Heidelberg Materials

Annual and Sustainability Report 2023

Our 2023 business year

Revenue +4.4%[1] Earnings position

€21.2 bn

RCO +29.5%[1] Earnings position

€3.0 bn

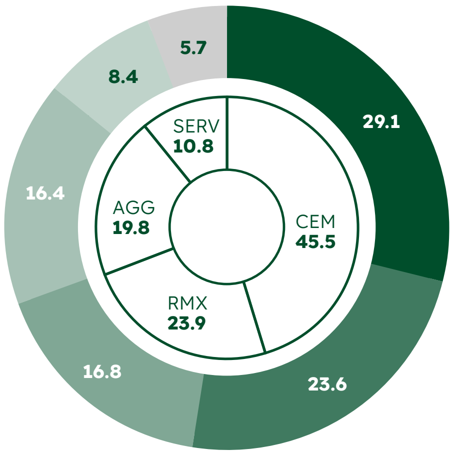
Earnings per share +€1.98 Heidelberg Materials in the capital market

€10.43

ROIC +1.2 percentage points Consolidated balance sheet

10.3 %

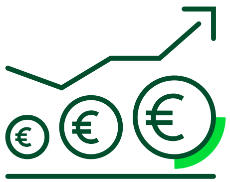
Revenue by Group areas and business lines in % Business trend in the Group areas



- Western and Southern Europe
- North America
- Asia-Pacific
- Northern and Eastern Europe-Central Asia
- Africa-Eastern Mediterranean Basin
- Group Services

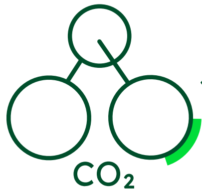
CEM Cement
RMX Ready-mixed concrete-asphalt
AGG Aggregates
SERV Service-joint ventures-other

Outlook 2024 Outlook



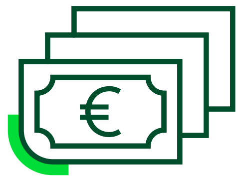
RCO: €3.0 bn to €3.3 bn
ROIC: around 10%
CO_2 emissions: slight reduction

CO_2 emissions −3% Climate, energy, and emissions



534 kg specific net CO_2 emissions per tonne of cementitous material (Scope 1)

Share of revenue from sustainable products Sustainable products



35 %
share of revenue from sustainable products

Employees +217 FTE Employees

50,997 employees at almost 3,000 locations in around 50 countries

1) Excluding scope and currency effects

Contents

1) Part of the combined management report of the Group and Heidelberg Materials AG

To our stakeholders

Dr Dominik von Achten
Chairman of the Managing Board

"In our 150th anniversary year, we have shown that we can profitably combine financial success and our focus on sustainability."

Heidelberg,
21 March 2024

Dear Shareholders,
Dear Readers,

From a geopolitical perspective and for Heidelberg Materials as a company, 2023 was an extraordinary year in many respects. As in 2022, the past year was marked by volatile energy costs, high inflation rates, and ongoing conflicts across the globe. We certainly felt the effects not only in the economy, but also in our everyday lives.

Nevertheless, in our 150th anniversary year, we have once again shown at Heidelberg Materials that we can deal with major changes and crises. I am proud of our teams around the world, who have remained firmly focused on our targets during a challenging year. Despite declining demand for our building materials, we closed the 2023 financial year with a record result. We improved revenue by 4% on a like-for-like basis to €21.2 billion and increased our result from current operations by 29% to €3.0 billion.

We took advantage of the strong momentum for our global brand and successfully expanded the rebranding launched in 2022 to our companies in 23 countries. This means that around 80% of our revenue already falls under the Heidelberg Materials brand, and we continue to drive the transformation towards sustainability and digitalisation in our industry – for the benefit of our customers, our shareholders, our employees, and society.

Strong market presence for our sustainable product portfolio

We measure our success primarily, but not exclusively, in financial key figures. We succeeded in reducing our specific net CO_2 emissions by an additional 3% in the 2023 financial year. We offer our customers a wide range of carbon-reduced and circular products. Over a third of our revenue is already generated with sustainable products, and we aim to increase this to 50% by 2030. We show that it is possible to make economy and ecology integrated parts of a successful business model.

To reinforce this claim, we recently launched evoBuild®, our first global brand with a focus on sustainability. For the evoBuild product range, we apply internationally harmonised and stringent criteria for sustainable building materials. In this way, we are intentionally setting new standards in the building materials industry.

We have also taken the next big step with evoZero®, the world's first carbon captured net-zero cement. evoZero achieves its net-zero footprint through the application of carbon capture and storage technology at our Norwegian plant in Brevik, without compensation from credits generated outside our value chain. With evoZero, we are offering the industry's most innovative, globally unique product to our customers, enabling them to drive cutting-edge, environmentally friendly construction projects. The carbon capture attributes are transparent and traceable by harnessing the power of blockchain technology.

Major steps towards net zero

In the past financial year, we consistently expanded our pioneering role in the decarbonisation of our industry and achieved key milestones with our carbon capture, utilisation, and storage (CCUS) projects. Construction of the world's first industrial-scale carbon capture facility in a cement plant is progressing at a rapid pace. The mechanical completion of our Brevik plant is on track and scheduled for the end of this year.

"With evoZero, we offer a globally unique net-zero product based on the application of CCS technology at our plant in Norway."

Dr Dominik von Achten

Outside Norway, too, we are showing how our pioneering spirit is paving the way for decarbonisation. For example, we were able to secure the support of the EU Innovation Fund for the development of an innovative CCS value chain in our home market. As part of the GeZero project, we intend to build Germany's first inland cement plant with an industrial-scale carbon capture facility in Geseke in North Rhine-Westphalia. The project will also include a solution for CO_2 transport and storage. Furthermore, we have received a funding commitment from the EU Innovation Fund for our innovative large-scale ANRAV CCUS project in Bulgaria. The ANRAV.beta pilot unit is already under construction. It will be a key proof of concept for CCUS in Eastern Europe and show the scalability of the innovative OxyCal capture technology.

In cooperation with Linde, we have initiated the construction of the world's first large-scale carbon capture and utilisation (CCU) facility in a cement plant. Co-funded by the German Federal Ministry for Economic Affairs and Climate Action, the CO_2 capture and liquefaction plant in Lengfurt, Bavaria, is scheduled for completion in 2025. The captured CO_2 from cement production will then be reused as a valuable raw material for the food and chemical industries.

There is also a lot going on in North America. With the opening of our state-of-the-art cement plant in Mitchell, Indiana, we will substantially increase local production levels while significantly reducing CO_2 emissions and energy consumption for Heidelberg Materials North America. In addition, we have signed a Memorandum of Understanding with the Government of Canada in support of our project to develop the cement industry's first full-scale carbon capture and storage facility worldwide. The new facility is part of our Edmonton plant in the Canadian province of Alberta. It is scheduled to go into operation by the end of 2026 and will capture more than 1 million tonnes of CO_2 annually.

We are also driving decarbonisation with concrete measures in emerging countries. It should not be underestimated that we have developed tailor-made reduction roadmaps for each location. In Ghana, for example, we are piloting innovative calcined clay technology, which will go into operation later this year. Using calcined clay as clinker substitute is an important measure to reduce the carbon footprint of cement and concrete. This is especially attractive for countries in Western Africa without significant limestone deposits.

Investments in the circular economy

In order to meet the growing demand for sustainable building materials, we are continuously investing in infrastructure and technologies that pave the way to a circular economy as part of the optimisation of our portfolio. With The SEFA Group, Inc., we have acquired the largest US recycler of fly ash recovered from landfill sites. By increasing the use of fly ash, a by-product of energy generation, we are reducing the CO_2 intensity of our products, such as composite cements. Thanks to further acquisitions, including Green Drop Rock Products and RMS Gravel Inc. (both in the USA) as well as RWG Holding GmbH and SER Group (both in Germany), we are further expanding our presence in core markets while strengthening our range of circular materials.

The construction of the largest 3D-printed building in Europe to date was a special highlight for us last year. Our 100% recyclable high-tech concrete developed specifically for 3D printing was used in this pioneering project in Heidelberg. This allowed us to demonstrate in an impressive way how sustainability and digitalisation go hand in hand and that quick, effective, and resource-efficient 3D concrete printing can be an important future technology for sustainable construction.

Shareholders benefit from our success

We continue to pursue a progressive dividend policy. We will therefore propose to the Annual General Meeting the distribution of a dividend of €3.00 per share. The shares from the buyback programme that was completed in October have now all been cancelled. We spent around €1 billion on dividends and share buybacks in the past financial year.

We will continue to focus on shareholder return in 2024. We are launching an even larger share buyback programme with a volume of up to €1.2 billion and a term ending late 2026 at the latest. I am very pleased that you, our shareholders, can once more participate to a large extent in our success.

Dear shareholders, customers, suppliers and business partners, employee representatives, and employees: only a few companies get to celebrate their 150th anniversary. We are very proud that our building materials have been leaving their mark on numerous structures around the world since 1873. Today, more than ever, based on 150 years of progress, innovation, and expertise, we are committed to actively building and shaping a more sustainable future for generations to come. In our entrepreneurial activity, we follow the United Nations Global Compact and its ten principles relating to human rights, labour standards, the environment, and corruption prevention.

Special thanks go to you, our shareholders, for your trust in our company and the path we have taken together. As a strong, internationally established company, we are ideally positioned to tackle the important milestones and challenges that lie ahead in 2024. What's more, we want to make a global difference in our large industry – in terms of financial success, sustainability, and digitalisation. I am therefore optimistic about the future and firmly convinced that we have the courage and momentum needed to continue our great success story for the next 150 years!

Yours sincerely,

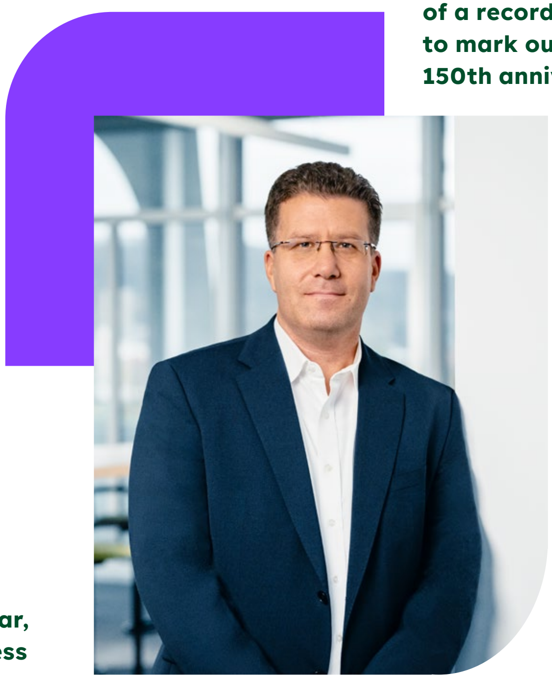
Dr Dominik von Achten

Chairman of the Managing Board

Heidelberg Materials' Managing Board

"In a challenging year, we combined progress in the area of sustainability with strong financial performance."

"We are proud of a record result to mark our 150th anniversary!"



"In 2023 we have stepped up the focus on operational excellence and sustainability, further enhancing our long-term commitment to the sector."

Dr Dominik von Achten
Chairman of the Managing Board

Member of the Managing Board since: 2007
Appointed until: January 2025
Nationality: German
Year of birth: 1965
More information

René Aldach
Chief Financial Officer & Australia

Member of the Managing Board since: 2021
Appointed until: August 2029
Nationality: German
Year of birth: 1979
More information

Roberto Callieri
Asia

Member of the Managing Board since: January 2024
Appointed until: December 2026
Nationality: Italian
Year of birth: 1963
More information

"Pioneering new technologies and focusing on efficiency in our assets."

"A great team reaching a record result set up for more in the future."

"With evoZero, we are offering our customers the world's first carbon captured net-zero cement."

Axel Conrads
Chief Technical Officer

Member of the Managing Board since: February 2024
Appointed until: January 2027
Nationality: German
Year of birth: 1975
More information

Hakan Gurdal
Africa-Mediterranean-Western Asia

Member of the Managing Board since: 2016
Appointed until: January 2029
Nationality: Turkish
Year of birth: 1968
More information

Dr Nicola Kimm
Chief Sustainability Officer

Member of the Managing Board since: 2021
Appointed until: August 2024
Nationality: Canadian and German
Year of birth: 1970
More information

“We delivered a record year in a challenging European construction market.”

“Digitalisation is a key driver for sustainable solutions.”

“Significant steps taken to strengthen and transform our business in North America.”

Dennis Lentz
Chief Digital Officer

Member of the Managing Board since: 2021
Appointed until: August 2029
Nationality: German
Year of birth: 1982
More information

Jon Morrish
Europe

Member of the Managing Board since: 2016
Appointed until: January 2029
Nationality: British
Year of birth: 1970
More information

Chris Ward
North America

Member of the Managing Board since: 2019
Appointed until: August 2028
Nationality: American
Year of birth: 1972
More information

Dr Bernd Scheifele
Chairman of the Supervisory Board

Report of the Supervisory Board

Heidelberg,
20 March 2024

Dear Shareholders,

Heidelberg Materials closed the 2023 financial year with a record result, even though the global economic and geopolitical situation remained challenging and demand in the construction sector declined. Both revenue and result from current operations rose significantly.

Heidelberg Materials is the first company in the building materials industry to apply internationally harmonised and stringent criteria for sustainable products, thereby setting new sustainability standards as a front runner. With the launch of the first net-zero cement based on carbon capture and storage (CCS), the company is breaking new ground in the use of this technology. Its portfolio of global CCUS initiatives has expanded to include a CCUS project in Germany, which has been selected for funding from the EU Innovation Fund.

By reorganising responsibilities on the Managing Board, Heidelberg Materials is strengthening the basis for its continued successful development. The Supervisory Board accompanies the Managing Board on this path into the future.

Consultation and monitoring

The Supervisory Board continued to closely monitor and support the company's development during the past financial year and discuss it with the Managing Board at the ordinary and extraordinary meetings of the plenary session and its committees as well as outside the scheduled meetings. It also received regular, timely, and comprehensive reports, both in writing and verbally, about all matters of relevance to the company, particularly in relation to business policy, strategy and planning, the progress of businesses, the financial situation, the risk situation and risk management, compliance, innovations, and sustainability. The Supervisory Board reviewed, discussed, and analysed the Managing Board's reports in detail. The Managing Board agreed on the Group's strategy with the Supervisory Board. Deviations of the actual business development from the plans were explained in detail by the Managing Board.

The Supervisory Board was directly involved at an early stage in all decisions of fundamental importance to the Group. A catalogue drawn up by the Supervisory Board, which is reviewed regularly and adjusted as necessary, outlines transactions and measures of fundamental importance that require the consent of the Supervisory Board. In the reporting year, the Supervisory Board took decisions on the transactions and measures submitted by the Managing Board that required its approval, having first reviewed them and discussed them with the Managing Board. In particular, investment projects and financing matters requiring authorisation were explained in detail by the Managing Board and discussed before decisions were made. In addition, the Supervisory Board has satisfied itself that the Managing Board has installed an internal control and risk management system appropriate to the business activities and risk situation of the company, as well as a functioning monitoring system that is effective and capable of recognising at an early stage any developments that could jeopardise the Group as a going concern. With regard to the accounting-related internal control system and the early risk detection system, the Supervisory Board also had this confirmed by the auditor. Furthermore, it has satisfied itself of the effectiveness of the compliance management system, which guarantees Group-wide compliance with the law, legality, and internal guidelines. In the relevant meetings, the responsible line managers of the Group below Managing Board level were available together with members of the Managing Board to provide information to the Audit Committee and to answer questions. The Chairman of the Supervisory Board as well as the Chairman and Deputy Chairman of the Audit Committee also discussed topics relating to the audit in detail with the auditor outside the scheduled meetings and without the participation of the Managing Board. In addition, the Chairman of the Supervisory Board was in regular and ad-hoc contact with the Chairman of the Managing Board outside the scheduled meetings.

During the reporting year, the Chairman of the Supervisory Board was also prepared to receive and consider suggestions from investors on topics specific to the Supervisory Board. In March 2024, the Chairman of the Supervisory Board expanded this exchange in part together with the Chairman of the Audit Committee and held talks with investors as part of a governance roadshow. In the physical and virtual meetings with international shareholders from London, Frankfurt, and the USA, governance-specific topics were discussed, in particular the tasks, work, and composition of the Supervisory Board as well as the remuneration system of the Managing Board.

Overall, the Supervisory Board continuously and thoroughly monitored the work of the Managing Board and provided it with advice, particularly with regard to the company's management, strategic alignment and implementation, and development. In doing so, it assessed the Managing Board's management of the company in terms of its lawfulness, propriety, expediency, and operating efficiency. The Managing Board and Supervisory Board worked together in a spirit of mutual trust for the benefit of the company and maintained an open and intensive dialogue. In summary, it can be said that the Supervisory Board has again duly and diligently fulfilled the duties incumbent upon it under the law, the Articles of Association, the Rules of Procedure, and the German Corporate Governance Code (with the exception of any declared deviations) in the 2023 financial year.

During the reporting year, the plenary session of the Supervisory Board convened at six ordinary meetings (30 January, 22 March, 11 May, 10 and 11 September, 13 November) and two extraordinary meetings (24 July and 3 October). The number and format of Supervisory Board meetings and committee meetings in the reporting year are shown in the following overview.

Number and type of Supervisory Board and committee meetings

	Type of meeting		
	In person	Conference call and/or video-conference	Total number of meetings
Plenary session of the Supervisory Board	6	2	8
Sustainability and Innovation Committee	2	0	2
Nomination Committee	0	2	2
Personnel Committee	4	1	5
Audit Committee	1	5	6
Mediation Committee	0	0	0

The average participation rate of all members of the Supervisory Board at the eight plenary sessions of the Supervisory Board in the 2023 reporting year was 96.88%. The average participation rate at all the committee meetings held in the reporting year was 99.06%.

Participation of the members of the Supervisory Board at the plenary sessions and committee meetings

			Plenary			Committees			Total
Supervisory Board member	Number	Participation	Rate	Number	Participation	Rate	Number	Participation	Rate
Dr Bernd Scheifele[1], Chairman of the Supervisory Board	8	7	87.5 %	11	11	100 %	19	18	94.74 %
Heinz Schmitt[2], Deputy Chairman of the Supervisory Board	8	8	100 %	11	11	100 %	19	19	100 %
Barbara Breuninger[2]	8	8	100 %	6	6	100 %	14	14	100 %
Birgit Jochens[2]	8	8	100 %	5	5	100 %	13	13	100 %
Ludwig Merckle[1]	8	8	100 %	15	15	100 %	23	23	100 %
Luka Mucic[1]	8	7	87.5 %	11	11	100 %	19	18	94.74 %
Dr Ines Ploss[2]	8	8	100 %	7	7	100 %	15	15	100 %
Peter Riedel[2]	8	7	87.5 %	8	7	87.5 %	16	14	87.5 %
Werner Schraeder[2]	8	8	100 %	13	13	100 %	21	21	100 %
Margret Suckale[1]	8	8	100 %	13	13	100 %	21	21	100 %
Dr Sopna Sury[1]	8	8	100 %	2	2	100 %	10	10	100 %
Professor Dr Marion Weissenberger-Eibl[1]	8	8	100 %	4	4	100 %	12	12	100 %

1) Shareholder representative
2) Employee representative

Members of the Supervisory Board and its committees are listed in the **Corporate Governance chapter**.

Separate preliminary meetings of the employee representatives were held in connection with the Supervisory Board meetings. In the reporting year, the members of the Managing Board generally attended the meetings of the Supervisory Board, although the Supervisory Board also met regularly and on an ad hoc basis without the Managing Board to discuss certain agenda items and topics.

Topics of discussion in the meetings of the Supervisory Board and its committees

The **plenary sessions** in the first half of 2023 dealt with, among other things, the discussion, auditing, and approval of the 2022 annual financial statements and consolidated financial statements, including the non-financial statement and the dividend proposal to the Annual General Meeting, the preparation of the 2022 remuneration report and the engagement of the auditor to perform its material audit, the approval of the 2023 operating plan, and preparations for the 2023 Annual General Meeting, which was held in person for the first time since the start of the coronavirus pandemic. In the reporting year, the Supervisory Board and its committees also dealt with the Managing Board's regular reports on the business development and with corporate governance issues. For the first time, the Supervisory Board compiled a qualification matrix on the status of implementation of the fulfilment of the profile of skills for the Supervisory Board on the basis of a self-assessment by the individual Supervisory Board members. The Supervisory Board was also involved in the change of name from HeidelbergCement AG to Heidelberg Materials AG.

During this reporting year, the Supervisory Board continued to place particular emphasis on closely accompanying and supporting the Managing Board on ESG (environmental, social, governance) matters, especially in the further development and implementation of the sustainability and digital transformation strategy. As part of the strategy discussion, the Supervisory Board also looked into the issue of recycling and examined the role of alternative fuels in the decarbonisation roadmap. By doing so, the Supervisory Board is focusing even more strongly on the topic of sustainability in its monitoring and advisory activities.

At several meetings, the Supervisory Board also discussed with the Managing Board the major investments, divestments, and portfolio optimisations that affect the strategic targets of Heidelberg Materials and could lead to an improvement of the balance sheet structure. The continuation of the share buyback programme with the third tranche of up to €300 million (all three tranches totalling €1 billion) and the cancellation of treasury shares from the second tranche were also subjects of this year's Supervisory Board discussions. In addition, refinancing plans, the agreement of a new innovation and development-linked credit line, restructuring in the United Kingdom, and discussions about the company's health and safety programme were all on the Supervisory Board's agenda. In the reporting year, the Supervisory Board additionally discussed the practical application of artificial intelligence in the company and related investments.

The Supervisory Board's work also focused on the 2023 annual bonus plan prepared by the Personnel Committee, the long-term bonus plan for 2023 to 2025/26, matters relating to the Managing Board, and the future composition of the Managing Board. Following the expiry of his reappointment by the Supervisory Board as a member of the Managing Board until 31 December 2023, Ernest Jelito retired at the end of the reporting year. In January, March, and September 2023 respectively, the Supervisory Board prolonged the appointment of Chris Ward as Managing Board member until 31 August 2028, the appointment of Hakan Gurdal and Jon Morrish as Managing Board members until 31 January 2029, and the appointment of René Aldach and Dennis Lentz as Managing Board members until 31 August 2029. The Western and Southern Europe and the majority of Northern and Eastern Europe-Central Asia were combined to form the Group area Europe. Mr Morrish assumed responsibility for this newly established Group area as of January 2024. Mr Gurdal, who was already in charge of the Group Area Africa-Eastern Mediterranean Basin, took on additional responsibilities for the countries Kazakhstan and Russia as of January 2024. The region has been renamed Africa and Mediterranean-Western Asia (AMWA). Chief Financial Officer René Aldach assumed additional responsibility for Australia with effect from January 2024. In March 2023, the Supervisory Board also appointed Axel Conrads as a new member of the Managing Board from 1 February 2024 to 31 January 2027. Mr Conrads has assumed the new role of Chief Technical Officer. He is responsible for all three global technical Competence Centers: Cement (CCC), Aggregates & Asphalt (CCA), and Readymix (CCR). In September 2023, the Supervisory Board also appointed Roberto Callieri to be a new member of the Managing Board from 1 January 2024 to 31 December 2026. Mr Callieri has taken on responsibility for Asia within the Group area Asia-Pacific. He succeeds Kevin Gluskie, whose term on the Managing Board expired as scheduled at the end of January 2024.

Finally, the Supervisory Board adjusted the remuneration system for the members of the Supervisory Board in the reporting year by including the Sustainability and Innovation Committee in the remuneration. With the support of the Personnel Committee, the Supervisory Board also developed an adjusted 2024+ Managing Board remuneration system, which will enter into force retroactively from 1 January 2024, subject to approval by the 2024 Annual General Meeting.

In the reporting year, the **Audit Committee** engaged extensively with the further development of the company's corporate governance, risk management, and internal control system, including the effectiveness of the compliance management system. The Audit Committee dealt regularly and intensively with compliance issues in particular. The Director Group Legal & Compliance regularly reported to the committee on his activities and on the status of the compliance management system and its further development. He was also in direct contact with the Chairman of the Audit Committee in the reporting year.

In its meetings, the Audit Committee dealt with the 2022 annual financial statements and consolidated financial statements, including the non-financial statement, as well as the points of focus for the audit, the reports regarding Group Internal Audit, risk management, and compliance, the half-year financial report, and quarterly statements for the 2023 financial year. After convincing itself of the auditor's independence and evaluating the quality of the audit, the Audit Committee prepared the Supervisory Board's proposal to the 2023 Annual General Meeting for the appointment of PricewaterhouseCoopers GmbH Wirtschaftsprüfungsgesellschaft (PwC) as the auditor and Group auditor and – after the Annual General Meeting followed this proposal – issued the audit assignment to PwC. In this context, it defined the points of focus for the 2023 audit.

During the reporting year, the Audit Committee amended its guidelines on the approval process for non-audit services by the auditor. It also monitored the development of the non-audit services by the auditor and received reports from the Managing Board on the nature and scope of the non-audit services performed by the auditor.

To refinance the bonds maturing in the 2024 financial year, the company successfully issued sustainability-linked bonds with a total issue volume of €1.5 billion for the first time in the 2023 financial year. Heidelberg Materials is ideally prepared to secure financing for its business transactions in the short, medium, and long term with its existing debt instruments. The Supervisory Board acknowledged that the maturity profile of the liabilities shows its usual balanced structure.

In the reporting year, the Audit Committee also focused on the topic of IT security. Furthermore, it looked at the use of inventory management systems in the individual countries and received reports on the status of the standardisation of the inventory management system, including the status of the migration to S/4 Hana.

The Chairman of the Audit Committee is Mr Luka Mucic. Mr Mucic, like Audit Committee member Mr Ludwig Merckle, is regarded as a financial expert pursuant to section 100(5) of the German Stock Corporation Act (Aktiengesetz, AktG). The Supervisory Board is of the opinion that both Mr Mucic and Mr Merckle have expertise in the areas of accounting and auditing, including sustainability reporting and the auditing thereof. For more information, see the **Corporate Governance statement chapter**.

In the reporting year, the **Personnel Committee** focused on the preliminary discussion and recommendation to the Supervisory Board regarding the determination of the variable Managing Board remuneration for the 2022 financial year and on the definition of the parameters for the variable Managing Board remuneration in 2023 and in the years from 2023 to 2025/26. During the reporting year, the Personnel Committee also dealt intensively with new appointments and reappointments to the Managing Board as well as international secondments of members of the Managing Board and prepared the decisions of the Supervisory Board in this regard. It discussed the conclusion of an external consultancy agreement between the company and a former member of the Managing Board. In addition, the Personnel Committee developed an adjusted 2024+ Managing Board remuneration system and submitted it to the Supervisory Board for a decision. Finally, the Personnel Committee assured itself that all members of the Managing Board have carried out the required individual investment in Heidelberg Materials shares as part of the Managing Board remuneration system.

The **Sustainability and Innovation Committee** focused intensively on the Sustainability Commitments 2030 and on the company's plan to reduce specific CO_2 emissions. One focus of the committee's discussions was on strengthening circularity and recycling, as well as carbon capture, utilisation, and storage (CCUS) technologies. In addition, the Sustainability and Innovation Committee discussed the technical background and potential areas of application as well as company projects in the field of 3D printing.

Due to the resignation of Professor Dr Marion Weissenberger-Eibl from the Supervisory Board effective at the end of the 2024 Annual General Meeting, the **Nomination Committee** had already discussed the succession in the 2023 financial year. To this end, the committee drew up a profile of requirements for the successor based on the profile of skills and the objectives for the composition of the Supervisory Board before searching for suitable candidates. After holding discussions with several candidates, the Nomination Committee finally recommended that the Supervisory Board propose Mr Gunnar Groebler, CEO of Salzgitter AG, to the 2024 Annual General Meeting for election to the Supervisory Board as the successor to the resigning shareholder representative.

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

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

In one case during the reporting year, a conflict of interest arose involving a member of the Supervisory Board, as a result of which the Supervisory Board member did not participate in the Supervisory Board's deliberations or voting. There were no consulting or other contracts for services or work between any member of the Supervisory Board and the company in the 2023 reporting year.

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

Every two years, the Supervisory Board carries out a regular self-assessment of the effectiveness of the work of the Supervisory Board and its committees, as required by the German Corporate Governance Code. The last such self-assessment took place in autumn 2023. To avoid repetition, details are included in the **Corporate Governance statement chapter**.

Preparations for the Supervisory Board elections

In view of the upcoming elections of shareholder representatives to the Supervisory Board by the Annual General Meeting in the 2024 financial year, the Nomination Committee and the Supervisory Board have given extensive consideration to the composition of the Supervisory Board and the selection of suitable candidates.

Among other things, the Supervisory Board has discussed the nomination of Dr Bernd Scheifele as a member of the Supervisory Board and his planned re-election as Chairman of the Supervisory Board. In this context, the Supervisory Board – subsequent to its related discussions following the 2022 Annual General Meeting – also looked in detail at Dr Scheifele's narrow election victory at the 2022 Annual General Meeting and examined the possible reasons for this.

In the opinion of the Supervisory Board, the reason for the tight result was not due to Dr Scheifele as an individual. Rather, discussions between the company and shareholders and proxy advisors revealed that, firstly, some institutional shareholders now take a fundamentally critical view of the election of a former Chairman of the Managing Board as Chairman of the Supervisory Board and, secondly, there was some uncertainty about Dr Scheifele's availability due to his other supervisory board mandates at other companies.

The Supervisory Board has carefully and critically examined these shareholder concerns regarding Dr Scheifele's former role as Chairman of the Managing Board. The Supervisory Board has come to the conclusion that the benefits to the company clearly outweigh the concerns raised and that Dr Scheifele remains the most suitable candidate for the position of Chairman of the Supervisory Board. This view also appears to be shared by the vast majority of shareholders based on the convincingly strong approval of Dr Scheifele's actions by the 2023 Annual General Meeting.

- The Supervisory Board is of the opinion that the successful work of the Supervisory Board over the past two years shows that Dr Scheifele's in-depth knowledge of the company and industry has enabled him to successfully provide positive impetus for sustainable and positive company development in the course of his activities on the Supervisory Board, and that the Supervisory Board has made a particularly pivotal contribution to the company's sustainability transformation as a result. Dr Scheifele's decades of Managing Board experience and his knowledge of the challenges of Heidelberg Materials' operating activities have proven to be especially valuable in advising and supporting the Managing Board in the further development of a financially viable sustainability strategy for the company. With the intensive support of the Supervisory Board and its Chairman, the company has successfully taken on a pioneering role in the decarbonisation of the building materials sector over the past two financial years, while at the same time achieving a good operating result with substantial profit.

- Dr Scheifele also played a key role in advising the Managing Board with regard to disciplined capital allocation.

- At the same time, the Supervisory Board under Dr Scheifele's chairmanship succeeded in further developing the company's governance structure and the internal work of the Supervisory Board and aligning both with future issues. In the reporting year, for example, the Supervisory Board approved an adjusted 2024+ Managing Board remuneration system that focuses on sustainability issues and reorganised the composition of the Managing Board to reflect the issues of the future.

- When Dr Scheifele was elected to the Supervisory Board in 2022, he already complied with the two-year cooling-off period from his position on the Managing Board as recommended by the German Corporate Governance Code.

- Nor does the Supervisory Board see any risk of an imbalance on the Supervisory Board. The other shareholder representatives are independent and generally recognised, prominent figures with relevant expertise and many years of industry experience and contribute extensively to the work of the Supervisory Board.

- Furthermore, Dr Scheifele does not chair any Supervisory Board committees. At least 50% of the shareholder representatives on all committees are independent. According to the assessment of the shareholder representatives on the Supervisory Board, all shareholder representatives can currently be regarded as independent within the meaning of the German Corporate Governance Code.

- There are no other former members of the Managing Board on the Supervisory Board.

Dr Scheifele has also taken the concerns of some shareholders regarding the number of his external mandates seriously. He has informed the Supervisory Board that he will resign from his positions as Chairman of the Supervisory Board of Verlagsgruppe Georg von Holtzbrinck GmbH as of the end of 24 April 2024 and as a member of the Supervisory Board of Springer Nature AG & Co. KGaA as of the end of 23 April 2024, before Heidelberg Materials AG's Annual General Meeting. As a result, the Supervisory Board is convinced that Dr Scheifele will have sufficient time for his mandate at Heidelberg Materials AG.

The Supervisory Board is therefore of the opinion that Dr Scheifele remains the most suitable candidate for the position of Chairman of the company's Supervisory Board in order to continue to support the positive development of the company in an advisory capacity. Based on the recommendation of its Nomination Committee, the Supervisory Board will thus propose to the Annual General Meeting that Dr Scheifele be re-elected to the Supervisory Board as a shareholder representative. There is still no intention for Dr Scheifele to chair a committee.

In order to fulfil the Supervisory Board's self-imposed requirement of majority independence, Professor Dr Marion Weissenberger-Eibl will no longer be available as a candidate for the Supervisory Board at the 2024 Annual General Meeting. The Supervisory Board will propose to the Annual General Meeting that Mr Gunnar Groebler be elected as her successor.

Corporate Governance

The declaration of compliance in the reporting year was submitted by the Managing Board on 13 January 2023 and by the Supervisory Board on 30 January 2023. The declaration of compliance for the current financial year was submitted by the Managing Board on 19 January 2024 and by the Supervisory Board on 30 January 2024. The complete text can be found in the **Declaration of compliance section** pursuant to section 161 of the AktG in the **Corporate Governance statement chapter**. The current declaration of compliance is made permanently available on the company's **website**.

With regard to its composition and that of the Managing Board, the Supervisory Board thoroughly complies with the requirements of the German Corporate Governance Code regarding the principles of diversity when appointing corporate bodies and leadership positions within the Group and of section 289f(2)(6) of the German Commercial Code (Handelsgesetzbuch, HGB) (diversity concept). Regarding its own composition, it implements the diversity targets stated in the Code and the profile of skills for the Supervisory Board adopted on 23 March 2022. Detailed information on this topic can be found in the **Corporate Governance statement chapter**.

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

With regard to the remuneration for the members of the Managing Board for the 2023 financial year, specifics are included in the **Remuneration report chapter** to avoid repetition. A description of the adjusted version of the Managing Board remuneration system, applicable from 1 January 2021, can also be found here. Having been commissioned to do so by the company's Supervisory Board, the auditor also carried out the voluntary audit of the correctness of the content of the 2023 remuneration report and issued an unqualified audit opinion. The Supervisory Board examined the remuneration report in detail in the presence of the auditor and approved the report together with the Managing Board. The 2023 remuneration report will be submitted to the 2024 Annual General Meeting for approval and will be available on the company's **website** for ten years.

On 13 November 2023, the Supervisory Board adopted a revised 2024+ Managing Board remuneration system, which it will submit to the 2024 Annual General Meeting for approval.

The members of the Supervisory Board are themselves responsible for obtaining the training required for their tasks and are supported by the company in this respect. The company also offers specific training sessions – sometimes with external support – for members of the Supervisory Board, most recently in November 2023. These training courses cover topics that are particularly relevant to the company and the work of the Supervisory Board – for example, with regard to legal changes, the selection of suitable investment projects, and, most recently, sustainability within the company.

In addition, the Managing Board reports on corporate governance at Heidelberg Materials also on behalf of the Supervisory Board in the **Corporate Governance statement chapter**.

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

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

Before the contract for the auditing of the annual financial statements of the company and the consolidated financial statements of the Group was awarded, the points of focus for the audit and the content of the audit were discussed in detail with the auditor, PricewaterhouseCoopers GmbH Wirtschaftsprüfungsgesellschaft, Frankfurt am Main. The Audit Committee discussed the costs of the audit and, with the auditor, the assessment of audit risk, the audit strategy, audit planning, and the audit results. The Chairman of the Audit Committee and the auditor regularly exchanged information on the progress of the audit, after which the Chairman reported to the committee.

In January 2024, the Managing Board informed the Supervisory Board about the preliminary, unaudited key figures for the 2023 financial year and provided a status report on the financial statements work. The annual financial statements of Heidelberg Materials AG, the consolidated financial statements as at 31 December 2023, and the combined management report for the company and the Group, as prepared by the Managing Board, were examined by the auditor. In addition, the auditor performed a limited assurance engagement on the non-financial statement (sections 289b and 315b of the HGB) contained in the combined management report on behalf of the Supervisory Board. In this respect, the Supervisory Board exercised the legal right to commission an external review of the content of the non-financial statement. The financial statements together with the reading copies of the auditors' reports were sent in advance to the members of the Supervisory Board. At first, the Audit Committee dealt intensively with the financial statements documents, including the non-financial statement, in the presence of the auditor. The auditor reported on the main results of its audit. In addition, the Audit Committee had the auditor report on the effectiveness of the internal control and early risk identification system in relation to accounting, whereby the auditor stated that he had not found any significant weaknesses in this regard. Against this background and after its own consideration, the Audit Committee determined that the internal control system, the internal audit system, and the risk management system, including the early risk identification system, meet the requirements to be placed on them. The Supervisory Board shares the opinion of the Audit Committee on the effectiveness of these systems. Then, the Supervisory Board discussed the financial statement documents, including the non-financial statement, in detail at the accounts meeting on 20 March 2024, once again in the presence of the auditor. Respective discussions in the Audit Committee and on the Supervisory Board also took place without the participation of the Managing Board. The Supervisory Board approved the audit results. It examined the annual financial statements and consolidated financial statements, the combined management report, including the non-financial statement, and the Managing Board's proposal for the use of the balance sheet profit. The results of the pre-audit conducted by the Audit Committee and the results of its own audit correspond fully to the results of the auditor. Following the final results of this audit, the Supervisory Board also raised no objections. The auditor issued an unqualified audit opinion on the annual financial statements of Heidelberg Materials AG and the consolidated financial statements as at 31 December 2023 as well as on the combined management report of Heidelberg Materials AG and the Group.

The Supervisory Board approved the Managing Board's proposal for the use of the balance sheet profit, including the payout of a dividend of €3.00 per share (previous year: 2.60).

Personnel matters and a note of thanks

Please refer to the comments above with regard to the personnel changes on the Managing Board. The Supervisory Board would like to thank Kevin Gluskie and Ernest Jelito for their commitment and successful work on the Managing Board over many years. They have made a significant contribution to the positive business development and profitable growth of Heidelberg Materials.

There were no personnel changes on the Supervisory Board during the reporting year. At the end of the 2024 Annual General Meeting, Professor Dr Marion Weissenberger-Eibl will step down from the Supervisory Board, as she will not be available for re-election at the 2024 Annual General Meeting. The Supervisory Board would like to thank Professor Dr Weissenberger-Eibl for her dedicated and expert work on the Supervisory Board since 2012 and for her valuable contribution to the company's success.

In conclusion, the Supervisory Board would like to thank all members of the Managing Board and all employees of the Group for their outstanding and dependable cooperation as well as their continued high level of personal commitment and performance on the Group's behalf in the 2023 financial year.

Approval of this report

The Supervisory Board approved this report during its meeting on 20 March 2024 pursuant to section 171(2) of the AktG.

