continuation of research and cooperation in the area of low-CO ₂ clinker technology, building material recycling, and special concretes.	Ongoing		→ 28–30, 35

Target achieved Target partly achieved Target not achieved New target

Production & Supply Chain

Target	Measures	Achieved in 2017	Deadline	Status	Page
Environmental management					
All integrated cement plants are to operate with a certified environmental management system.	Implementation of an action plan for the Group-wide control and monitoring of the ongoing introduction of certified environmental management systems.	89% of all integrated cement plants worldwide operate with an environmental management system. The figure was 75% in 2016.	2020		→ 33, 65
All facilities will undergo an environmental audit once every five years. The audit is to be carried out by either an external expert or a neutral auditor from within the company.	Implementation of an action plan for the Group-wide control and monitoring of the periodic audits.	An environmental audit has been carried out at 68% of the cement plants within the last five years. In the aggregates business line, such audits were conducted at 68% of the locations in 2017.	2020		→ 65
CO₂ emissions and alternative raw materials and fuels					
Reduction of the specific net CO ₂ emissions by 30% over the period from 1990 to 2030.	Investment for research in the following areas: energy-efficient production processes, CO ₂ capture and use, composite cements with reduced clinker content, and new clinker technologies. Increased use of alternative fuels and biomass. Investment for research into technologies for CO ₂ capture and CO ₂ recycling.	As at 2017: – Reduction of 18.7% to 609.2 kg CO ₂ per tonne of cement	2030		→ 34–37, 66–67
Lowering clinker content of cement to 70%.	Development of new composite cements. Use of alternative raw materials.	As at 2017: – Clinker proportion: 75.3% (previous year: 74.4%).	2020		→ 29, 67
Increasing the share of alternative fuels used to 30%.	Focus on three waste flows: sorted fractions of household and domestic waste with high calorific values, sewage sludge, and hazardous waste.	As at 2017: – Proportion of alternative fuels: 20.8% (previous year: 21.4%).	2030		→ 36–37, 67
Local environmental effects					
Monitoring of water consumption initially in the cement business line and subsequently in the concrete and aggregates business lines. Implementation of measures to reduce consumption where economically and technically feasible.	Development of first individual water management plans for cement plants. Introduction of key figures on water reporting in the aggregates and ready-mixed concrete business lines.	As at 2017: – Specific water consumption: 306.5 litres per tonne of cement.	2030		→ 40–41, 68
Measuring emissions of heavy metals, volatile organic compounds (VOC), and dioxins/furans at all locations.	Continuous emission measurements.	As at 2017: – 107 kilns report on mercury emissions (previous year: 77). – 111 kilns report on dioxins/furans (previous year: 78).	Ongoing		→ 67
Lowering emissions per tonne of clinker (reference year: 2008): – Dust: by 80% – Nitrogen oxides: by 40% – Sulphur oxides: by 40%	Continuous optimisation and modernisation of processes (best available technology, or BAT) in the cement plants.	As at 2017: – Dust: -71.8% – Nitrogen oxides: -13.4% – Sulphur oxides: -27.5%	2030		→ 39–40, 67