For the Supervisory Board

Bernd Scheifele

Dr Bernd Scheifele

Chairman

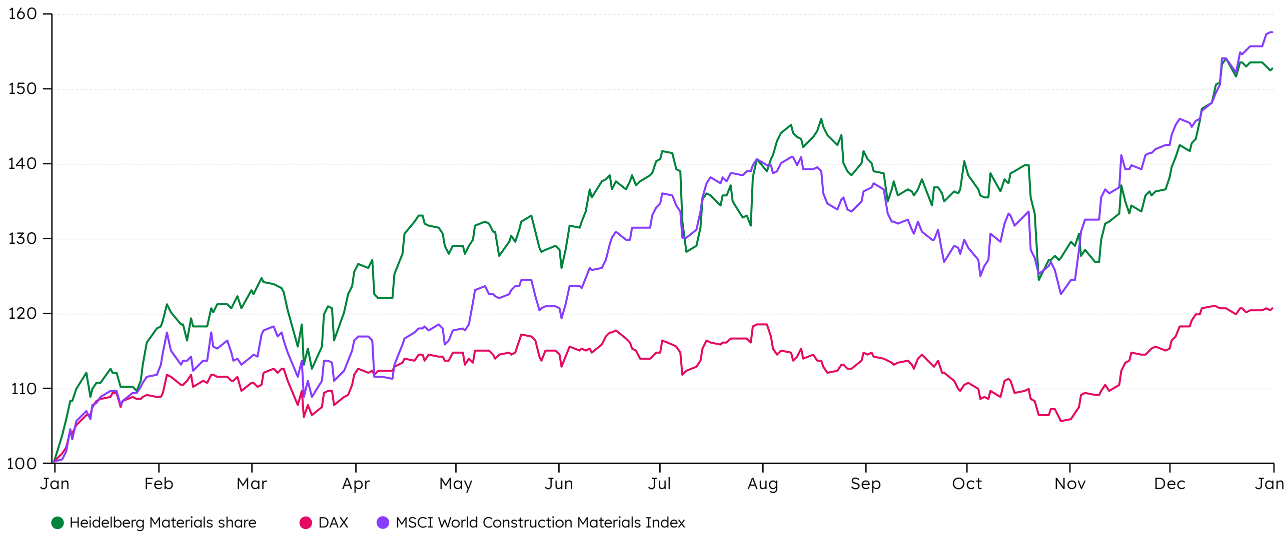
Heidelberg Materials in the capital market

Overview

In Germany, the Heidelberg Materials share is listed for trading on the Prime Standard segment of the Frankfurt Stock Exchange and on the Regulated Market of the Stuttgart, Düsseldorf, and Munich stock exchanges. The Heidelberg Materials share is listed in the German benchmark index DAX.

Our share ranks among the most important building materials shares in Europe. Besides the DAX, it is also included in other indices, such as the S&P Global 1200 Construction Materials Index and STOXX Europe 600 Construction & Materials Index. Our stock is also listed in the sustainability indices FTSE4Good Europe and DAX 50 ESG.

Development of the Heidelberg Materials share compared to MSCI World Construction Materials Index and DAX in 2023 Index (Base: 30 December 2022 = 100)



Development of the Heidelberg Materials share

In the 2023 financial year, the Heidelberg Materials share price recorded a strong upswing despite volatile energy markets and an uncertain macroeconomic and geopolitical environment. The Heidelberg Materials share began the 2023 stock market year at a low of €55.10, recovered steadily over the course of the year, and closed the year at €80.94. Compared with the end of 2022, the Heidelberg Materials share price increased by 51.9%, making it one of the top performers in the DAX. The DAX and the MSCI World Construction Materials Index recorded increases of 20.3% and 56.8% respectively during the same period.

At the end of 2023, Heidelberg Materials' market capitalisation amounted to €14.7 billion (previous year: 9.9).

Dividend proposal of €3.00 per share

Heidelberg Materials pursues a progressive dividend policy with the aim of increasing the dividend annually. The Managing Board and Supervisory Board will propose to the Annual General Meeting the distribution of a dividend of €3.00 (previous year: €2.60) per share entitled to dividend.

On the basis of the share price at the end of 2023, the dividend yield is 3.7%. Our share is included in the DivDAX share index, which lists the 15 companies with the highest dividend yields in the DAX 40.

Share buyback programme

On 30 October 2023, Heidelberg Materials completed its share buyback programme launched in August 2021 with a total volume of up to €1 billion. Within the scope of the third tranche, a total of around 4.1 million own shares were acquired on the stock exchange between 28 July and 30 October 2023 at a total price (including incidental acquisition costs) of around €298 million. In the course of its share buyback programme, Heidelberg Materials repurchased a total of around 16.3 million shares at a total price (including incidental acquisition costs) of around €998 million.

Following the cancellation of the treasury shares from the first tranche in January 2022, around 6.9 million treasury shares acquired under the second tranche were also cancelled with a reduction in the subscribed share capital on 11 September 2023. As a result, the subscribed share capital of Heidelberg Materials AG amounted to €558,556,857 as at 31 December 2023 and was divided into 186,185,619 no-par value shares. Finally, the around 4.1 million treasury shares from the third tranche were cancelled with a reduction in the subscribed share capital on 21 February 2024. Since then, the share capital of Heidelberg Materials AG has totalled €546,204,360 and has been divided into 182,068,120 no-par value shares.

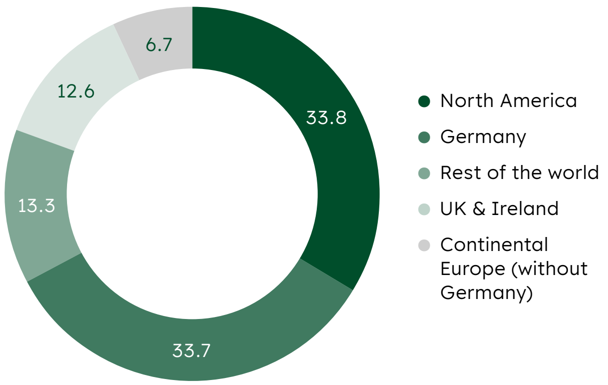
On 21 February 2024, Heidelberg Materials announced a new share buyback programme with a total volume of up to €1.2 billion in order to allow its shareholders to continue to participate in the company's success beyond the progressive dividend policy. The share buyback programme is to be carried out in three tranches and completed by the end of 2026 at the latest. The first tranche is scheduled to start in the second quarter of 2024 after the Annual General Meeting.

Shareholder structure

An analysis of the shareholder structure conducted at the end of 2023 showed that the proportion of German and British investors had risen in comparison with the previous year, while the proportion of investors from continental Europe (excluding Germany) had declined. The proportion of North American investors fell slightly, with the rise in the proportion of US investors almost offsetting the decline in the proportion of Canadian investors.

At the end of 2023, investors from North America and Germany formed the two largest investor groups, accounting for 33.8% and 33.7% of shares issued, respectively, followed by investors from the United Kingdom and Ireland at 12.6% and continental Europe (excluding Germany) at 6.7%. Investors from other geographical regions and retail investors accounted for the remaining 13.3%. The largest shareholder and anchor shareholder is Mr Ludwig Merckle, who, according to the voting rights notifications available to the company, held 27.67% of the issued shares via Spohn Cement Beteiligungen GmbH, a company under his control, as at 31 December 2023. The free float as defined by Deutsche Börse was 71.78% at the end of 2023.

Geographical distribution of shareholders (as at year-end 2023) in %



Development of the Heidelberg Materials share (ISIN DE0006047004, WKN 604700)

€	2022	**2023**
Year-end share price	53.28	80.94
Highest share price	67.44	81.78
Lowest share price	39.60	55.10
Equity per share on 31 Dec.	93.24	99.32
Market capitalisation 31 Dec. (€ '000s)[1]	9,919,970	14,736,594
Earnings per share	8.45	10.43
Change compared with previous year		
Heidelberg Materials share price	-10.5%	51.9%
DAX	-12.3%	20.3%
MSCI World Construction Materials Index	-24.1%	56.8%

1) On the basis of outstanding shares (issued shares less treasury shares)

Dividend key figures

	2019	2020	2021	2022	**2023**
Dividend per share in €	0.60	2.20	2.40	2.60	3,00 [1]
Dividend yield [2] in %	1.2	2.8	4.6	3.7	3.7
Profit for the financial year attributable to Heidelberg Materials AG shareholders in €m [3]	1,090.0	1,365.1	1,560.6	1,789.8	1,928.1
Total dividend amount in €m	119.0	436.5	458.3	484.1	546.2
Payout ratio in %	10.9	32.0	29.4	27.0	28.3

1) Proposal to the Annual General Meeting on 16 May 2024
2) Dividend per share/share price on the day of the Annual General Meeting; for the 2023 financial year: dividend per share/share price at the end of the financial year
3) 2020-2023 values: Adjusted profit for the financial year attributable to Heidelberg Materials AG shareholders (see Earnings position section).

Heidelberg Materials AG share capital

	Share capital € '000s	Number of shares
1 January 2023	579,276	193,091,900
Cancellation of treasury shares	-20,719	-6,906,281
31 December 2023	558,557	186,185,619
Cancellation of treasury shares	-12,352	-4,117,499
Since 21 February 2024	546,204	182,068,120

Credit and sustainability ratings

Details of Heidelberg Materials' credit rating by the rating agencies S&P and Moody's can be found in the **Group financial management section**. ESG factors are becoming increasingly important in investment decisions. A selection of ESG rating agencies and their ratings can be found in the **ESG ratings and indices section**.

Financing framework established for sustainable financing

With its Sustainability-Linked Financing Framework, published in the 2022 financial year, Heidelberg Materials has a financing framework for the issue of various sustainability-linked financial instruments, such as bonds (including private placements), commercial paper, loans, debt certificates, and other sustainability-linked financing instruments. Further information on sustainable financing can be found in the **Sustainable financing and taxes chapter** and in the **Group financial management section**.

Investor relations – open dialogue and transparent communication

In 2023, our investor relations work mainly centred on fostering existing investor relations and attracting new, long-term investors. During the reporting year, management and the investor relations team met more than 300 investors physically and virtually at conferences and roadshows, as well as for one-on-one and group discussions.

Besides the business figures, the particular focus of the events and discussions was on the Group strategy with regard to portfolio management and the transformation topics of sustainability and digitalisation, as well as the company's financial management and capital allocation strategy. Our progress towards climate neutrality and our pioneering role in researching and trialling carbon capture, utilisation, and storage (CCUS) technologies were discussed intensively. The launch of our new evoZero® brand, under which we will offer our customers the world's first net-zero cement based on carbon capture and storage (CCS) technology, met with great interest. The investor relations team was in regular contact with all analysts again in 2023. At the end of 2023, 28 analysts covered Heidelberg Materials.

Heidelberg Materials values open dialogue and transparent communication with the capital market and other stakeholders. We take criticism and demands, for instance regarding corporate governance, seriously, analyse and evaluate them, and continuously make improvements. In the future, we will continue the constructive discussions and direct dialogue with capital market participants in order to further strengthen trust in our company and our share.

Sustainability

Sustainability strategy

We want to play our part in overcoming global challenges. In addition to climate change, these include demographic change, limited resources, and biodiversity loss. Alongside environmental sustainability issues, our strategy also includes occupational health and safety, diversity and inclusion, and local responsibility in the areas surrounding our plants. In this, we consider not only our own business activities but also our entire supply chain.

At Heidelberg Materials' approximately 3,000 locations, sustainability is an integral part of our day-to-day business. We aim to spearhead the decarbonisation of our sector and promote the circular economy in our value chain. Closing the loop in the material cycle of sand, aggregates, and hardened cement paste is of crucial importance to us and constitutes a major lever for reducing carbon emissions. To increase resource efficiency and protect natural raw materials, we are also scaling up our recycling activities, especially with regard to demolition concrete.

The Sustainability Commitments 2030 serve as guiding principles for the Heidelberg Materials sustainability strategy. They cover topics under four headings: Net Zero, Circular & Resilient, Safe & Inclusive, and Nature Positive.

Sustainability Office

At Group level, the topic of sustainability is organisationally combined under the umbrella of the Sustainability Office and the leadership of member of the Managing Board and Chief Sustainability Officer Dr Nicola Kimm. This structure, designed for cooperation and interdisciplinarity, is intended to ensure that sustainability criteria are incorporated into every decision taken at Heidelberg Materials.

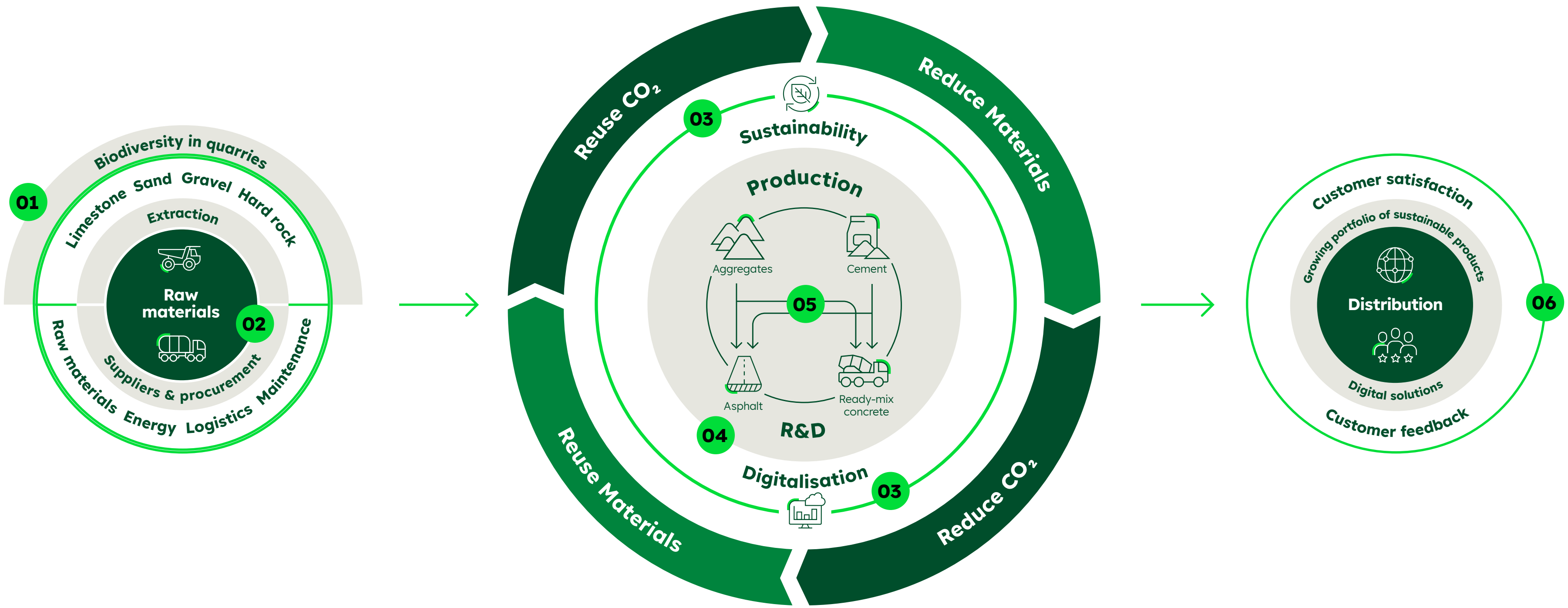
The departments of the Sustainability Office support our future-oriented sustainability activities in a number of ways. In addition to designing the sustainability strategy, including the associated targets, this includes in particular research and development of innovative materials and technologies. The Sustainability Office is also responsible for drawing up potential business models and establishing a strong, cross-industry partnership network.

We continuously measure our performance with regard to sustainability against relevant KPIs and use external service providers such as auditors to independently verify the data. We are gradually bringing our ESG indicators up to the same level of scrutiny as our financial indicators, thereby guaranteeing the reliability of our data.

"With our sustainability strategy, we have the entire range of ESG issues in focus – with respect to our supply chain as well as our own business activities."

Dr Nicola Kimm,
Chief Sustainability Officer
and member of the Managing Board

Value chain



01

SDG 15

The raw materials needed for producing our building materials – limestone for cement production as well as sand, gravel, and hard rock – are generally obtained from our own extraction sites or by recycling mineral waste products and demolition material. At our quarries and aggregates pits, we are committed to environmentally friendly mining methods as well as to the subsequent restoration and recultivation of quarrying sites.

02

SDG 8, 12

We attach great importance to responsible procurement and sustainable behaviour on the part of our suppliers. We aim to build a transparent, sustainable, and future-oriented supply chain in close cooperation with our suppliers. Our expenditure mainly relates to the categories of raw materials, energy, logistics, and maintenance.

03

SDG 12

Our range of sustainable products and solutions is growing steadily thanks to the integration of sustainability in our value chain. Alongside sustainability, a digital infrastructure across all our business lines and locations is also part of our transformation. We are developing digital products and providing customer solutions that help us to be successful, efficient, and transparent in our core business.

04

SDG 9, 12, 13

Innovative products and technologies, as well as improvements to our processes, help us minimise energy consumption and CO_2 emissions. Our R&D teams are working on new formulations that will replace conventional, energy- and raw material-intensive products to an ever greater degree. This also involves raising the proportion of recycled material in our products.

05

SDG 9

Our business is based on the production of cement and aggregates, the two essential raw materials for manufacturing concrete. They are processed into ready-mixed concrete, asphalt, and various other materials. We are focused on expanding our sustainable product portfolio, supported by R&D into innovative solutions.

06

SDG 12, 13

Our proximity to the market enables us to develop products in close consultation with our customers. Rather than ending with the product, our work also includes providing expert advice, particularly on implementing sustainable solutions.

Sustainable Development Goals

As a leading producer of building materials, we are aware of our responsibility to ensure natural resources are used sustainably. We are committed to efficient, environmentally friendly processes and develop innovative products and solutions. Through our Sustainability Commitments 2030, we are supporting the UN Sustainable Development Goals (SDGs). In doing so, we aim to help tackle social, economic, and environmental challenges at a global level. Our efforts are concentrated on those issues to which we can make a significant contribution as a company. Given our business model, we focus particularly on **SDGs 5**, **8**, **9**, **12**, **13**, and **15**.

Achieve **gender equality** and empower all women and girls

Link to our strategy We are convinced that diversity in our workforce, in harmony with an appreciative corporate culture, has a positive effect on our innovative strength and the commitment of our employees. The construction sector traditionally has a high proportion of men in the workforce. As part of our transformation, it is therefore important to us to ensure that women participate and have equal opportunities when it comes to taking on management roles.

What we do Alongside our target of increasing the proportion of women in leadership positions to 25% by 2030, we have launched a comprehensive programme of measures. This includes awareness-raising efforts for an inclusive working environment and measures aimed at combating discrimination. We support the career development of our female future executives – for example, via mentoring, participation in programmes for the advancement of future executives, or the possibility of job sharing in management positions

Promote sustained, inclusive, and sustainable **economic growth**, full and productive **employment**, and **decent work** for all

Link to our strategy We offer our almost 51,000 employees in around 50 countries sustainable jobs and fair remuneration. In view of the strong local focus of our business operations, we also attach great importance to building cooperative relationships with our stakeholders. Our products are usually produced and sold in close proximity to the sales markets. As a manufacturing company, occupational health and safety is integral to our corporate culture and work processes – not only at our plants, facilities, and construction sites but also in connection with logistics and transport.

What we do We also create competitive jobs in rural areas, support the growth of the economy, and make a contribution in the communities to which our locations belong. We are committed to a dialogue based on trust with all relevant stakeholders and involve local groups at an early stage when it comes to investment projects.

We promote a safe working environment at our locations and have strict rules concerning environmentally sustainable production processes. Our primary target is to prevent fatalities and accidents resulting in personal injury. We aim to at least halve the lost-time injury frequency rate (LTIFR) by 2030. Group-wide purchasing guidelines provide clear instructions regarding our supplier relations. We review and promote sustainability in the supply chain by using ESG ratings for our critical suppliers.

Build resilient **infrastructure**, promote inclusive and sustainable **industrialisation**, and foster **innovation**

Link to our strategy We invest in research and development in order to reduce process- and energy-related CO_2 emissions in the manufacture of our products. We want our building materials to be used to create intelligent, resilient, and sustainable buildings and infrastructure, and we want to make production as resource-efficient as possible.

What we do In our R&D activities, we strive to optimise existing processes and develop innovative techniques and products. Innovative products, improved processes, and new cement and concrete formulations help minimise energy consumption and CO_2 emissions and therefore reduce our impact on the environment.

Ensure sustainable **consumption and production patterns**

Link to our strategy As a manufacturer of building materials and aggregates, Heidelberg Materials is dependent on natural resources obtained from sand and aggregates pits as well as quarries. Our circularity strategy aims to reduce the use of primary raw materials, recycle and reuse materials, and extend the life of the structures for which our products are used.

What we do We promote circular products, the increased use of alternative fuels, and the expansion of recycling activities. By 2030, we want to offer circular alternatives for 50% of our concrete products. Among other things, we are working to reduce our carbon footprint by closing the carbon loop, develop cements with reduced clinker content, and devise innovative recycling technologies that allow waste concrete to be fully reused in fresh concrete. Our attention is focused on the life cycle of concrete – including how demolition concrete is processed and returned to the construction cycle.

Take urgent action to **combat climate change** and its impacts

Link to our strategy Manufacturing cement is particularly CO_2-intensive. Accordingly, our industry is one of the major emitters of CO_2 worldwide. We are front runners in terms of the rapid decarbonisation of our production processes and also make use of technologies such as carbon capture, utilisation, and storage. CCUS is a powerful tool to support the cement industry's efforts to achieve net-zero emissions.

What we do Our focus is on expanding our portfolio of sustainable products, rapidly and significantly reducing our CO_2 emissions, proving that the production of net-zero products is possible on a large scale, and creating a circular economy by rigorously implementing the principle of circularity. We have set a target of reducing our CO_2 emissions to 400 kg per tonne of cementitious material by 2030 and achieving **net-zero emissions**[1)] by 2050 at the latest.

In addition, concrete is becoming increasingly important as a building material in the context of preventing climate change-related damage. Thanks to its strength and durability, it is ideally suited for the construction of infrastructure that is resistant to extreme weather events.

Protect, restore, and promote sustainable use of **terrestrial ecosystems**, sustainably manage **forests**, **combat desertification**, **halt** and reverse **land degradation**, and **halt biodiversity loss**

Link to our strategy Responsible land management is an essential element of the Heidelberg Materials sustainability strategy, and we are committed to working towards the global goal of nature positive. At our quarries and aggregates pits, we are committed to environmentally friendly quarrying methods as well as to the subsequent restoration and recultivation of quarrying sites.

What we do The extraction of raw materials such as limestone, sand, and gravel has an impact on nature and ecosystems. However, quarries and aggregates pits in intensively cultivated landscapes worldwide can also contribute to the conservation of habitats and biodiversity and are refuges for rare animal and plant species. We want to reduce, neutralise, or even overcompensate the impacts of our activities. We work to conserve habitats and species throughout the life cycle of our quarries.

Our aim is to be nature positive and to set aside 15% of the land at all of our active extraction sites for nature even while they are in operation. Biodiversity management plans are an integral part of our work.

1) According to SBTi definition.

Sustainable financing and taxes

Compliant behaviour is also at the heart of our business activities. With our **Code of Business Conduct** and **Policy Statement on Human Rights**, we have established our own Group-wide set of rules. 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 wages, investment, procurement, and taxes, particularly in economically weak regions, and assume our social responsibility. Since 2022, our financial instruments have also been linked to sustainability aspects.

Tax strategy

We are aware that tax revenues are an important cornerstone for financing government investments and expenditure and therefore also for social cohesion in any given country. To secure our licence to operate, it is essential that we comply with tax laws and regulations and pay taxes in the countries where we are active and generate profits. Our tax strategy forms the basis for the implementation of our sustainable business activities. It is closely linked to our Group strategy and sustainability targets and applies to all subsidiaries worldwide. It is reflected in our **Tax Principles & Values**, which set out the values and standards that guide our actions with respect to taxation.

Our internal control processes and guidelines are designed to avoid any violations of laws, thereby protecting our company and our employees and averting any reputational damage. The positions we take are based on an appropriate interpretation of tax laws and regulations, any relevant judgments and opinions. Our tax matters are handled by internal tax specialists or external tax consultants. Our tax processes and controls are subject to regular audits by internal and external specialists. Any significant findings and risks are reported to the Chief Financial Officer and the Audit Committee of the Supervisory Board.

We communicate openly and transparently with tax authorities and aim to inform them promptly about important transactions and any tax issues. We organise our business transactions on the basis of sound economic and legal facts, and do not use any aggressive or artificial tax arrangements. According to the **list of shareholdings**, Heidelberg Materials has subsidiaries in countries that are considered tax havens; these companies are known to the tax authorities and are not used for tax avoidance purposes.

Financing

We use our Sustainability-Linked Financing Framework, aligned with the UN Sustainable Development Goals (SDGs) as the basis for linking the financing strategy with Heidelberg Materials' sustainability targets. We want to increase the share of sustainable financial instruments to over 70% by 2025. We are currently at 50% (2022: 44%).

The **Sustainability-Linked Financing Framework** has been established as a platform for the issue of various sustainability-linked financial instruments, such as bonds (including private placements), commercial paper, loans, debt certificates, and other sustainability-linked financial instruments, in various formats and currencies. Heidelberg Materials is a pioneer in the field of commercial paper (CP, short-term bearer bonds of a money market character) with a sustainable performance target. The CP programme is also linked to the reduction of specific CO_2 emissions per tonne of cementitious material in accordance with the 2026 target set out in the Sustainability-Linked Financing Framework. If we are unable to reduce CO_2 emissions within the defined period and at the specified level, an additional annual interest payment must be donated to BirdLife Europe to promote biodiversity. In 2023, we placed sustainability-linked bonds with a total issue volume of €1.5 billion.
Group financial management

ESG ratings and indices

ESG factors are becoming increasingly important in investment decisions. The market for sustainable investments continues to record strong growth. The interest of our shareholders, financial analysts, and ESG rating agencies reflects this.

Our ESG rating strategy is an important tool that helps us to maintain continuous quality assurance, monitor the market, and identify best practices and optimisation potential. We regularly evaluate the relevance and importance of different ratings. In particular, the performance of Heidelberg Materials in the topic areas of climate, water, and sustainable product solutions was assessed positively in several ratings in 2023.

CDP

In the CDP sustainability rating, Heidelberg Materials received a classification of A for “Climate Change” and A- for “Water Security” in 2023. **www.cdp.net**

DAX 50 ESG

Our share is part of the DAX 50 ESG index, which was launched in 2020.

Ecovadis

In July 2023, we improved our Ecovadis rating and were recognised for our outstanding commitment to labour rights and human rights. **www.ecovadis.com**

ISS ESG

In the ISS ESG Corporate Rating, Heidelberg Materials has a score of C+ and is thus authorised to use the ISS ESG Prime label. **www.issgovernance.com**

Moody’s ESG Solutions

In the 2023 rating by Vigeo Eiris, Moody’s ESG rating unit, Heidelberg Materials received an overall score of 67, placing it among the top three out of 25 companies in the building materials sector. **esg.moodys.io**

MSCI

In 2023, Heidelberg Materials was again graded AA in the MSCI rating. **www.msci.com**

S&P Global

Heidelberg Materials regularly takes part in the S&P Corporate Sustainability Assessment, achieving a score of 77 in 2023. **www.spglobal.com**

Sustainable Fitch

In September 2023, Heidelberg Materials participated in the Sustainable Fitch Rating for the first time and was commended for its sustainability reporting. **www.sustainablefitch.com**

Sustainalytics

In Sustainalytics’ ESG Risk Rating, Heidelberg Materials achieved a score of 27.4 in November 2023, placing it in the medium risk category. **www.sustainalytics.com**

Stakeholder engagement

We are committed to cooperative relationships and a dialogue based on trust with all relevant stakeholder groups – at local, national, and international level. The exchange of ideas with various interest groups helps us to identify critical issues at an early stage, gain greater acceptance for our activities, and incorporate the stakeholder perspective into strategic considerations. This is also extremely important given the strong local focus of our business operations. Each country organisation is responsible for establishing and maintaining its own relationships with national and local stakeholders. Stakeholder dialogue at international level is managed by the Group Communication & Investor Relations department and the Sustainability Office.

For industrial transformation and the transition to climate neutrality to succeed, our stakeholders need to understand and support the associated changes. This is pertinent when it comes to the successful implementation of our CCUS projects, for example. We pay close attention to this aspect and develop comprehensive strategies for informing and involving our stakeholders. In order to successfully implement these strategies at the respective locations, we support the corresponding projects with numerous communication measures and participation formats.

Relations with local stakeholders

Our quarries and plants are often situated near cities and communities. We are in regular contact with the respective local communities, government agencies, and local organisations and inform them about our activities and planned projects at the locations at an early stage. Plant or site management teams are generally responsible for such stakeholder relationships. Along with personal discussions, we use a variety of other means of communication to keep local people and organisations informed and enter into dialogue with them – ranging from traditional newsletters and guidelines to social media and a variety of public participation concepts.

We aim to reconcile the interests of the company with those of the local communities. The concerns of our local stakeholders vary from location to location. In general, they range from simple visit enquiries and appeals for us to support projects and sports, cultural, and educational institutions, all the way through to information requests. Stakeholders also raise reservations regarding imminent modernisation and expansion measures. In the course of our business activities, there may also be occasional controversies in the vicinity of our locations relating to such topics as emissions, (increased) truck traffic, or noise. We respond promptly to complaints and focus on providing information in order to address uncertainties and misgivings. We also involve local stakeholders at an early stage when planning investment projects, such as by setting up contact offices and holding information and discussion events.

We use community engagement plans to structure our dialogue with local stakeholders. Further information on how we involve local communities can be found in the **Social responsibility chapter**.

Stakeholder dialogue at a national and international level

Heidelberg Materials is involved in a large number of associations and cross-sectoral initiatives that represent their members' interests vis-à-vis governments, businesses, and the public. This engagement also promotes an exchange with other companies and organisations regarding current issues. An important case in point is the question of how the industrial transformation to net zero can be successfully implemented and accelerated in combination with ambitious environmental protection measures.

In addition, the focus is on various challenges specific to individual countries or sectors, or relating to industrial policy, particularly with regard to carbon pricing, the secure supply of raw materials, the circular economy, biodiversity, energy, occupational health and safety, as well as social and labour issues. We are also represented in the respective international and European umbrella organisations, either through our memberships in various national associations or as direct members.

Selected memberships and engagements:
Associations, initiatives, and networks

Direct exchange with political decision makers

To facilitate direct dialogue between political decision makers and contact partners within the company, we supplement Heidelberg Materials' indirect representation by associations with company representative offices in Berlin, Brussels, and Washington. Through numerous talks, events, presentations, and panel discussions in 2023, we were thus able to demonstrate in person once again how Heidelberg Materials, as one of the world's leading building materials companies, can make an active contribution to solving current challenges.

In particular, we advocate for a coherent and supportive framework for the decarbonisation of the industrial sector. We believe that, in addition to ambitious carbon pricing, this also encompasses the expansion of renewable energies under economically viable conditions and improved access to alternative fuels, including waste-based biomass. We support the implementation of reliable frameworks for CCUS and the associated development of infrastructure for the transport and storage of CO_2. We also call for solutions to support a closed-loop circular economy, such as the targeted processing and reuse of construction and demolition waste. In order to create a market for low-emission products, we are in favour of creating green lead markets and developing the necessary internationally compatible standards. We also stress the importance of state funding, which large-scale CCUS projects in particular require during a transition period, as many projects are not yet economically viable at this stage of the transformation.

We have established structures and policies to ensure that our positions are consistent with those of the industry associations in which we are involved. In particular, we want to guarantee that the positions and actions of industry associations are in line with international and European climate protection agreements and the targets set out in our Sustainability Commitments 2030. We therefore publish an annual **Climate Advocacy and Association Review**. Our lobbying activities represent the positions that Heidelberg Materials takes in public.

Dialogue with non-governmental organisations

We value and maintain dialogue with non-governmental organisations (NGOs). As a company, we believe that this contributes to good decision-making on both sides in a complex world. Key topics in the past year again included our targets, measures, and strategies relating to climate protection and the circular economy as well as other environmental issues such as biodiversity and water management, the occupational safety of our employees and contractual partners, aspects of corporate governance, and respect for human rights. As a matter of principle, we respond in a transparent manner to all requests from NGOs and interest groups. We take critical questions as opportunities to inform people about our sustainability activities and enter into dialogue.

Overview of stakeholders

STAKEHOLDER GROUPS	RELEVANT TOPICS	DIALOGUE FORMATS
Employees	Corporate culture and strategy, compliance, occupational health and safety, business performance, Group's new brand identity	Virtual and on-site meetings, works meetings, intranet, social networks, in-house magazines, video messages, training, and e-learning
Investors and analysts	Business performance, Group strategy, portfolio management, sustainability, digitalisation, corporate governance	Annual General Meeting, quarterly conference calls, investor conferences, roadshows, one-to-one and group discussions, Capital Markets Days
Customers	Information on products, solutions, and certifications, innovative and sustainable products, product quality, handling of customer data	Face-to-face meetings, customer events, Sustainability Academies, participation in trade fairs and events, digital services (e.g. online advice)
Suppliers	Supplier contracts, procurement conditions, sustainability in the supply chain, compliance, human rights	Supplier discussions and surveys, supplier days, training on safety and sustainability topics
Local communities	Requests for visits, sponsorship, and information, complaints (e.g. about noise and dust pollution), investment plans, and planned large-scale projects (e.g. relating to CCUS)	Face-to-face meetings, newsletters and guidelines, social media, site visits and open days, establishment of contact offices, holding information and discussion events
Non-governmental organisations	Human rights, climate protection and the protection of resources and the environment, CCUS, occupational safety, corporate governance	Panels and discussion events, answering enquiries, partnerships, plant visits, joint communication measures (e.g. position papers)
Politics and public service	Decarbonisation and sustainability of the building materials industry, energy and climate policy, protection of the environment and resource conservation, infrastructure with a focus on CCUS, the circular economy, quarrying and securing raw materials, sustainable financing, permits	Face-to-face meetings, plant visits, public events and panels organised by associations and organisations, consultations
Universities and research institutions	Research cooperation, scientific exchange	Talks, research projects, participation in professional events, publications, internships, student trainee positions, Quarry Life Award

Materiality topics for a more sustainable future

Materiality analysis

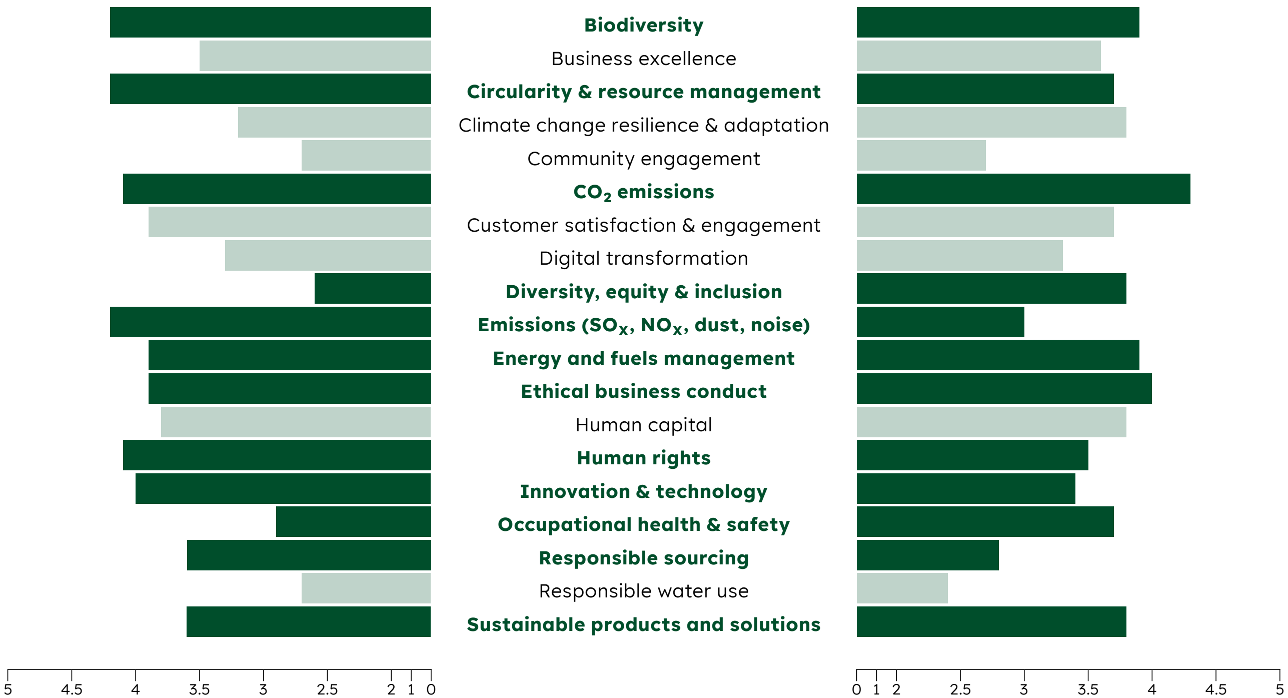
We regularly use a materiality analysis to examine how relevant individual sustainability topics are for different stakeholder groups and for Heidelberg Materials itself. The analysis helps us to identify issues and developments that are important for our business success, or could prove to be important in future, and to assess our impact on the environment and society.

In the 2023 financial year, we carried out an internal validation of the material topics identified in 2022. As part of this process, the Sustainability Reporting Steering Committee and other relevant departments examined four key validation questions. The Steering Committee, consisting of the Sustainability, Finance, and Digitalisation departments, was established in 2022 and serves as a decision-making body for all issues relating to sustainability reporting. The validation questions cover, for example, the effects of acquisitions that could lead to the expansion of business activities or the impact of significant changes at key suppliers or in the supply chain. The answers to these questions did not reveal any significant changes or findings that would have made it necessary to adjust the material topics. The Steering Committee has thus reconfirmed the material topics for 2023.

Presentation on materiality

Impact on the environment and society
Does the business activity of Heidelberg Materials have an impact on this topic? Especially in the context of social and environmental action areas?

Business relevance
Does this topic affect the business activity of Heidelberg Materials from a financial point of view?



Note: The questions were answered on a scale from 0 (no impact) to 5 (very strong impact). The topics are listed in alphabetical order.

The 2022 materiality analysis was based on an online survey and several workshops in which around 200 people participated, including shareholders, employees, investors, customers, suppliers, our management, and representatives of associations. The ESG coordinators in our Group countries were also involved.

The methodology employed in the analysis follows the general principle of double materiality. This approach incorporates both the impact of sustainability topics on business relevance and the impact of entrepreneurial activity on the environment and society. The stakeholders involved in the assessment were presented with both perspectives: the outside-in perspective (the financial influence of the respective topic on the business activities of Heidelberg Materials) and the inside-out perspective (the influence of Heidelberg Materials on the environment and society). The 12 material sustainability topics are highlighted in the **diagram** on page 35.

Investing in a more sustainable future

With the aim of achieving the targets set out in our Sustainability Commitments 2030, we invested €539 million in property, plant and equipment in the 2023 financial year to improve our sustainability performance. The focus is on our strategically important topics, such as the circular economy and reducing CO_2 emissions (see **section Investments**).

Sustainable investments in property, plant & equipment

Net Zero
Building a
net-zero future

- → Reduction of CO_2 emissions
- → Prevention of environmental pollution
- → Alternative fuels
- → Renewable energies

Circular & Resilient
Building a
circular and resilient future

- → Resource efficiency
- → Recycling

Safe & Inclusive
Building a
safe and inclusive future

- → Education
- → Local infrastructure
- → Occupational Health & Safety
- → Wellbeing

Nature Positive
Building a
nature positive future

- → Biodiversity
- → Water

€
539
million

Our Sustainability Commitments 2030

see chapter Net Zero

see chapter Safe & Inclusive

see chapter Circular & Resilient

see chapter Nature Positive

The world needs smart, sustainable, and resilient infrastructure, buildings, and public spaces. Challenges like climate change and resource limitations mean that the production and use of heavy building materials must evolve. At Heidelberg Materials, we are transforming our business to address these challenges and placing social considerations at the core of what we do alongside sustainable corporate governance and environmental responsibility.

Our **Sustainability Commitments 2030** support our vision to build a more sustainable future. They embrace the following topic areas: Net Zero, Circular & Resilient, Safe & Inclusive, and Nature Positive.

→ We drive the **decarbonisation of our sector** and provide low-carbon products.

→ We drive **circularity** to reduce and reuse materials and natural resources.

→ We place the **health** and **wellbeing of employees**, communities, and suppliers at the core of our business operations.

→ We contribute to a nature positive world through our industry-leading **biodiversity programme** and **sustainable water management**.

We continuously monitor the achievement of our sustainability commitments. The following **overview** shows the progress made towards our targets as at the end of the financial year 2023.

Building a net-zero future

		2023	Target 2030
CO_2 & Energy	Reduce our net Scope 1 emissions to 400 kg per tonne of cementitious material	534 kg CO_2/t cementitious material	400 kg CO_2/t cementitious material
	Reduce our total CO_2 footprint according to the SBTi 1.5 °C pathway		
	Gross Scope 1 (-24% per tonne of cementitious material vs. 2020)	-7%	-24%
	Gross Scope 2 (-65% per tonne of cementitious material vs. 2020)	-3%	-65%
	Scope 3 (-25% in absolute emissions from purchased cement and clinker vs. 2020)	-12%[1)]	-25%
	Capture 10 million tonnes of CO_2 cumulatively through our CCUS projects	0 m tonnes	10 m tonnes
Additional Emissions	Reduce sulphur and nitrogen oxide emissions (SO_X and NO_X) by 40% compared with 2008		
	NO_X	-24%	-40%
	SO_X	-36%	-40%
Sustainable Revenue	Achieve 50% of our revenue from sustainable products that are either low-carbon or circular		
	CEM	39%	50%
	All business lines	35%	50%

Building a safe and inclusive future

		2023	Target 2030
Diversity, Equity & Inclusion	Ensure that 25% of leadership positions are filled by women	18%	25%
Occupational Health & Safety	Achieve zero fatalities and	1	0
	reduce lost time injury frequency rate (LTIFR) by 50% compared with 2020	+7%	-50%
Community Engagement	100% of our sites have community engagement plans	25%	100%
	All employees are offered one day per year of paid leave for voluntary community work	Policy and procedure validated	
Sustainable Suppliers	80% of critical suppliers spend confirmed with a green ESG rating	53%	80%

Building a circular and resilient future

		2023	Target 2030
Circularity	Offer circular alternatives for 50% of our concrete products – aiming for full coverage	Policy validated, data collection in progress	50%
Sustainable Revenue	Achieve 50% of our revenue from sustainable products that are either low-carbon or circular		
	CEM	39%	50%
	All business lines	35%	50%

Building a nature positive future

		2023	Target 2030
Biodiversity	100% of active quarries contribute to the global goal of nature positive, with 15% space for nature	Data collection in progress	100%
Water	100% of sites in water-risk areas implement:		
	AGG: water management plans	5%	100%
	water recycling systems	60%	100%
	CEM: water management plans	8%	100%
	water recycling systems	82%	100%

1) Calculation is based on retrospectively adjusted baseline for 2020. Heidelberg Materials will review a target adjustment.

Net Zero

Building a net-zero future

Reduction of our specific net Scope 1 emissions

Alternative fuel mix

29.9%

Alternative fuel rate

Successfully increased from 3% since 1990, target: 45%.

Our Commitment

Our Sustainability Commitments 2030

50% **Group revenue**

We achieve 50% of our revenue from **sustainable products** that are either low-carbon or circular.

1.5°C

We are **reducing** our total **CO_2 footprint** according to the SBTi 1.5°C pathway.

10 MT CO_2 EMISSIONS

captured by 2030 through our already launched **CCUS projects**.

–40% **compared with 2008**

reduction of sulphur and nitrogen oxide **emissions** (SO_x und NO_x) by 2030.

Our path to net zero

Concrete is essential for the infrastructure of the future. It is durable, fully recyclable, and produced locally. Given its resistance to extreme weather events such as floods and severe storms, it plays an important role in mitigating climate change. Since concrete is also inexpensive to manufacture, it can provide even emerging countries with a solid infrastructure at a reasonable cost.

Nevertheless, the production of cement, the “binder” in concrete, is very CO_2-intensive. Therefore, the building materials industry is one of the biggest producers of carbon dioxide emissions. As a technology leader, we are playing a pioneering role in the decarbonisation of our industry and doing our part to limit the rise in worldwide temperature to below 1.5°C.

However, during the global stocktake at the 28th UN Climate Change Conference in December 2023, it was noted that the current trajectory of emission reduction pathways is not on track to meet the targets of the Paris Agreement. Therefore, further action will be needed to keep the 1.5°C target within reach and tackle the climate crisis.

Reducing our own CO_2 emissions is our biggest lever in the fight against climate change. We aim to almost halve our carbon footprint by 2030 compared with 1990 levels and achieve **net-zero emissions** by 2050 at the latest. At the beginning of 2023, the Science Based Targets initiative (SBTi) validated Heidelberg Materials’ 2030 CO_2 reduction targets in accordance with its 1.5°C roadmap for the cement industry. Our commitments to the SBTi are consistent with our stated target to reduce specific net CO_2 emissions to 400 kg per tonne of cementitious material by 2030.

We are also working hard to achieve net zero by 2050 at the latest. In doing so, we are taking the entire value chain into account, from raw materials to reuse. We submitted our net-zero target to SBTi for validation in February 2024.

To underscore the strategic relevance of our climate protection targets, the reduction of Heidelberg Materials’ CO_2 emissions has been anchored in the remuneration of the Managing Board and the majority of bonus-eligible employees worldwide.

Reduce and reuse: closing the carbon and material loops

Net-zero products

Lengfurt CCU: CO_2 as a valuable raw material

Brevik CCS: our milestone CO_2 project

Circular products

Concrete containing recycled aggregates

CO_2 mineralisation in building materials

Products using less material

Special mortar for 3D-concrete printing

Ultra-high-performance concretes (UHPCs)

Carbon-reduced products

Substituting clinker with fly ash

Substituting clinker with calcined clay

Focus on CO_2 reduction and circularity

Our reduction strategy is based on solid measures at plant and product levels, the implementation of which is well underway. In the cement industry, however, we are faced with the challenge that around two thirds of direct emissions come from the calcination of limestone into cement clinker during the burning process in the cement kiln. These process emissions have been unavoidable up to now. Where conventional solutions fail, we rely on innovation and key technologies, such as the capture of CO_2 from the production process.

We are **optimising the product mix**, making **process improvements** such as maximising the use of alternative fuels and switching to electricity from renewable energy sources, and investing in plant efficiency.

Innovative **carbon capture, utilisation, and storage (CCUS)** technologies are a key component of our climate strategy. With Heidelberg Materials' already launched CCUS projects alone, we aim to cut our carbon emissions by 10 million tonnes cumulatively by 2030.

Through our **investments towards a circular economy**, we will also make a decisive contribution to the long-term reduction of CO_2 emissions. Among other things, we are working intensively on innovative processes for the specific processing of concrete parts, their recarbonisation, and their reuse in concrete as a building material.

In addition to our own production operations, we also consider the supply chain when it comes to reducing our CO_2 emissions (see **chapter Responsible procurement**). By joining the **First Movers Coalition**, we are also recognising our responsibility as a purchaser of green products and services.

Non-financial statement

evoZero®: the future of construction

Carbon capture and storage (CCS) has the potential to fundamentally change cement production and will set entirely new standards when it comes to reducing CO_2. At Heidelberg Materials, we laid the foundations at an early stage with our pioneering Brevik CCS project. The world's first industrial-scale carbon capture facility at a cement plant is currently under construction in Brevik, Norway.

Once it is operational, we will be able to offer our customers in Europe the world's first carbon captured net-zero cement, which we launched under the new evoZero® brand at the end of 2023.

evoZero will be available in two versions. evoZero Carbon Captured Brevik will be delivered directly from Brevik, achieving its net-zero carbon footprint over its entire life cycle. Customers from other European countries can opt for evoZero Carbon Captured, which will be delivered from nearby plants, with the CO_2 savings realised in Brevik being taken into account. evoZero Carbon Captured features a net-zero carbon footprint upon delivery.

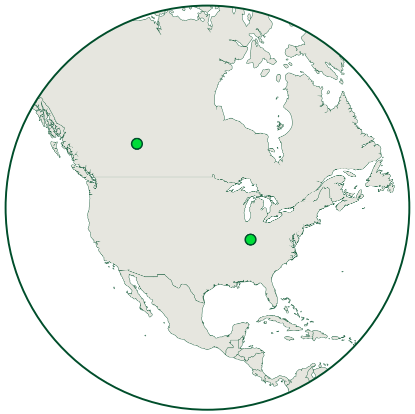
The carbon capture attributes are transparent and traceable. Using blockchain technology, we ensure that each tonne of captured CO_2 is only accounted for once. When purchasing evoZero, a precisely verifiable amount of CO_2 savings is assigned to the product. Based on well-established principles such as mass-balancing and book-and-claim, the carbon capture and emission accounting methodology has been reviewed by a third-party verifier.

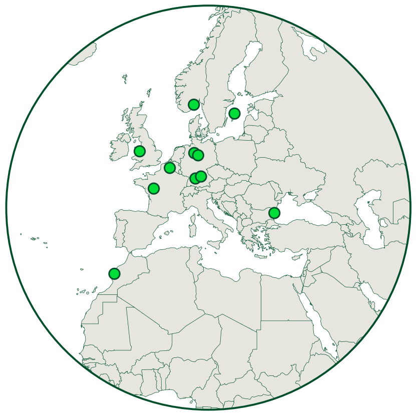
Since CCS technology does not change the chemical composition and performance of the cement, evoZero is suitable for all kinds of applications. We will therefore be able to offer our entire local cement portfolio as evoZero.

www.evozero.com

Our CCUS project portfolio

Through our CCUS projects, we aim to reduce our CO_2 emissions by 10 million tonnes cumulatively by 2030.





CC
Our **carbon capture** projects centre on capturing high-purity CO_2 from the clinker production process.

CCS
Carbon capture and storage refers to storing captured CO_2 permanently and safely in suitable geological formations.

CCU
In our **carbon capture and utilisation** activities, we focus on the use of captured CO_2 for applications such as the production of synthetic fuels, the cultivation of microalgae, or the recarbonation of recycled concrete.

CCUS
Our carbon capture, utilisation, and storage projects cover the entire value chain – from capture, transport, and storage to utilisation of the captured CO_2.

2024[1)]

CCS
Brevik, Norway
Capacity: 400 kt CO_2 p.a.

CC
Devnya, Bulgaria
OxyCal pilot

2025[1)]

CC
Mergelstetten, Germany
Oxyfuel pilot

CCU
Lengfurt, Germany
Capacity: 70 kt CO_2 p.a.

2026[1)]

CC
Ennigerloh, Germany
LEILAC 1: finalised
LEILAC 2: engineering
Capacity: 100 kt CO_2 p.a.

CCUS
Edmonton, Canada
Capacity: >1 mt CO_2 p.a.

CCU
Safi, Morocco
Upscaling capacity

2028[1)]

CCS
Padeswood, UK
Capacity: 800 kt CO_2 p.a.

CCUS
Devnya, Bulgaria
Capacity: 800 kt CO_2 p.a.

2029[1)]

CCUS
Antoing, Belgium
Capacity: 800 kt CO_2 p.a.

CCS
Geseke, Germany
Capacity: 700 kt CO_2 p.a.

2030[1)]

CCS
Slite, Sweden
Capacity: 1.8 mt CO_2 p.a.

CCUS
Mitchell, Indiana, USA
Capacity: 2 mt CO_2 p.a.

CCS
Airvault, France
Capacity: 1 mt CO_2 p.a.

1) Dates refer to the expected start of operation, depending on various factors incl. funding approvals.

Brevik, Norway: Brevik CCS
CCS | 2024 | 400 kt CO_2 p.a.

↗ **Amine technology**

In Brevik, Heidelberg Materials is building the world's first industrial-scale carbon capture and storage (CCS) facility at a cement plant. Thanks to the clear support of the government, social acceptance of CCS technology in Norway, and successful cooperation with the authorities, the project is now at an advanced stage. We anticipate mechanical completion by the end of 2024. The absorber, in which CO_2 will be separated from the flue gas flow, was installed in the third quarter of 2023. The tanks for temporary storage of the CO_2 prior to transport have also already been constructed.

Mergelstetten, Germany: catch4climate
CC | 2025

↗ **Oxyfuel pilot**

Together with three other European cement manufacturers, Heidelberg Materials is participating in a research project to construct an oxyfuel kiln line. Alongside Buzzi/Dyckerhoff, Schwenk, and Vicat, Heidelberg Materials aims to create the necessary conditions for the large-scale use of low-energy, cost-effective carbon capture technologies at cement plants. A semi-industrial-scale demonstration plant is currently under construction on the site of the Mergelstetten cement plant. In addition to testing the pure oxyfuel technology, some of the CO_2 obtained will be used to manufacture climate-neutral synthetic fuels, such as kerosene for aviation.

Ennigerloh, Germany: LEILAC
CC | 2026 | 100 kt CO_2 p.a.

↗ **Direct separation**

The EU-funded LEILAC (Low Emissions Intensity Lime And Cement) project, in which Heidelberg Materials is one of the strategic partners, aims to demonstrate the technical and economic feasibility of process technology designed to capture CO_2 in its purest form when it is released as the raw material is heated. Following the successful completion of process trials in Lixhe, Belgium, the LEILAC technology is now being transferred to industrial scale. In collaboration with Australian technology company Calix and a European consortium, Heidelberg Materials will now build a facility four times as large at the Ennigerloh plant in Germany.

Devnya, Bulgaria: ANRAV.beta
CC | 2024

↗ **OxyCal pilot**

A pilot carbon capture installation is currently under construction at Heidelberg Materials' plant in Devnya. It will be a key proof of concept for the company's first full-chain carbon capture, utilisation, and storage (CCUS) project in Eastern Europe. The unit has been designed to prove not only the efficiency of the new OxyCal capture technology, but also its scalability to ANRAV CCUS and other projects. Construction of the pilot unit is expected to take just a few months, with the subsequent demonstration phase scheduled to last 12 to 24 months.

Lengfurt, Germany: Cap2U
CCU | 2025 | 70 kt CO_2 p.a.

↗ **Amine technology**

As part of a joint venture, Heidelberg Materials and Linde aim to put the world's first industrial-scale CCU facility in the cement industry into operation at the Lengfurt cement plant in 2025. The facility will enable the captured CO_2 from cement production to be reused as a valuable raw material in manufacturing applications. Due to its purity, the processed gas will be suitable for use in both the food and chemical industries.

Edmonton, Canada
CCUS | 2026 | >1 mt CO_2 p.a.

↗ **Amine technology**

At our cement plant in Edmonton, we are developing North America's first industrial-scale carbon capture, utilisation, and storage solution in the cement industry. In the future, we intend to capture CO_2 from the cement kiln and the connected combined heat and power (CHP) plant. Heidelberg Materials and Enbridge Inc. will collaborate on a pipeline-based transport and storage solution for the captured CO_2. A detailed FEED study is being carried out before the final investment decision is made.

Safi, Morocco
2026

At our Safi cement plant in Morocco, we are running a large-scale research and demonstration project using CO_2 captured from the cement kiln to cultivate microalgae for the production of fish food and other animal feed. We currently produce approximately 25 tonnes of dried microalgae annually on 0.5 hectares of land in Safi. The algae farm is operated by a local team. We launched the first product on the market in 2023. Based on market interest, the plan is to gradually expand capacity by 2026.

Devnya, Bulgaria: ANRAV
CCUS | 2028 | 800 kt CO_2 p.a.

↗ **Hybrid OxyCal-amine technology**

ANRAV aims to be the first full-chain CCUS project in Eastern Europe. It will connect carbon capture facilities at the Bulgarian cement plant of Heidelberg Materials' subsidiary Devnya Cement near Varna with offshore storage sites under the Black Sea via a pipeline system. The project is carried out jointly with the oil and gas company Petroceltic. The EU Innovation Fund will support Heidelberg Materials and Petroceltic with financing of around €190 million, supplementing the substantial contributions made by both partners.

Geseke, Germany: GeZero
CCS | 2029 | 700 kt CO_2 p.a.

↗ **Oxyfuel technology**

Heidelberg Materials' GeZero project in Geseke will be supported by the EU Innovation Fund. GeZero will model a solution for inland industrial sites that are not in close proximity to the coast or a waterway. The project also includes a transport solution to bridge the gap until the necessary pipeline infrastructure is available. The facility is scheduled to go into operation in 2029. Once captured, the CO_2 will be transported to a distribution hub in Wilhelmshaven and from there to offshore storage sites in the North Sea.

Padeswood, UK: Padeswood CCS
CCS | 2028 | 800 kt CO_2 p.a.

↗ **Amine technology**

We are planning a carbon capture facility at our Padeswood cement plant. In cooperation with the government-sponsored HyNet North West consortium, it will be connected to the proposed CO_2 transport and storage system. This project will be implemented using hydrogen as an energy source. A feasibility study has been conducted to establish a clear basis for planning and provide a cost estimate for the next phase. In March 2023, the project qualified for funding from the UK Department for Energy Security and Net Zero, and detailed planning has begun.

Antoing, Belgium: Anthemis
CCUS | 2029 | 800 kt CO_2 p.a.

↗ **Hybrid OxyCal-amine technology**

Heidelberg Materials plans to equip its cement plant in Antoing, Belgium, with an innovative hybrid carbon capture unit. The second-generation OxyCal concept combines the oxyfuel and amine capture technology in one unit that does not require an additional preheater tower. This reduces the amount of structural steel and concrete required, considerably improving the resource efficiency of the system. Once operational, the technology will reduce CO_2 emissions from Antoing by more than 97%.

Slite, Sweden: Slite CCS
CCS | 2030 | 1.8 mt CO_2 p.a.

↗ **Amine technology**

By 2030, we plan to develop a completely decarbonised cement plant at our site in Slite on the island of Gotland. The facility will be designed to capture up to 1.8 million tonnes of CO_2 per year, equivalent to the plant's total emissions. In addition, the use of biobased fuels will be increased. After a feasibility study addressed questions concerning technology choices, environmental impact, legal aspects, financing, logistics, and energy supply, the project has now entered a more detailed engineering phase. The aim is to transport the captured CO_2 to a storage site below the North Sea.

Mitchell, Indiana, USA
CCUS | 2030 | 2 mt CO_2 p.a.

In the project in Mitchell, 95% of the CO_2 emissions from the recently modernised production facility will be captured and stored in a nearby onshore reservoir in the Illinois Basin. A feasibility study is being carried out at the site to advance the carbon capture project. In addition to evaluating the cost and performance of the overall project, the study will examine social, economic, and environmental impacts. Funding for the study has been granted by the US Department of Energy.

Airvault, France: AirvaultGOCO_2
CCS | 2030 | 1 mt CO_2 p.a.

The AirvaultGOCO_2 project is part of the large-scale GOCO_2 initiative to capture and transport CO_2 from industrial sources and decarbonise the West of France. The CO_2 captured in Airvault will be transported by pipeline to the port of Saint-Nazaire, liquefied and then transported by ship to storage under the North Sea. The biogenic part of the captured CO_2 will be used by a third party in Saint-Nazaire for the production of e-fuels, which are essential for sustainable transport by air and sea. The aim is to capture the first tonnes of CO_2 in 2030.

Funded by the European Union
Emissions Trading System
Innovation Fund

Funding programme for climate protection technologies

EU Innovation Fund backs GeZero and ANRAV

In order to further develop and disseminate CCUS technology within our sector, we need a framework that includes funding opportunities and regulatory support. Grant agreements with the EU Innovation Fund were successfully concluded in 2023 for two Heidelberg Materials CCUS projects.

The EU Innovation Fund focuses on flagship projects with European added value that lead to significant emission reductions. In January 2023, a grant agreement was signed in Brussels for Heidelberg Materials' innovative ANRAV CCUS project, which aims to not only decarbonise our company in Bulgaria, but also provide opportunities for the whole region. In 2023, we also signed the GeZero funding agreement for the establishment of an innovative CCS value chain at the Geseke location in Germany. In both cases, the funding complements significant own investments by Heidelberg Materials.

The successful conclusion of both funding agreements demonstrates the relevance of the projects for the decarbonisation of our sector, and the trust that European authorities place in our approach. Once initiatives such as ANRAV and GeZero start operations, these plants will also be able to deliver carbon captured net-zero cement and clinker to customers.

CO_2 reporting

According to the Greenhouse Gas (GHG) Protocol Corporate Standard, a company's greenhouse gas (GHG) emissions are classified into three scopes. We report our emission data in line with our obligation towards the Global Cement and Concrete Association (GCCA).

1

Scope 1: Direct emissions from owned or controlled sources, such as from kiln combustion of fuels related to cement clinker production; burning of carbonate rock such as limestone (calcination); combustion of non-kiln fuels (e.g. hot gas generators, dryers), combustion of fuels for on-site power generation and of the carbon contained in wastewater; fuel consumption of the vehicle fleet.

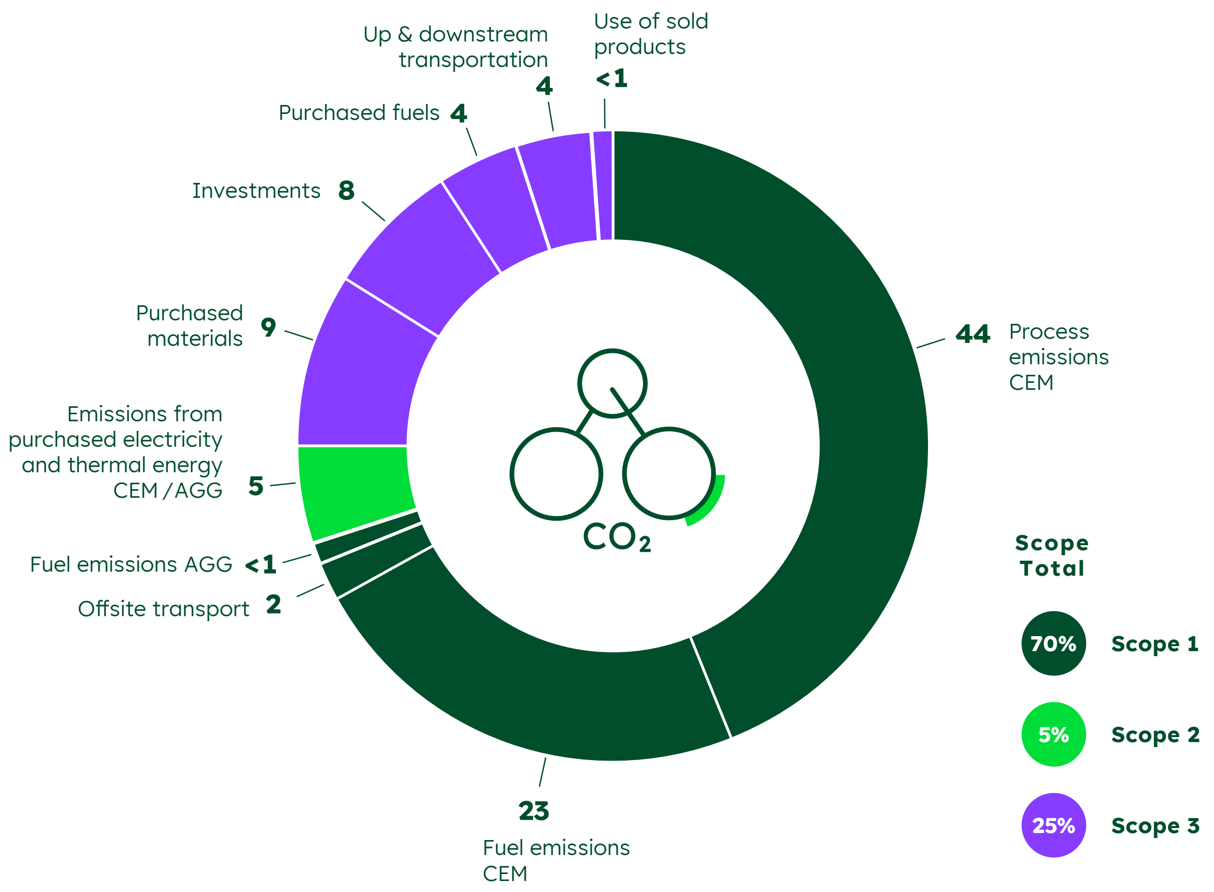
2

Scope 2: Indirect emissions from the generation of energy, e.g. electricity and heat that a company procures/purchases from third parties and the production and transportation of which emits CO_2.

3

Scope 3: All other indirect emissions from a company's activities from sources not owned or controlled by the company. At Heidelberg Materials, these are: purchased materials and fuels (purchased clinker, raw materials, cement constituents, cement), upstream and downstream transportation (by truck, rail, vessel), use of sold products and investments.

CO_2 split across scopes (in %)



Gross emissions are all direct GHG emissions excluding the emissions from pure biomass and the biogenic carbon content of mixed fuels and minus the emissions from on-site power production.

Net emissions equal gross emissions minus emissions from alternative fossil fuels and non-biogenic content of mixed fuels and minus emissions for external heat transfer.

Climate risks and scenarios

The risks of climate change have moved sharply into focus, not least due to an increase in extreme weather events and new climate records. Heidelberg Materials has been analysing climate-related opportunities and risks for many years, including in the context of Task Force on Climate-related Financial Disclosures (TCFD) reporting. In this process, we differentiate between the physical impacts of climate change and the impacts resulting from the transformation of the economy towards a low-carbon model (transition risks). We use climate scenarios for this purpose.

Climate scenarios are models or representations of future climatic developments based on various assumptions and parameters. They are used to investigate possible developments of the climate system and to predict their impacts on the environment, society, and the economy. Climate scenarios facilitate a better understanding of the risks and opportunities of climate change and make it possible to plan policy decisions as well as adaptation and mitigation strategies. They provide insights into possible changes in temperature and precipitation, sea level rise, extreme weather events, and other climate-related trends that are critical when it comes to planning and developing strategies to manage climate change.

Climate scenarios have been steadily refined by climate scientists in recent decades. As a result, Heidelberg Materials switched from Representative Concentration Pathways (RCP) scenarios to Shared Socioeconomic Pathways (SSP) scenarios in 2023. SSP scenarios focus on global social, demographic, and economic changes. SSP1 is based on achieving the Paris Agreement's 1.5 °C target, SSP2 is a moderate scenario, and SSP5 is a scenario based on the continued use of fossil fuels.

SSP scenarios

Scenario	Characteristics	Estimated global warming		Likely temperature range
		2041–2060	2081–2100	2081–2100
SSP1-1.9	Low greenhouse gas emissions, CO_2 emissions reduced to net zero by 2050	1.6 °C	1.4 °C	1.0–1.8 °C
SSP2-4.5	Medium-high greenhouse gas emissions, CO_2 emissions will remain at current level until 2050, then decline but will not reach net zero	2.0 °C	2.7 °C	2.1–3.5 °C
SSP5-8.5	Very high greenhouse gas emissions, CO_2 emissions triple by 2075	2.4 °C	4.4 °C	3.3–5.7 °C

Physical risks

Physical climate risks are divided into acute and chronic risks. While acute risks arise from extreme weather events, for example, chronic risks develop gradually, such as the rise in average temperatures.

There are significant geographical variations in climate risks within the Group countries. The impact of extreme weather scenarios, such as floods or droughts, can lead to damage to our production sites, interrupt the supply to our customers, or have adverse effects on the supply of upstream products to our operating units.

Based on the SSP scenarios, we analysed our global exposure to material climate risks and assessed them over different time periods using a third-party tool. Based on the proportion of assets that are particularly exposed to the respective risks, we have classified the risks as low, medium, and high. Missing dots in the graph indicate that no specific assessment is available.

Precipitation stress and heat stress are thus among the principal chronic climate risks, while flooding is the most significant acute risk. For the period up to 2030, the picture remains largely unchanged, but the risk exposure to drought increases significantly.

Depending on the scenarios under consideration, the proportion of locations subject to climate risks rises over the periods up to 2040 and 2050. In terms of drought stress, for example, there are significant differences between the moderate SSP2 scenario and the SSP5 scenario, which is based on the continued use of fossil fuels. The modelling for SSP5 indicates that our risk exposure would double. Similar developments would also be forecast for other chronic climate risks such as heat stress and precipitation stress. According to the scenarios, our locations in Asia and Africa in particular would suffer from drought and heat if greenhouse gas concentrations increase, while more northerly regions, such as North America and Europe, would be more severely affected by precipitation stress.

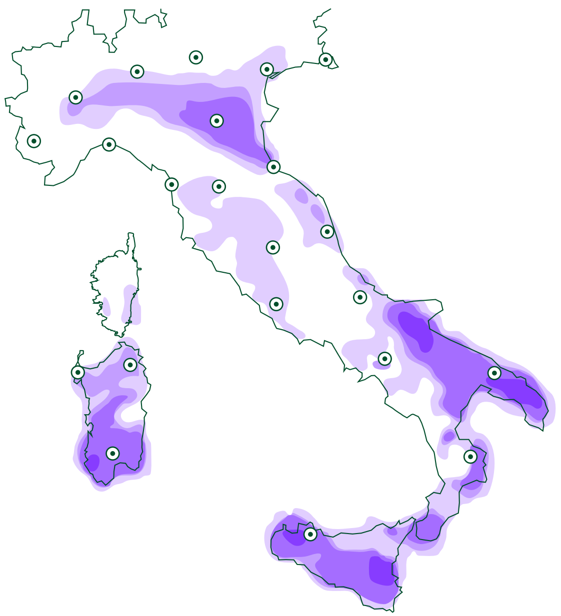
If we analyse the periods up to 2040 and 2050 for acute risks such as tropical cyclones and river flooding, these remain largely stable. While the former occur naturally in Africa, Asia, and Australia in particular, the risk of flooding tends to affect the northern hemisphere. The relative stability of the acute risks also reveals that the effects of climate change are already impacting us today.

Group-wide physical climate risks scenario analysis

		SSP1			SSP2			SSP5		
Risk	Current	2030	2040	2050	2030	2040	2050	2030	2040	2050
Acute										
Tropical cyclone	low				low		low	low		low
River flood	low				low		low	low		low
Chronic										
Fire weather	low	low	low	low	low	low	low	low	low	medium
Drought stress	low				low	medium	medium	medium	medium	high
Heat stress	medium	medium	medium	medium	medium	medium	medium	medium	medium	medium
Precipitation stress	medium	medium	medium	medium	medium	medium	medium	medium	medium	medium
Cold stress	medium	medium	medium	medium	medium	medium	medium	medium	medium	medium

● low ● medium ● high

Exemplary risk exposure for heat stress in Italy



The example of Italy shows how the risk of heat stress changes over different time periods. Heat stress can have a serious impact on the health of employees. Risk mitigation measures are therefore already being taken, such as reorganising shifts to minimise heat stress and giving employees training on risks and how to cope with heat. The overview of our locations in the graph is an abstract representation.

Transition risks

Transition risks comprise the impacts arising from the transition – or lack of transition – to a more climate-friendly economy and society. These risks are divided into different categories, such as policy and legal, market, and reputational risks. The magnitude and nature of the risks for Heidelberg Materials also depend on future developments and can be analysed using the above-mentioned SSP scenarios, as described below.

The scenarios and assessments described do not represent conclusive findings for Heidelberg Materials. The **scenario analysis** is based on current assumptions that may or may not materialise. The scenarios may be influenced by additional factors that go beyond the assumptions taken into consideration. Many of the factors listed are already actively managed by Heidelberg Materials in order to strengthen the company's resilience. These include our efforts to increase resource efficiency and investments in circularity, the use of renewable energies, and, in particular, our projects for carbon capture, utilisation, and storage. You can find out more about our contribution to combatting climate change in the **chapters Building a net-zero future**, **Building a circular & resilient future**, and **Our CCUS project portfolio**.

Impacts of selected climate scenarios on Heidelberg Materials[1)]

The best-case scenario: "The 1.5°C Pathway" SSP1-1.9

Description: The world gradually shifts towards a more sustainable path, which emphasises more inclusive development that respects planetary boundaries. Management of the global commons slowly improves, education and health investments accelerate the demographic transition, and the emphasis on economic growth shifts towards a broader emphasis on human well-being. Consumption is increasingly oriented towards low material and energy consumption. Greenhouse gas emissions will decrease radically by 2030 and then decline significantly by the end of the 21st century. Internationally coordinated adaptation mechanisms exist to balance the diverse global impacts on individual regions.

Impact: Under the SSP1 climate scenario, Heidelberg Materials would be confronted with a changing business environment characterised by tighter regulations such as stricter controls on CO_2, a focus on sustainability, and changing consumer preferences. To be successful in this scenario, Heidelberg Materials needs to invest in sustainable technologies such as CCUS. The use of resources must be optimised across the Group, and the Group's own emissions must be reduced as quickly as possible. Products and services need to be adapted with a view to sustainability and circularity in order to meet the demands of a more inclusive and environmentally aware market. If this adaptation process is successful, the Group stands to gain a competitive advantage, including access to new and emerging markets. At the same time, its vulnerability to future price increases for fossil fuels and carbon allowances will decrease, which also has the potential to reduce operating costs. In addition, Heidelberg Materials should further strengthen its reputation with regard to sustainability and social responsibility through credible measures.

The most-likely scenario: "Middle of the Road" SSP2-4.5

Description: The trend to date (based on 2022) continues into the future. Development and income growth proceed unevenly, with some countries making relatively good progress while others fall short of expectations. Greenhouse gas emissions peak around 2040 and will be halved by the end of the 21st century. The lack of international cooperation means that there is no effective mechanism for managing loss and damage caused by the effects of climate change. Countries can only protect themselves from potentially existential risks by supporting each other. Global population growth is moderate and levels off in the second half of the century.

Impact: The SSP2 climate scenario anticipates a future of slow progress towards achieving the Sustainable Development Goals, environmental degradation, and income inequality. The company's resilience will need to be further strengthened in the face of these significant challenges. The scenario requires Heidelberg Materials to navigate a challenging social and competitive environment characterised by evolving regulations, resource scarcity, and changing market demand for sustainable products. Changing political conditions may lead to increased operating costs and even the shutdown of plants. Resource efficiency, on the other hand, has the potential to reduce operating costs. Increased revenue from access to new and emerging markets are offset by lost revenue due to falling demand for conventional products. Adaptation and innovation in terms of CO_2 reduction and circularity, for example, will be key to Heidelberg Materials' survival and ability to unlock competitive advantages.

The worst-case scenario: "The Fossil Pathway" SSP5-8.5

Description: Social and economic development is based on the increased exploitation of fossil fuel resources with the adoption of energy-intensive lifestyles worldwide. There is little acceptance of renewable energies. The global economy grows rapidly, and population growth also peaks. This leads to a sharp increase in greenhouse gas concentrations in the atmosphere, and the rise will continue until the end of the 21st century. The climatic changes are very severe. An effective mechanism for managing climate-related risks beyond the limits of adaptation enables many countries to (at least partially) implement the necessary and often transformative adaptation measures. Internationally coordinated compensation mechanisms exist for loss and damage caused by climate change for which proactive adaptation measures are no longer effective.

Impact: The SSP5 climate scenario's impacts on Heidelberg Materials include risks to business operations due to extreme weather events and changing weather patterns. Changing political conditions may lead to increased operating costs and even the shutdown of plants. Lower resource efficiency also contributes to higher operating costs. Furthermore, the company is highly vulnerable to price increases for fossil fuels and carbon allowances. Acting sustainably and investing in the resilience of its locations would help to mitigate these risks and ensure the long-term profitability of the company. The scenario would thus require Heidelberg Materials to adapt to a changing regulatory and market landscape and bring its own products and services in line with sustainability criteria. This will require corresponding investments, but will be necessary in order to continue to gain acceptance among customers and investors and potentially bring about broader systemic changes.

1) See Kreienkamp et al. (2022): Empfehlungen für die Charakterisierung ausgewählter Klimaszenarien

Scenario analysis – climate transition risks and opportunities

Transition subject	Timeframe	Best case "The 1.5°C Pathway" SSP1-1.9		Most likely "Middle of the Road" SSP2-4.5		Worst case "The Fossil Pathway" SSP5-8.5	
		Transition risks	Transition opportunities	Transition risks	Transition opportunities	Transition risks	Transition opportunities
Policy and legal							
Price of GHG emissions, emissions-reporting obligations, regulation of products and services	2030	●	●	●	●	●●	
	2040	●●	●●	●●	●	●●●	
	2050	●●	●●	●●	●	●●●	
Resource efficiency							
Production & distribution processes, building/recycling, modes of transport	2030	●	●●	●	●●	●●	●
	2040	●	●●●	●	●●	●●	
	2050	●	●●●	●	●●	●●●	
Technology							
Change in products and services, investment in new technologies, carbon footprint of new technologies	2030	●●	●●	●	●	●	
	2040	●	●●		●		
	2050		●●●		●●		●
Energy source							
Emissions, policy incentives/carbon markets, decentralised energy generation	2030	●	●●		●		
	2040		●●●		●		
	2050		●●●	●	●	●	
Markets							
Customer behaviour, cost of raw materials, new markets	2030	●●	●●	●	●	●●	●
	2040	●	●●		●	●●	●
	2050		●●●		●●	●●	●
Reputation							
Sector image, stakeholder concern/feedback, consumer preferences	2030	●	●●	●●	●	●●	
	2040	●	●●●	●●		●●	
	2050		●●●	●		●●●	
Products and services							
Carbon footprint of goods and services, climate adaption, portfolio of business activities	2030	●	●●	●	●	●●	
	2040	●	●●	●	●	●●	
	2050		●●●			●●●	●
Resilience							
Renewable energy, adoption of energy-efficency measures, resource substitutes/diversification	2030	●	●	●	●	●●	●
	2040	●	●●	●		●●	
	2050		●●●	●●		●●●	

● **Transition risks:** financial risks that arise from efforts to transition to a lower-carbon economy

● **Transition opportunities:** potential positive financial effects arising from climate change for an entity

● low ●● medium ●●● high

Circular & Resilient

Building a circular and resilient future

Sustainable revenue

With **sustainable products,** we are already achieving

35%

of our revenue.

Our Commitment

Our Sustainability Commitments 2030

50%

revenue

We achieve **50% of our revenue from sustainable products** that are low-carbon, circular, or both.

50%

circular alternatives

We offer **circular alternatives for 50% of our concrete products** – aiming for full coverage.

Circularity

Circularity is the compatibility of a material flow (e.g. materials or products) with the principle of circular economy.

Strong brands for sustainable products

evozero
evoBUILD

CO_2 reduction and **circularity** form the basis of our new **evoZero®** and **evoBuild®** brands, which we will use to market our sustainable products worldwide.

Circular economy

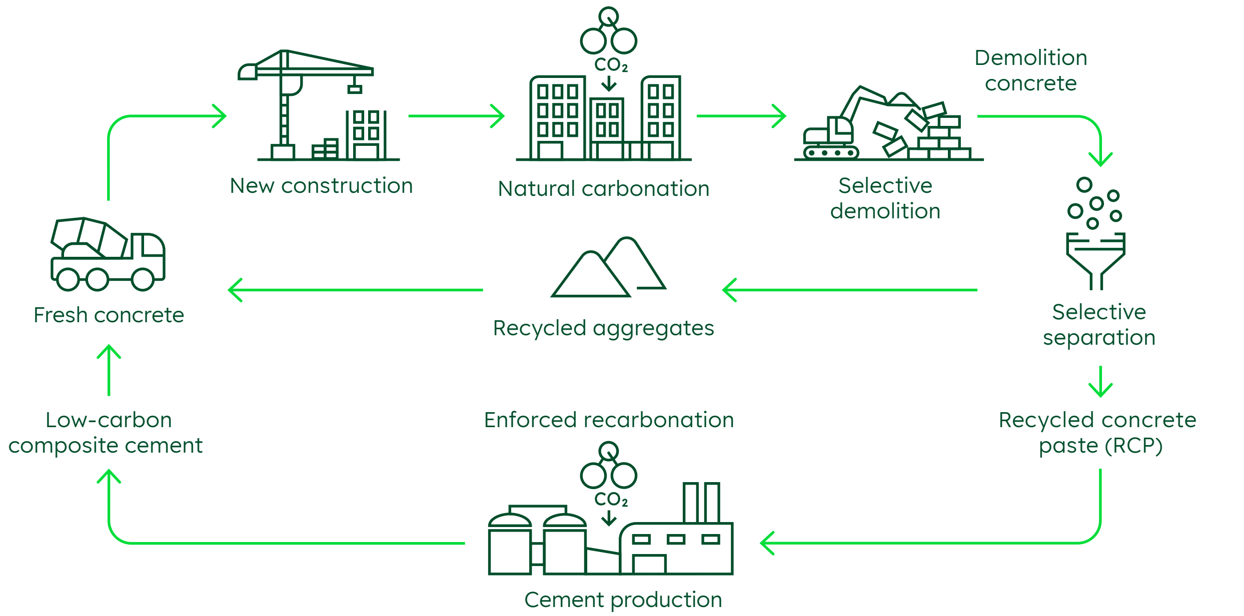
Leading the way in the circular economy

Increasing the circularity of our products is a key component of our sustainability strategy and an imperative given the increasing demand for housing and infrastructure, coupled with the limited availability of raw materials. Concrete is fully recyclable – which means our industry can have a big impact. Through resource efficiency, co-processing of waste products, and concrete recycling, we want to contribute to a functioning circular economy.