Target achieved Target partly achieved Target not achieved New target

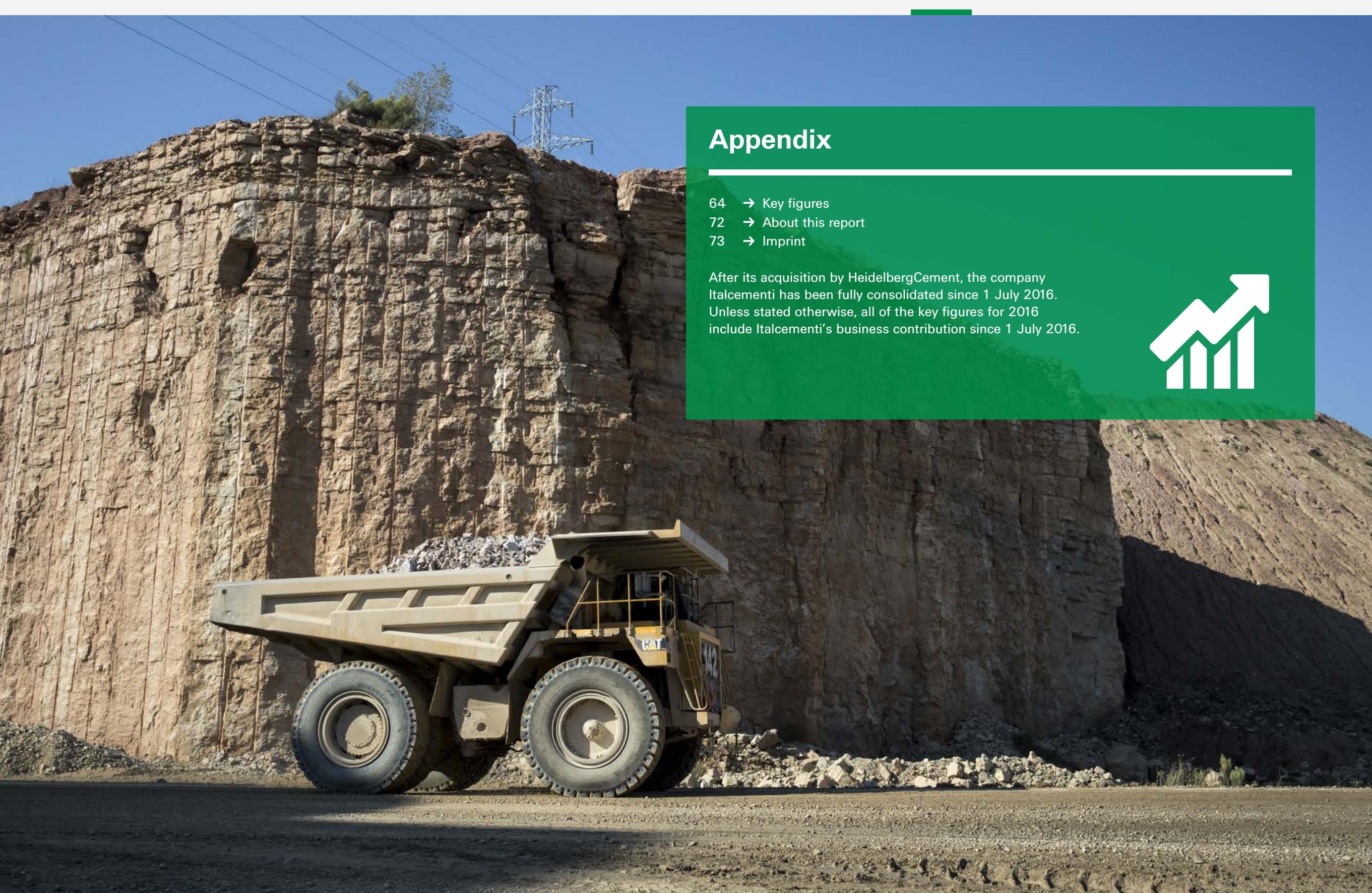
Production & Supply Chain

Target	Measures	Achieved in 2017	Deadline	Status	Page
After use and biodiversity management					
Restoration plans for 100% of the active quarries for cement and aggregates (in Europe, Africa, and Asia).	Continuous expansion of restoration plans.	As at 2017: – In the cement business line: 80% – In the aggregates business line: n/a	2030		37-38, 68
Implementation of biodiversity management plans at 100% of quarries in areas with a high biological value (in Europe, Africa, and Asia).	Development of training documentation and manuals; provision of corresponding training on site. Continuous expansion of biodiversity management plans.	As at 2017: – In the cement business line: 43% – In the aggregates business line: 38%	2030		37-38, 68

Employees & Employment

Target	Measures	Achieved in 2017	Deadline	Status	Page
Reduction of accident frequency and the accident severity indicator to zero for Group employees.	Group-wide training initiative on the importance of management responsibility in occupational health and safety. Introduction of safety briefings as an additional Group-wide management instrument. Analysis of the causes of accidents for the entire Group and implementation of appropriate preventative measures.	As at 2017: – Accident frequency rate: 1.8 (previous year: 2.2) – Accident severity indicator: 79 (previous year: 98) Occupational safety topics accounted for around half of all training hours at HeidelbergCement, corresponding to almost 13 hours per employee.	Ongoing		3, 49, 71
Reduction of the number of fatalities to zero for Group employees.	Group-wide training initiative on the importance of management responsibility in occupational health and safety. Introduction of safety briefings as an additional Group-wide management instrument. Analysis of the causes of accidents for the entire Group and implementation of appropriate preventative measures.	As at 2017: – Fatality rate: 0.4 (previous year: 0.7)	Ongoing		3, 49, 71
Share of women in management positions (first level) in Germany: 15% Share of women in management positions (second level) in Germany: 15%	Targeted support of women by means of appropriate management programmes and programmes for the advancement of future executives.	As at 2017: – Share of women in management positions in Germany: 11% at first management level, 11% at second management level – Share of women in programmes for the advancement of future executives in Germany: 36%	2022		53, 70