Heidelberg Materials is strengthening circularity along the entire value chain. We also see the increasing importance of resource efficiency and closed material cycles as an opportunity to develop new business models and drive sales of sustainable products. Through our subsidiaries, we are already active in the recycling business in several countries and are working on the targeted processing of concrete components, as well as their recarbonation and reuse in concrete as a building material. As part of this, we are investigating the use and reuse of all rock fractions that are produced in the recycling process.

By 2030, we want to offer circular alternatives for 50% of our concrete products. This will allow us to conserve virgin resources and meet our customers' increasing demand for sustainable building materials in the future. Building material recovery and concrete recycling will make a significant contribution here and are crucial to us achieving our sustainability targets.

Transforming demolition material into a raw material source



Using recycled materials to conserve resources

Demolition concrete is still partly disposed of at landfill sites today or is often used in road construction for compaction or as a frost protection layer. This does not do justice to the building material's value-adding potential or its complex, energy-intensive production process. More can be achieved through recycling.

On the one hand, this saves primary raw materials such as sand and gravel, which are used as aggregates in the production of concrete. And on the other hand, the fine materials obtained when breaking up and sorting waste concrete can be separated off as so-called cement paste (recycled concrete paste, RCP), carbonated, and then returned to cement production as an alternative cementitious raw or filler material.

Recovery of all concrete components

Heidelberg Materials is working intensively on innovative methods for processing, reprocessing, and returning demolition concrete to the construction cycle as a valuable material. The opportunities afforded by innovation in this area are great. In line with the European Union's circular economy targets, Heidelberg Materials is also involved in projects researching the reuse and recarbonation of recycled building materials. One such example is the "K4" project (Carbon dioxide reduction through low-lime clinker and carbonation hardening), funded by the German Federal Ministry of Education and Research (BMBF), in which, over four years, six partners are investigating the permanent sequestration of CO_2 in cements and concretes. For example, paving stones can be produced that absorb an increased amount of CO_2 from the environment.

As part of the innovative ReConcrete-360° process concept, waste concrete is crushed and sorted almost homogeneously into its components to obtain not only sand and gravel but also hardened cement paste. The latter can be reused as a valuable low-carbon raw material in clinker and cement production, replacing natural limestone as a raw material – in support of circularity. In addition, the hardened cement paste can absorb and permanently bind CO_2, thus acting as a carbon sink. With ReConcrete-360°, we have been able to show on a pilot scale that concrete can be fully recycled without loss of quality through selective processing of its individual components. This innovative concept, which received the German Innovation Award for Climate and Environment in 2022, is now being used on a large scale at our plant in Poland.

Concrete recycling

A twofold contribution to the circular economy

With a clear focus on our commitment to a circular economy, Heidelberg Materials has accelerated its recycling activities in the greater Seattle area: The opening of a new recycling site in Redmond and the acquisition of a recycling company in Woodinville in 2022 enabled us to expand our range of circular products and sell products made from 100% recycled materials.

The Heidelberg Materials team in North America works closely with our customer Rainier Asphalt in Redmond, Washington. Rainier is one of only a few companies in the region that favour concrete deliveries in volumetric vehicles. Volumetric trucks allow concrete to be mixed and poured directly at the construction site in the quantities actually required, which means that no concrete waste is produced.

As a pioneer in the local market, Rainier also carries out concrete work and deliveries using 100% recycled aggregates – produced by Heidelberg Materials. Initial trials have shown that the concrete produced using recycled concrete aggregates (RCA) precisely fulfils the performance requirements and specifications demanded by the work in question. The cooperation between the two partners is therefore making a twofold contribution to the circular economy.

We are also examining the use of recycled material in connection with 3D printing. New formulations that use recycled aggregates are currently being investigated in our Research and Development department.

Alternative fuels

Many by-products from other industries serve as valuable raw materials for Heidelberg Materials. We use these resources as alternatives to finite natural raw materials and fossil fuels in the production of cement. In this way, we are helping to conserve resources and solve the problems associated with waste disposal faced by municipalities and industrial companies near our plants. At the same time, these efforts are also reducing our CO_2 emissions. We want to increase the proportion of alternative fuels in our fuel mix to 45% by 2030. In 2023, the figure was 29.9%. The waste-based biomass used, which accounted for around 13% of the fuel mix in 2023, makes a special contribution here, as it is considered climate-neutral under European legislation. By 2030, we intend to raise this figure to 20%.

Alternative fuels are generally waste that either cannot be recycled in full and would therefore be uneconomical to recycle or can only be incinerated for energy recovery to ensure safe disposal. In this scenario, co-processing in clinker kilns for thermal energy recovery offers a practical alternative, as it not only uses the waste's calorific value but also embeds its mineral components into the clinker as raw material. The waste is co-processed without any residue in a burning process that meets the same strict emission standards as those set for waste incineration plants. About 90% of our cement plants have environmental management systems. As such, they are subject to regular internal and external audits, which cover toxic emissions and hazardous substances as well as waste.
Non-financial statement

Reuse in cement plants has proved to be a safe means of recovery, particularly for various types of hazardous waste. The high temperatures of over 1,450 °C and the 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.

Waste

Active waste management and the associated reduction of environmental pollution are two core objectives of a circular economy. Our main focus in waste management is on minimising production waste and reusing by-products from the production process in expedient ways. For example, kiln dust that is a by-product of clinker production is generally reused as an alternative raw material in the production of certain types of cement. This dust has to be removed from the kiln systems at several facilities in order to prevent disruptions to proper kiln operations. In some exceptional cases, the locally produced cement type portfolio prevents us from fully recycling the dust. A second possibility for us is to use the kiln dust as a raw material for the production of special concretes. If no other option is available, it can be deposited in underground landfill sites in a controlled process. The local operating permit at each plant specifies the allowable amount of process-related waste products and how they are to be used.

Our R&D department regularly checks the by-products arising from production for their suitability for various applications, either in our own operations – as cementitious material, for example – or in the processes of industry partners.

Excess concrete is also generally reused in our plants: either as fresh concrete or cured in the form of building elements, which are then used, for example, to secure construction sites. If concrete cannot be reused fresh, it is still possible to crush the completely recyclable concrete and return it to the production cycle. With digital solutions such as our OnSite app, we also support our customers in demand planning and ordering to avoid overproduction in the first place.

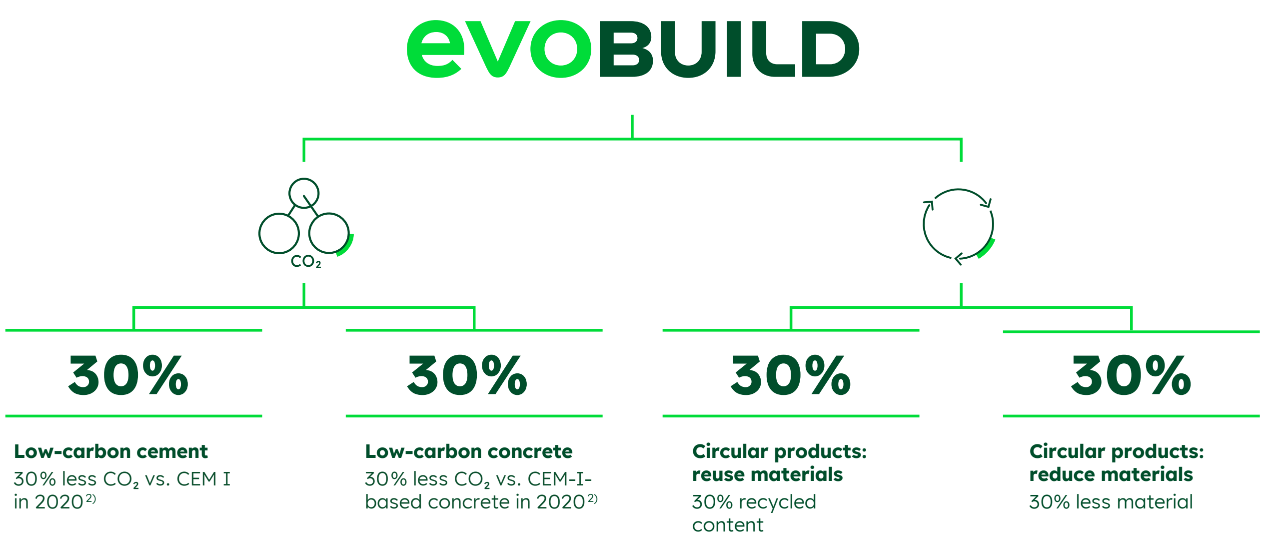
Sustainable products and solutions

We work intensively to develop and produce innovative, environmentally and socially responsible products that meet the highest quality standards over their entire life cycle. Through resource efficiency, co-processing of waste products, and concrete recycling, we want to contribute to a circular economy.

We aim to generate half of our Group revenue from sustainable products by 2030[1]. This includes products that stand out by making a special contribution to circularity and the reduction of CO_2 emissions.

1) Revenue that we allocate here to our sustainable products is not aligned with the definitions of the EU Taxonomy Regulation.

Criteria for sustainable products



2) evoBuild requires a CO_2 reduction of at least 30% compared to the global reference values of the Global Cement and Concrete Association (GCCA) for CEM I from 2020. This translates to threshold values of ≤552 kg CO_2/t for cementitious material and ≤5.5 kg CO_2/m^3/MPa for ready-mixed concrete.

Strong local, sustainable, and low-carbon product portfolio

At the end of 2023, we launched our evoZero® product brand for the world's first carbon captured net-zero cement (see **section evoZero**). Under another newly created product brand, evoBuild®, we are applying internationally harmonised and stringent criteria to our sustainable products. The evoBuild classification is based on our sustainability strategy and significantly increases transparency towards customers and stakeholders. evoBuild products will be available in all business lines and will be either low-carbon (cement and concrete), circular (concrete, aggregates), or both.

Our research and product innovation labs have developed various alternatives to traditional cement with reduced environmental impacts, including cements and concretes with improved carbon footprints as well as building materials with characteristics that support the use of less material and enable society to construct climate-friendly buildings and infrastructure.

Concretes with improved carbon footprints

To improve the carbon footprint of our concrete products based on Portland cement, we use what are known as additives. These are alternative materials such as blast furnace slag and fly ash that are produced during the manufacture of pig iron or when electricity is generated from coal in steel mills and coal-fired power plants. They serve as source materials for composite cements, in which Portland cement clinker is partially replaced. We can also reduce the footprint of our products by using finely ground limestone in our cement and by creating new capacities to produce calcined clay for partial clinker substitution. Plants for the production of calcined clays are under construction in France and Ghana, and the suitability of further locations is being examined. In addition, we have been working for several years on the development of alternative binders with the aim of enabling the use of alternatives to conventional clinker in certain applications.

Concrete containing recycled aggregates

We offer concrete solutions containing varying proportions of recycled aggregates in all Group countries. While sustainable and environmentally friendly concrete products incorporating up to 100% recycled aggregates and carbon-reduced cement are available in several countries, in others, standards and norms, approvals, or political regulation must be put in place before such products can be introduced (see **chapter Circular economy**).

Innovative solutions using less material

Other innovative solutions reduce the amount of material needed, such as through precision engineering and the targeted use of material, or through the safe and cost-efficient renovation of infrastructure. Ultra-high-performance concretes (UHPCs), for example, are characterised by very high compressive strengths. That means they can be used to build concrete structures that are remarkable for their economical use of materials as well as their reduced weight and slim construction. The use of UHPCs in building renovation also avoids CO_2 that would otherwise be generated when the structure is demolished and rebuilt. 3D concrete printing is highly resource efficient: because the material is very precisely put only where it is actually needed, less concrete is needed overall for this type of construction.

Solutions for a sustainable built environment

Besides reducing our carbon footprint by using alternative raw materials and clinker technologies, our research laboratories are also working on solutions for a sustainable built environment, including products intended to contribute to cleaner urban surroundings or support the energy transition. Over its life cycle, a building's energy and carbon footprint can also be significantly improved by using lightweight concrete as a fully recyclable insulation material or by implementing modern climate concepts using concrete. That is because

Innovative building materials

Europe's largest 3D-printed building

When 3D printing with concrete, a concrete printer builds up the material layer by layer. The printer only applies the material where it is actually needed. This means that overlapping areas, which occur repeatedly on ordinary construction sites, can be avoided – and up to 70% less material is required for the finished building.

In spring 2023, a truly high-tech material developed specifically for printing buildings by our R&D teams was used in the construction of Europe's largest 3D-printed building to date, located in Heidelberg. Between 31 March and 17 July 2023, it took only around 170 printing hours to create Heidelberg-based KRAUSGRUPPE's Wavehouse building, designed to house a data centre.

Heidelberg Materials supplied exactly 333 tonnes of 3D-printing concrete for the project. The mineral material contains a binder that is 100% recyclable and reduces CO_2 emissions by around 55% compared with a pure Portland cement. The product therefore also contributes to our target of offering circular alternatives for half of our concrete products worldwide by 2030.

The 3D-printing concrete was used as early as 2020 in Germany's first 3D-printed residential buildings, located in Beckum and Wallenhausen. Since then, it has been further developed and its carbon footprint reduced even further. To ensure that the building material is produced locally and available flexibly, a production site has been set up in Germany over the past two years.

concrete's ability to absorb and store heat means it can contribute to the passive heating or cooling of buildings. Drainage concrete is another product that supports a sustainable built environment. It allows rainwater to seep away and reduces the risk of flooding during heavy rainfall events.

Communicating with customers

We share information about our sustainability targets and our sustainable products with internal and external audiences through our Sustainability Academy events. In numerous Group countries, we offer online and in-person programmes for private clients, architects, and construction companies, in which our experts pass on important background knowledge to make it easier to compare products and assess possible applications more specifically. In addition, the participants are given information about certification systems, guidelines, as well as funding criteria and options.

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 through direct cooperation with our customers. We sell standardised products whose effects have been analysed in detail. Specific safety data sheets are required for all these products, which we provide to our customers. Customers who wish to file complaints – whether of a technical, logistical, or commercial nature – can get in touch with their dedicated local contact partner.

Heidelberg Materials uses the Net Promoter System (NPS®) and full customer journey mapping to deepen our customer insights and optimise the customer experience. In recent years, more than 3,100 optimisations based on customer feedback have been made to improve the experience we offer our customers. Our Net Promoter Score for 2023 is 56 (2022: 47). We treat all the customer data we collect confidentially and in compliance with the GDPR, and we do not pass on any information to third parties. The security and protection of personal data of our employees, customers and business partners is a high priority for Heidelberg Materials.

Safe & Inclusive

Building a safe and inclusive future

Our Commitment

Our Sustainability Commitments 2030

25%

of leadership positions filled **by women.**

100%

of our sites to have community engagement plans **by 2030.**

–50% **compared with 2020**

reduction in LTIFR (lost time injury frequency rate) and zero fatalities

1 day

of paid leave for voluntary community work per year offered to all employees.

80%

By 2030, 80% of our critical supplier spend will be confirmed with a green ESG rating.

Female employees within the Group in 2023

Share of female employees
N-1 & N-2 with leadership responsibility

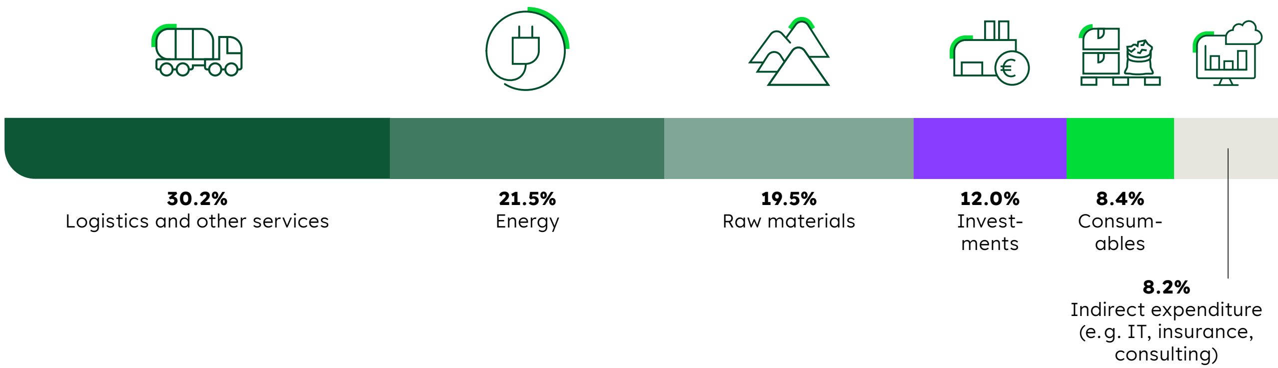
18%

Suppliers

53%

of our suppliers already have a **green ESG rating** in 2023.

Procurement volume



Our employees

Diversity as a factor for success

As a leading global company, we are paving the way not only for a sustainable industry, but also for personal success stories. We foster an environment in which mutual trust, respect, and appreciation are coupled with space for creativity, pioneering spirit, and dedication. We are proud of the international composition of our staff from more than 50 countries who work at our locations and headquarters. Their diversity underpins the worldwide success of Heidelberg Materials.

Employee satisfaction and empowerment is a central pillar of the actions we take as a company. Therefore, in addition to fair remuneration and flexible working models, we also count strengthening diversity, cohesion, and individual qualification opportunities among our HR management principles. Respectful behaviour among co-workers, employee development, and a commitment to a lived feedback culture are essential for us.

To help our employees reach their full potential, we actively promote the development of an inclusive culture at all levels of our organisation. Clearly signposted contact partners are available in the HR and Compliance departments, the works council, and NOW (Network of Women) to assist with any questions relating to discrimination. Employees can approach the relevant people in confidence at any time, and they will follow up any reported incidents promptly and rigorously. Employees can also use the anonymous reporting platform SpeakUp for this purpose.

As signatories to the **Diversity Charter**, we have been publicly expressing our respect for diversity since 2013. Our annual, internal Diversity Week celebrates cultural diversity and active inclusion at Heidelberg Materials and aims to further strengthen our focus on diversity.

Women in leadership positions

As a further step on the path to greater equality, Heidelberg Materials aims for women to hold 25% of leadership positions worldwide by 2030. The target for Germany is 27% in the first and second leadership levels by 2027.

To further increase the proportion of female professionals, we focus on the targeted recruitment, promotion, and retention of women at all levels of the hierarchy. This includes identifying and actively promoting junior female staff, both via internal programmes and through cross-company mentoring in cooperation with other companies from the Rhine-Neckar metropolitan region. Our efforts are supported by awareness-raising measures relating to equity within the company, as well as targeted mentoring and sponsorship by the Managing Board and senior management.

The global Network of Women (NOW), which was founded in 2011, also ensures more internal networking and promotion. In addition to professional development, the principal aim is to increase awareness throughout the company of the changing demands on working and living environments. Within the framework of Allies of NOW, male employees are also actively involved in promoting gender equality a Heidelberg Materials.

Improving work-life balance

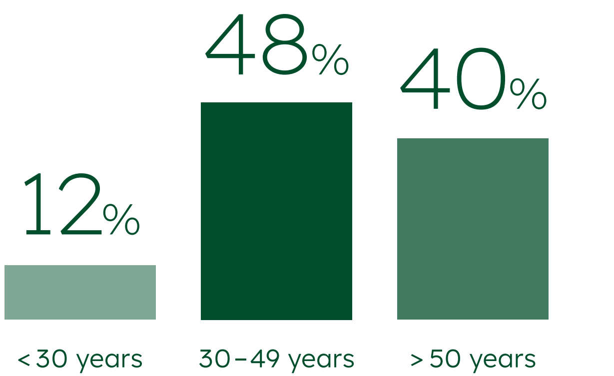
In order to take societal changes into account, we encourage a good work-life balance through flexible working time models and mobile forms of work. At Heidelberg Materials, careers and alternative working models are not mutually exclusive. Job sharing, for example, is one way of balancing the challenges of a management position with family life. With our international workforce in mind, we also made it possible for our employees to work remotely in other European countries in 2023. We are currently evaluating the extent to which this will be possible on a permanent basis.

Because of the small size of our locations, cooperation with external networks has proven beneficial, for example in terms of children's day care and holiday programmes or caring for family members. Employees benefit from having easy access to a professional and flexible network at reasonable costs. As part of our FIT for FAMILY initiative, we have also entered into cooperation with day-care centres for the location in Heidelberg, Germany. These arrangements mean we have our own quota of childcare places available to our employees.

Employee benefits

Attractive remuneration, including regular wage/salary reviews as well as Christmas, holiday, and special annual bonuses, contributions to capital formation, and a company pension plan are standard at Heidelberg Materials. 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.

Age structure within the Group



In order to meet the needs of the different generations working in the company, we have an active generation management strategy. In this context, we offer numerous health management and preventive care measures adapted to regional requirements, ranging from communal sporting activities to vaccination programmes. Sports groups, courses, and our own gym at our headquarters support mental and physical health.

Heidelberg Materials also provides flexible, bureaucracy-free support for all employees facing professional or personal challenges as part of its Employee Assistance Programme. External coaches, psychological support, and crisis intervention experts are available free of charge and on a confidential basis in the event of mental, financial, or legal problems.

To ensure sustainable and flexible mobility for our employees, we also subsidise offers such as the Deutschlandticket, a monthly subscription ticket for public transport, and the JobRad bike leasing programme. In this way, we help our employees to travel with zero emissions and at low cost in their everyday lives.

Through trainee programmes, dual apprenticeship and study partnerships, specialist and managerial development, and professional training, we make targeted investments to enable our employees to gain the best possible qualifications. By offering the option of international work assignments, we can also hold our own in the global labour market.

Remuneration policy and working time regulation

The remuneration systems at Heidelberg Materials are based on performance and results in accordance with the market standards for internationally operating companies in our sector. Alongside fixed remuneration governed by a collective agreement or an individual work contract, our employees receive variable remuneration elements based on their individual performance and on corporate success. CO_2 reduction is also anchored in our global remuneration systems: the full variable remuneration can only be achieved if both the financial targets and the sustainability target are met. This regulation applies to all members of the Managing Board and to the majority of bonus-eligible employees worldwide (see **Renumeration report chapter**).

We consciously aim to achieve a high variable element as part of the total remuneration of our managers in order to directly reflect the connection between personal performance and corporate success. Collective regulations apply to more than half of the Group's employees. The employees in our foreign subsidiaries benefit from attractive remuneration systems that correspond to the respective local market conditions.

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

Employment and co-determination

Employee co-determination has always been of great importance to us. Statutory, collective bargaining, and company regulations are implemented jointly in close cooperation with employee representatives. These representatives are involved in numerous committees and are informed at an early stage about operational changes. The regulations on notification periods vary around the world. We comply with the rules in force at local level. In the event of a reorganisation or job cuts, we work in close consultation to achieve a socially responsible solution and, for example, initially examine the possibility of transferring employees within the Group. If this is not feasible, we try to cushion the individual impact through retraining, early-retirement schemes, outplacement, and compensation payments.

Human resources development

Talent management

Recognising talent, developing qualified and motivated employees, and retaining them in competition with other companies are at the core of our Group-wide personnel policy. Strategic apprenticeships and employee training as well as new career paths have a key role to play.

A systematic assessment of performance and potential that is standardised across the Group forms the basis for strategic personnel development and successor planning. Superiors and employees discuss target achievement, development opportunities, and prospects

Diversity

United Kingdom: for a FAIR culture in the workplace

Our UK subsidiary identified four key challenges relating to diversity: in addition to an ageing workforce and difficulties in recruiting young talent, these included the insufficient representation of women in the building materials industry, as well as issues related to mental health and workforce resilience.

With these challenges in mind, and in line with the Sustainability Commitments 2030, the FAIR programme was launched in 2021. FAIR stands for “fairness, awareness, inclusion, respect.” The employee networks for women and LGBT+ people also fall under the umbrella of this initiative. A dedicated FAIR committee puts together a varied annual programme, makes recommendations to management, and works with external partners, to increase the attractiveness of Heidelberg Materials as an employer for people with disabilities, for example.

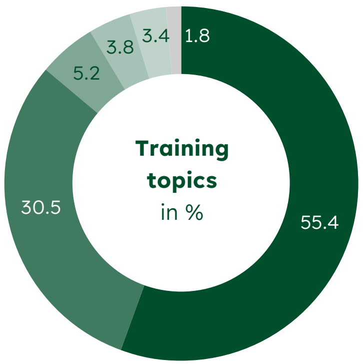
In 2023, the FAIR agenda in the UK included training for first responders in the field of mental health, information on men’s and women’s health, awareness training for managers and executives, and participation in Pride events.

within the framework of regular structured appraisal interviews (growth talks). This dialogue also helps to fill key positions worldwide with top-class candidates from within the business.

Education

For Heidelberg Materials, forward-looking HR management means consistently investing in training. With an apprentice retention rate of 68% in Germany, steady growth of qualified young talent is guaranteed. As part of the training programme, interdisciplinary competences are indispensable in addition to technical skills for faultless professional processes. A complete educational offering is ensured through additional training covering professional use of programmes for virtual communication and cooperation, how to deal with new working and living situations on a personal level, and topics of mental health and resilience.

Training hours



29h
per employee

- Occupational safety training
- Specialist training
- Other
- Soft skills training
- Management training
- Language courses

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

The Cement Academy of the Competence Center Cement (CCC) offers seminars and training sessions around the world for the engineers and technicians at our cement plants, while the Aggregates Academy of the Competence Center Aggregates & Asphalt (CCA) develops and provides role specific training in multiple mediums across all processes in the Aggregates and Asphalt business lines. Its objective is to develop core competencies and deliver knowledge that is applied to drive business performance and operational excellence. Process simulators and web-based learning programmes, including the multilingual Cement Manufacturing Curriculum, on which more than 3,000 employees are enrolled, are regularly used to supplement our classroom courses.

Strengthening digital competences

The expansion of digital competences and the further digitalisation of personnel processes and systems are essential. With the global rollout of our new Workday HR system in 2021, we have taken a major step forward in this regard. With more self-service options, data transparency, and many new functionalities for managers and employees, we now cover the core processes of learning, recruitment, remuneration, and talent management digitally. By using external training databases, we also significantly expanded our e-learning offerings on various digitalisation topics in the past year. When it comes to using virtual communication and collaboration tools, we offer both in-house and externally provided training and certification programmes (Microsoft certification tracks).

Successor planning

To secure and develop the next generation of managers, we are focusing worldwide on increasing our recruitment of university graduates and expanding corresponding advancement programmes. Among other things, we offer extensive, international trainee programmes focusing on technology, sales, finance, HR, and procurement, as well as interdisciplinary posts.

Through a special programme, we also equip highly qualified engineers in the cement business for the next step in their careers. The participants undergo individually tailored training programmes that allow them to gain the necessary knowledge, skills, and experience. Spending time at cement plants in different countries is a key element of the programme's success.

Since 2013, Heidelberg Materials has been awarded the trainee seal of the German initiative for career-enhancing and fair trainee programmes each year. As holders of the Fair Company seal, we have also made a voluntary commitment to providing fair and attractive working conditions for trainees and young professionals.

Occupational health and safety

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

The health and well-being of our employees, our contractors, and the people in our local communities are at the heart of our actions. We believe that work-related accidents, occupational diseases, and ill health are generally preventable and that providing a safe working environment is important for maintaining good health and well-being at Heidelberg Materials. Our principles for protecting our own employees as well as those of companies contracted by us, and those of third parties, are specified in our Group policy on occupational health and safety. It is also important for us to have a good working relationship with the employee representatives, and this is also laid down in the Group policy. They represent over 97% of our employees.

Although the management of Heidelberg Materials has overall responsibility for ensuring that our working environments are safe, every employee and contractor is responsible and accountable for working safely, complying with all health and safety rules, standards, and procedures, and reporting safety hazards or unsafe work practices.

Occupational safety at our locations

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

All our measures give due consideration not only to our own employees but also to the employees of external companies. They work for us in areas such as production, maintenance and repair, transport, other services, and consulting. We have therefore addressed the issue of contractor safety with a separate Group standard that outlines the minimum health and safety requirements to which contractors must adhere and actions we need to take to ensure our contractors' employees receive appropriate health and safety information when they arrive at our workplaces.

Safety in relation to transport is another key concern, as traffic accidents have unfortunately repeatedly led to uninvolved third parties sustaining injuries or even losing their lives. We address this issue in training courses for our own drivers and those who drive on our behalf. The driver training courses aim to raise drivers' safety awareness so that they can identify and reduce potential risks at an early stage. This training in defensive driving is not only theory-based; it is also increasingly delivered using driving simulators, at driving safety centres, or through supervised driving. In addition, we are making greater use of technical aids. As well as fitting vehicles with various assistance systems and using such systems, examples of this approach also include checking the roadworthiness of third-party vehicles before loading.

Improving mental health

In addition to the measures outlined above for the prevention of accidents and standard occupational diseases, Heidelberg Materials recognises the importance of good mental health and resilience in our workforce. We offer employee assistance schemes and awareness programmes for our managers and train mental health first-aiders. The aim of the measures is to dispel prejudices and encourage those affected to talk about their problems and seek help. In recognition of the sensitivity of the topic and to make it easier for those affected to access appropriate services, many of our subsidiaries offer external support programmes that provide help anonymously and free of charge. Countries in which such programmes are available include Germany, the UK, Belgium, Canada, the USA, and Australia.

Social responsibility

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

Social engagement at our locations

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

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

Involving local communities

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

We aim to develop community engagement plans for 100% of our sites by 2030. In addition, all employees are offered one day per year of paid leave for voluntary community work.

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

Focus of our engagement

Our CSR activities are focused on the following areas:

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

In the 2023 financial year, Heidelberg Materials was particularly active on health and safety matters. For example, as part of our CSR activities in India, our local country organisation ran a health camp in the Panchayat community, providing medical care to 224 people. In particular, women, children, and the elderly were supported with check-ups and free medicines.

As part of our employee volunteering day projects, we worked with the construction industry charity CRASH in the UK. A small team undertook a multi-day fundraising hike to the organisation's office in Chiswick, collecting donations for a children's hospice from several Heidelberg Materials locations along the route.

In Bulgaria, our subsidiary Devnya Cement once again took part in a campaign to renew the road markings on pedestrian crossings in the city of Devnya. To create a safer street environment, especially for children, zebra stripes near a school and at busy junctions were given a fresh coat of paint.

Stakeholder dialogue

"Open doors" at our locations in Italy

Local acceptance of our plants is one of our core concerns. At many locations, we have been cultivating good, cooperative relationships with the people in our neighbourhood for decades. To make it easy for members of the public to learn more about our production, our innovation projects, and our commitment to sustainability and occupational safety, our Italian subsidiary held a total of eight "open doors" events at various cement and concrete plants in 2023.

One of the events took place in October at Heidelberg Materials' cement plant in Isola delle Femmine, Sicily. Around 1,000 people – among them employees and former employees and their families, school classes, local residents, customers, and suppliers – accepted the invitation. The day was organised by the teams from our country organisation and the plant, together with 28 local associations, some of which have been working with the company for over 13 years, including the Pro Loco Isola delle Femmine tourism association, the local football club, the Mariposa cultural association, the Italian Red Cross, and the Movimento e Danza society.

Responsible procurement

Heidelberg Materials currently has more than 120,000 suppliers and business partners from more than 50 countries. Owing to the complexity of global networks and the predominantly local business relationships (about 90% of all expenditure worldwide[1)]), it is extremely important for Heidelberg Materials to ensure that information is exchanged reliably at all levels of their supply chain.

We take a transparent, sustainable, and forward-looking approach to our procurement of products and services by going beyond the legal requirements for our business activity. In addition to economic criteria, we take social, ethical, and environmental factors into account when selecting and evaluating our suppliers. Most importantly, human, labour, and environmental rights are also non-negotiable for us when forming and maintaining business relationships.

To fully understand and measure our social and ecological footprint across our value chain and improve our sustainability performance, we enforce our Supplier Code of Conduct, which obligates suppliers to comply with the fundamental principles of the International Labour Organization (ILO), the requirements of the German Supply Chain Due Diligence Act (LkSG), and applicable national and international supply chain laws.

1) The value is based on an analysis in the countries that use our central SAP system and relates to 58% of the annual procurement volume.

Renewable energy sources

Green electricity generation partnerships

In order to reduce our emissions from energy generation, we are working hard to develop renewable electricity sources in numerous Group countries. We are investing in our own facilities for the generation of green electricity and entering into long-term power purchase agreements (PPAs) to secure the supply of electricity from renewable energies. We are also implementing energy efficiency measures to reduce electricity consumption and generating electricity from waste heat.

In 2023, Heidelberg Materials signed further long-term PPAs to source renewable electricity and commissioned its own solar plants in Thailand and Togo.

In Belgium, we were able to cover 12% of the annual energy demand of our cement plant in the Port of Ghent with wind energy for the first time in 2023. A wind turbine was installed on the plant premises there as part of a PPA with the company Luminus.

The plans also took into account the need to protect the sensitive biodiversity in the port area. In spring 2023, a camera system was added to the installation, which analyses how birds react to the wind turbine and enables the turbines to be switched off for hours at a time in order to protect these animals.

Our contribution: the Responsible Procurement initiative

In addition to our focus on human rights, our vision for a sustainable supply chain also means that we call upon our suppliers to commit to reducing greenhouse gases. We proactively communicate this message in various ways, including at meetings with suppliers and through initiatives such as virtual supplier days on the topic of sustainability. We motivate our suppliers to be transparent about their CO_2 emissions, actively reduce their carbon footprint, and have their reduction targets validated by the Science Based Targets initiative (SBTi).

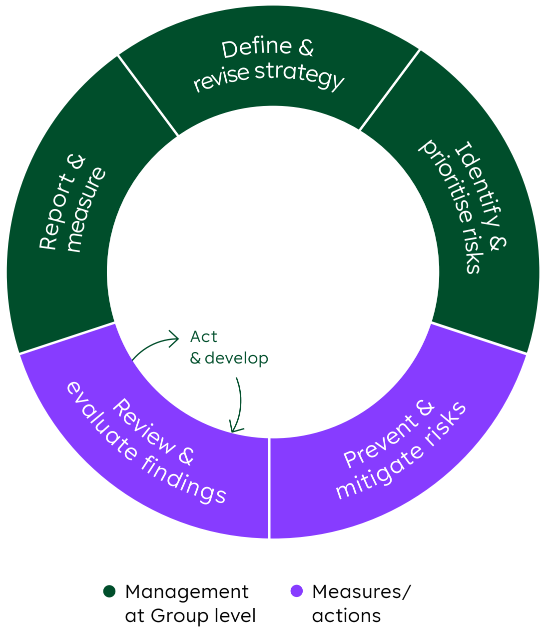
As part of our responsible procurement initiative, we have also launched a global risk assessment programme for our supply chain. Its aim is to identify sustainability challenges before they become problems. IntegrityNext and Avetta are global programme providers with extensive experience in monitoring corporate safety, skills, and social responsibility. They help us to audit and assess our suppliers in relation to our sustainable supply chain standards.

We are also implementing numerous other measures in the area of responsible procurement:

- Our SpeakUp compliance hotline can be used by internal and external stakeholders to report any illegal activities or violations of internationally applicable conventions.
- Together with our partners, we are driving forward innovative projects and initiatives aimed at reducing CO_2 emissions (e.g. through the joint construction of carbon capture facilities in clinker and cement production and in cooperation with construction machinery manufacturers with regard to the electrification of transport systems) in order to address climate change.
- In our cooperation with suppliers, we follow a zero-tolerance policy. This means that we end the contractual relationship if violations are not remedied by appropriate measures.
- We produce training materials on sustainability topics for suppliers and recognise the importance of providing training and instruction to service providers working at our plants.

Non-financial statement

Supplier management



Nature Positive

Building a nature positive future

Quarries

76%
proportion of quarries with a **restoration plan**.

61%
proportion of quarries located near an area of high biodiversity value with a **biodiversity management plan**.

Our Commitment

Our Sustainability Commitments 2030

100%
of our active quarries contribute to the global goal of nature positive, with

15%
space for nature

100%
of sites in water-risk areas implement water management plans and water recycling systems.

Water withdrawal

58.2 m m^3
water withdrawn for our cement business line in 2023 (-4% vs. 2022)

Water consumption

280 LITRES PER **TONNE OF CEMENT**
specific water consumption in 2023.

Water and hygiene

WASH Pledge
for access to safe water

We have implemented the **World Business Council for Sustainable Development's** WASH Pledge for access to safe water, sanitation, and hygiene at all production sites.

Biodiversity

Our target: nature positive

The extraction of raw materials has an impact on nature, changing landscapes and natural habitats. Responsible land management is therefore an essential element of the Heidelberg Materials sustainability strategy. We are committed to working towards the Global Goal for Nature, contributing to a nature positive future.

“Nature positive” means stopping and reversing biodiversity loss in order to ensure a global net gain for the planet and see it on the road to recovery. In simple terms, there should be more nature by 2030 compared with 2020. Companies such as Heidelberg Materials can play their part in halting and reversing biodiversity loss by addressing their own impact on nature and implementing measures that achieve positive results for nature and outweigh their negative contributions.

Biodiversity management at our locations

As a business reliant on the extraction of raw materials, we acknowledge our impact and accompanying social responsibility. Our quarry development activities – sustainable extraction methods, reclamation/restoration, and intensive cooperation with nature conservation groups – take account of nature. For many years, we have been committed to protecting and preserving native animal and plant species.

At the core of our strategy is a deep understanding of our footprint, where negative impacts may occur, and how we can positively contribute to countering biodiversity loss. Working across five continents, we strive to understand the environments in which our sites are located and the species with which they interact across the whole quarry life cycle, so that we can set out key actions.

Numerous scientific studies demonstrate that active quarries can be extremely valuable to nature. They offer a wide variety of habitats, including undisturbed biotopes that are rarely found in today’s developed landscapes, which support many endangered and/or protected species, such as the sand martin, the yellow-bellied toad, the eagle owl, or the Eurasian otter. And they are not just home to larger animals. Our quarries also provide habitats for a range of pollinators including a number of butterflies, solitary bees, and other threatened insects. For this purpose, it is important to protect spontaneously created natural areas within active quarries in addition to integrating biodiversity features into post-extraction reclamation plans.

Post-extraction reclamation also offers significant opportunities to create critical habitat types that support numerous flora and fauna and has the potential to increase the ecological value of sites and their surroundings. To build on the positive impact our biodiversity management and reclamation efforts can deliver, we work closely with nature conservation organisations, local authorities, and neighbouring communities to make an important contribution to restoring biodiversity.

Cooperation with nature conservation organisations

To truly move from biodiversity loss to gain, a concerted effort is needed by everyone, working together at landscape scale. Nature knows no boundaries, and this needs to be reflected in collaborative actions. Partner organisations assist us in understanding and minimising our impact on the environment, helping to promote biodiversity at our quarries and in their surroundings.

Since 2011, we have greatly benefited from working with the largest global nature conservation partnership organisation, BirdLife International. BirdLife International and its national partner organisations help us maximise the role our extraction sites can play for biodiversity by imparting knowledge, sharing best practice, and working on the ground with our operational staff to engage and empower them. This collaboration provides opportunities to demonstrate a halt in the loss of biodiversity through better protection and management at local (site), national, and international levels and reverse the trend by increasing scientific knowledge about the high biodiversity value of quarries in order to ultimately result in a significant contribution to habitat and ecosystem restoration.

Quarry Life Award

As a unique initiative in the building materials industry, the **Quarry Life Award** is an integral part of the Heidelberg Materials sustainability strategy. The research and education competition supports our approach to innovative biodiversity management, promotes research, and engages stakeholders around the world. Researchers, university students, and non-governmental organisations as well as members of our local communities are invited to develop and – provided they qualify to participate in the competition – implement ideas for biodiversity-related projects at our company's quarries worldwide.

Heidelberg Materials uses the award-winning projects as a basis for developing best practices for quarry management, which are then rolled out globally. In this way, we want to promote the evaluation of the quarries' ecological value and support the development of new methods that benefit scientists, government authorities, and our company as well as nature.

After a successful competition round of the fifth edition of the Quarry Life Award back in 2022, 2023 saw the implementation of a select number of projects. Projects ranged from establishing best practices for specific amphibians and reptiles to better understanding topsoil storage management. Education and community engagement were also featured (see **chapter Social responsibility**).

Biodiversity

Working together to share knowledge about biodiversity

More than 40 biodiversity projects have been initiated worldwide since the start of our cooperation with BirdLife. During 2023, a new project was initiated in one of our sand and aggregates pits in cooperation with the Czech Society of Ornithology, BirdLife's partner in Czechia. A study investigated the role that mining sites can play as alternative habitats for insects that are potentially endangered due to landscape changes. The project complements our measures to improve biodiversity management at our quarries.

We also focus on helping to inform and educate the general public about the importance of biodiversity and its impending loss. In 2023, through its partnership with BirdLife International, Heidelberg Materials supported a West African initiative taking part in BirdLife's Spring Alive campaign. In addition to promoting scientific interest in migratory birds, the project trained teachers to collect geospatial data. This means they can observe birds with their students and document their findings professionally as a contribution to citizen science.

Water management

The importance of water for our production processes

The ever-increasing consumption of water worldwide and competition for the limited resources available are leading to global water stress. Heidelberg Materials recognises the importance of efficient water management and conservation, which is why it has a globally applicable **Water Policy**.

We use water in various ways, from washing gravel and sand to cooling and cleaning transport vehicles. It is also one of the source materials used in concrete manufacturing and becomes part of the building material in the production process. We obtain some of the water we use from the public water supply, but the majority comes from our own approved well systems or from rivers and lakes. The use of rainwater and recycled water in cleaning and production processes is also becoming increasingly important. Some of the water – the water used for cooling, for instance – evaporates and is released into the atmosphere. The cleaning water that accumulates when transport vehicles are washed is fully recycled. We dispose of the domestic wastewater accruing at our company buildings via the municipal wastewater systems.

Heidelberg Materials has committed itself to minimising the impact of its activities on the limited natural resource of water to the greatest possible extent. We comply with stringent environmental regulations to ensure that our raw material quarrying does not endanger local bodies of surface water or groundwater resources. All direct withdrawals are heavily regulated and closely monitored by governments worldwide. The local operating permit at each plant specifies the allowable amounts of water extraction and recirculation.

We systematically identify and classify potential water pollutants. We also carry out stakeholder analyses and risk assessments as part of our water management plans. Water quality is tested, usually in external laboratories, by taking regular water samples. In addition, there are on-site measures aimed at monitoring the water temperature, for example. These measures comply with local permit requirements and regulations as well as global reporting obligations.

We want to conserve water and minimise negative impacts through measures aimed at saving water and using it efficiently. This objective can be achieved by using rainwater, taking advantage of reuse and recycling technologies, or working with local communities on water-related projects. We acknowledge that access to clean water and sanitation is a human right and have implemented the World Business Council for Sustainable Development's WASH Pledge for access to safe water, sanitation, and hygiene at all production sites.

Sustainable water management

Responsible use of water is also part of our **Sustainability Commitments 2030**. We want to introduce water management plans and water recycling systems at 100% of our locations in regions affected by water scarcity by 2030. To this end, we have systematically categorised our plants using the World Resources Institute's Aqueduct tool. We use a water reporting system based on the GCCA guidelines at all of our company's cement plants. We work continuously to reduce our consumption of fresh water, for example, by switching to closed cooling circuits and recycling systems. We have also started to introduce measurement systems and key figures on water reporting in our aggregates and ready-mixed concrete business lines.

As a result of climate change, environmental risks are arising more and more frequently – including those connected with water. While working to reduce our consumption of fresh water worldwide, we take local conditions into account in the implementation of specific water management measures. The particular conditions in each region in terms of factors such as climate, water resources, population growth, and economic development influence the availability and use of water. We therefore rely on individual approaches tailored to the respective locations in order to reduce water consumption as far as is economically and technically possible. We take a local approach to facilitate participation and involve key stakeholders such as communities, businesses, and governments in the development and implementation of water reduction initiatives. This enables better matching of targets and measures to local conditions. Our plant-specific water management plans help us to identify and address water-related risks at an early stage. As at the end of the 2023 financial year, 58% of our aggregates sites in areas suffering from water scarcity had implemented water recycling systems, while in the cement business line, this figure had already reached 83%.

Because we are facing a water surplus in other regions of the world, where we need to pump off large quantities of water in order to operate our quarries, it does not make sense to define a general global reduction target for the Group based on quantified water withdrawal rates. After the first Group countries developed and introduced water management plans as part of a pilot project in 2022, the 2023 water target was rolled out to all locations worldwide. Priority is given to regions affected by water scarcity, water stress, and other physical risks associated with water. The majority of our production sites worldwide already have water recycling systems. In order to guarantee efficient water use and reduce the demand for fresh water in the long term, it is our intention that all Heidelberg Materials plants will use water recycling systems by 2030.

Water and biodiversity

Wetlands as natural wastewater treatment plants

As an expression of Heidelberg Materials' commitment to sustainability, we reinforced our integrated approach regarding water and biodiversity in 2023. By using nature-based solutions, we are already incorporating the protection of biodiversity and waterbodies into many of our projects.

Our Swedish subsidiary operates a large quarry in Löten, which supplies the concrete industry in Stockholm with aggregates. The quarry has the necessary infrastructure to treat material from the construction of the Stockholm bypass, scheduled for completion by 2030. A total of 4.5 million tonnes of blasted rock, which is contaminated with nitrogen as a result of the blasting process, is being produced there during tunnel construction.

A wetland is being created on the quarry site to purify the rock and the nitrogen-rich wastewater produced by the purification process. Various plants such as water lilies, reeds, and bulrushes are expected to thrive in three small lakes. Wetlands can reduce nitrogen in a natural and environmentally friendly way while also increasing biodiversity. Their water is also vital to birds, amphibians, lizards, and other reptiles, especially when wetlands are surrounded by a large agricultural area.

Combined management report

Notes on reporting

On 11 May 2023, the Annual General Meeting resolved to change the name of HeidelbergCement AG to Heidelberg Materials AG. The change became legally effective on 16 May 2023 upon registration of this resolution in the commercial register. The company has been operating under the Heidelberg Materials brand since September 2022 and the name of the parent company has now followed suit. The name of the Group is "Heidelberg Materials," the name of the public limited company is now "Heidelberg Materials AG."

This combined management report contains the management reports of the Heidelberg Materials Group and Heidelberg Materials AG. The statements about the Group (hereinafter also referred to as Heidelberg Materials) apply equally to Heidelberg Materials AG. Information relating only to the parent company is indicated accordingly. For information on this topic, please refer to the **Statements on Heidelberg Materials AG section**.

In accordance with sections 289b and 315b of the German Commercial Code (Handelsgesetzbuch, HGB), non-financial reporting is integrated into the combined management report and included in the **Non-financial statement chapter**. The disclosures pursuant to Article 8 of the Taxonomy Regulation (EU) 2020/852 are also provided here in compliance with Delegated Regulation (EU) 2021/2178.

In the 2023 financial year, we included the share of revenue from sustainable products[1] for the cement business line in the audited part of the management report. This key figure was therefore a subject of the statutory audit for the first time. In doing so, we define sustainable cement as a reduction in CO_2 emissions of at least 30% compared with the GCCA's global reference values from 2020. This translates into a threshold of ≤552 kg CO_2/t for cementitious material.

The Corporate Governance statement in accordance with the provisions of sections 289f and 315d of the HGB is published in the **Corporate Governance chapter** and **online**.

In the 2023 financial year, there were no other relevant changes in reporting. Unless expressly indicated otherwise, all statements and figures refer to the continuing operations of Heidelberg Materials.

An overview of the calculation methods used for financial key figures and a list of technical terms with definitions have been included in the **Glossary** for the Annual Report.

1) Revenue that we allocate to our sustainable products is not aligned with the definitions of the EU Taxonomy Regulation.

Fundamentals of the Group

Business model

For more than 150 years, Heidelberg Materials has offered a broad range of building materials, applications, and services. Our core activities are the production and distribution of cement, aggregates, ready-mixed concrete, and asphalt. Heidelberg Materials also trades goods by sea worldwide, in particular cement and clinker, secondary cementitious materials, and solid and alternative fuels.

Heidelberg Materials is one of the world's largest integrated manufacturers of building materials in terms of revenue and operates on five continents. Our products are used, among other applications, for the construction of houses, traffic routes, infrastructure, as well as commercial and industrial facilities, thus meeting the demands of a growing world population for housing, mobility, and economic development. On the journey towards carbon neutrality and a circular economy in the building materials industry, we are working on sustainable, intelligent building materials and solutions for the future. We are opening up new opportunities for our customers through digitalisation.

Heidelberg Materials' fully integrated business model encompasses the entire value chain, from the extraction of raw materials to further processing into cement through to the end product concrete and its recycling, as well as their sales and distribution to customers. Operating activities are supported by central competence centers for technology as well as by shared service centers in the regions and individual countries. Operating business processes include the geological exploration of raw material deposits, the purchase or lease of the land where the deposits are located, applying for mining concessions and environmental impact assessments, the construction of manufacturing facilities in cooperation with external service providers, as well as the actual production of building materials, including extracting raw materials, recycling building materials, and maintaining the facilities.

Products

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

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

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

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

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

Locations and sales markets

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

We operate around 130 cement plants (plus a further 16 as part of joint ventures), just under 600 quarries and aggregates pits (thereof 32 locations of joint ventures), as well as around 1,310 ready-mixed concrete production sites (plus a further 254 as part of joint ventures) worldwide.

In total, the Group employs 50,997 people (based on full-time equivalents) at around 2,500 locations on five continents. There are additionally around 330 production sites belonging to joint ventures. In the past financial year, we sold or closed around 40 locations as part of our portfolio optimisation.

Organisational structure

Until the end of the 2023 financial year, the Group was divided into the following five geographical Group areas: Western and Southern Europe, Northern and Eastern Europe-Central Asia, North America, Asia-Pacific, and Africa-Eastern Mediterranean Basin. Our global trading activities, especially the trading of cement, clinker, secondary cementitious materials, and solid and alternative fuels are pooled together in the sixth Group area, Group Services.

In September 2023, the Supervisory Board of Heidelberg Materials AG decided on the succession of members of the Managing Board, which will also lead to changes in the Group areas from the 2024 financial year:

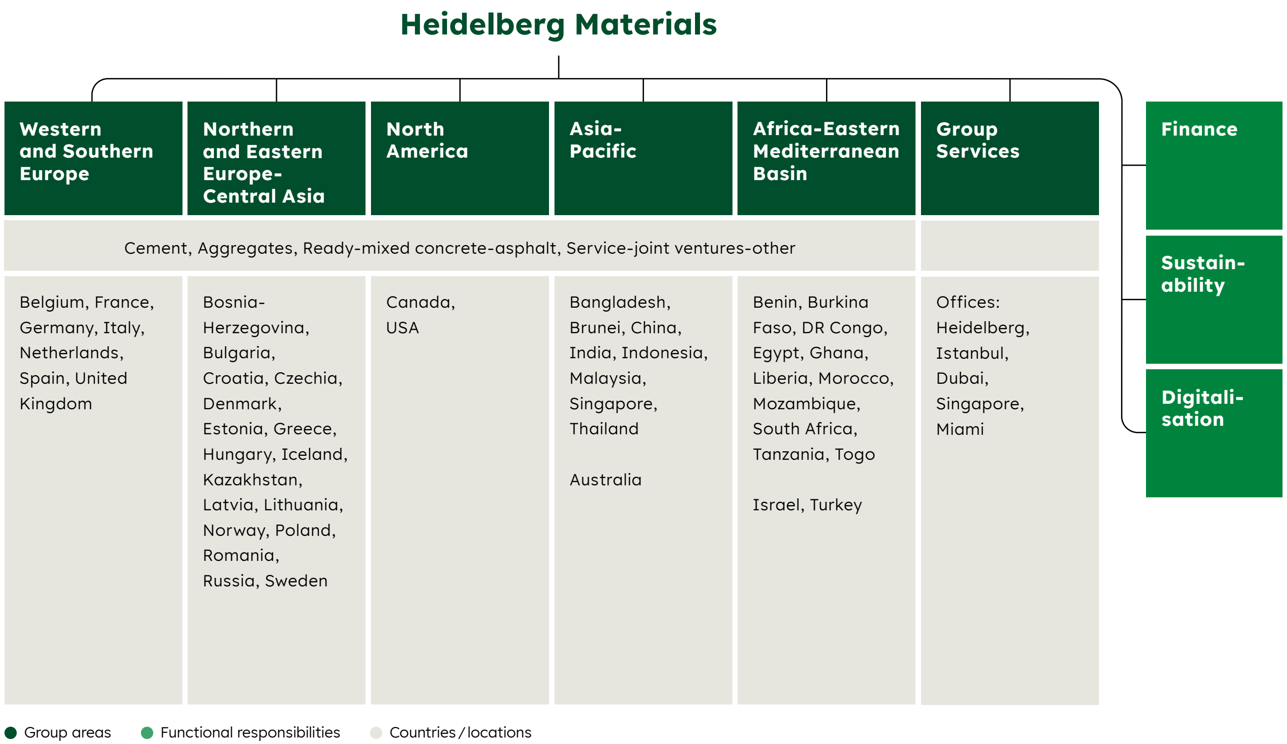
Ernest Jelito, responsible for Northern and Eastern Europe-Central Asia and the Competence Center Cement until the end of 2023, retired on 31 December 2023. As a result, the Group area Western and Southern Europe and the majority of Northern and Eastern Europe-Central Asia have been combined since 1 January 2024 to form the Group area Europe. Member of the Managing Board Jon Morrish, previously responsible for Western and Southern Europe, has since assumed responsibility for this newly created Group area. Hakan Gurdal, who was previously in charge of the Group area Africa-Eastern Mediterranean Basin, has also been responsible for Kazakhstan and Russia since January 2024. Since then, the Group area has been called Africa-Mediterranean-Western Asia.

Since January 2024, Roberto Callieri, previously General Manager Italy, has taken on responsibility for Asia in the Asia-Pacific Group area as a new member of the Managing Board. He succeeded Kevin Gluskie, whose term ended on 31 January 2024. Chief Financial Officer René Aldach has also assumed responsibility for Australia in this Group area since January 2024.

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

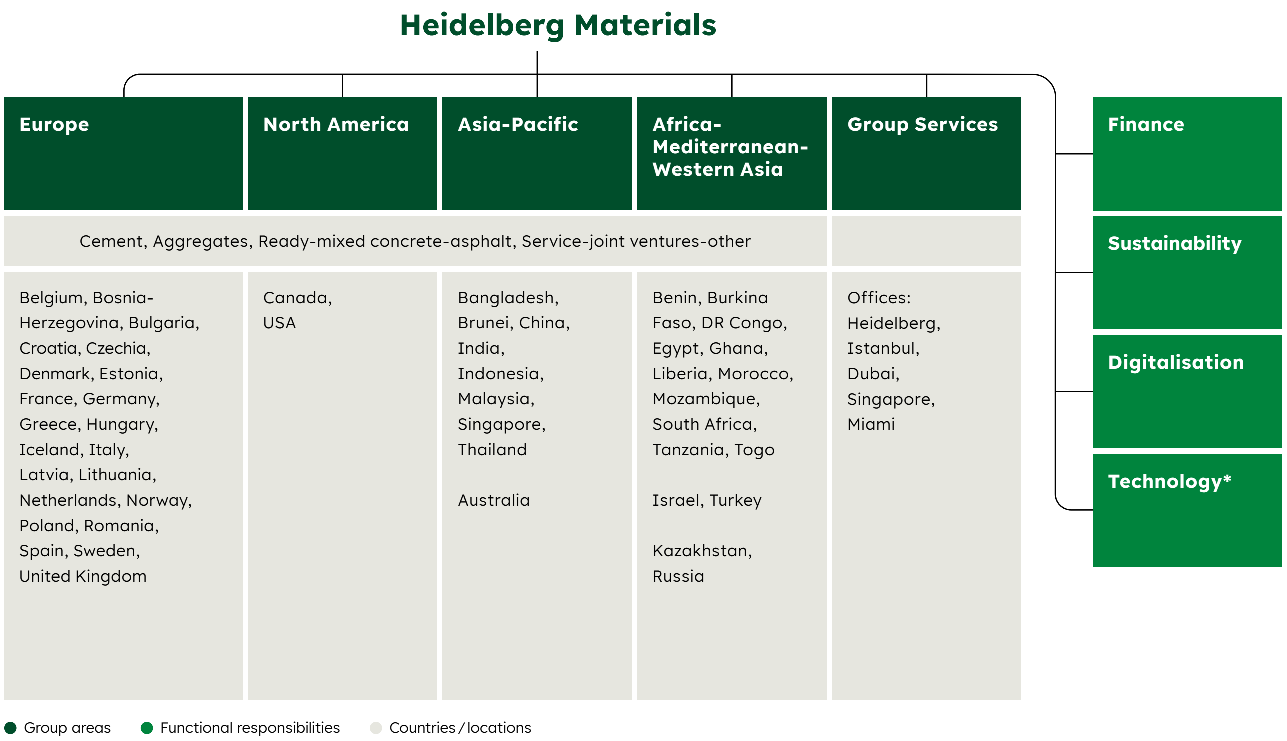
Axel Conrads, previously President of the Midwest region of the USA, assumed the newly created Managing Board position of Chief Technical Officer in February 2024 to embed deep technical expertise within the Managing Board and drive forward the company's technical projects towards a net zero[2] future. Since then, he has been responsible for all three global technical Competence Centers: Cement (CCC), Aggregates & Asphalt (CCA), and Readymix (CCR).

Organisational structure until December 2023



2) According to SBTi definition

Organisational structure as of January / February* 2024



Importance of sustainability to the business model

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

Climate protection is an integral part of the Group strategy. The production of cement generates a large amount of CO_2 due to the chemical processes involved in burning clinker and the high temperatures this requires. Therefore, we are making greater use of alternative raw materials and fuels to reduce CO_2 emissions.

We also optimise our production processes to increase energy efficiency. To reduce the consumption of primary raw materials, we are committed to circularity and strengthening the circular economy. At product level, our focus is on the broad introduction of low-carbon cements and concretes, the use of recycled materials, and the application of new technologies such as 3D concrete printing. In addition, we are continuously working to expand our portfolio of carbon capture, utilisation, and storage (CCUS) projects. CCUS is a key technology for the complete decarbonisation of cement production.

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

Heidelberg Materials is committed to responsible corporate governance and pursues a zero-tolerance policy in the event of corruption and antitrust violations. Respect for human rights as well as ensuring diversity, equity, and inclusion are core values of our company.

For further information, see the **Non-financial statement chapter**.

External factors of influence

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

Strategy

Material to build our future

With its building materials and solutions, Heidelberg Materials has been contributing to global progress for more than 150 years. The purpose adopted in 2020, “Material to build our future,” reinforces our intention to develop and produce innovative (building) materials for the future and to play a material role going forward.

Four culture principles form the basis for our activity:

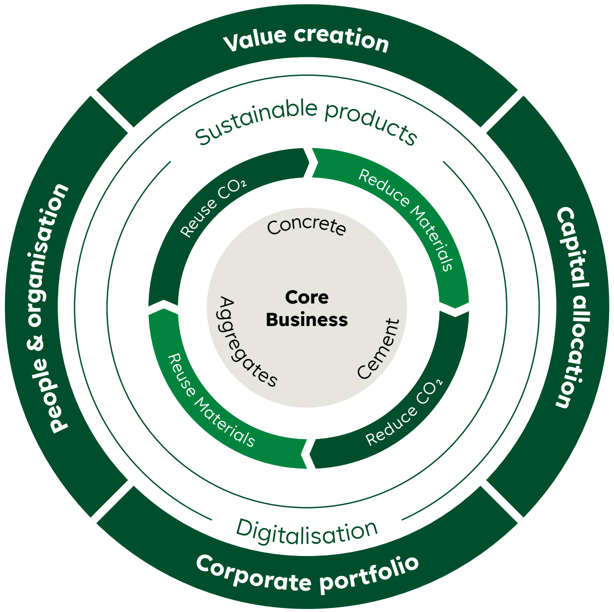
- Be stronger together!
- Get the customer excited!
- Unleash innovation!
- Think and act long term!

The purpose and four culture principles are integral to our Group strategy.

Strategic framework

The top priority of our strategy and all our entrepreneurial activity is to sustainably increase the enterprise value while limiting the impact of our business activities on the environment and society.

Strategy framework



Cement, aggregates, and concrete form the core of our business activities. In a market with largely standardised building materials, customer focus and service quality are crucial in order to successfully market our products and solutions. By further developing our product and customer portfolio, we are striving for profitable growth in line with our sustainability targets. In particular, we rely on the market knowledge and entrepreneurial spirit of our local management.

The basis and prerequisite for business excellence is a culture of continuous improvement. We compare performance both internally and in relation to competitors in order to identify improvement potential.

Growth and transformation

Taking our clearly defined core business as a starting point, we aim to generate sustainable and profitable growth. To complement and transform our existing core business, our strategy is based on two key cornerstones: sustainability and digitalisation.

Sustainability

We see closing the loop in terms of carbon emissions and material streams as an opportunity to establish new products and solutions on the market and open up new areas of business. Our target is to generate 50% of our revenue through sustainable products[3)] and solutions (including carbon-reduced and circular) by 2030 and to achieve **net-zero emissions**[4)] by 2050 at the latest (see **Sustainable products and solutions section**).

By using proven techniques and measures, such as maximising the use of alternative fuels, optimising the product mix, and improving the efficiency of our plants, we want to achieve a continuous reduction in our CO_2 emissions and become an industry-wide front runner in decarbonisation, combined with cost leadership. To achieve this, however, the existing techniques and measures alone are not sufficient. We are therefore intensively researching and testing new technologies aimed at avoiding the emission of CO_2 and closing the carbon loop. A particular focus of this work is on carbon capture, utilisation, and storage (CCUS) (see **Research and development section**).

In addition, we not only continuously review and optimise the use of resources in the manufacture of our products, but also work on finding ways to use and reuse them beyond their previous useful lives in keeping with circular economy principles. The aim is to conserve primary resources and make greater use of secondary resources, namely demolition concrete, as recycled materials. Heidelberg Materials is already active in the recycling business in several countries and is working on the targeted processing of recycled concrete components, as well as their recarbonation and reuse in building materials. With the acquisitions of RWG, SER Group, and The SEFA Group in 2023, among other steps, Heidelberg Materials is strengthening its range of circular materials to meet the increasing demand for sustainable building materials.

Our sustainability targets – combined with the growing importance of resource efficiency and the circular economy – are not only creating new opportunities for sustainable products and solutions as well as differentiation through optimised pricing and margins, but also potentially giving rise to new business models to generate additional sustainable growth.

Digitalisation

Digitalisation – including digital products and applications – plays a crucial role throughout our entire value chain, from raw materials mining, production, and logistics to the interface with our customers. Heidelberg Materials has set itself the target of becoming the leading tech company in the building materials sector.

We aim to use digital solutions to contribute to company growth and increase efficiency in production and administration. Our digital transformation strategy is centred on the three digital pillars HConnect, HProduce, and HService. While we aim to use the HConnect digital product suite to cover more than 75% of our global sales volume via digital interfaces to customers by 2025, the primary focus of the applications within the HProduce and HService digital product suite is on improving efficiency and reducing costs in production and within back-office processes.

As an anchor investor in digital and technology companies, such as through our investments in Command Alkon and Giatec Scientific, and a provider of digital products, we want to generate future growth and additional value creation and drive forward the digital transformation of Heidelberg Materials and the building materials industry as a whole.

The implementation of our strategy and the achievement of our targets are supported by measures in the areas of people and organisation, corporate portfolio, and capital allocation.

People and organisation

Heidelberg Materials pursues an integrated management approach, the success of which is based on a balance between local operational responsibility, Group-wide standards, and global leadership.

The achievement of essential corporate targets is enshrined in individual target agreements at all management levels and is reviewed regularly. At Managing Board level, global business functions are allocated clearly to the individual members. Separate Managing Board responsibilities have been established for the strategic transformation topics of sustainability and digitalisation since 2021.

An area of particular importance to us as a manufacturing company is occupational safety and the protection of our employees' health. We see the international composition of our workforce as a decisive factor for the global success of Heidelberg Materials. The aim is to create a high-performance and sustainable organisation throughout the Group.

3) Revenue that we allocate to our sustainable products is not aligned with the definitions of the EU Taxonomy Regulation.
4) According to SBTi definition

Corporate portfolio

We see our diversified country portfolio, consisting of developed and growth markets, as a strength. Through active portfolio management, we aim to further simplify our country portfolio and prioritise the strongest market positions. We have defined financial and non-financial criteria according to which all our markets are assessed. This includes divestments of activities in markets that do not meet these criteria in the medium term. We will expand our activities in countries that meet these criteria. Selective acquisitions in existing markets must meet high result and return expectations as well as sustainability criteria. We will continue our vertical integration along the entire value chain in the countries in which we are achieving strong synergy effects and are able to strengthen and expand our market positions. In addition, we will maintain and continuously expand our portfolio investments in the transformative areas of sustainability and digitalisation.

Capital allocation

Our entrepreneurial activity is accompanied by a consistent allocation of capital. With net investments of €1.1 billion per year, we have reached the required level of investment to operate our production sites efficiently and to meet market requirements.

We make investments with a focus on improving our margins and meeting our sustainability targets. Investments with a focus on sustainability or digital are gaining in importance. We are continually developing our corporate portfolio, with divestments helping to finance complementary acquisitions.

Thanks to a progressive dividend policy, our shareholders benefit from our corporate success. We also create sustainable value for our shareholders by reducing net debt. Share buybacks complement the capital allocation mix and underscore the focus on shareholder return.

Value creation

To measure our business success and create sustainable value, we have defined key performance indicators relevant for management. These include the result from current operations (RCO), the return on invested capital (ROIC), and the specific net CO_2 emissions. We also use revenue development, the RCOBD margin, and the leverage ratio as supporting information. With respect to the transformation topics of sustainability and digitalisation, we analyse data including revenue from sustainable products (see **Sustainable products and solutions section**) and the proportion of revenue that could be generated via digital interfaces by means of our HConnect product suite. More information on the key performance indicators and targets relevant for management can be found in the following section.

Management system and indicators

Components and functionality of the management system

We employ a value-oriented management system in order to evaluate and meet our strategic targets.

The management system at Heidelberg Materials is based primarily on annual operational planning, management and control during the year with regular Managing Board meetings and quarterly management meetings, central coordination of the investment process, and regular reporting to the Supervisory Board.

In the context of annual planning, the Managing Board first defines a top-down budget on the basis of macroeconomic data, external market data, an internal assessment of market conditions, and cost targets. From this, expected values are derived for all key targets at country and Group level, which are used as the basis of detailed planning for the individual operating units down to plant level and to agree targets with local management. The operational subplans created by the operating units are then consolidated centrally to create the Group-wide plan.

The management and control of the company during the year are carried out using a comprehensive system of standardised reports on the Group's assets, financial, and earnings position. The indicators used for this purpose are determined and presented uniformly throughout the Group. A report on the cash in- and outflow is prepared weekly, for example. Reports on the financial and earnings position, investments, production, and technology are prepared monthly.

The internal quarterly reporting includes extensive detailed reports on the assets, financial, and earnings position, cash flow for cash flow control, and taxes. Adjusted free cash flow is one of the target figures for the country management. It is defined as the sum of free cash flow and all investments and divestments. Intra-Group payments are offset in the calculation. At the quarterly management meetings, the Managing Board and country and region managers discuss business developments, including target achievement, the outlook for the relevant year, and any measures that need to be taken. These are based, among other things, on the quarterly forecasts of the country organisations.

The Group departments Strategy & Development/M&A, Finance, and Environmental Social Governance (ESG) and the technical competence centers follow a formalised process to review and assess all major investments and acquisitions. Investments in expansion are assessed from a business perspective primarily on the basis of the repayment period in years, ROIC (return on invested capital), the impact on earnings, and CO_2 emissions. For this purpose, a discounted cash flow model and simulated calculations are produced that show the impact of an investment on the consolidated income statement, statement of cash flows, balance sheet, and tax position over a period of ten years.

With our permanent investment grade credit rating, we aim to ensure that a high level of financial stability is maintained. The valuation of the Group's financial strength is based on the leverage ratio, i.e. the ratio of net debt to result from current operations before depreciation and amortisation. In the medium term, we have set the target range for the leverage ratio at 1.5x to 2.0x.

The focus is on a consistent allocation of capital, allowing investments only if neither the achievement of the target leverage ratio nor the dividend payments are jeopardised.

Management indicators

Key financial and non-financial performance indicators

Indicator	Target	Term	Value 2023
RCO	€2.35 billion to €2.65 billion (Q1: €2.50 billion to €2.65 billion; H1: €2.7 billion to €2.9 billion; 9M: €2.85 billion to €3.0 billion)	2023	€3,022 million
ROIC	Above 10 %	2025	10.3 %
Specific net CO_2 emissions (kg CO_2/t cementitious material)	400 kg CO_2/t cementitious material	2030	534 kg CO_2/t cementitious material

The key financial performance indicators for Heidelberg Materials include the result from current operations (RCO) and return on invested capital (ROIC). The Managing Board uses these KPIs to derive strategy and investment decisions.

As an important short-term indicator of the company's earnings strength and success, the RCO is determined, analysed, and forecast in detail for all operating units. It is therefore particularly suitable for assessing the company's economic development over time. The forecast target value is calculated on the basis of the prevailing economic conditions and the Group's financial situation.

The return on invested capital and thus internal value creation is expressed by ROIC. It is defined as the ratio of the result from current operations less the adjusted current tax expense to the average invested capital (average of the opening and closing balance sheets of the financial year). The adjusted current tax expense is calculated by applying an adjusted effective tax rate to the result of current operations. More information on the calculation of ROIC can be found in the **Capital efficiency section**. The medium-term target is to achieve a ROIC above 10%. ROIC is also taken into account as a variable remuneration element in the long-term bonus of the Managing Board and top management. The financial and assets positions of the operating units are monitored in the short term primarily via the amount of working capital and investments.

The strategic target of reducing our ecological footprint across the Group is at the forefront of all operational processes. By 2030, we want to lower our specific net CO_2 emissions to a target value of 400 kg of CO_2 per tonne of cementitious material. This is the most ambitious reduction target in the industry. A CO_2 component links the remuneration of the Managing Board and the majority of the bonus-eligible employees to the reduction of our CO_2 emissions. For the calculation of specific net CO_2 emissions as defined by the Global Cement and Concrete Association (GCCA), both process-related and fuel-dependent emissions are taken into account. In accordance with the GCCA guidelines, all alternative fuels are considered carbon-neutral.

Leading indicators

Heidelberg Materials' core business is in homogeneous bulk goods that are generally ordered at short notice. Suppliers of such products are usually interchangeable from a customer standpoint. Moreover, the volume of construction activity – and thus volumes of building materials – are dependent on local weather conditions in the respective markets. Given these circumstances, no reliable leading indicators are definable for business forecasting. However, some selected statistical data and industry association forecasts can be utilised to gauge the approximate business development at country level. In mature markets, for instance, figures on building permits or infrastructure budgets serve as important sources of information. In the growth markets of emerging countries, data on population growth and GDP growth forecasts are frequently used indicators.

Research and development

The aim of research and development (R&D) at Heidelberg Materials is to develop innovative products and solutions, new product formulations, and process improvements in order to lower energy consumption, conserve natural resources, strengthen the circular economy, and thereby reduce CO_2 emissions and costs.

Research and development activities at Heidelberg Materials can essentially be divided into the following areas of focus:

- Development of cements and concretes with improved carbon footprints: We are developing composite cements containing less clinker and concretes with lower cement content. Reducing the proportion of clinker in cement is the most important lever when it comes to minimising CO_2 emissions, and it helps to conserve natural raw materials.
- Development of new technologies for CO_2 reduction: We are implementing projects for carbon capture, utilisation, and storage (CCUS), which are essential tools to help our sector achieve net-zero emissions. We are also raising the proportion of biomass fuels, exploring the use of hydrogen, and increasing the electrification of our processes.
- Circular economy for concrete: We are working on innovative recycling technologies that allow demolition concrete to be fully reused in fresh concrete. We are also developing processes to incorporate CO_2 into our products by carbonating recycled hardened cement paste so that building materials can be used to store CO_2.
- Innovative concrete systems: The main priority is the development and improvement of binders and concretes with optimised properties and innovative functionalities, such as 3D printing or repair systems to reduce the amount of material used.
- Development of advanced automation solutions: With the help of artificial intelligence, we are looking for solutions to reduce energy consumption, keep our equipment in perfect condition, and maintain consistent product quality in our operations.

Organisation of our R&D activities

Our global competence centers Competence Center Cement (CCC), Competence Center Aggregates and Asphalt (CCA), Competence Center Readymix (CCR), as well as the Global Research & Development (GRD) and Technologies & Partnerships (TP) teams, pool the knowledge available in our Group and serve as points of contact for all operating units.

The CCC supports our cement plants in all technical matters, from securing raw materials and improving production and maintenance to process control and quality assurance. The CCC also coordinates all strategic projects in the cement business line, from feasibility studies to commissioning.

The CCC supports Heidelberg Materials' digitalisation efforts by continuously increasing the number of remote-controlled facilities and the use of Expert Systems across the Group. Expert Systems are computer programmes that use rules to mimic human decision-making. By working with our plant teams, we now have more than 250 Expert Systems in place – almost twice as many as three years ago. As a result, mills and kilns can operate largely without human intervention, increasing material throughput and making energy savings of up to 5%.

Similarly, the CCA supports the aggregates and asphalt business lines across the Group with programmes for continuous improvement and performance management. Its tasks also include the planning and implementation of projects as well as digitalisation and automation. Furthermore, the CCA offers training to provide employees with additional skills.

The CCR, a comparable organisation for the readymixed concrete business line, focuses on the continuous optimisation of raw materials and logistics costs and on maximising revenue by offering our customers innovative solutions.

R&D expenses and employees

Our research and development activities are key drivers of innovation. This includes central innovation hubs focused on the development of new technologies, improved processes, and breakthrough digital technologies, as well as the local optimisation of products and applications for an elevated customer experience.

Total expenditure on R&D amounted to €129.4 million in the reporting year (previous year: 110.3), corresponding to 0.6% of Group revenue (previous year: 0.5). In 2023, capitalised development costs totalled €34.1 million (previous year: 7.2).

On a full-time equivalent (FTE) basis, 686 employees (previous year: 654) were part of R&D in the 2023 financial year.

Research cooperation

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

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

Important activities relating to digitalisation, preservation of resources, recycling, and carbon capture

Use of digital solutions

Heidelberg Materials is committed to increasing efficiency in and reducing the ecological footprint of its cement plants through a strategic digital initiative – the HProduce integrated digital product suite. In particular, work is being carried out to predict important quality parameters for production, such as cement strength. The intention is to help the on-site workforce to ensure stable and optimal production and thus reduce the ecological footprint. Another example is the “Planner” digital solution, which has already been introduced in more than 60 plants to support production planning and maximise operating activities at times when electricity costs are lower, also determined by the availability of renewable energies (e.g. wind and solar).

Root cause failure analysis (RCFA) is an advanced digital solution introduced at the end of 2022 and now employed by over 70 plants with a constant utilisation rate averaging 150 active monthly users. It has significantly facilitated systematic problem-solving processes. Not only does this tool make analysis documentation easier, it also promotes effective knowledge sharing between our plants. The installation of wired and wireless sensors on critical equipment in more than ten plants is expected to lead to a noticeable reduction in maintenance costs and production downtime.

Use of alternative energies

To reduce Heidelberg Materials’ carbon footprint and increase the use of alternative fuels, we initiated the Alternative Fuel Master Plan in 2018. In the 2023 financial year, the alternative fuel rate – the proportion of alternative fuels in the fuel mix – was around 30% (previous year: 29). Information on progress in the use of alternative fuels in the reporting year is available in the **Non-financial statement chapter**.

Use of alternative raw materials

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

Cements with lower proportions of clinker

We have made further progress in the development of cements containing less clinker and have reduced CO_2 emissions. In several countries, the proportion of blast furnace slag, fly ash, and limestone in cement has been increased, thus reducing the clinker content. We are also evaluating the use of alternative cement components, such as natural pozzolans or calcined clays, for various locations. Clinker ratio – the proportion of clinker in cement – was around 70% in the 2023 financial year (previous year: 72).

At our plant in Lixhe, Belgium, a new vertical mill for grinding pure limestone went into operation before the end of 2023. This will enable us to launch low-clinker cement types on the market in Belgium and the Netherlands, in which limestone is used as the main ingredient rather than as a filler.

At our plant in Rezzato, Italy, we are currently modifying an unused mill to grind pure limestone. This will allow us to increase our market share of limestone cements and reduce the proportion of clinker. A new vertical mill is currently being installed in Radotín (Czechia) that will enable different cementitious materials (slag, pozzolan, or limestone) to be ground separately in order to reduce the proportion of CEM-I cements. At our plant in Górażdże, Poland, we are installing a roller press that will allow us to grind limestone separately, thus allowing the plant to compensate for the expected reduction in slag and fly ash availability. Thanks to the new installation, we will be able to introduce new cement types containing a higher proportion of limestone.

In the EU-funded MatCHMaker project, we are optimising the use of multi-component cements in concrete, including alternative components like calcined clay and recycled hardened cement paste. Methods such as machine learning and micromechanical modelling generate the necessary information about the mechanical properties and durability of the concretes, enabling their targeted optimisation.

Incorporation of CO_2 into concrete

Concrete binds CO_2 from the air throughout its entire service life. As a result of this natural carbonation, some of the CO_2 emitted in the production of the basic material cement is already reabsorbed over the product life cycle of concrete. Accelerating this natural process is the focus of the C^2inCO_2 research project in collaboration with industry partners and universities, which is funded by the German Federal Ministry of Education and Research. This enforced recarbonation of recycled concrete fines not only mineralises CO_2 to form limestone, but also produces a pozzolanic material that can replace clinker. This concept was successfully proven at industrial scale in 2023 by producing paving blocks.

The objective of the EU-funded Carbon4Minerals project is to use CO_2 from industrial flue gases to reprocess existing and future waste materials, which offers considerable potential to produce innovative, low-carbon binders and building materials. A total of eight industrial pilot installations are being built and operated along the entire value chain from carbon capture to the production of low-carbon cements and building materials. This cross-sectoral innovation could reduce European carbon emissions by up to 46 million tonnes per year, equivalent to 10% of the emissions of the processing industry in the EU.

Carbon capture, utilisation, and storage

The world's first industrial-scale carbon capture plant has been under construction at the Brevik cement plant in Norway since 2021. This facility will use amine technology to capture 400,000 tonnes or 50% of the plant's emissions annually. We anticipate mechanical completion of the CCS plant in Brevik at the end of 2024. The aim of the project is to demonstrate that carbon capture, utilisation, and storage (CCUS) is a viable, safe, and cost-effective technology.

On the basis of the know-how developed in Brevik, several feasibility studies are currently being conducted for CCUS projects in further cement plants. In particular, the feasibility studies have reached an advanced stage at the cement plants in Padeswood, United Kingdom, and Slite, Sweden. There, amine technology will be used to capture and store up to 95% of the cement plants' CO_2 emissions.

At our cement plant in Edmonton, Canada, we are developing North America's first industrial-scale carbon capture and storage plant for the cement industry. A memorandum of understanding has been signed with Enbridge Inc. for the captured CO_2, which will be transported via a pipeline and permanently stored. A detailed front-end engineering design (FEED) study will be carried out before the final investment decision is made. Subject to the granting of carbon sequestration rights and regulatory approvals, the project could go into operation as early as 2026.