Target achieved Target partly achieved Target not achieved New target



Appendix

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After its acquisition by HeidelbergCement, the company Ital cementi has been fully consolidated since 1 July 2016. Unless stated otherwise, all of the key figures for 2016 include Ital cementi's business contribution since 1 July 2016.



Key figures

Strategy & management

			2015	2016	2017	Unit	GRI	Assurance ¹⁾
Revenue/result	Total Group revenue		13,465	15,166	17,266	€ million	102-7, 201-1	
	Result from current operations before depreciation and amortisation		2,613	2,887	3,297	€ million	201-1	
	Result from current operations		1,846	1,928	2,188	€ million	201-1	
	Profit for the financial year		983	831	1,058	€ million	201-1	
	Group share of profit		800	657	918	€ million	–	
	Dividend per share		1.30	1.60	1.90	€	201-1	
	Earnings per share		4.26	3.40	4.62	€	201-1	
Investments in tangible fixed assets	including maintenance, optimisation, and environmental protection measures		908	1,040	1,035	€ million	201-1	
Depreciation and amortisation			767	959	1,109	€ million	–	
Balance sheet	Equity (including non-controlling interests)		15,976	17,792	16,052	€ million	102-7	
	Balance sheet total		28,374	37,120	34,558	€ million	201-1	
	Net debt		5,286	8,999	8,695	€ million	–	
Material costs and other operating expenses			5,477	5,874	6,782	€ million	201-1	
Costs for research and technology			107.8	116.6	141.0	€ million	201-1	
Group sales	Cement and clinker:							
	– Western and Southern Europe		15.7	22.4	28.9	million t	102-7	
	– Northern and Eastern Europe-Central Asia		22.1	24.2	25.9	million t	102-7	
	– North America		12.3	14.6	16.4	million t	102-7	
	– Asia-Pacific		23.5	28.7	34.7	million t	102-7	
	– Africa-Eastern Mediterranean Basin		7.4	12.7	19.0	million t	102-7	
	– Total		81.1	102.8	125.7	million t	102-7	
	Aggregates:							
	– Western and Southern Europe		55.1	67.4	78.5	million t	102-7	
	– Northern and Eastern Europe-Central Asia		33.2	37.0	52.3	million t	102-7	
	– North America		116.6	118.8	120.8	million t	102-7	
	– Asia-Pacific		35.9	39.2	41.5	million t	102-7	
	– Africa-Eastern Mediterranean Basin		8.3	10.1	12.4	million t	102-7	
	– Total		249.2	272.0	305.3	million t	102-7	

→ For an overview of further key financial figures: see Annual Report 2017, cover

1) External assurance of 2017 key figures in the framework of the Annual Report 2017 or according to our commitment to the Cement Sustainability Initiative (CSI)