Another major CCUS project at our cement plant in Mitchell, Indiana, will capture 95% of the CO_2 emissions from the modernised production facility and store them in a nearby onshore reservoir in the Illinois Basin. In the first step, the US Department of Energy approved funding for the feasibility study in 2022. As part of this study, seismic analyses were carried out in 2023 to identify suitable storage areas.

In 2022, the ANRAV CCUS project was selected for funding within the framework of the EU Innovation Fund. ANRAV will be the first project in Eastern Europe to span the entire CCUS value chain, connecting carbon capture facilities at the cement plant near Varna, Bulgaria, with offshore storage sites in the Black Sea via a pipeline system. To support the ANRAV project, a pilot unit is currently being installed. It will be a key proof of concept to demonstrate the scalability of the new OxyCal capture technology. Construction of the pilot unit is expected to take just a few months, with the subsequent demonstration phase scheduled to last 12 to 24 months.

Another method of carbon capture uses oxyfuel technology. Together with three other European cement manufacturers, Heidelberg Materials has started to build an oxyfuel pilot kiln line in Mergelstetten, Germany, to test the new process and prepare for the construction of an industrial-scale installation using the knowledge gained. The pilot plant is expected to go into operation in 2025.

Building on the knowledge gained from the Mergelstetten project, Heidelberg Materials' GeZero project in Geseke, Germany, will be supported by the EU Innovation Fund. This facility, equipped with oxyfuel technology, is scheduled to go into operation in 2029. Once captured, the CO_2 will be transported to a distribution hub in Wilhelmshaven and from there by ship/pipeline to offshore storage sites in the North Sea.

In Belgium, Heidelberg Materials intends to equip the Antoing plant with an innovative hybrid carbon capture unit. Once operational, the Anthemis project will reduce CO_2 emissions from the Antoing plant by more than 97%, equivalent to approximately 800,000 tonnes of captured CO_2 per year.

Following the successful completion of the LEILAC1 (Low Emissions Intensity Lime And Cement) project, the summary of the FEED study for LEILAC2 was published in October 2023, detailing the engineering aspects of the planned transfer to industrial scale. Heidelberg Materials is working with the Australian technology company Calix and a European consortium to build a demonstration plant. The new and improved design is intended to support cost-effective decarbonisation, scalable solutions for cement plant carbon capture, and a targeted capture rate of 100,000 tonnes per year. Following the discontinuation of clinker production at the Hanover, Germany, site, the project originally planned for this location is now to be realised at the Ennigerloh, Germany, cement plant.

Heidelberg Materials continues to work on optimising the technology to convert CO_2 into microalgae for the manufacture of a high-quality ingredient for fish food and other animal feed. We are producing 25 tonnes of dried microalgae annually on a 0.5 ha area at our Moroccan cement plant in Safi and launched the first product on the market in 2023. Depending on demand, we aim to gradually expand capacity.

Innovative concretes

Digitalisation and automation in the construction industry are also supported by the development of new building technologies, such as 3D printing with concrete. Our i.tech® 3D building material solution, specially developed for 3D printing, was used in pilot applications as early as 2020. By using low-carbon constituents (cement replacement materials) in i.tech® 3D, the amount of Portland cement can be reduced by up to 70%, achieving correspondingly large CO_2 savings. In addition, it has been demonstrated that, through optimised design and targeted material application, the 3D printing construction process can reduce material consumption by up to 75%, thus further reducing carbon emissions. In 2023, three commercial projects were realised, including the largest 3D-printed concrete building in Europe to date: the IT Server Hotel in Heidelberg.

2023 economic report

Evaluation of the economic situation by Group management

In 2023, high global inflation rates, increased financing costs, and persistently high, albeit declining energy and raw material prices compared to the years prior to 2022 significantly impaired construction activity and thus demand for our building materials. The decline in demand in private residential construction, which was massive in some cases, could not be offset by a solid development in industrial commercial construction and infrastructure projects. In the 2023 financial year, our volumes therefore declined to varying degrees in all business lines.

However, price adjustments in all Group areas more than compensated for this decline in volumes and led to revenue growth of 4.4% – excluding scope and currency effects. Thanks to lower energy costs and active cost management, we were able to achieve a strong increase in the result from current operations (RCO) on a like-for-like basis by 29.5%.

Earnings per share attributable to the Heidelberg Materials AG shareholders increased accordingly by €1.98 to €10.43.

ROIC exceeded the 10% threshold for the first time and was 10.3% in the reporting year.

As part of our CO_2 roadmap, we were able to reduce specific net CO_2 emissions by a further 3% to 534 kg/t of cementitious material.

With a focus on shareholder return, Heidelberg Materials announced a new share buyback programme in February 2024 with a total volume of up to €1.2 billion and a term no later than the end of 2026. The Managing Board and Supervisory Board will propose to the Annual General Meeting the distribution of a dividend of €3.00.

The Managing Board considers Heidelberg Materials' operational and financial development in the 2023 financial year to be very good.

Economic environment

General economic conditions

Although growth was only moderate at a forecast 3.1%, the global economy performed better than expected over the course of 2023, despite the persistently high inflation and tight monetary policy. In many countries, energy prices remained at a high level as a result of the Russia-Ukraine war. Further geopolitical tensions, such as the conflict in the Middle East, have put additional strain on the global economy.

In Europe, economic development slowed significantly under the influence of high inflation and persistently high interest rates. In its January 2024 forecast for the eurozone, which sees most countries experience little more than stagnation, the International Monetary Fund (IMF) anticipates a small increase in GDP of 0.5% in 2023. In France and Italy, growth is expected to be 0.8% and 0.7% respectively. In Sweden and Germany, gross domestic product is expected to have fallen by 0.7% and 0.3%, respectively in 2023. In the United Kingdom, too, the IMF forecasts a weak increase in GDP of 0.5%.

In the USA, despite high inflation and rising interest rates, the economy recorded slight growth in 2023, driven by private consumer spending and growth in commercial construction investments – supported by extensive government funding. According to the IMF, the US economy is expected to have grown by 2.5% overall in 2023. For Canada, the IMF anticipates growth of 1.1%.

In China, economic momentum has picked up again with expected growth of 5.2% compared with the previous year, but remains low by historical standards due to structural problems, particularly in the construction sector. The economies of India and Indonesia expanded strongly last year, with an anticipated growth of 6.7% and 5,0 % respectively. The IMF expects an increase of 1.8% in Australia's GDP.

With anticipated growth of 3.3%, emerging countries in sub-Saharan Africa are expected to have developed more weakly than in the previous year, partly due to the relatively slow momentum in China. Together with population growth and gross domestic product per capita, economic growth is one of the most important indicators for measuring the development of construction activity in emerging countries.

The average value of the euro rose in 2023, in particular against the US dollar, the Australian dollar, the Canadian dollar, the British pound, the Indonesian rupiah, and the Moroccan dirham. Meanwhile, the value of the euro fell against the Polish złoty and the Czech koruna.

Due in partly to mild weather in many countries in the northern hemisphere and the resulting reduction in energy consumption, market prices for energy in general and therefore costs in most countries fell on average in the 2023 financial year compared with 2022. However, they remained above the level seen before the Russia-Ukraine war.

Industry-specific conditions

Besides the country-specific investment climate for residential, commercial, and infrastructure construction, industry-specific conditions also include local weather conditions, developments in the competitive situation, and the regulatory environment. As the production and marketing of building materials is localised and only represents a small percentage of global trade, we focus on the countries and regions that are relevant to us instead of taking a global view. Details of the development in the individual countries can be found in the **Business trend in the Group areas section**.

In the EU Emissions Trading System (EU ETS), companies are allocated a proportion of their emission allowances at no cost, according to industry-specific benchmarks, as long as they are affected by the risk of production being shifted abroad (carbon leakage). Every company is required to submit sufficient emission allowances to cover its total emissions for the preceding financial year by a compliance deadline in September. In the EU ETS, if a company does not have enough emission allowances by the compliance deadline for production reasons, it must purchase allowances – or face heavy penalties. All of Heidelberg Materials' cement production facilities in Europe fall within the EU ETS.

Although the Carbon Border Adjustment Mechanism (CBAM) will not officially start until 2026, we have been required to collect data on imported products, such as cement and clinker, since the fourth quarter of 2023. The average price of carbon allowances in the 2023 financial year was around €80, slightly below the 2022 value.

Development of volumes

In 2023, high worldwide inflation rates, increased financing costs, and persistently high energy and raw material prices significantly impaired construction activity and thus demand for our building materials. Volumes developed differently in the individual Group areas. The decline in demand in private residential construction, which was massive in some cases, could not be offset by a solid development in industrial commercial construction and infrastructure projects. As a result, our volumes declined to varying degrees in all business lines in the 2023 financial year.

Overall, the Group's cement and clinker deliveries were noticeably below the previous year's level, with variations in performance in the individual Group areas. The greatest decreases in volumes were seen in the Western and Southern Europe Group area and in Africa-Eastern Mediterranean Basin. A moderate increase was recorded in our deliveries in Asia-Pacific.

Deliveries of aggregates also saw a moderate decline. While volumes increased slightly in the Africa-Eastern Mediterranean Basin Group area, they decreased slightly in North America and Asia-Pacific, significantly in Western and Southern Europe, and noticeably in Northern and Eastern Europe-Central Asia.

Deliveries of ready-mixed concrete fell in all Group areas, in some cases significantly, with the highest decreases in volumes recorded in Europe and North America.

Asphalt deliveries declined slightly across the Group. The significant drop in volumes in North America and a strong downward trend in the Africa-Eastern Mediterranean Basin Group area could not be fully offset by a significant increase in volumes in Asia-Pacific.

For a detailed description of the regional development of volumes, we refer to the **Business trend in the Group areas section**.

Earnings position

Consolidated income statement (short form)

€m	2022	2023	Change
Revenue	21,095	21,178	0%
Result from current operations before depreciation and amortisation (RCOBD)	**3,739**	**4,258**	**14%**
Depreciation and amortisation	−1,264	−1,236	
Result from current operations	**2,476**	**3,022**	**22%**
Additional ordinary result	−193	1	
Earnings before interest and taxes (EBIT)	**2,282**	**3,023**	**32%**
Financial result	−65	−174	
Profit before tax from continuing operations	**2,217**	**2,849**	**29%**
Income taxes	−485	−659	
Net income from continuing operations	**1,732**	**2,190**	**26%**
Net loss from discontinued operations	−9	−104	
Profit for the financial year	**1,723**	**2,087**	**21%**
Thereof attributable to Heidelberg Materials AG shareholders	**1,597**	**1,929**	**21%**
Thereof attributable to Heidelberg Materials AG shareholders – adjusted[1]	**1,790**	**1,928**	**8%**

1) Adjusted for the additional ordinary result

At €21,178 million (previous year: 21,095), Group revenue was at the previous year's level. Excluding scope and currency effects, the increase amounted to 4.4%. In particular, price adjustments in all Group areas contributed to the revenue growth. Changes to the scope of consolidation had a positive impact of €130 million, while currency effects had a negative impact of €937 million on revenue. Sustainable products accounted for 39.5% of revenue in the cement business line.

In the reporting year, material costs fell by 8.9% to €8,160 million (previous year: 8,961). This decline is largely due to lower energy costs. Excluding scope and currency effects, material costs declined by 4.5%. The material cost ratio decreased to 38.5% (previous year: 42.5). Other operating expenses fell slightly to €6,269 million (previous year: 6,360). Currency and scope effects had a negative impact, leading to an increase of 2.1%. Other operating income fell by 10.0% to €562 million (previous year: 624). Excluding scope and currency effects, the decline amounted to 9.9%. Due to salary increases and bonuses, personnel costs rose by 6.2% to €3,415 million (previous year: 3,217). Excluding scope and currency effects, the rise amounted to 8.1%. At €234 million (previous year: 262), the result from equity accounted investments (REI) was 10.7% below the previous year's level. Excluding scope and currency effects, the result was up 8.3% on the previous year's figure. This was due in particular to earnings increases in Australia and Turkey.

The result from current operations before depreciation and amortisation (RCOBD) rose significantly by 13.9% to €4,258 million (previous year: 3,739). Excluding scope and currency effects, the RCOBD was up 19.2% on the previous year's level. The increase in earnings was attributable to active cost and price management as well as lower energy costs. The RCOBD margin was 20.1% (previous year: 17.7). The result from current operations (RCO) rose sharply by 22.1% to €3,022 million (previous year: 2,476). Changes to the scope of consolidation had a negative impact of €23 million on the RCO and currency effects had a negative impact of €123 million. On a like-for-like basis, the RCO was 29.5% above the previous year's level.

The additional ordinary result amounted to €1 million (previous year: −193). The additional ordinary income of €165 million primarily resulted from gains from the disposal of equity accounted investments and property, plant and equipment of €72 million, as well as reversals of impairment losses on equity accounted investments and property, plant and equipment amounting to €69 million. The additional ordinary expenses amounted to €164 million and included impairments of at equity accounted investments and of other intangible assets and property, plant and equipment of €70 million, rebranding expenses of €20 million, and restructuring expenses of €19 million. In the previous year, the result was especially impacted by impairments on non-current assets of €166 million. Earnings before interest and taxes (EBIT) rose sharply by €741 million to €3,023 million (previous year: 2,282).

Overall, the financial result fell by €109 million to €−174 million (previous year: −65). The interest result declined by €13 million to €−132 million (previous year: −119). The exchange rate result improved by €74 million to €−25 million (previous year: −99), due in particular to lower foreign exchange losses in Egypt recognised in profit or loss. The other financial result fell by €164 million to €−23 million (previous year: 140). €119 million of the decrease was attributable to a positive effect in the previous year due to higher interest rates for discounting provisions. Profit before tax from continuing operations rose by €632 million to €2,849 million (previous year: 2,217).

At €659 million (previous year: 485), expenses for income taxes were €174 million above the previous year's value. The rise is primarily due to improved profit before tax.

Net loss from discontinued operations amounted to €−104 million (previous year: −9) and includes income and expenses incurred in connection with discontinued operations of the Hanson Group in previous years and that result from provisions for damages and environmental obligations.

Profit for the financial year increased to €2,087 million (previous year: 1,723). The profit relating to non-controlling interests amounted to €158 million (previous year: 126). The profit for the financial year attributable to the shareholders of Heidelberg Materials AG rose by €332 million to €1,929 million (previous year: 1,597). Earnings per share attributable to Heidelberg Materials AG shareholders increased by €1.98 to €10.43 (previous year: 8.45). Excluding the additional ordinary result, adjusted profit for the financial year rose by 7.7% to €1,928 million (previous year: 1,790). Adjusted earnings per share increased accordingly by €0.95 to €10.42 (previous year: 9.47).

The Managing Board and Supervisory Board will propose to the Annual General Meeting the distribution of a dividend of €3.00 (previous year: 2.60) per share.

Business trend in the Group areas

Western and Southern Europe

Heidelberg Materials operates production sites in seven countries in the Western and Southern Europe Group area. In these markets, we manufacture cement, aggregates, and ready-mixed concrete, and are active in construction waste and demolition concrete recycling. In addition, we produce asphalt in the United Kingdom and precast concrete and concrete products in Germany.

Heidelberg Materials focused on its core markets in the 2023 financial year and expanded its recycling business in Germany with two acquisitions: RWG Holding GmbH and SER Group. In Spain, we completed the final step in the realignment of our activities towards northern Spain with the divestment of our business activities in Madrid. In France, the logistics business Tratel was sold with effect from 1 January 2024. The disposal of the transport business puts a stronger focus on the key activities of Heidelberg Materials France and is part of the ongoing portfolio optimisation, which concentrates on the core business in promising market positions.

The IMF (January 2024 and October 2023) forecasts moderate GDP growth for all countries in 2023, with the economy growing by 0.5% in the United Kingdom, 0.7% in Italy, 1.0% in Belgium, 0.8% and 0.6% respectively in France and the Netherlands, and declining by 0.3% in Germany. However, construction activity in 2023 is expected to have been weak in almost all countries of the Group area. Euroconstruct's November 2023 forecast anticipates declines in construction activity in 2023 ranging from 0.3% in Belgium to 2.3% in Germany, while it is expected to have increased by 0.6% in the Netherlands and 2.8% in Spain.

Cement business line

In 2023, the Western and Southern Europe Group area's cement and clinker volumes decreased significantly, with all countries experiencing a slowdown.

To compensate inflation, all countries were able to increase their prices significantly, which more than offset the volume decreases. As a result, revenue of the cement business line in the Western and Southern Europe Group area rose by 1.4% to €3,432 million (previous year: 3,385). Excluding scope and currency effects, the rise amounted to 3.2%.

Significant progress was made in modernising our cement plants in France, with Bussac being commissioned and Airvault under construction. The raw meal silo and the foundations for all the key building sections and structures have been completed. Furthermore, essential machinery has been delivered and the assembly of plant components has begun. In northern Germany, we continued to work on optimising our locations and modernising our plants. All countries made progress in reducing their carbon footprint.

In 2023, we made significant progress with our CCUS projects. In Germany, the GeZero CCS project in Geseke was selected for the EU Innovation Fund. Together with Linde, Heidelberg Materials is implementing a pilot project for the use of CO_2 as a raw material for the food and chemical industries. As part of this, the first large-scale CCU facility is being built at the Lengfurt cement plant in Germany.

The CCS project in Padeswood, United Kingdom, qualified for funding from the UK Department for Energy Security and Net Zero in March 2023, and detailed planning has begun.

Numerous other projects are at an advanced stage of development (see **Research and development chapter**).

Aggregates business line

The Group area's deliveries of aggregates also decreased in line with construction demand. While volumes decreased significantly in Germany, Italy, Belgium, and France, the decline was only slight in the United Kingdom.

As a result of the positive price development in all countries, at €1,398 million (previous year: 1,383), revenue in the aggregates business line was 1.1% above the previous year. Excluding scope and currency effects, the rise amounted to 2.1%.

Ready-mixed concrete-asphalt business line

Volumes of ready-mixed concrete dropped significantly in the reporting year. The decrease was more pronounced in the Netherlands – impacted by the legislation on nitrogen emissions – followed by Germany. With single-digit decreases in volumes, volumes developed better in the United Kingdom and France.

Asphalt activities in the Group area are limited to the United Kingdom, where asphalt volumes reduced slightly compared with the previous year due to weaker construction activity.

At €2,372 million (previous year: 2,376), revenue of the ready-mixed concrete-asphalt business line was at the previous year's level (–0.2%). Excluding currency effects, revenue increased by 0.5%.

Service-joint ventures-other business line

The service-joint ventures-other business line includes the precast concrete parts and concrete products operating lines in Germany as well as the newly acquired recycling business.

Due to the first-time consolidation of the recycling business, revenue of the business line increased to €490 million (previous year: 406) and was thus 20.6% above the previous year. Excluding scope and currency effects, the rise amounted to 1.2%.

Revenue and results

The price increases to offset cost inflation led to a slight increase in revenue and a strong increase in results in the Western and Southern Europe Group area, despite lower volumes.

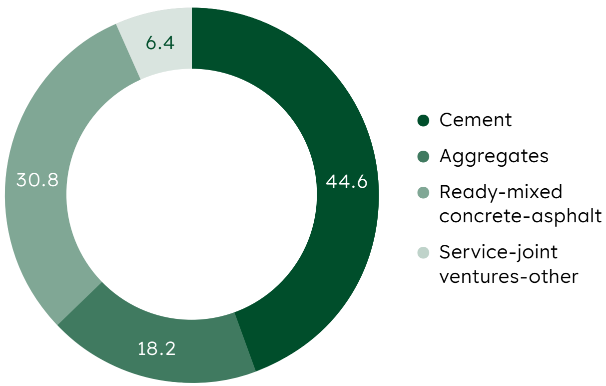
Revenue of the Western and Southern Europe Group area rose by 2.0% to €6,437 million (previous year: 6,308). Excluding scope and currency effects, the rise amounted to 2.1%.

The result from current operations before depreciation and amortisation (RCOBD) rose by 33.5% to €1,212 million (previous year: 908). The result from current operations (RCO) increased by 57.1% to €864 million (previous year: 550). Excluding scope and currency effects, the RCOBD and RCO increased by 34.1% and 59.2%, respectively.

Overview Western and Southern Europe

€m	2022	2023	Change
Revenue	6,308	6,437	2.0%
Result from current operations before depreciation and amortisation	908	1,212	33.5%
Result from current operations	550	864	57.1%
Employees as at 31 December (FTE)	14,883	15,052	1.1%

Revenue Western and Southern Europe 2023 in %



Northern and Eastern Europe-Central Asia

Heidelberg Materials is active in 17 countries in the Northern and Eastern Europe-Central Asia Group area. In many of these countries, we produce cement as well as aggregates and ready-mixed concrete, and in some we also manufacture concrete products.

In line with the IMF's October forecast for 2023, the economies in the countries of the Group area largely developed positively. In Kazakhstan, Greece, and Norway, economic output is estimated to have increased by 4.6%, 2.5%, and 2.3%, respectively. GDP growth of 2.2% is forecast for Romania and 1.7% for Bulgaria and Denmark each, while growth in Poland and Czechia is virtually stagnant (+0.6% and +0.2% respectively). In Sweden and Estonia, economic output is expected to decline by 0.7% and 2.3% respectively.

Construction activity in some countries of the Northern and Eastern Europe-Central Asia Group area developed negatively in 2023, according to Euroconstruct's November forecast. The construction industry in Sweden is expected to have shrunk by 10.6% and was particularly negatively affected by residential construction. In Norway, too, the 2.8% slowdown in construction activity is the result of the sharp decline in residential construction. Growth of 2.2% is forecast for the Polish construction industry, which is expected to have been driven by civil engineering and building construction. A slight decline of 1.8% is anticipated in Czechia.

As part of our portfolio optimisation, we completed the disposal of our 45% participation in Georgia in April 2023. The joint venture comprised two cement plants, fourteen ready-mixed concrete plants, and two aggregates plants.

Cement business line

The cement and clinker volumes of the Northern and Eastern Europe-Central Asia Group area declined significantly in most countries. The main reason for this development was the slowdown in construction activity. In Romania, Greece, and Bulgaria, on the other hand, we were able to increase our deliveries. Price increases were successfully implemented in all countries.

Revenue of the cement business line rose by 6.5% to €2,058 million (previous year: 1,933). Excluding currency effects, the rise amounted to 12.0%.

Over the course of 2023, we continued to make progress with our CCUS projects. In Brevik, Norway, we anticipate mechanical completion of the world's first industrial-scale carbon capture plant in the cement industry by the end of 2024. In the third quarter of 2023, the absorber, in which CO_2 will be separated from the flue gas flow, was installed. The tanks for temporary storage of the CO_2 prior to transport have also already been constructed. In January 2023, Heidelberg Materials signed a grant agreement with the EU Innovation Fund for the CCUS project in Devnya, Bulgaria. Construction of a pilot plant began in October 2023 (see **Research and development chapter**).

Aggregates business line

The main markets in the aggregates business line are in Northern Europe as well as in Czechia and Poland.

Deliveries of aggregates decreased noticeably in 2023, mainly due to delays in major building projects, with varying developments in the Group countries. While Romania, Czechia, and Poland recorded significant declines in volumes, volumes in Sweden increased moderately. By contrast, the cross-border Mibau Group, which has by far the largest volumes in the Group area, recorded a slight decline in volumes. Price increases were successfully implemented in most countries.

Revenue in the aggregates business line increased by 5.5% to €679 million (previous year: 644). Excluding currency effects, the rise amounted to 6.0%.

Ready-mixed concrete-asphalt business line

The main markets in the ready-mixed concrete business line are in Northern and Eastern Europe. We are not active in the asphalt business in this Group area.

Ready-mixed concrete deliveries in the Group area decreased significantly in 2023, mainly due to the substantial decline in residential construction. Price increases were successfully implemented in all countries.

Revenue in the ready-mixed concrete-asphalt business line fell by 4.3% to €684 million (previous year: 715). Excluding currency effects, the decline amounted to only 1.5%.

Service-joint ventures-other business line

This business line includes the concrete products of Nordic Precast Group, which is active in Denmark, Estonia, Norway, and Sweden, as well as our cement joint ventures in Hungary and Bosnia-Herzegovina. In many countries, we also operate joint ventures, particularly in the ready-mixed concrete business.

The cement volumes of our joint venture in Bosnia-Herzegovina rose significantly, whereas the volumes of our joint venture in Hungary declined significantly. The positive development in Bosnia-Herzegovina benefited from the continuation of construction work on existing major infrastructure projects, increased residential and commercial construction, and the start of new significant infrastructure projects. Hungary, on the other hand, recorded a decline in both GDP and the construction sector in general.

Revenue of the service-joint ventures-other business line, which was generated almost exclusively by Nordic Precast Group, fell by 14.1% to €476 million (previous year: 554). Excluding currency effects, the decline amounted to 7.3%. Revenue of our joint ventures is not included here, as these are accounted for at equity.

Revenue and results

The 2023 financial year was characterised by an increase in production costs, especially for raw materials in the ready-mixed concrete and cement operating lines, resale goods in the aggregates operating line, and third-party services, which were successfully offset by price adjustments.

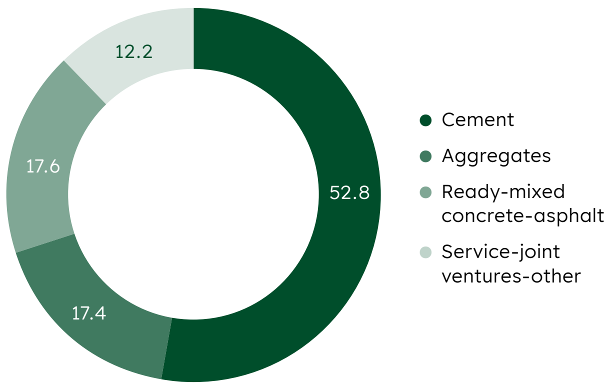
At €3,617 million (previous year: 3,600), revenue of the Northern and Eastern Europe-Central Asia Group area was at the previous year's level (+0.5%). Excluding currency effects, the rise was 5.0%.

At €787 million (previous year: 730), the result from current operations before depreciation and amortisation (RCOBD) was 7.9% above the previous year's figure. The result from current operations (RCO) rose by 12.2% to €599 million (previous year: 534). Excluding scope and currency effects, the RCOBD and RCO were respectively 15.0% and 20.7% below the previous year's value.

Overview Northern and Eastern Europe-Central Asia

€m	2022	2023	Change
Revenue	3,600	3,617	0.5%
Result from current operations before depreciation and amortisation	730	787	7.9%
Result from current operations	534	599	12.2%
Employees as at 31 December (FTE)	10,869	10,590	-2.6%

Revenue Northern and Eastern Europe-Central Asia 2023 in %



North America

The United States of America and Canada form the North America Group area, where Heidelberg Materials produces cement, aggregates, ready-mixed concrete, and asphalt. In addition, concrete pipes are manufactured in Canada.

In May 2023, as part of our strategy to strengthen our portfolio of secondary cementitious materials (SCMs), we acquired The SEFA Group, the largest US recycler of harvested fly ash for use in concrete products. The SEFA Group includes five business units, five utility partners, 20 locations, and more than 500 employees, supplying quality fly ash to more than 800 concrete plants in 13 US states. The reuse of fly ash from energy generation in alternative products such as composite cements significantly strengthens circularity within Heidelberg Materials' value chain in North America.

We also expanded our aggregates market presence in 2023 with several bolt-on acquisitions. In April 2023, Heidelberg Materials acquired RMS Gravel Inc., a manufacturer of sand and gravel products located in the Central New York market. In September 2023, Heidelberg Materials acquired the aggregates business of Green Drop Rock Products in Canada. Green Drop Rock Products manufactures aggregates at its plant in Cochrane, Alberta, and supplies the market in the Calgary Metropolitan Region.

In its January 2024 forecast, the International Monetary Fund (IMF) predicts an increase in the USA's gross domestic product in 2023 of 2.5% compared with an increase of 1.9% in the previous year.

The American Portland Cement Association (PCA) expects total construction spending in 2023 to be 0.3% higher than in the previous year, as the decline in residential construction of 8.0% was outpaced by growth in public construction of 2.9% and in non-residential construction of 15.8%.

For Canada, the IMF predicts (January forecast) an increase of 1.1% in gross domestic product for 2023, compared with an increase of 3.8% in 2022.

Cement business line

Cement and clinker volumes of our plants were moderately below the previous year.

Volumes in the Midwest region declined slightly in 2023. While volumes in the Southeast region increased with strong construction activity, the Northeast and Northwest regions recorded a moderate decline in sales volumes due to slower market activity.

Significant price increases in all regions more than offset the decrease in sales volumes. As a result, revenue of the cement business line increased by 11.3% in 2023 to €2,196 million (previous year: 1,974). On a like-for-like basis, excluding scope and currency effects, revenue of the cement business line increased by 11.0%.

Heidelberg Materials entered into a partnership with the Canadian government in April 2023 for the construction of the world's first net-zero facility for full-scale carbon capture and storage in the cement industry in Edmonton. The plant is scheduled to go into operation in 2026.

In June 2023, we celebrated the opening of the modernised cement plant in Mitchell, Indiana, the second-largest cement plant in the North America Group area. The state-of-the-art plant will significantly reduce CO_2 emissions and energy consumption for Heidelberg Materials North America (see **Research and development chapter**). The expansion of our slag cement plant and terminal in Cape Canaveral, Florida, was completed in May 2023. This is another milestone in our Group strategy to grow our portfolio of sustainable products, technologies, and customer-focused solutions on the path to net zero.

Aggregates business line

In the USA and Canada, Heidelberg Materials has a network of production sites for sand, gravel, and hard rock.

Total volumes declined slightly compared with the previous year. In 2023, we recorded volume increases in many core markets, with slight growth recorded in the Midwest and Southeast regions. The increases were particularly driven by the impact of large highway infrastructure and large-scale production facility projects. Volumes in the Southwest region remained stable as heightened construction activity levels continued, whereas volumes declined significantly in the Northwest and Northeast regions. Significant price increases were implemented successfully in all market regions of the USA and Canada.

Revenue in the aggregates business line increased by 5.6% to €2,098 million (previous year: 1,987). On a like-for-like basis, revenue of the aggregates business line was 8.9% above the previous year's value.

Ready-mixed concrete and asphalt business lines

Ready-mixed concrete volumes declined significantly in 2023 as a result of lower activity in key vertically integrated markets in the Northwest region. Significant price increases were implemented successfully in all market regions of the USA and Canada.

Asphalt volumes decreased significantly. The Northwest and Northeast regions both recorded decreases in volumes as activity in core vertically integrated markets slowed.

Revenue of the ready-mixed concrete-asphalt business line decreased by 1.7% to €1,141 million (previous year: 1,161). Excluding scope and currency effects, revenue reduced by 2.1%.

Service-joint ventures-other business line

This business line includes the concrete pipes operating line in the Northwest region and other associated activities, as well as our joint venture Texas Lehigh Cement Company LP, headquartered in Austin, Texas. The company, in which we hold a 50% share, operates a cement plant in Buda, Texas; its sales volumes decreased slightly compared with the previous year.

Revenue in the business line, which was mainly generated by the concrete pipes operating line, increased by 1.5% to €336 million (previous year: 331). Excluding scope and currency effects, revenue increased by 4.4%. Revenue of our joint ventures is not included here, as these are accounted for at equity.

Revenue and results

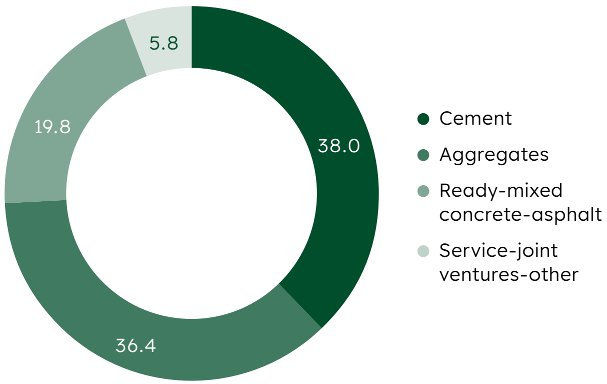
Total revenue in the North America Group area increased by 6.4% to €5,219 million (previous year: 4,907). On a like-for-like basis, excluding scope and currency effects, revenue was up 8.1% on the previous year.

The result from current operations before depreciation and amortisation (RCOBD) rose significantly by 15.0% to €1,181 million (previous year: 1,028). The result from current operations (RCO) increased by 22.2% to €856 million (previous year: 700). Excluding scope and currency effects, RCOBD and RCO increased by 17.5% and 26.3%, respectively.

Overview North America

€m	2022	2023	Change
Revenue	4,907	5,219	6.4%
Result from current operations before depreciation and amortisation	1,028	1,181	15.0%
Result from current operations	700	856	22.2%
Employees as at 31 December (FTE)	7,933	8,247	4.0%

Revenue North America 2023 in %



Asia-Pacific

The Asia-Pacific Group area comprises nine countries. In Indonesia, the business is vertically integrated in cement, aggregates, and ready-mixed concrete. In India, Bangladesh, and Brunei, we operate solely in the cement business line. In Malaysia and Australia, we are active in aggregates, ready-mixed concrete, and asphalt, with recycled building materials for civil engineering and infrastructure projects also being supplied in Australia. The Thailand business consists of ready-mixed concrete in addition to cement. We are also represented via a cement joint venture in Australia, two cement joint ventures in mainland China, and two joint ventures for ready-mixed concrete and aggregates in Hong Kong.

To strengthen its presence in Indonesia, Heidelberg Materials acquired 100% of the shares in the cement company PT Semen Grobogan through its subsidiary Indocement in November 2023. PT Semen Grobogan operates an integrated cement plant in Central Java that has a capacity of 1.8 million tonnes of clinker, 2.5 million tonnes of cement, and more than 50 years' worth of limestone reserves.

In its October 2023 forecast, the IMF anticipated economic growth in the Asia and Pacific region of 4.6%, compared with 3.9% in the previous year. The economy in the Asia-Pacific region remains on track and is expected to contribute about two-thirds of global economic growth in 2023, despite the challenges posed by the shift of global demand from goods to services and the tightening of monetary policy. Weak economic recovery in China also had an impact on trading partners in the region. The pandemic-related economic slowdown in 2022 and the worsening crisis in the property sector have weakened consumer confidence in China, with GDP growth of 5.0% anticipated in 2023. Growth in India is expected to remain relatively robust in 2023 at 6.3%. In Indonesia, the IMF anticipates a decline in the growth rate to 5.0% as a result of lower capital expenditure. For Malaysia and Thailand, the IMF forecasts growth of 4.0% and 2.7%, respectively. High inflation and interest rates are expected to push Australia's growth rate down from 3.7% in the previous year to 1.8% in 2023.

Cement business line

Cement and clinker volumes in the Asia-Pacific Group area recorded moderate growth in 2023.

In Indonesia, accelerated infrastructure expansion was an important driver of development in the construction sector in 2023. The increase in the infrastructure budget and the construction activity in Kalimantan, where the new capital is to be built, led to a significant rise in demand for bulk cement. The commercial and residential construction segments remain under pressure due to oversupply and interest rate hikes. Cement and clinker sales volumes of our subsidiary Indocement rose significantly due to the improved presence in Eastern Indonesia as a result of the Maros cement plant leased in September 2022 and the growth in clinker exports. The completion of various alternative fuel feed systems in the production facilities has helped to further increase the use of alternative fuels and reduce specific CO_2 emissions.

In India, ongoing infrastructure expansion and urbanisation across the country continue to act as the backbone of the robust construction industry. Our cement and clinker deliveries increased moderately, as massive excess capacities persist in our core markets. The commissioning of a waste heat recovery system at our plant in South India and lower energy costs overall contributed to the improvement in profitability.

In Thailand, delays in the formation of a new government and in major infrastructure projects have adversely affected market demand. The cement sales volumes of our plants declined noticeably. Despite challenging market demand, margins were improved through better pricing and greater production efficiency. The completion of a 20 MW solar farm has made a positive contribution to lowering electricity costs and reducing CO_2 emissions. The use of alternative fuels has been further expanded.

In Bangladesh, persistently high inflation, currency devaluation, and high fuel costs led to a significant increase in material costs, leading to a slowdown in construction activity. Our cement deliveries declined slightly, but we were able to increase sales prices.

Supported by investment from the private sector, Brunei's construction industry recorded a slight recovery. The cement sales volumes of our grinding plant increased slightly.

Revenue of the cement business line rose slightly by 0.8% to €1,978 million (previous year: 1,961). Excluding scope and currency effects, the rise amounted to 6.7%.

Aggregates business line

In 2023, our aggregates deliveries decreased slightly overall.

In Australia, high inflation and high interest rates, as well as labour shortages and supply chain problems, led to a moderate decline in our aggregates volumes. Sales prices were above the previous year's level. In Malaysia, our deliveries increased slightly as construction activity steadily recovered despite labour shortages and supply chain problems. Aggregates volumes in Indonesia grew significantly.

Revenue in the aggregates business line declined slightly by 0.6% to €661 million (previous year: 665). Excluding currency effects, revenue increased by 6.7%.

Ready-mixed concrete-asphalt business line

Volumes of ready-mixed concrete fell slightly compared with the previous year.

While our deliveries in Australia declined moderately due to the slowdown in construction activity, Malaysia and Thailand achieved noticeable and significant volume growth respectively as a result of economic recovery and investments from the private sector. In Indonesia, volumes of ready-mixed concrete were at the previous year's level.

Asphalt volumes increased significantly compared with the previous year. In Malaysia, our deliveries benefited from the recovery of the construction industry, and in Australia, from the sustained brisk demand.

Revenue of the ready-mixed concrete-asphalt business line grew by 3.1% to €1,338 million (previous year: 1,298). Excluding currency effects, the increase amounted to 10.2%.

Service-joint ventures-other business line

In addition to the Alex Fraser Group, a manufacturer of recycled building materials and asphalt in Australia, the service-joint ventures-other business line comprises the cement, aggregates, and ready-mixed concrete activities of our joint ventures in Australia, China, and Hong Kong.

Volumes of our joint ventures in China were adversely affected by the property sector crisis and the weak economy. Our joint venture Cement Australia benefited from stable deliveries and higher sales prices.

Revenue of the business line, which is mainly generated by the Alex Fraser Group, rose by 10.6% to €65 million (previous year: 59). Excluding currency effects, the increase amounted to 18.2%. Revenue of our joint ventures in China and Hong Kong and of our joint venture Cement Australia is not included here, as these are accounted for at equity.

Revenue and results

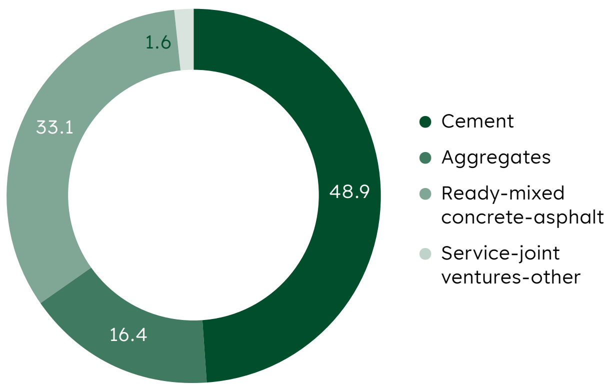
Revenue of the Asia-Pacific Group area rose by 2.0% to €3,705 million (previous year: 3,633). Excluding scope and currency effects, the rise amounted to 8.5%.

The result from current operations before depreciation and amortisation (RCOBD) increased by 7.6% compared with the previous year to €643 million (previous year: 598). The result from current operations (RCO) rose by 14.0% to €399 million (previous year: 350). Excluding scope and currency effects, the RCOBD increased by 13.8% and the RCO by 20.6%.