Strategy & management

			2015	2016	2017	Unit	GRI	Assurance ¹⁾
Group sales	Ready-mixed concrete:							
	– Western and Southern Europe		11.1	15.0	17.3	million m ³	102-7	●
	– Northern and Eastern Europe-Central Asia		5.6	6.2	6.9	million m ³	102-7	●
	– North America		6.4	6.3	6.8	million m ³	102-7	●
	– Asia-Pacific		10.9	11.0	10.6	million m ³	102-7	●
	– Africa-Eastern Mediterranean Basin		2.7	3.7	5.1	million m ³	102-7	●
	– Total		36.7	42.5	47.2	million m ³	102-7	●
	Asphalt:							
	– Western and Southern Europe		3.0	3.0	3.3	million t	102-7	●
	– North America		3.7	4.0	4.0	million t	102-7	●
	– Asia-Pacific		2.0	1.8	1.8	million t	102-7	●
	– Africa-Eastern Mediterranean Basin		0.4	0.5	0.6	million t	102-7	●
	– Total		9.1	9.4	9.6	million t	102-7	●
Cement type portfolio	– Ordinary Portland cement		36.6	44.5	40.0	%	102-2	–
	– Limestone cement		10.8	15.6	17.7	%	102-2	–
	– Pozzolana/fly ash cement		9.1	7.9	7.5	%	102-2	–
	– Slag cement		16.9	11.4	13.4	%	102-2	–
	– Multi-component cement		23.6	17.1	18.4	%	102-2	–
	– Oilwell/white cement		0.8	0.7	0.7	%	102-2	–
	– Masonry cement/special binder		0.6	1.2	0.9	%	102-2	–
	– Ground granulated blast furnace slag		1.6	1.6	1.4	%	102-2	–
Share of integrated cement plants with a certified environmental management system			74	75	89	%	–	–
Production facilities in which independent environmental audits have been carried out within the last five years	– Cement		55	–	68	%	–	–
	– Aggregates		69	–	68	%	–	–

1) External assurance of 2017 key figures in the framework of the Annual Report 2017 or according to our commitment to the Cement Sustainability Initiative (CSI)

Product & innovation

			2015	2016	2017	Unit	GRI	Assurance ¹⁾
Membership in Green Building Councils	Number of memberships		12	12	11		102-12	-

Production & supply chain

		1990	2015	2016	2017	Unit	GRI	Assurance ¹⁾
Reduction in CO ₂ emissions	Cement business line:							
	– Absolute gross CO ₂ emissions	51.8	47.2	60.1	74.4	million t	305-1	
	– Absolute net CO ₂ emissions	50.4	44.2	56.6	70.4	million t	305-1	
	– Specific gross CO ₂ emissions (per tonne of cementitious material)	780.6	626.2	628.1	637.6	kg CO ₂ /t	305-4	
	– Specific net CO ₂ emissions (per tonne of cementitious material)	772.0	595.2	597.9	609.2	kg CO ₂ /t	305-4	
	– Indirect gross CO ₂ emissions	4.3	5.9	5.1	4.6	million t	305-2	
Energy/raw materials	Absolute energy consumption:							
	– Cement	283,482	241,826	305,012	371,498	TJ	302-1	-
	– whereof clinker production	238,968	200,977	256,694	315,595	TJ	302-1	
	– Aggregates	n/a	7,367	8,026	8,109	TJ	302-1	-
	Specific energy consumption:							
	– Cement	4,339	3,256	3,221	3,212	MJ/t	302-3	-
	– Clinker	4,309	3,694	3,661	3,620	MJ/t	302-3	
	– Aggregates	n/a	32	31	31	MJ/t	302-3	-
	Fuel mix for clinker production:							
	– Hard coal	60.8	56.5	51.0	48.2	%	302-1	
	– Lignite	0.0	2.7	2.2	2.2	%	302-1	
	– Petroleum coke	2.5	8.2	14.2	19.0	%	302-1	
	– Natural gas	23.4	9.3	9.7	7.8	%	302-1	
	– Light fuel oil	1.0	0.3	0.3	0.2	%	302-1	
	– Heavy fuel oil	5.5	0.2	1.1	1.5	%	302-1	
	– Other fossil fuels	3.6	0.3	0.2	0.3	%	302-1	
	– Alternative fossil fuels	3.0	14.5	13.9	13.1	%	302-1	
	– Biomass	0.3	8.2	7.5	7.8	%	302-1	
	– Proportion of biomass in mix of alternative fuels	9.2	36.1	35.0	37.4	%	302-1	

1) External assurance of 2017 key figures in the framework of the Annual Report 2017 or according to our commitment to the Cement Sustainability Initiative (CSI)