Overview Asia-Pacific

€m	2022	2023	Change
Revenue	3,633	3,705	2.0%
Result from current operations before depreciation and amortisation	598	643	7.6%
Result from current operations	350	399	14.0%
Employees as at 31 December (FTE)	12,139	12,218	0.7%

Revenue Asia-Pacific 2023 in %



Africa-Eastern Mediterranean Basin

Heidelberg Materials operates in 13 countries in the Africa-Eastern Mediterranean Basin Group area. We mainly manufacture cement in the eight countries south of the Sahara: Benin, Burkina Faso, the Democratic Republic of the Congo, Ghana, Liberia, Mozambique, Tanzania, and Togo. In South Africa, we have a stake in a grinding plant through a joint venture. We are one of the four biggest cement producers in all countries except South Africa. In North Africa, we are active in the cement and ready-mixed concrete business in Morocco and Egypt, as well as in the aggregates business in Morocco. In the Eastern Mediterranean Basin, we have a presence in Israel and Turkey. In Israel, we mainly produce aggregates and ready-mixed concrete, and operate a cement import terminal as a separate line of business. Our joint venture Akçansa in Turkey is one of the country's largest cement manufacturers and also runs ready-mixed concrete and aggregates operations.

As part of our portfolio optimisation, we sold our subsidiary Gacem Company Limited in the Gambia. We operated a cement terminal in the Gambia.

According to the October 2023 forecast by the IMF, economic growth in Sub-Saharan Africa is expected to have slowed to 3.3% in 2023, but remains above the global average. Strong population growth, urbanisation, and ongoing negotiations over free trade agreements were among the main drivers of growth. On the other hand, the decline in international demand, higher global interest rates, and continued pressure on exchange rates had a negative impact. In our largest markets, growth rates of 1.2% in Ghana, 5.2% in Tanzania, and 5.4% in Togo are anticipated. For the remaining countries, growth expectations range between 4.4% for Burkina Faso and 7.0% for Mozambique. In South Africa, growth is expected to be 0.9%.

Demand for building materials in the countries south of the Sahara weakened further in 2023 compared with the previous year. The market environment was characterised by varying local economic development with difficult global trade conditions as a result of geopolitical tensions on the one hand and, on the other, by a young, rapidly growing population as well as increasing internal migration to cities and urban areas. Ghana's economy in particular is under pressure due to current hyperinflation. A key indicator is the rising per capita consumption of cement, which is still significantly lower in the Sub-Saharan countries than in more developed or industrialised countries. Our production sites, which are primarily located close to urban centres, are well positioned to serve the growing demand for building materials.

In Morocco, the construction industry continues to recover despite existing uncertainties and the effects of the earthquake. According to the IMF's October forecast, gross domestic product is estimated to have increased by 2.4% in 2023. Pursuant to the IMF's January forecast, Egypt is expected to have achieved economic growth of 3.8% despite a volatile economic situation.

Economic growth in Turkey has slowed further and is expected to reach 4.0% in 2023 according to the IMF's January forecast. This growth is offset by hyperinflation and a weak local currency.

In December 2023, Israel's central bank lowered its forecast for economic growth in 2023 from 3% to 2% due to the decline in demand in the region.

Cement business line

The cement and clinker volumes of the Africa-Eastern Mediterranean Basin Group area declined noticeably in the reporting year.

In most countries south of the Sahara, cement and clinker deliveries fell significantly in 2023. The exceptions are Benin, the Democratic Republic of the Congo, and Mozambique, where significant increases in volumes have been recorded.

In Morocco, cement and clinker deliveries recovered in 2023 after a weak previous year and were moderately above the previous year's level. In Egypt, our volumes declined moderately due to reduced demand from large national infrastructure projects.

In addition, we further expanded our cement activities in some of the fast-growing countries. One focus of our investments was on improving fuel flexibility and alternative fuel usage in some core markets and on optimising clinker use in order to put ourselves in the best position for future market growth and sustainable competition. In 2023, we worked on expanding our product portfolio in our core markets. Our project for the production of calcined clay with our partner CBI Ghana is on schedule.

Revenue of the cement business line fell by 11.8% to €1,548 million (previous year: 1,755). Excluding scope and currency effects, revenue increased by 6.6%.

Aggregates business line

In Israel, deliveries of aggregates in the reporting year remained slightly below the previous year's level. In Morocco, on the other hand, aggregates volumes recorded a significant increase compared with the previous year. Total aggregates deliveries of the Group area rose slightly in the reporting year.

Revenue of the aggregates business line decreased by 5.3% to €87 million (previous year: 92).

Ready-mixed concrete-asphalt business line

Deliveries of ready-mixed concrete recorded a moderate decline in 2023. Volumes of the asphalt operating line, which is only represented in Israel, fell sharply.

Total revenue in the ready-mixed concrete-asphalt business line decreased by 12.1% to €360 million (previous year: 409). Excluding scope and currency effects, revenue increased by 3.2%.

Service-joint ventures-other business line

The business line also includes our Turkish joint venture Akçansa. Cement and clinker volumes of our joint venture Akçansa were slightly below the previous year's level.

Revenue of the business line, which was only generated by a few non-core activities, fell by 26.3% to €36 million (previous year: 49). Excluding currency effects, the decline amounted to 7.8%. Revenue of our joint venture Akçansa is not included here, as this is accounted for at equity.

Revenue and results

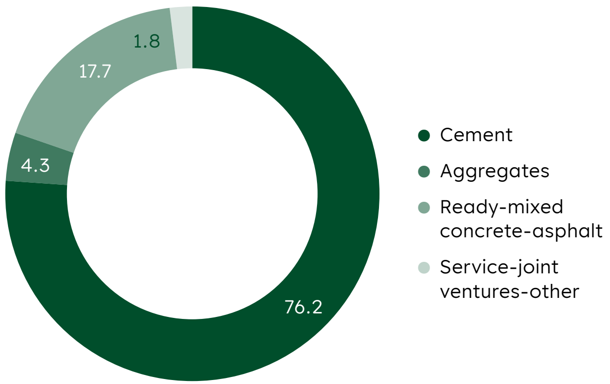
Revenue of the Africa-Eastern Mediterranean Basin Group area decreased by 12.0% to €1,856 million (previous year: 2,108). Excluding scope and currency effects, revenue was up 6.1% on the previous year's level.

The result from current operations before depreciation and amortisation (RCOBD) rose by 2.2% to €474 million (previous year: 464). At €370 million (previous year: 355), the result from current operations (RCO) was 4.2% above the previous year's level. Excluding scope and currency effects, the RCOBD and RCO increased by 17.1% and 21.0%, respectively.

Overview Africa-Eastern Mediterranean Basin

€m	2022	**2023**	Change
Revenue	2,108	1,856	-12.0%
Result from current operations before depreciation and amortisation	464	474	2.2%
Result from current operations	355	370	4.2%
Employees as at 31 December (FTE)	4,858	4,790	-1.4%

Revenue Africa-Eastern Mediterranean Basin 2023 in %



Group Services

The Group Services business unit mainly comprises the activities of Heidelberg Materials Trading. The latter is one of the world's largest trading companies for the international procurement, transport, and sale of cement, clinker, and secondary cementitious materials as well as for solid and alternative fuels via sea routes, both across the Group and for third-party customers. Volumes and revenue are roughly equally split between Group and third-party customers. Heidelberg Materials Trading optimises the utilisation of our production worldwide by balancing supply and demand for cement and clinker.

Heidelberg Materials Trading operates a network of offices around the globe and supports its customers locally. The company manages deliveries to customers in Europe and Africa from its headquarters in Heidelberg, Germany. It supports customers in North, Central, and South America from its location in Miami, Florida, USA. In Asia, in addition to the main location in Singapore, Heidelberg Materials Trading is also represented in Dubai. Shipping logistics are provided from Istanbul and Dubai.

In the reporting year, Heidelberg Materials Trading's trade volume fell moderately due to the ongoing tense global economic situation. In the reporting year, Heidelberg Materials Trading supplied customers in more than 70 importing countries with more than 1,000 shipments from over 35 exporting countries. The majority of the deliveries went to Africa, Europe, and the Americas. Turkey, Egypt, Saudi Arabia, and Spain were among the main export countries.

Revenue and results

Revenue of the Group Services business unit fell sharply, by 29.3% in comparison with the previous year, to €1,260 million (previous year: 1,783), primarily because of decreased material prices and freight rates.

The result from current operations before depreciation and amortisation was €31 million (previous year: 35), 9.2% lower than in the previous year. The result from current operations also decreased by 9.2% to €31 million (previous year: 34). Both results were primarily impacted by currency exchange rate fluctuations between the US dollar and the euro.

Overview Group Services

€m	2022	**2023**	Change
Revenue	1,783	1,260	-29.3%
Result from current operations before depreciation and amortisation	35	31	-9.2%
Result from current operations	34	31	-9.2%
Employees as at 31 December (FTE)	99	100	1.0%

Statement of cash flows

Consolidated statement of cash flows (short form)

€m	2022	2023	Difference
Cash flow	3,481	3,654	172
Changes in working capital	-805	-205	600
Decrease in provisions through cash payments	-241	-221	21
Cash flow from operating activities – continuing operations	**2,435**	**3,228**	**793**
Cash flow from operating activities – discontinued operations	-15	-23	-8
Cash flow from operating activities	**2,420**	**3,205**	**785**
Investments (cash outflow)	-1,811	-1,850	-39
Divestments (cash inflow)	329	370	41
Cash flow from investing activities	**-1,482**	**-1,480**	**2**
Capital increase of/repayment to non-controlling interests	-2	1	2
Dividends	-628	-579	49
Acquisition of treasury shares	-350	-298	52
Changes in ownership interests in subsidiaries	-76		76
Net change in bonds, loans and lease liabilities	-1,484	1,011	2,495
Cash flow from financing activities	**-2,539**	**135**	**2,674**
Effect of exchange rate changes	-60	-48	13
Change in cash and cash equivalents	**-1,661**	**1,812**	**3,473**

As a result of the positive operating business development and the reduction in working capital outflow, cash inflow from operating activities increased substantially in the 2023 reporting year to €3,205 million (previous year: 2,420). Changes in working capital improved strongly by €600 million compared with the previous year to €-205 million (previous year: -805). This is due in particular to the significantly lower increase in inventories compared with the previous year. In the previous year, inventories had risen sharply as a result of energy and raw material prices. The reduction in factoring programmes in the reporting year increased working capital by €131 million. The previous year saw a reduction in working capital of €142 million due to an increase in factoring programmes. Higher net interest payments and tax payments had a negative impact on cash flow from operating activities. Interest received decreased by €114 million to €159 million (previous year: 273), mainly as a result of lower proceeds from interest rate swaps. Interest paid increased by €110 million to €322 million (previous year: 212), in particular due to higher interest payments for interest rate swaps and bonds. Income taxes paid rose by €162 million to €522 million (previous year: 360), primarily owing to the positive development of results.

Cash outflow from investing activities remained stable in the reporting year at €1,480 million, compared with €1,482 million in the previous year. Cash-relevant investments increased slightly by €39 million to €1,850 million (previous year: 1,811). Through continued investment discipline, payments for the acquisition of property, plant and equipment and intangible assets less subsidies received were reduced by €24 million compared with the previous year to €1,235 million (previous year: 1,260). By contrast, payments for the acquisition of subsidiaries and other business units less cash and cash equivalents acquired increased by €351 million to €414 million (previous year: 63); this figure mainly related to the acquisition of The SEFA Group in the USA, RWG and the SER Group in Germany, PT Semen Grobogan in Indonesia, and Tanga Cement PLC in Tanzania. In the previous year, the payments resulted mainly from business combinations in the United Kingdom and North America. Investments in financial assets, associates, and joint ventures amounting to €200 million (previous year: 488) primarily relate to the acquisition and granting of loans totalling €151 million. Payments in the previous year related to the acquisition of a non-controlling interest in Command Alkon at €326 million, the indirect acquisition of 50% of the shares in CBI Ghana at €32 million, and the acquisition and granting of loans at €95 million. Investments for maintenance and optimising our capacities amounted to €1,059 million (previous year: 1,289), and €791 million (previous year: 522) related to capacity expansions.

Regarding the cash-relevant divestments of €370 million (previous year: 329), proceeds of €208 million (previous year: 39) related to the disposal of financial assets, joint ventures, and associates. Proceeds primarily resulted from the disposals of the joint venture in Georgia and the Chaney Group in the USA. Proceeds from the disposal of subsidiaries and other business units less the cash and cash equivalents disposed of amounted to €27 million in the reporting year (previous year: 145) and largely resulted from the sale of the business in the Madrid region of Spain. Proceeds in the previous year mainly concerned divestments in Greece and Spain. Proceeds from the sale of intangible assets and property, plant and equipment in the reporting year amounted to €136 million (previous year: 145).

Financing activities in the 2023 financial year generated a cash inflow of €135 million (previous year: cash outflow of 2,539). The continuation of the progressive dividend policy at Heidelberg Materials AG resulted in a dividend payment of €484 million (previous year: 458). Dividend payments to non-controlling interests decreased by €74 million to €95 million (previous year: 169). The third tranche of the Heidelberg Materials AG share buyback programme resulted in payments for the acquisition of treasury shares totalling €298 million in the 2023 financial year. In the previous year, treasury shares were acquired for a total of €350 million under the second tranche. Changes in ownership interests in subsidiaries resulted in payments of €76 million in the previous year and mainly related to the 1.8% increase of our share in PT Indocement Tunggal Prakarsa Tbk., Indonesia, through the acquisition of own shares.

The cash inflow arising from the net proceeds from and repayment of bonds and loans of €1,011 million (previous year: cash outflow of 1,484) mainly included the issue of two bonds with a total volume of €1.5 billion and the repayment of lease liabilities amounting to €233 million. Significant developments in the previous year were the early repayment of a bond of €750 million and the repayment of a debt certificate of €361 million and of lease liabilities of €237 million.

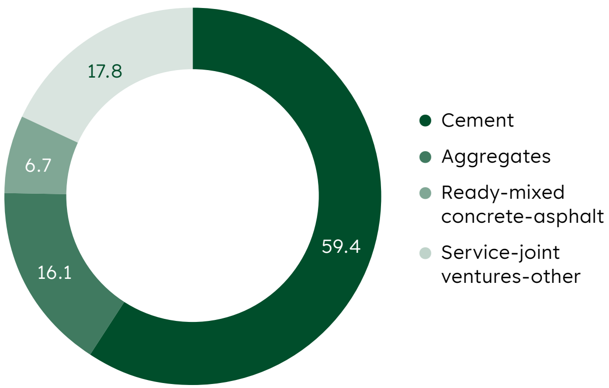
In the 2023 financial year, Heidelberg Materials was able to meet its payment obligations at all times.

Investments

Investments

€m	2022	2023	Change
Western and Southern Europe	342	430	25.7%
Northern and Eastern Europe-Central Asia	190	220	15.7%
North America	464	337	-27.4%
Asia-Pacific	161	143	-10.7%
Africa-Eastern Mediterranean Basin	96	92	-3.9%
Group Services	7	13	86.5%
Financial assets and other business units	551	614	11.5%
Total	**1,811**	**1,850**	**2.1%**

Investments in property, plant and equipment[1] by business lines 2023 in %



1) Incl. intangible assets

In the 2023 financial year, Heidelberg Materials continued its portfolio optimisation and made subsequent investments and divestments.

Investments increased slightly by €39 million to €1,850 million (previous year: 1,811). As a result of continued strict investment discipline, payments for the acquisition of property, plant and equipment and intangible assets less government grants received were reduced by €24 million compared with the previous year to €1,235 million (previous year: 1,260).

Investments in property, plant and equipment primarily served to improve our production facilities and reduce CO_2 emissions. They include the construction of our carbon capture and storage (CCS) plant at the Brevik cement plant in Norway, the construction of a facility for the separate grinding of limestone and slag at our Górażdże cement plant in Poland, and investments in the construction of waste heat recovery systems and facilities for the use of alternative fuels. Some of these projects received state funding. In the reporting year, government grants amounted to €94 million (previous year: 76). Of this amount, €80 million was attributable to the CCS project in Brevik, Norway. Major capital expenditure also related to the modernisation and reorganisation of our cement production sites in France and the reconstruction of the Mitchell cement plant in Indiana, USA, which was commissioned in June 2023 following successful modernisation.

Net investments in property, plant and equipment (investments in and divestments of property, plant and equipment after deduction of grants) amounted to €1,042 million (previous year: 1,080) in the 2023 financial year.

Investments in financial assets, associates, and joint ventures, as well as investments in subsidiaries and other business units increased by €63 million to €614 million (previous year: 551). We primarily invested in promoting the circular economy and increasing the use of by-products and recycled materials from other industrial sectors in order to reduce Heidelberg Materials' CO_2 intensity. In particular, this included the acquisitions of The SEFA Group in the USA as well as the RWG Group and the SER Group in Germany. The acquisitions of PT Semen Grobogan in Indonesia and Tanga Cement PLC in Tanzania were also significant investments in subsidiaries.

Divestments amounted to €370 million (previous year: 329). Proceeds primarily resulted from the disposals of the joint venture in Georgia and the Chaney Group in the USA and the sale of the business activities in the Madrid region of Spain.

Consolidated balance sheet

Consolidated balance sheet (short form)

€m	31 Dec. 2022	**31 Dec. 2023**	Part of balance sheet total 2023
Assets			
Intangible assets	8,577	8,685	24%
Property, plant and equipment	13,660	14,150	40%
Financial assets	2,715	2,657	7%
Other non-current assets	1,184	1,158	3%
Inventories	2,669	2,670	8%
Trade receivables	2,040	2,005	6%
Other current assets	2,410	4,147	12%
Balance sheet total	**33,256**	**35,471**	**100%**
Equity and liabilities			
Equity	17,624	18,375	52%
Financial liabilities	7,110	8,619	24%
Pension provisions	735	764	2%
Other provisions	1,641	1,684	5%
Trade payables	3,343	3,157	9%
Other liabilities	2,803	2,873	8%
Balance sheet total	**33,256**	**35,471**	**100%**

In comparison with 31 December 2022, the balance sheet total as at 31 December 2023 rose by €2,216 million to €35,471 million (previous year: 33,256).

The following notes explain the significant changes in the balance sheet items.

Intangible assets increased by €107 million to €8,685 million (previous year: 8,577). Adjusted for negative currency effects of €–185 million, the increase amounted to €292 million, which is primarily attributable to goodwill and acquired customer relationships from business combinations in the reporting period.

Property, plant and equipment rose by €489 million to €14,150 million (previous year: 13,660). Adjusted for negative currency effects of €–257 million, there was an increase of €746 million. Additions from business combinations of €585 million and additions to property, plant and equipment of €1,433 million were offset by depreciation and amortisation of €1,189 million.

Financial fixed assets decreased slightly by €58 million to €2,657 million (previous year: 2,715). The carrying amounts of the shares in joint ventures and associates decreased by €74 million, mainly due to the disposal of our Georgian joint venture and our 25% participation in the Chaney Group in the USA.

Other current assets increased by €1,737 million to €4,147 million (previous year: 2,410). This resulted in particular from the rise in cash and cash equivalents of €1,812 million to €3,267 million (previous year: 1,454). The change in cash and cash equivalents is presented in the **Statement of cash flows**.

On the equity and liabilities side, equity increased by €751 million to €18,375 million (previous year: 17,624). The profit for the period amounted to €2,087 million. The currency translation reserve changed by €-317 million. In the reporting year, own shares of €298 million were acquired and dividends of €484 million and €95 million respectively were distributed to shareholders of Heidelberg Materials AG and non-controlling interests.

Financial liabilities increased by €1,509 million to €8,619 million (previous year: 7,110). In the financial year, Heidelberg Materials issued two bonds totalling €1,500 million. Net debt fell by €238 million to €5,294 million (previous year: 5,532). The leverage ratio – the ratio of net debt to result from current operations before depreciation and amortisation (RCOBD) – was 1.24x as at 31 December 2023 (previous year: 1.48x).

Key financial ratios

	2022	**2023**
Assets and capital structure		
Equity/balance sheet total	53.0%	51.8%
Net debt/balance sheet total	16.6%	14.9%
Equity + non current liabilities/fixed assets	108.6%	110.2%
Leverage ratio	1.48	1.24
Gearing (net debt/equity)	31.4%	28.8%
Earnings per share		
Earnings per share (€)	8.45	10.43
Profitability		
Return on total assets before taxes [1]	7.1%	8.6%
Return on equity [2]	9.8%	11.9%
Return on revenue [3]	8.2%	10.3%

1) Result before tax from continuing operations + interest expenses/balance sheet total
2) Net income from continuing operations/equity
3) Net income from continuing operations/revenue

Capital efficiency

Return on Invested Capital (ROIC)

€m	2022	**2023**
Result from current operations	2,476	3,022
Adjusted current tax expense on result from current operations	-465	-649
Net operating profit after taxes	**2,010**	**2,374**
Equity (incl. non-controlling interests)	17,624	18,375
Net debt	5,532	5,294
Loans and financial investments	-244	-293
Current interest-bearing receivables	-99	-144
Invested capital	**22,814**	**23,232**
Average invested capital	**22,078**	**23,023**
Return on Invested Capital (ROIC)	**9.1%**	**10.3%**

In the 2023 financial year, ROIC (return on invested capital) was 10.3% (previous year: 9.1).

The adjusted current tax expense is calculated by applying an adjusted tax rate on the result from current operations. The tax rate is determined by taking the current tax expense (excluding the deferred tax expense) of the current financial year and dividing it by the profit before tax adjusted for allowances pursuant to IAS 36.

The invested capital is calculated as the average of the opening balance sheet – which corresponds to the closing balance sheet of the previous year – and the closing balance sheet of the reporting year. The calculation of the opening balance sheet of the invested capital is analogous to the calculation of the invested capital of the closing balance sheet at the end of the respective reporting period.

Group financial management

Financial principles and targets

The aim of financial management at Heidelberg Materials is to ensure the Group's liquidity at all times. Our external financial flexibility is primarily guaranteed by capital markets and a group of major international banks.

In line with the Group strategy, the focus on sustainability plays an important role in our financing measures. The Sustainability-Linked Financing Framework defines key performance indicators (KPIs) and related targets that can be used for the issue of various sustainability-linked financing instruments.

Within the Group the principle of internal financing applies. Financing requirements of subsidiaries are – where possible – covered by internal loan relationships. The Group companies use either liquidity surpluses from other subsidiaries in cash pools or are provided with intra-Group loans from our finance company Heidelberg Materials Finance Luxembourg S.A. (HM Finance Luxembourg S.A.) based in Luxembourg or Heidelberg Materials AG.

In some cases, the Group Treasury department also supports subsidiaries in obtaining credit lines with local banks in order to accommodate legal, tax, or other conditions. Local financing exists only to a limited extent.

The following table shows the repayments of the Group in 2023.

Repayments of the Group

Transaction	Offering date	Duration	Maturity date	Nominal volume	Yield
Amortisation	2016-06-24	7 years	2023-06-30	€9.6 m	1.29%
Amortisation	2019-08-08	10 years	2029-03-30	€10.8 m	1.00%
Repayment	2018-01-04	5 years	2023-01-04	€180.0 m	

The following tables show the financial liabilities of the Group as at 31 December 2023.

Bonds payable

Issuer (€m)	Nominal volume	Book value	Coupon rate in %	Offering date	Maturity date	ISIN
Heidelberg Materials AG	750.0	759.1	2.250	2016-06-03	2024-06-03	XS1425274484
HM Finance Luxembourg S.A.	650.0	652.9	2.500	2020-04-09	2024-10-09	XS2154336338
Heidelberg Materials AG	1,000.0	1,011.0	1.500	2016-12-07	2025-02-07	XS1529515584
HM Finance Luxembourg S.A.	1,000.0	1,010.3	1.625	2017-04-04	2026-04-07	XS1589806907
HM Finance Luxembourg S.A.	500.0	501.6	1.500	2017-06-14	2027-06-14	XS1629387462
HM Finance Luxembourg S.A.	750.0	678.8	1.125	2019-07-01	2027-12-01	XS2018637327
HM Finance Luxembourg S.A.	750.0	754.2	1.750	2018-04-24	2028-04-24	XS1810653540
Heidelberg Materials AG	750.0	755.4	3.750	2023-01-20	2032-05-31	XS2577874782
HM Finance Luxembourg S.A.	750.0	738.2	4.875	2023-11-21	2033-11-21	XS2721465271
Total		**6,861.5**				

Bank loans

Issuer (€m)	Nominal volume	Book value	Coupon rate in %	Offering date	Maturity date
KfW-promoted loan					
Heidelberg Materials AG		55.0	1.000	2019-08-08	2029-03-30
Others					
Other Group companies		235.3			
Total		**290.3**			

Other interest-bearing liabilities

Issuer (€m)	**Book value**
Finance lease liabilities	
Heidelberg Materials Group	1,088.5
Derivative financial instruments	
Heidelberg Materials Group	194.9
Others	
Heidelberg Materials Group	184.2
Total	**1,467.6**

Financing measures

With available excess liquidity, we repaid the long-term loan from the European Investment Bank Luxembourg (EIB) with a nominal value of €180 million as scheduled on 4 January 2023. In addition, a long-term amortising loan from the KfW with a nominal value of €115.2 million and an interest rate of 1.29% was fully repaid on schedule upon payment of the last instalment on 30 June 2023.

Under our EMTN programme, we were able to issue two sustainability-linked bonds, each with a nominal volume of €750 million. The bond issued on 20 January 2023 has a coupon of 3.75% and a term ending on 31 May 2032. The bond issued on 21 November 2023 was placed with a coupon of 4.875% and a term ending on 21 November 2033. Investment grade rating lifts the restriction on incurring additional debt, provided that the Group's consolidated coverage ratio is below 2, in accordance with the terms and conditions of the bonds. The consolidated EBITDA of €4,294 million and the consolidated interest result of €275 million are calculated on a pro forma basis pursuant to the terms and conditions of the bonds.

Furthermore, a long-term credit facility of €100 million was arranged with the EIB in December 2023. Like the loan repaid in January 2023, this will be used to finance operational expenditure on research, development, and innovation in relation to innovative products and process improvements with the aim of reducing CO_2 emissions. As at 31 December 2023, the amount had not yet been utilised.

Over the course of 2023, we were able to issue a total volume of €1.48 billion via one of our sustainability-linked financing instruments – the 2 billion Multi-Currency Sustainability Target Commercial Paper Programme. Issuance activity under this programme was gradually reduced towards the end of 2023 in order to limit excess liquidity. As at 31 December 2023, none of the commercial papers issued by Heidelberg Materials AG remained outstanding.

The share buyback programme announced on 9 August 2021 was completed with the third tranche on 30 October 2023. In the third tranche, a total of 4,117,499 shares were repurchased for €297.6 million and held as treasury shares. In September 2023, the Managing Board resolved to cancel all shares acquired within the second tranche with a reduction in the subscribed capital. On 21 February 2024, all repurchased shares of the third tranche were also cancelled (see also **Note 9.7**).

The term of the sustainability-linked syndicated credit facility of €2 billion was extended by one year in March 2023 in accordance with the terms of the agreement. On 6 April, a third sustainability indicator was specified for determining the credit margin. In addition to the previous performance indicators – specific net CO_2 emissions per tonne of cementitious material and alternative fuel rate – lost time injury frequency rate is now also used as an indicator. The target achievement of these KPIs has an impact on the credit margin. The credit facility essentially serves as liquidity back-up and can be used for cash drawdowns in an amount of €1,699 million as well as for letters of credit and guarantees in an amount of €301 million. As at 31 December, only €171 million had been drawn down. The free credit line thus amounted to €1,829 million at the end of 2023.

Credit line

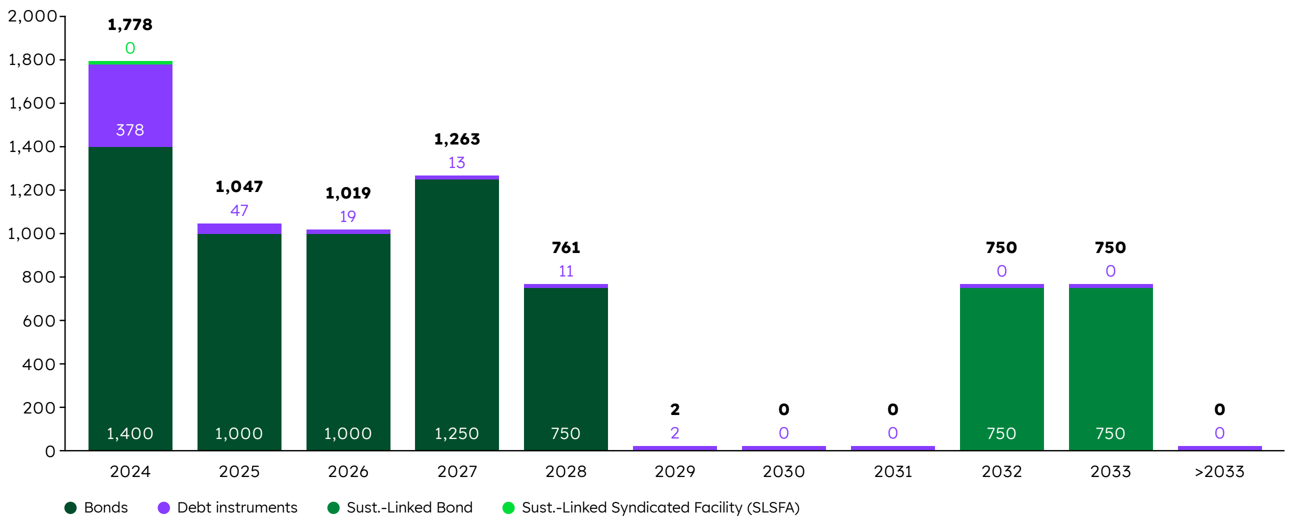
€m	31 Dec. 2023
Syndicated Credit Facility (SFA)	2,000.0
Utilisation (cash)	0.0
Utilisation (guarantee)	171.4
Free credit line	**1,828.6**

Factoring and reverse factoring programmes are also used. The financing volume of the factoring programmes amounted to €722 million (previous year: 864) as at the reporting date. As at the reporting date, there were trade payables of €342 million (previous year: 399) under reverse factoring programmes, which are settled by external payment service providers. These instruments do not lead to a significant concentration of liquidity risk. Heidelberg Materials has free credit lines and liquidity, so that no liquidity risks can arise if these instruments are discontinued.

Overall, it is ensured that, as at the reporting date, all Group companies have sufficient headroom for cash drawdowns as well as for letters of credit and guarantees to enable them to finance operational business and investments.

Heidelberg Materials has a long-term financing structure and a well-balanced debt maturity profile.

Debt maturity profile as at 31 December 2023[1] in €m



1) Excluding reconciliation adjustments of liabilities of €–112.7 million (accrued transaction costs, issue prices, and fair value adjustments) as well as derivative liabilities of €194.9 million. Excluding also puttable minorities with a total amount of €79.3 million; excluding financial lease liabilities.

Liquidity instruments

€m	31 Dec. 2023
Cash and cash equivalents	3,266.5
Liquidable financial investments and derivative financial instruments	59.2
Free credit line Syndicated Credit Facility (cash)	1,698.5
Free liquidity	**5,024.2**

Rating

In the 2023 financial year, the company's credit rating by the rating agencies Moody's Investors Service and S&P Global Ratings was unchanged at Baa2 and BBB, respectively. The outlook for our credit rating remains on stable.

Ratings as at 31 December 2023

Rating agency	Long-term rating	Outlook	Short-term rating
Moody's Investors Service	Baa2	Stabil	P-2
S&P Global Ratings	BBB	Stabil	A-2

Comparison of outlook and actual figures

Despite declines in sales volumes, the RCO rose strongly in the past financial year to a new record of €3,022 million as a result of Group-wide price adjustments and strict cost management. We raised our original outlook from the Annual Report 2022 several times during the year. The RCO developed in line with the outlook from the Quarterly Statement January to September 2023, which was adjusted in the past financial year.

As a result of the better than originally expected development of the RCO, ROIC improved accordingly. We also raised its outlook in the Quarterly Statement January to September 2023. At 10.3%, ROIC was in line with the adjusted outlook.

As per the 2023 outlook, we succeeded in slightly reducing our specific net CO_2 emissions by 3% to 534 kg per tonne of cementitious material.

Comparison of the key performance indicators 2023 with the outlook

	2022	Outlook 2022 (adjustments during the year)	2023
RCO	€2,476 million	€2.35 billion to €2.65 billion (Q1: €2.50 billion to €2.65 billion; H1: €2.7 billion to €2.9 billion; 9M: €2.85 billion to €3.0 billion)	€3,022 million (+22.1%)
ROIC	9.1 %	Around 9% (9M: well above 9%)	10.3 %
Specific net CO_2 emissions (kg CO_2 / t cementitious material)	551 kg CO_2 / t cementitious material	Slight reduction	534 kg CO_2 / t cementitious material (-3 %)

Events occurring after the close of the 2023 financial year

On 19 February 2024, the Managing Board of Heidelberg Materials AG resolved to cancel all 4,117,499 treasury shares purchased under the third tranche of the share buyback programme in the period from 28 July to 30 October 2023, with a reduction of €12,352,497 in the subscribed share capital. This corresponds to approximately 2.21% of the company's subscribed share capital before cancellation and capital reduction. The Supervisory Board approved the cancellation on 21 February 2024. Following the cancellation of the shares and the capital reduction, the subscribed share capital of Heidelberg Materials AG amounts to €546,204,360 and is divided into 182.068.120 no-par value shares, each representing a notional amount of €3.00 of the subscribed share capital.

On 21 February 2024, the Managing Board decided, with the approval of the Supervisory Board, to launch a new share buyback programme with a total volume of up to €1.2 billion (excluding incidental acquisition costs) which is expected to be completed by the end of 2026 at the latest. It is planned to carry out the share buyback in three tranches. The first tranche shall start in the second quarter after the 2024 Annual General Meeting of Heidelberg Materials AG. The share buyback will be carried out via the stock exchange. The Managing Board is making use of the authorisation granted by the Annual General Meeting on 11 May 2023, according to which treasury shares of up to 10% of the share capital existing on 11 May 2023 or – if such amount is lower – at the time this authorisation is exercised may be acquired until the end of 10 May 2028.

Statements on Heidelberg Materials AG

In addition to the Group management reporting, the parent company's development is described below. In contrast to the consolidated financial statements, the annual financial statements of Heidelberg Materials AG are prepared in accordance with German commercial law. Heidelberg Materials AG's management report is combined with that of the Group pursuant to section 315(5) of the German Commercial Code (Handelsgesetzbuch, HGB), as the business trend, economic position, and future opportunities and risks of the parent company are closely linked with the Group on account of their common activity in the building materials business.

As the parent company, Heidelberg Materials AG plays the leading role in the Group. It is also operationally active in Germany in the cement business line with eleven cement and grinding plants. The results of Heidelberg Materials AG are significantly influenced by its directly and indirectly held subsidiaries and participations. Regarding financing, Heidelberg Materials AG plays the key role within the Group. The outlook for the Group also applies to Heidelberg Materials AG. Deviations are described below.

Earnings position

Due to price adjustments, revenue in the cement business line increased by €4 million to €777 million (previous year: 773), despite lower sales volumes. Revenue from intra-Group services rose by 6.4% to €267 million (previous year: 251) as a result of extensive tasks in the context of the leading role within the Group and the associated ongoing centralisation of Group functions, the expansion of the range of services offered, and price increases. Overall, revenue of Heidelberg Materials AG increased by €19 million to €1,044 million (previous year: 1,025).

Compared with the 2022 financial year, the material costs decreased by €55 million to €386 million (previous year: 441). This was primarily due to the lower sales volumes in the 2023 financial year and lower energy costs. Personnel costs rose by €18 million to €305 million (previous year: 287), mainly due to annual wage and salary adjustments. Overall, operating result increased by €1 million to €44 million (previous year: 43).

Income from profit transfer agreements of €992 million (previous year: 14) was exclusively attributable to Heidelberg Materials International Holding GmbH, whose profit in the current year was mainly influenced by dividends of its subsidiaries in the amount of €850 million. Income from investments decreased to €12 million (previous year: 130) due to lower dividends from subsidiaries. The main amount in 2022 came from a dividend of €80 million from Heidelberg Materials Beton DE GmbH.

Other interest and similar income decreased by €66 million to €282 million (previous year: 348), and this was mainly due to lower income from interest rate swaps. An increase in the fair value of the participation in Akçansa Çimento Sanayi ve Ticaret A.Ş., Turkey, resulted in a write-up on financial assets totalling €143 million. The increase in interest and similar expenses of €350 million to €602 million (previous year: 252) is due to the higher interest rate level for bonds and loans from intra-Group financing activities and the raising of new loans. The impairment on financial assets in the financial year included €15 million on the loan from Heidelberg Materials Suez Cement S.A.E., Egypt, as this is no longer expected to be fully recoverable.

As part of the Group-wide financing and liquidity management measures, currency positions arise that are hedged by means of external foreign exchange transactions, which are appropriate in terms of maturities and amounts. As these hedging transactions do not, as a rule, relate to any valuation units, currency and interest gains or currency and interest losses may arise. In accordance with the imparity principle, provisions for risks arising from hedging transactions were recognised at the end of the year to the extent of the negative market values of the currency swaps of €5 million (previous year: €79). In the reporting year, currency expenses and income almost balanced each other out. The result fell to €2 million (previous year: 32). In the previous year, the effect was largely influenced by the performance of the US dollar.

Profit for the 2023 financial year totalled €806 million (previous year: 257), mainly due to higher income from profit transfer agreements. Balance sheet profit amounted to €536 million (previous year: 494).

Balance sheet

The balance sheet total increased by €2.0 billion compared with the previous year to €27.8 billion (previous year: 25.8). Total fixed assets rose by €1.6 billion to €24.8 billion (previous year: 23.2). This was mainly due to the intra-Group acquisition of PT Indocement Tunggal Prakarsa Tbk, Indonesia, in the amount of €1.2 billion and a loan granted to Heidelberg Materials France S.A.S., France, in the amount of €0.2 billion. The increase in current assets of €0.4 billion to €3.0 billion (previous year: 2.6) results from a higher bank balance, which is due to fixed-term deposits of €1.8 billion and reduced receivables from subsidiaries of €1.4 billion. Receivables decreased due to the intra-Group acquisition of PT Indocement Tunggal Prakarsa Tbk, Indonesia.

On the equity and liabilities side, equity remained at the previous year's level of €11.3 billion due to the dividend distribution of €0.5 billion and expenses connected with the share buyback programme of €0.3 billion, which was offset by a profit for the financial year of €0.8 billion. At €0.9 billion (previous year: 0.9), provisions remained at the previous year's level. Liabilities increased by €2.1 billion to €15.7 billion (previous year: 13.6). This was mainly due to the increase in liabilities to subsidiaries of €1.5 billion to €12.9 billion (previous year: 11.4) as a result of intra-Group financial transactions, including intra-Group dividend payments, and the issue of a bond in the amount of €0.8 billion in January 2023.

Comparison of the business trend with the previous year's outlook

The slight increase in cement revenue compared with the previous year as well as the expected rise in intra-Group service charges led to an increase in total revenue, which was higher than the moderate increase in material and personnel costs and other operating expenses. As a result, the operating result remained at the previous year's level, while our forecast for 2022 assumed a slight decline in operating result in 2023.

Anticipated earnings

For 2024, we anticipate a slight decline in cement revenue, which can only be partially offset by moderately falling energy costs. Fixed and variable expenses are also expected to fall moderately. We expect to see a moderate increase in revenue from intra-Group services. We therefore anticipate that the operating result for 2024 will be slightly below the 2023 level.

Statements pursuant to sections 289a and 315a of the German Commercial Code (HGB)

On 31 December 2023, the subscribed share capital of Heidelberg Materials AG amounted to €558,556,857. It is divided into 186,185,619 no-par value bearer shares, each with a pro rata amount of €3. Each share carries one vote at the Annual General Meeting. All shares carry the same rights and obligations; there are no different classes of shares. The Managing Board knows of no restrictions concerning voting rights or the transfer of shares.

Mr Ludwig Merckle, Ulm, Germany, holds via Spohn Cement Beteiligungen GmbH, Schönefeld, Germany, a company under his control, 25.08% of the voting rights of shares in the company as well as rights of retransfer from securities lending to a further 2.59% (instruments in the sense of section 38(1)(1) of the German Securities Trading Act (Wertpapierhandelsgesetz, WpHG)), together 27.67%, according to the notifications available to the company as at 31 December 2023 in accordance with the WpHG. No bearer of shares has been granted special rights giving power of control.