Production & supply chain

		1990	2015	2016	2017	Unit	GRI	Assurance ¹⁾
Energy/raw materials	Alternative fuel mix for clinker production:							
– Plastics		0.0	28.5	27.1	25.3	%	302-1	
– Waste oil		39.0	2.3	5.1	3.4	%	302-1	
– Used tyres		25.0	9.3	10.4	11.7	%	302-1	
– Solvents		4.7	4.1	4.7	7.6	%	302-1	
– Dried sewage sludge		0.0	3.5	2.8	2.1	%	302-1	
– Meat and bone meal		0.0	4.6	3.8	4.2	%	302-1	
– Agricultural waste and waste wood		0.0	3.9	3.9	3.7	%	302-1	
– Other biomass		9.2	24.1	24.4	27.4	%	302-1	
– Other alternative fuels		22.2	19.7	17.7	14.6	%	302-1	
Proportion of alternative fuels (incl. biomass)		3.3	22.7	21.4	20.8	%	302-1	
Clinker content in cement		84.8	74.1	74.4	75.3	%	301-1	
Proportion of alternative raw materials:								
– Clinker		n/a	3.8	3.6	2.7	%	301-2	–
– Cement		n/a	12.6	12.0	11.1	%	301-2	–
Emissions	Absolute NO _x emissions	84,571	76,393	92,814	119,642	t	305-7	
	Specific NO _x emissions	1,585	1,405	1,343	1,373	g/t clinker	305-7	
	Absolute SO ₂ emissions	27,007	24,565	21,746	31,989	t	305-7	
	Specific SO ₂ emissions	506	452	315	367	g/t clinker	305-7	
	Absolute dust emissions	17,043	6,151	8,031	7,862	t	305-7	
	Specific dust emissions	319	113	116	90	g/t clinker	305-7	
	Proportion of clinker produced in kilns with continuous or discontinuous measurement of all emissions:	65	78	86	87	%	305-7	
	Proportion of clinker produced in kilns with continuous measurement of dust, NO _x and SO ₂ emissions:	87	82	83	88	%	305-7	
	Mercury:							
– Specific emissions		n/a	0.064	0.028	0.034	g/t clinker	305-7	
– Number of kilns reporting		n/a	90	77	107		305-7	–
	Dioxins and furans:							
– Specific emissions		n/a	0.029	0.018	0.059	µg TEO/t clinker	305-7	
– Number of kilns reporting		n/a	78	78	111		305-7	–

1) External assurance of 2017 key figures in the framework of the Annual Report 2017 or according to our commitment to the Cement Sustainability Initiative (CSI)

Production & supply chain

		2015	2016	2017	Unit	GRI	Assurance ¹⁾
Biodiversity and conservation of resources	Proportion of quarries in areas with a high biological value, with biodiversity management plan:						
– Cement	74	–	43	%	304-1	–	
– Aggregates	81	–	38	%	304-1	–	
Proportion of active quarries with a restoration plan:							
– Cement	85	–	80	%	–	–	
– Aggregates	89	–	–	%	–	–	
Water management (cement)	Total water withdrawal	40.3	52.6	60.4	million m ³	303-1	
By source:							
– Surface water	26.7	27.9	29.3	million m ³	303-1	–	
– Groundwater	4.4	7.3	9.7	million m ³	303-1	–	
– Seawater	0.1	2.3	2.3	million m ³	303-1	–	
– Public/private water supply	3.4	4.2	5.2	million m ³	303-1	–	
– External wastewater	0.0	0.0	0.1	million m ³	303-1	–	
– Quarry water	4.6	9.1	9.4	million m ³	303-1, 303-3	–	
– Collected rainwater	1.1	1.7	4.5	million m ³	303-1, 303-3	–	
Total water discharge/wastewater	16.7	23.6	25.2	million m ³	306-1	–	
By place of discharge:							
– Surface water	15.2	19.8	21.2	million m ³	306-1	–	
– Groundwater	0.0	0.0	1.0	million m ³	306-1	–	
– Seawater	0.6	2.7	2.7	million m ³	306-1	–	
– External water treatment systems	0.2	0.6	0.7	million m ³	306-1	–	
– Other discharge area	0.7	0.5	0.6	million m ³	306-1	–	
Water consumption (water withdrawal minus wastewater discharge)	23.6	29.0	35.2	million m ³	–	–	
Quarry water not used	71.0	62.7	64.2	million m ³	–	–	
Specific water withdrawal for cement	529.9	551.2	526.2	l/t	–		
Specific water withdrawal for clinker	767.5	756.6	692.8	l/t	–		
Specific water consumption for cement	310.3	303.9	306.5	l/t	–	–	
Specific water consumption for clinker	449.5	417.1	403.5	l/t	–	–	

1) External assurance of 2017 key figures in the framework of the Annual Report 2017 or according to our commitment to the Cement Sustainability Initiative (CSI)

Employees & employment

		2015	2016	2017	Unit	GRI	Assurance ¹⁾
Employees and employment	Number of employees as at 31 December:						
	– Western and Southern Europe	9,560	15,781	15,497	Employees	102-8, 401-1	
	– Northern and Eastern Europe-Central Asia	12,598	13,107	13,531	Employees	102-8, 401-1	
	– North America	7,658	8,444	8,726	Employees	102-8, 401-1	
	– Asia-Pacific	13,029	14,956	14,039	Employees	102-8, 401-1	
	– Africa-Eastern Mediterranean Basin	2,527	7,602	6,856	Employees	102-8, 401-1	
	– Group Services	81	534	405	Employees	102-8, 401-1	
	– Total	45,453	60,424	59,054	Employees	102-7,8, 401-1	
	Employee turnover:						
	– Western and Southern Europe	11	11	13	%	401-1	–
	– Northern and Eastern Europe-Central Asia	15	13	15	%	401-1	–
	– North America	13	14	18	%	401-1	–
	– Asia-Pacific	13	10	11	%	401-1	–
	– Africa-Eastern Mediterranean Basin	11	11	13	%	401-1	–
	– Total	13	12	13	%	401-1	–
	Personnel costs and social benefits:						
	– Wages, salaries, social security costs	2,152.1	2,504.0	2,801.8	€ million	201-1	
	– Costs of retirement benefits	97.0	138.3	153.3	€ million	201-1	
	– Other personnel costs	25.1	31.2	34.6	€ million	201-1	
	– Total	2,274.2	2,673.5	2,989.7	€ million	201-1	
	Proportion of part-time employees (Group)	2.2	2.4	2.5	%	102-8	–
	Proportion of part-time employees (HeidelbergCement AG)	11.0	11.4	11.1	%	102-8	
	Age structure (Group):						
	– Younger than 30	14	12	12	%	401-1	
	– 30–49	51	52	52	%	401-1	
	– 50 and older	35	36	36	%	401-1	

1) External assurance of 2017 key figures in the framework of the Annual Report 2017 or according to our commitment to the Cement Sustainability Initiative (CSI)

Employees & employment

		2015	2016	2017	Unit	GRI	Assurance ¹⁾
Employees and employment	Share of female employees (Group)	15	13	13	%	102-8, 405-1	
	Share of female employees in top management positions (Group)	9	10	10	%	102-8, 405-1	
	Share of female employees in programmes for the advancement of future executives (Group)	14	14	22	%	102-8, 405-1	–
	Share of female employees (Germany)	15	16	16	%	102-8, 405-1	
	Share of female employees in top management positions (Germany)	8	7	9	%	102-8, 405-1	
	Share of female employees N-1 (Germany)	10	10	11	%	102-8, 405-1	
	Share of female employees N-2 (Germany)	9	9	11	%	102-8, 405-1	
	Share of female employees in programmes for the advancement of future executives (Germany)	24	28	36	%	102-8, 405-1	
	Share of local managers in senior management positions (Group)	80	76	74	%	202-2	
	Proportion of disabled employees:						
Training and career development	– Germany	4.3	4.1	4,3	%	405-1	–
	– HeidelbergCement AG	4.9	4.6	4.4	%	405-1	–
	Employees in programmes for the advancement of future executives	828	875	719	Individuals	404-2	
	Training hours per employee	31	26	26	Hours	404-1	–
	Structure of training hours:						
	– Management training	6	5	5	%	404-2	
	– Soft skills training	4	5	4	%	404-2	
	– Specialist training	30	31	28	%	404-2	
	– Occupational safety training	50	47	50	%	404-2	
	– Language courses	2	3	4	%	404-2	
	– Other	8	9	9	%	404-2	
Percentage of trainees in Germany	5	5	5	%	–	–	
	Percentage of trainees retained as permanent employees in Germany	80	91	82	%	–	

1) External assurance of 2017 key figures in the framework of the Annual Report 2017 or according to our commitment to the Cement Sustainability Initiative (CSI)

Employees & employment

			2015	2016	2017	Unit	GRI	Assurance ¹⁾
Occupational health and safety	Accident frequency ²⁾		2.1	2.2	1.8		403-2	
	Accident frequency, cement business line		1.4	1.4	1.4		403-2	
	Accident severity indicator ³⁾		106	98	79		403-2	
	Accident severity indicator, cement business line		81	72	69		403-2	
	Fatality rate ⁴⁾		1.7	0.7	0.4		403-2	
	Fatality rate, cement business line		1.6	1.4	0.7		403-2	
	Number of fatalities:							
	– Group employees		6	4	2	Individuals	403-2	
	– Employees of other companies		8	5	9	Individuals	403-2	
	– Third parties		3	2	3	Individuals	403-2	
	– thereof outside our plants		2	1	2	Individuals	403-2	
	Accident frequency by region:							
	– Western and Southern Europe		4.9	5.2	3.2		403-2	–
	– Northern and Eastern Europe-Central Asia		2.1	2.8	2.3		403-2	–
	– North America		2.5	2.1	1.7		403-2	–
	– Asia-Pacific		1.8	1.2	1.1		403-2	–
	– Africa-Eastern Mediterranean Basin		0.8	1.3	0.9		403-2	–
	Occupational illness rate ⁵⁾		0.57	0.58	0.94		403-2	–
	Illness rate ⁶⁾		1.78	1.93	1.95		403-2	–
	Proportion of employees represented by H&S committees		97.0	99.8	98.4		403-1	–
	Proportion of employees represented by H&S committees with trade union representation ⁷⁾		85.4	93.0	93.0		403-1	–

1) External assurance of 2017 key figures in the framework of the Annual Report 2017 or according to our commitment to the Cement Sustainability Initiative (CSI)

2) Number of accidents involving Group employees with at least one lost working day per 1,000,000 hours worked for cement, ready-mixed concrete, and aggregates

3) Number of working days lost due to accidents involving Group employees per 1,000,000 hours worked for cement, ready-mixed concrete, and aggregates

4) Number of fatalities of Group employees per 10,000 Group employees working for cement, ready-mixed concrete, and aggregates

5) Number of officially recognised occupational illnesses suffered by Group employees per 1,000,000 hours worked

6) Proportion of working hours lost due to illness relative to the total number of working hours (excluding Egypt, Morocco, North America and United Kingdom, as the general illness hours are not recorded there)

7) The lower proportion is due to the lack of appropriate trade unions in several countries.

About this report

HeidelbergCement is publishing a Group Sustainability Report for the ninth time. In this publication, we explain how the company is fulfilling its economic, environmental, and social responsibilities and report on the progress we have made in 2017. The report is aimed at our employees, investors and analysts, business partners, as well as political players and non-governmental organisations.

Report content & organisation

This sustainability report has been prepared according to the GRI Standards of the internationally recognized Global Reporting Initiative (GRI). The report conforms to the requirements of the "Core" option of these GRI Standards.

→ **Our complete GRI Index:** www.heidelbergcement.com/GRI-index

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

The importance of some of the topics shifted last year due to the results of our dialogue with our stakeholders as well as changed political framework conditions and new legislation. We used our materiality analysis to record these changes and captured the results in a new materiality matrix.

→ **Materiality analysis:** p. 16 f.

We have also reorganised the report's chapters in line with these changes. The "Compliance and integrity" chapter has been renamed "Business and compliance", and we have devoted more space to presenting our global and local economic performance. We also present our processes in the area of risk and opportunity management.

Precise definition & methodology of the report

This Sustainability Report for 2017 deals with the 2017 financial year, which runs from 1 January to 31 December.

The key facts and figures included in this report correspond to those in the consolidated financial statements and the Group management report of HeidelbergCement's Annual Report 2017. This also applies to the facts and figures concerning our workforce. We adjusted the consolidation of the key environmental figures to the international accounting standards already in 2016. In accordance with this revenue consolidation process, joint ventures are not taken into account, even retrospectively. We report our key figures for environmental performance and occupational safety according to the guidelines of the Cement Sustainability Initiative (CSI) of the World Business Council for Sustainable Development (WBCSD).

→ **The guidelines in their original wording:** www.wbcsdcement.org/publications

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

→ www.heidelbergcement.com/assurance

Data collection

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

Information about the editing process

This Sustainability Report is published in German and English. The editorial deadline was 30 April 2018. The previous Sustainability Report was published in July 2017. In line with the new annual reporting cycle, the next report will be published in 2019.

Disclaimer of liability

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

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This Sustainability Report is also
available in a German-language edition.