The company's Managing Board is appointed and discharged by the Supervisory Board. The Articles of Association may be amended by the Annual General Meeting with a simple majority of the share capital represented at the time of voting, except where a greater majority is required by law. Amendments affecting only the wording of the Articles of Association may be made by the Supervisory Board.

Authorised capital

Authorised capital exists as at 31 December 2023, which authorises the Managing Board, with the consent of the Supervisory Board, to increase the company's share capital by issuing new shares against cash contributions and/or contributions in kind (Authorised Capital 2020). Under the Authorised Capital 2020, the share capital may be increased by up to a total of €178,500,000 by issuing new no-par value bearer shares on one or more occasions until 3 June 2025. The shareholders must be granted subscription rights. However, the Managing Board is authorised to exclude the subscription rights of shareholders in certain cases, such as in the case of an increase in return for cash contributions in order to realise residual amounts, to service option or conversion rights, or to issue shares totalling up to 10% of the share capital at a near-market price as well as in the case of a capital increase in return for contributions in kind for the purposes of acquiring companies, or in the context of implementing of a dividend in kind/dividend option. As at 31 December 2023, the Authorised Capital 2020 had not been used.

Conditional share capital

In addition, the conditional share capital described below existed as at 31 December 2023. The share capital was conditionally increased by a further amount of up to €115,800,000, divided into up to 38,600,000 new no-par value bearer shares (Conditional Capital 2023). The conditional capital increase serves to back the issuance of option or conversion rights, or option or conversion obligations on Heidelberg Materials AG shares. The conditional capital increase is only carried out insofar as the Managing Board issues warrant or convertible bonds until 10 May 2028 under the authorisation of the Annual General Meeting from 11 May 2023 and the bearers of option or conversion rights make use of their rights. Warrant or convertible bonds may also be issued with option or conversion obligations.

The shareholders generally have a subscription right to newly issued warrant or convertible bonds. The authorisation governs specific cases in which the Managing Board may exclude the subscription right of shareholders to warrant or convertible bonds. As at 31 December 2023, the authorisation to issue warrant or convertible bonds forming the basis of the Conditional Capital 2023 had not been used.

The exclusions of subscription rights in the Authorised Capital 2020 and Conditional Capital 2023 are limited, among other things, by a deduction clause in such a way that their sum does not exceed the limit of 10% of the share capital that exists when the option of excluding subscription rights is granted.

Acquisition of treasury shares

Furthermore, the authorisation to acquire treasury shares described below existed as at 31 December 2023. The company is authorised to acquire treasury shares up to the end of 10 May 2028 once or several times, in whole or in partial amounts, up to a total of 10% of the share capital existing on 11 May 2023 or – if such amount is lower – at the time this authorisation is exercised for any permissible purpose within the scope of the legal restrictions. The authorisation may not be used for the purpose of trading in treasury shares. At no time may more than 10% of the respective share capital be attributable to the acquired treasury shares combined with other shares that the company has already acquired and still possesses. The shares may be acquired via the stock exchange or by way of a public purchase offer or by means of a public call for the submission of offers to sell or by issuing rights to sell shares to the shareholders. The treasury shares acquired on the basis of the authorisation will be used by selling them via the stock exchange or in another suitable manner while ensuring the equal treatment of the shareholders, or for any other purposes permitted by law. The Managing Board is authorised to cancel the acquired treasury shares with the consent of the Supervisory Board without further resolution of the Annual General Meeting. The shares may also be cancelled without a capital reduction by adjusting the proportional amount of the remaining no-par value shares in the company's subscribed share capital. In both cases, the Managing Board is authorised to adjust the number of no-par value shares in the Articles of Association. Shareholders' subscription rights can be excluded in certain cases. In 2023, the company made partial use of the authorisation in the period from 28 July to 30 October and held 4,117,499 treasury shares as at 31 December 2023, corresponding to 2.21% of the share capital. Details on the treasury shares acquired in the 2023 financial year are given in **Note 9.7**. On 21 February 2024, all treasury shares from the third tranche were cancelled with reduction in the share capital. For details, please refer to the **Events after the close of the 2023 financial year section**.

Takeover-related disclosures

A list of the company's significant agreements contingent on a change of control resulting from a takeover bid and a summary of the effects thereof are provided in the table, pursuant to sections 289a(1)(8) and 315a(1)(8) of the HGB. Please note that we are disregarding agreements whose potential consequences for the company fall below the thresholds of €50 million in a singular instance or €100 million in the case of several similar agreements, as they will not regularly affect the decision of a potential bidder. These change of control clauses are standard for this industry and type of transaction and have not been agreed with the intention of hindering any takeover bids.

Significant agreements with change of control clauses

Name of agreement/date	Type of contract	Nominal amount €m	Repayment	Type of clause
Syndicated credit and aval agreements and bilateral credit lines				
Syndicated credit facility and aval credit facility of 13 May 2022	Credit and aval credit facility	2,000 [1]	to the extent outstanding by 13 May 2028	(1)
Loan Agreement of 7 December 2023	Credit Agreement	100 [2]	depending on the drawing date by 7 June 2031 at the latest	(1)
Loan agreement of 1 March 2019	Credit agreement	86 [3]	to the extent outstanding by 31 March 2029	(3)
Aval credit facility of 14 November 2019	Aval credit facility	100	to the extent outstanding by 12 January 2024	(1)
Bonds issued by Heidelberg Materials AG				
2.25% bond 2016/2024	Debenture bond	750	to the extent still outstanding by 3 June 2024	(2)
1.5% bond 2016/2025	Debenture bond	1,000	to the extent still outstanding by 7 February 2025	(2)
3.75% bond 2023/2032	Debenture bond	750	to the extent still outstanding by 31 May 2032	(2)
Bonds issued by Heidelberg Materials Finance Luxembourg S.A., guaranteed by Heidelberg Materials AG				
2.5% bond 2020/2024	Debenture bond	650	to the extent still outstanding by 9 October 2024	(2)
1.625% bond 2017/2026	Debenture bond	1,000	to the extent still outstanding by 7 April 2026	(2)
1.5% bond 2017/2027	Debenture bond	500	to the extent still outstanding by 14 June 2027	(2)
1.125% bond 2019/2027	Debenture bond	750	to the extent still outstanding by 1 December 2027	(2)
1.75% bond 2018/2028	Debenture bond	750	to the extent still outstanding by 24 April 2028	(2)
4.875% bond 2023/2033	Debenture bond	750	to the extent still outstanding by 21 November 2033	(2)

1) Of this figure, €171.4 million was outstanding as at 31 December 2023.
2) No drawings as at 31 December 2023 yet.
3) Of this figure, €55 million was outstanding as at 31 December 2023.

The relevant change of control clauses give the contractual partner or bearer of the bonds the right to immediately accelerate the agreement and demand repayment of outstanding loans or debenture bonds in the event of a change in the company's shareholder structure as defined variously below.

The syndicated credit facility and aval credit facility agreement dated 13 May 2022 and the loan or aval credit facility agreements dated 14 November 2019 and 7 December 2023, each marked (1) in the type of clause column, as well as the loan agreement of 1 March 2019, marked (3) in the type of clause column, give each creditor the right, in the event of a change of control, to accelerate the loan amount it provided (plus any accrued interest) and to demand repayment accordingly.

A change of control in the sense of clause (1) is deemed to occur when a person or a group of people acting jointly in the sense of section 2(5) of the German Securities Acquisition and Takeover Act (Wertpapiererwerbs- und Übernahmegesetz, WpÜG) has acquired more than 30% of the shares in the company. Clause (3) applies “in the case of a change in the direct or indirect capital or shareholder structure of Heidelberg Materials AG, which leads to a change of control (change of controlling influence).”

The bonds marked (2) in the type of clause column give each bearer of the debenture bond the right, in the event of a change of control as described below, to demand full or partial repayment from the company at the “Early Put Redemption Amount”. The Early Put Redemption Amount means 101% of the nominal amount plus accrued and unpaid interest up to (but not including) the repayment date defined in the bond terms.

A change of control is deemed to occur when one of the following events takes place:

- The company becomes aware that a person or group of persons acting in concert in the sense of section 2(5) of the WpÜG has become the legal or beneficial owner of more than 30% of the company’s voting rights
- The merger of the company with or into a third person, or the merger of a third person with or into the company, or the sale of all or substantially all assets (consolidated) of the company to a third person, except in connection with legal transactions, as a result of which (a) in the event of a merger, the holders of 100% of the company’s voting rights hold at least the majority of the voting rights in the surviving legal entity immediately after such a merger and (b) in the event of the sale of all or substantially all assets, the acquiring legal entity is or becomes a subsidiary of the company and becomes the guarantor for the debenture bonds

Agreements also exist on pension schemes in the United Kingdom, which stipulate that a change of control (not contractually specified) at Heidelberg Materials AG must be communicated to the trustees of these pension schemes. If, according to the corresponding regulatory guidelines, a change of control poses a considerable risk to the fulfilment of the pension obligations (Type A Event), the trustees can demand negotiations on the adequacy of the safeguarding of the pension cover and have this reviewed by means of a clearance procedure before the supervisory authority, which may lead to the adjustment of the securities.

Service agreements of members of the Managing Board of Heidelberg Materials AG who were appointed for the first time before the publication of the version of the German Corporate Governance Code (GCGC) of 16 December 2019 are governed by the version of the GCGC of 7 February 2017. In accordance with the latter, a commitment to benefits in the event of the early termination of the Managing Board membership as a result of a change of control is limited to 150% of the severance pay cap. Service agreements of members of the Managing Board newly appointed for the first time since the 2020 financial year are governed by the proposal of the version of the GCGC of 16 December 2019 or 28 April 2022, according to which change of control clauses should no longer be part of Managing Board contracts. The contracts of René Aldach, Roberto Callieri (appointed since 1 January 2024), Axel Conrads (appointed since 1 February 2024), Dr Nicola Kimm, and Dennis Lentz therefore do not contain change of control clauses. There are no compensation agreements of the company with members of the Managing Board or with employees in the case of a takeover bid.

The other details required pursuant to section 289a and section 315a of the HGB relate to circumstances that do not exist at Heidelberg Materials AG.

Non-financial statement

About this statement

Pursuant to sections 289b and 315b of the German Commercial Code (HGB), Heidelberg Materials AG prepares a combined non-financial statement for the Group (Heidelberg Materials) and Heidelberg Materials AG. This statement also contains the information required by the Regulation (EU) 2020/852 of the European Parliament and of the Council of 18 June 2020 on the establishment of a framework to facilitate sustainable investment, and amending Regulation (EU) 2019/2088 (hereinafter: Taxonomy Regulation). The company has decided to integrate it into the management report. All statements on basic procedure as well as on targets, and commitments, responsibility and organisation, policies, processes, measures, and progress refer to the Group and, where not shown separately, also to the parent company Heidelberg Materials AG. The contents of the non-financial statement were not audited in the context of the audit of the annual financial statements and the consolidated financial statements but were subject to an external voluntary audit with limited assurance in accordance with ISAE 3000 (Revised).

Use of frameworks

The material topics were determined in 2022 in accordance with the principles of double materiality, taking into account the then draft European Sustainability Reporting Standards (ESRS),[1] and their validity was confirmed for this reporting period. A materiality analysis in full compliance with the final ESRS requirements will be submitted for mandatory initial application with the 2024 sustainability statement. The management concepts for the current material topics have been presented in accordance with the GRI Universal Standards 2021.[2]

Business model

Information on Heidelberg Materials' business model and the impact of this business model on non-financial aspects can be found in the **Business model section**.

Relationships with the financial statements

Information on amounts in the consolidated financial statements that are related to the matters addressed in the Non-financial statement are explained in detail in **Note 9.13**.

In connection with the preservation of biodiversity in our quarries, there are provisions for reclamation obligations, which relate to obligations to backfill and restore raw material quarrying sites.

Miscellaneous other provisions exist in particular for other litigation risks, for the obligation to return emission rights, and for compensation obligations to employees arising from occupational accidents.

Materiality analysis

In this reporting period, we determined the topics that are relevant for Heidelberg Materials by validating the results of the previous year's comprehensive materiality analysis. The materiality analysis was carried out in 2022 with the involvement of internal and external stakeholder groups.

As part of this year's internal validation, the Sustainability Reporting Steering Committee and other relevant departments examined key validation questions. The Steering Committee, consisting of the Sustainability, Finance, and Digitalisation departments, was established in 2022 and serves as a decision-making body for all issues relating to sustainability reporting. The validation questions include, for example, the effects of acquisitions or significant changes affecting key suppliers. The answers to these questions did not reveal any significant changes or findings that would have made it necessary to adjust the material topics. As the corporate body authorised to make decisions, the Steering Committee subsequently confirmed the material topics for 2023.

The methodology employed in the analysis follows the general principle of double materiality. Double materiality incorporates the impact of sustainability topics on business relevance and the impact of entrepreneurial activity on the environment and society. The stakeholders involved in the assessment were presented with both perspectives: the outside-in perspective (the financial influence of external factors on the business activities of Heidelberg Materials) and the inside-out perspective (the influence of Heidelberg Materials on the environment and society).

An online survey and workshops were used to involve the following significant stakeholders: shareholders, employees, investors, customers, suppliers, management, and representatives of associations.

1) ESRS 1 – General requirements (as at November 2022)

2) GRI 3-3 – Management of material topics 2021

The material topics were derived from the results. These were assigned to the non-financial aspects as follows:

- Environmental matters: climate, energy, and emissions; biodiversity; sustainable products and solutions; circular economy.

- Employee-related matters: employees, diversity, equity, and inclusion; occupational health and safety.

- Compliance: respect for human rights as well as anti-corruption and bribery matters.

Due to its cross-aspect nature, the topic of "responsible procurement" is summarised in a preceding chapter. The **chapter on environmental matters** also includes information on the six environmental objectives pursuant to Article 8 of the EU Taxonomy Regulation, in compliance with Delegated Regulation 2021/2178.

Identification of risks

Heidelberg Materials' risk structure is diversified because of the decentralised structure of the Group, with around 3,000 locations in around 50 countries and the largely local supplier framework. This also applies to climate risks in accordance with the definitions of the Task Force on Climate-related Financial Disclosures (TCFD), which are linked to the Group's own business activity, business relationships, products, or services. Climate risks are reported in the **Risk and opportunity report**. Further aspects and recommendations of the TCFD on climate reporting are covered in the **Additional information chapter**. Heidelberg Materials has not identified any significant non-financial risks connected with its own business activity, business relationships, products, or services that are highly likely to have a serious negative impact on the above-mentioned non-financial aspects and own business development.

Procurement management

Procurement at Heidelberg Materials

Our category leader organisation facilitates the procurement of important commodity groups at Group level. We bundle process-critical goods and services, usually with high volumes, into procurement categories in order to obtain better terms and conditions from our suppliers. The tasks of the category leaders within the Group include conducting price negotiations, concluding framework agreements, supplier management, and observing current market and price developments.

The second component of procurement management is the local purchasing at our production sites. The local purchasing departments also obtain goods and services directly via the Group framework agreements. In this way, we combine the advantages of central and local procurement.

In the reporting year, Heidelberg Materials procured goods and services with a total value of €14,122 million. This corresponds to 66.7% of total revenue.

Our plants collaborate closely with local suppliers and service providers. We invest around 90% of our procurement volume in the areas immediately surrounding our plants or within the respective country (this value is based on an analysis in the countries that use our central SAP system and relates to 58% of the annual global procurement volume).

Responsible procurement

Ensuring compliance with sustainability standards in the supply chain is a key concern for Heidelberg Materials. To this end, the supplier base is systematically analysed for ESG (environmental, social, and governance) risks. Suppliers are assigned to a risk category in line with a risk assessment based on countries of origin and procurement categories. Depending on the category, different measures are agreed with suppliers to identify and mitigate risks. The globally standardised requirements for supplier compliance with sustainability standards are to be implemented and continuously developed with the cooperation of experts in ESG, human rights, compliance, occupational safety, and procurement, both in the individual country organisations and at Group level.

Group-wide procurement guidelines provide clear instructions regarding our supplier relations and procurement activities. The most important tool used for this purpose is our Supplier Code of Conduct, which we communicate to our global and local suppliers so that they accept the principles defined in the Code and follow the guidelines. The Code incorporates key principles of the International Labour Organization (ILO) and the requirements of the German Supply Chain Due Diligence Act (Lieferkettensorgfaltspflichtengesetz, LkSG).

The defined standards are monitored with the help of our partners Avetta and IntegrityNext. On behalf of Heidelberg Materials, the two partners collect information about suppliers in relation to ESG criteria such as respect for human rights, environmental standards, and compliance and actively review this information as necessary. In this way, Heidelberg Materials strives to ensure fair, responsible, and secure procurement processes as well as good cooperation along its entire supply chain.

In addition to our focus on human rights, our vision for a sustainable supply chain also means that we call upon our suppliers to commit to reducing greenhouse gases. We proactively communicate this message in various ways, including at meetings with suppliers and through targeted events such as virtual supplier days on the topic of sustainability. These ambitions, which extend beyond the Supplier Code of Conduct, are also published on the Heidelberg Materials **website**.

The topic of responsible procurement is the responsibility of the Group Procurement department, which reports to the Chief Financial Officer. A dedicated working group, which is made up of occupational safety, compliance, human rights, and ESG experts as well as procurement staff, meets regularly to further develop existing approaches to responsible procurement, ensure that they are firmly anchored in the organisation, and respond to changing requirements. These activities are brought together in the Responsible Procurement initiative.

Progress with respect to responsible procurement is made transparent with the help of the Supplier Sustainability Performance Rate figure. This figure provides information on the percentage of Heidelberg Materials' spend with critical suppliers who have received a green ESG rating from our partner IntegrityNext. Heidelberg Materials defines critical suppliers as global suppliers that are crucial for our core business and/or able to influence the performance of our supply chains and locations. The classification and evaluation of critical suppliers is regularly initiated by the category leaders. After reviewing the necessary data, the Responsible Procurement team invites critical suppliers to be assessed by our partner IntegrityNext. Suppliers are evaluated on the basis of criteria covering human rights, compliance, environmental protection, occupational safety, and responsibility in the supply chain. A supplier can only receive a green ESG rating if it offers full transparency in answering extensive ESG questions and if the assessment by our partner IntegrityNext does not reveal any significant risks in the above-mentioned topic areas. Our aim is to achieve a Supplier Sustainability Performance Rate of at least 80% by 2030. In 2023, the figure was 53%.

Management of sustainability risks among suppliers

In addition to assessing critical global suppliers, the Responsible Procurement initiative also includes a regular review of local suppliers to identify sustainability risks. Insights gained through this review are also used to analyse risks in accordance with the German LkSG.

There are two main steps in this process: (1) identify local suppliers with potential risks and (2) increase transparency by means of questionnaires on ESG topics.

(1) Local suppliers with potential ESG risks are identified on the basis of available information on country, procurement category, and revenue.

(2) Questionnaires on ESG topics for local suppliers with potential ESG risks are the foundation of our assessments. For reasons of consistency, we use the same questionnaires from our partners IntegrityNext and Avetta to assess these local suppliers as we do to assess critical suppliers. The questions they contain are based on the principles of the UN Global Compact and the fundamentals of the German LkSG. We expect our suppliers to meet both global and local requirements concerning human rights and environmental regulations, and we verify this where necessary.

In the event that a supplier does not comply with our sustainability standards, we will endeavour to work closely with the supplier to remedy the shortcomings and provide support in drawing up and implementing improvement plans. If corrective actions fail, Heidelberg Materials reserves the right to terminate the contractual relationship as a last resort.

Information about supplier risks, sustainability assessments by our partners IntegrityNext and Avetta, and corrective actions taken is presented transparently in our Group-wide SAP Ariba supplier management system, where it can be used as a basis for procurement decisions. All suppliers who register on the platform commit themselves to comply with our Supplier Code of Conduct. In addition, the system supports the Procurement department by issuing notifications about negative reporting in connection with suppliers working for us, for example in the event of compliance problems.

Sustainability priorities in our supply chain

Sustainability in the supply chain is important to Heidelberg Materials. In our work to minimise risks, we focus on areas such as environmental protection, occupational health and safety, compliance, and human rights.

Environmental protection

Heidelberg Materials requires its suppliers to comply with applicable laws and regulations pertaining to environmental standards. For example, suppliers must systematically control their environmental impacts with regard to emissions, energy, water, waste, and biodiversity and avoid, minimise, or compensate for any such impacts. This includes environmental impacts that affect access to food, drinking water, sanitation, or health. In addition, suppliers are expected to commit to implementing appropriate environmental measures and to continuously improving their environmental performance, among other things, via the Supplier Code of Conduct.

Suppliers are asked to promote the environmentally friendly production of their goods and provision of their services. We require suppliers to comply with all applicable local, national, and international laws relating to land, water, and resources and to adhere to the appropriate standards when handling mercury, persistent organic pollutants, and hazardous waste, among other things.

We set ourselves clear targets for reducing environmental impacts in the supply chain. For example, we have pledged to reduce the absolute Scope 3 CO_2 emissions from purchased goods and services[3] in the supply chain by 25% by 2030 compared with 2020.

3) Related to purchased cement and clinker

Occupational health and safety

We expect our service providers to ensure they offer safe and healthy working conditions that meet or exceed the applicable occupational health and safety standards. Suppliers are required to implement and continuously improve appropriate measures and procedures and to provide safety equipment. This is documented in our Supplier Code of Conduct and also includes, at a minimum, compliance with the laws and regulations in force in the respective country as well as proof of the necessary permissions, licences, and authorisations. In addition, as part of our Group policy on occupational health and safety, we have defined a set of cardinal rules that are mandatory for all employees and contractors (see **Occupational health and safety section**).

Compliance and human rights

Our SpeakUp compliance hotline provides a way to report any illegal activities or violations of internationally applicable conventions. The commitment to human rights aspects in the business context, such as the prohibition of child and forced labour, fair and safe work conditions, freedom of association, and a ban on discrimination, is a central selection criterion for suppliers. These principles are embedded, among other things, in our Supplier Code of Conduct, which is a fundamental part of our framework agreements. When contracts are concluded, an agreement is made with suppliers regarding the continuous monitoring of human rights risks through regular communications, audits, and training. This enables us to verify the effectiveness of preventive and, if necessary, mitigation measures designed to protect human rights at suppliers. Furthermore, agreement to our Supplier Code of Conduct is a prerequisite for participating in tenders on our online tender platform (see **Compliance section**).

Environmental responsibility

Climate, energy, and emissions

The 2015 Paris Agreement aims to limit global warming to 1.5°C compared with pre-industrial levels. Since a consensus was reached at the 26th UN Climate Change Conference at the end of 2021, the focus is now on implementation. To achieve the target, greenhouse gas emissions need to be significantly reduced over the coming years. In some regions of the world, including the EU, there are emissions trading systems for this purpose. A cap is placed on the total volume of specific greenhouse gas emissions and steadily reduced over time. At the 28th UN Climate Change Conference in December 2023, a global stocktake of countries' progress on their emission reduction commitments was carried out for the first time. More and more countries and regions are setting targets to reach net zero. Low-emission solutions are becoming more competitive in all sectors of the economy. However, during the global stocktake, it was noted that the current trajectory of emission reduction pathways is not on track to meet the targets of the Paris Agreement and that further action will be needed to keep the 1.5°C target within reach and tackle the climate crisis.

Within the framework of our Group strategy, and in line with the Paris Agreement, we are significantly advancing our ambitious climate targets. The direct CO_2 emissions arising in the energy-intensive manufacture of cement during clinker production in cement kilns are a fundamental challenge for us. These process-related emissions are currently technologically unavoidable. That is why, on the one hand, we focus on making process improvements, such as maximising the use of alternative fuels, switching to electricity from renewable energy sources, or investing in plant efficiency. On the other hand, we are working intensively to shrink our carbon footprint by developing cements with a reduced clinker content and piloting the use of alternative cement components, such as natural pozzolans or calcined clays, at various locations. CCUS – carbon capture, utilisation, and storage – is another essential part of our climate strategy.

By using waste materials and by-products from other industries as alternative raw materials and fuels, we also promote the circular economy, which can also contribute to the reduction of our carbon footprint. CO_2 emissions that would otherwise have been produced during the extraction of primary raw materials can be avoided through recycling, reuse, renovation and maintenance measures, and by extending the service life of our products (see **Circular economy section**). The use of carbon credits, i.e. tradable allowances designed to offset a company's own emissions (CO_2 compensatory measures), is not part of our emissions reduction strategy.

In addition to CO_2 emissions, cement production also causes the release of dust and air pollutants such as sulphur oxides (SO_X) and nitrogen oxides (NO_X). We monitor emissions of air pollutants on an ongoing basis. We strive to reduce pollutants by using innovative process technology and emission reduction systems, thus mitigating the impact of our activities on the environment and neighbouring communities.

Targets and commitments

We want to make our contribution to limiting the rise in worldwide temperature to 1.5°C. Our reduction targets were reviewed, validated, and recognised as science-based by the Science Based Targets initiative (SBTi), using their methodology, at the end of February 2023. Our target is to reduce our specific net CO_2 emissions to 400 kg per tonne of cementitious material by 2030, equalling a reduction of 47% compared with 1990[4)] levels. We aim to achieve **net-zero emissions**[5)] by 2050 at the latest.

In this context, we made a commitment to the SBTi to reduce our specific gross Scope 1 CO_2 emissions by 24% compared with 2020. We also want to reduce our gross Scope 2 CO_2 emissions per tonne of cementitious material – i.e. indirect emissions from purchased energy – by 65% between 2020 and 2030. Combined across these two scopes, this results in a 26.7% reduction over this period. As part of the SBTi validation, we have also set ourselves the target to reduce our absolute Scope 3 CO_2 emissions from purchased goods and services[6)] by 25% by 2030 compared with 2020.

To reduce our carbon footprint, we will, for instance, increase the proportion of alternative fuels in the fuel mix to 45% by 2030 and raise the proportion of biomass to 20%. At the same time, we plan to increase our use of alternative raw materials in order to decrease the clinker ratio – i.e. the proportion of clinker in cement. By 2030, we intend to reduce the ratio to 68%.

In addition, we aim to reduce the specific SO_X and NO_X emissions per tonne of clinker generated in our cement production by 40% by 2030 and the specific dust emissions per tonne of clinker by 80% in comparison with 2008.[4)]

4) The reference values for the base years 1990 and 2008 are not included in the external voluntary audit to obtain limited assurance.
5) According to SBTi definition
6) Refers to purchased cement and clinker. Due to changes in the baseline value, Heidelberg Materials is reviewing an adjustment of the commitment.

Responsibility and organisation

Environmental protection is an integral element of Heidelberg Materials' business strategy. Responsibility for sustainability at Managing Board level lies with the Chief Sustainability Officer (CSO). The CSO heads various internal working groups that deal with the different areas of focus of sustainability at Heidelberg Materials. The working groups include experts from the various areas of focus. The task of the working groups is to accelerate the progress of operating activities with regard to sustainability and position Heidelberg Materials as a company with clearly defined sustainability targets, as formulated in the **Sustainability Commitments 2030**, for example.

The Supervisory Board addresses different topics connected with sustainability and environmental protection on a regular basis. Since 2021, a CO_2 component has linked the remuneration of the Managing Board and the majority of bonus-eligible employees to the reduction of our CO_2 emissions (see **Remuneration report chapter**).

The departments of the Sustainability Office, which reports to the CSO, support the implementation of the sustainability strategy at Group level. This includes defining guidelines and targets, identifying improvement measures for achieving the sustainability targets, and coordinating research, development, and innovation projects.

At country level, the ESG governance structures have been developed so that there is an ESG coordinator for each country. In addition, the countries have introduced additional ESG functions or set up departments as required.

The topic of energy is managed centrally by the Group Energy Procurement department, which supports the local business units in the procurement of alternative fuels or the implementation of projects to generate their own energy. To this end, there are working groups within the Group that develop the Group-wide strategy, monitor progress, and promote knowledge transfer.

As Heidelberg Materials has a decentralised structure, the individual country organisations take responsibility for all areas of the operating activities, including compliance with legal provisions and regulatory conditions. This also covers the correct recording and forwarding of all necessary production, operating, consumption, and emissions data that Heidelberg Materials is obliged to provide by law or by regulations, or has committed to providing voluntarily. In principle, the site management is essentially responsible for environmental protection management at their respective plant.

The internal monitoring of all operating data relevant to the environment is carried out by the competence centers of the business lines. Before publication, the data is also checked by the Group ESG department.

Policies

Our Sustainability Commitments 2030, guidelines such as our Climate Policy, and our Code of Business Conduct demonstrate the great importance of environmental protection for the sustainable development of Heidelberg Materials' business activities. We also describe our strategy for reaching **net-zero emissions**[7] in our **Climate Transition Plan**, which was published in 2023.

All countries in which we operate production facilities impose legal limits for most emissions of air pollutants in order to prevent any negative impact on the environment or the population. Failure to comply with the regulations could result in us losing our operating licence or jeopardise the renewal of our mining concessions.

Processes

The internal working groups, e.g. focusing on climate strategy, analyse the progress of the operating activities with regard to achieving targets, report on the status of research projects and research cooperation arrangements, and discuss further research measures in order to prepare decisions. In addition, the Managing Board is informed in detail several times a year about the research results and plans for new research projects.

In the reporting year, planned measures to reduce CO_2 emissions were reviewed in detail for all fully consolidated subsidiaries and tightened up where necessary. The extent to which we are achieving our targets is reviewed regularly.

All relevant information on CO_2 and air pollutant emissions is recorded in our integrated reporting system on a monthly basis and available to consult there at any time. The Managing Board and senior management are kept regularly informed by reports consolidated at Group level.

We have established control mechanisms to verify that we are achieving our reduction targets for CO_2 emissions. The competence centers are responsible for providing the specialist advice and monitoring required in this area. As well as receiving monthly reports, the Managing Board also regularly checks the progress made towards achieving our targets during on-site visits.

The Group Energy Procurement department constantly reviews new activities in numerous Group countries in order, among other things, to further expand the proportion of green electricity in the coming years.

Measures and progress

In order to reduce the specific CO_2 emissions of our products, we continuously improve the energy efficiency of our plants, increase the proportion of alternative fuels, and decrease the proportion of the energy-intensive intermediate product clinker in our cements.

In view of the enormous challenge posed by the unavoidable process emissions from cement production, our industry constantly strives to find new solutions to protect the climate. Heidelberg Materials therefore particularly invests in studies into innovative carbon capture and utilisation techniques: with the help of various technologies, we are working towards capturing CO_2 in its purest form in order to either utilise or safely store it (CCUS). Cement and concrete companies can also support the circular economy through resource efficiency, co-processing of waste materials, and concrete recycling, including its technical carbonation (see **Circular economy section**). We test a variety of minerals for CO_2 absorption and the possibility of using them to produce marketable building materials.

7) According to SBTi definition

In 2023, we further expanded our portfolio of carbon capture initiatives. For example, the Capture-to-Use project (Cap2U) was launched, as part of which the world's first industrial-scale carbon capture and utilisation (CCU) facility in the cement industry is scheduled to go into operation in 2025 at our cement plant in Lengfurt, Germany. The facility will enable the captured CO_2 from cement production to be reused as a valuable raw material in manufacturing applications. In 2023, the GeZero project was selected to receive support from the EU Innovation Fund, a European financing programme for industrial decarbonisation. As the first project of its kind, GeZero in Geseke, Germany, will establish a complete carbon capture and storage (CCS) value chain for an inland location. In addition to financing the construction of a kiln equipped with state-of-the-art oxyfuel technology, the funding will also cover the installation of carbon capture and processing facilities as well as transport and intermediate storage logistics at the plant location. We work with partners when it comes to transporting the CO_2 to the storage site in the North Sea and the storage itself (see **Research and development** and **Our CCUS project portfolio sections**).

In 2023, we again increased the proportion of alternative fuels in the overall fuel mix. This predominantly relates to residues and waste that would be uneconomical to recycle or cannot be recycled by any other means, such as processed household waste or biomass (e.g. dried sewage sludge or rice husks in Asia), as well as industrial by-products and waste products. Globally, Heidelberg Materials is implementing numerous projects aimed at further expanding the proportion of alternative fuels. For example, a new storage and conveyor system is being constructed at our cement plant in Bicaz, Romania, which will allow us to further optimise the use of alternative fuels. In Padeswood, United Kingdom, the installation of a new docking station including a conveyor system is paving the way for greater use of alternative fuels.

The Group Energy Procurement department constantly reviews new activities in numerous Group countries in order to further expand the proportion of green electricity in the coming years. These activities include investments in our own facilities for the generation of green electricity as well as long-term power purchase agreements (PPAs) to secure the supply of electricity from renewable energies. We are also implementing energy efficiency measures to reduce electricity consumption and generate electricity from waste heat. In 2023, Heidelberg Materials signed further agreements to source renewable electricity in Italy and Belgium, for example.

In the 2023 reporting year, various measures to further reduce emissions of air pollutants were also implemented. The facilities installed for the new kiln line at our plant in Mitchell, USA, deserve special mention. A state-of-the-art process exhaust gas filter and desulphurisation technology have been put into operation, alongside other equipment.

Performance indicators

In accordance with its internal CO_2 roadmap, Heidelberg Materials was able to reduce its specific net CO_2 emissions by a further 3% in the 2023 financial year to 534 kg/t of cementitious material (previous year: 551). This corresponds to a reduction of 29% compared with the base year 1990[8] and 7% compared with 2020. We succeeded in further increasing the proportion of alternative fuels to 29.9% (previous year: 28.7), while at the same time reducing the specific heat consumption of our kilns. The clinker ratio was reduced by 1.4 percentage points to 70.2% (previous year: 71.6). Improvements were achieved by optimising the product portfolio, especially in regions with a predominantly high proportion of clinker in the cement.

8) The reference values for the base years 1990 and 2008 are not included in the external voluntary audit to obtain limited assurance.

Climate protection

	2021	2022	2023
Specific net CO2 emissions (kg CO2/t cementitious material)	565	551	534
Alternative fuel rate	26.4%	28.7%	29.9%
Clinker ratio	72.9%	71.6%	70.2%

The specific SO_X and NO_X emissions have fallen slightly or moderately compared with the previous two years. In addition to the usual fluctuations, this improvement can be explained by the shutdown of older models of kiln lines and targeted investments in the avoidance of air pollutants. Compared with the base year 2008[8], we achieved a 36% reduction in specific SO_X emissions and a 24% reduction in NO_X emissions.

In line with normal fluctuations, our specific dust emissions increased from 28 to 36 g/t clinker compared with the previous year, but are still below the 2021 level. This is an 89% reduction compared with the base year 2008[8]. Heidelberg Materials recognised 87% of emissions on a continuous basis in the reporting year.

Emission of air pollutants

	2021	2022	**2023**
Specific NO_x emissions (g/t clinker)	1,235	1,249	1,205
Specific SO_x emissions (g/t clinker)	333	349	326
Specific dust emissions (g/t clinker)	39	28	36

Biodiversity

Heidelberg Materials operates extraction sites worldwide. This results in temporary changes in land use and both positive and negative impacts on a variety of locally specific habitats and species. When an extraction area is opened up or extended, the surrounding environment is inevitably affected. To ensure that this impact is kept to a minimum, operations are planned and implemented in line with the successive steps of the mitigation hierarchy. We want to reduce or neutralise the impacts of our activities or even make a positive contribution.

We work to conserve habitats and species throughout the life cycle of our mining sites. Even during the extraction phase, we can create favourable conditions for threatened species, for example temporary or permanent wetlands, mosaics of bare ground and colonising vegetation, and sandy banks or rock faces for cliff-nesting species. Through the reclamation process, we are able to create and/or restore species-rich habitats. For example, the bittern, which was on the brink of extinction in the UK in the late 1990s, can now be seen regularly again at the Ouse Fen Nature Reserve. This habitat was created as part of the reclamation of one of our aggregates quarries and is already home to 5% of the entire UK population of this remarkable species.[9)]

Before making any decisions concerning the development of a new quarry or the expansion of an existing one, an extensive approval process in line with the corresponding regulations and policies must be followed. In some instances, additional assessments are conducted to ensure that environmentally and socially responsible quarrying is possible. Typically, these would form part of an environmental impact assessment. Our sites are operated in accordance with relevant international, national, and local environmental legislation, and environmental impact assessments are usually prepared as a prerequisite for the approval of quarrying activities.

Targets and commitments

For environmental and economic reasons, we strive to limit land consumption in our quarrying and reclamation plans. Our fundamental aim is to maximise the extraction of reserves and resources at all of our sites, while keeping adverse impacts to a minimum.

Because we recognise the ecological value of temporary nature and the importance of reducing our potential on-site biodiversity impacts, we have committed to setting aside 15% of the land at 100% of our active extraction sites as space for nature by 2030. In this way, we want to ensure that species can thrive alongside our active operations. Temporary nature refers to the spontaneous development of vegetation within a quarry and its colonisation by appropriate species. These habitats may only exist for a few years due to expansion or reclamation, but they then re-emerge in other suitable locations on the site. In 2023, we reviewed and mapped the current proportion of land in our quarries that can be reserved for nature in order to establish a basis for measuring future developments. This phase will be completed in 2024 once 100% of our quarries have been assessed.

Another target is to reduce our ecological footprint and contribute to the conservation and development of habitats and biodiversity features throughout the life cycle of our quarries. This includes operating all our extraction sites on the basis of a restoration plan agreed together with local authorities and reflecting the needs of the respective communities. We have pledged to raise the proportion of quarries with restoration plans to 100% by 2030 at the latest. We also plan to integrate recommendations for the promotion of biodiversity into every new restoration plan, irrespective of the subsequent use. In this way, we manage our impact on biodiversity in line with the sequential steps of the mitigation hierarchy: avoid, minimise, and offset.

In addition, we want to implement biodiversity management plans at all locations within one kilometre of a recognised area of high biodiversity value.[10)] The aim is to put this measure into action at 100% of our quarries by 2025 and at 100% of our non-extraction sites by 2030. To better understand our environmental impacts, we are committed to undertaking net impact assessments at all our extraction sites based on the restoration plans approved by the local authorities.

9) https://www.cambridgeindependent.co.uk/news/wetland-wildlife-is-booming-at-ouse-fen-thanks-to-30-year-v-9308606/

10) Areas of recognised high biodiversity value pursuant to GRI 304-1 definition

Responsibility and organisation

The topic of biodiversity is assigned to the Group ESG department. This is part of the Sustainability Office headed by the Chief Sustainability Officer (CSO). The internal Biodiversity Expert Group meets with representatives from across the Group on a quarterly basis to share best practices, develop common guidelines, discuss changes to legal requirements, and participate in training given by external experts.

Policies and processes

To ensure that biodiversity is fully taken into account in the operation of our quarries, we rely on knowledge sharing. A Biodiversity Handbook tailored to the circumstances in the individual Group areas helps the locations to create and preserve natural habitats, develop projects with various stakeholders, and manage invasive species at our quarries. Heidelberg Materials has formulated ten biodiversity principles, which are set out in the Biodiversity Handbook. The purpose of these principles is to give guidance to those responsible on-site on managing nature, making responsible decisions, and involving external stakeholders. In addition, we subscribe to the Integrated Biodiversity Assessment Tool (IBAT), which provides decision makers with up-to-date information on biodiversity at the respective locations.

Our Biodiversity Policy forms the basis of our actions. It defines how we can minimise any negative outcomes and promote positive measures to increase biodiversity in and around our locations. This includes partnerships with, among others, NGOs and universities, such as our global partner BirdLife International and its local country-specific partners, IUCN, Kings Park and Botanic Garden (Perth, Australia), and the University of South Bohemia in České Budějovice. In order to track and mitigate our impacts, a study is carried out every three years to determine the proximity of our operational sites to biodiversity-sensitive areas. The next study is scheduled to be undertaken in 2024 through our partnership with BirdLife International.

In support of the global agenda for nature's recovery and as a contribution to the UN Decade on Ecosystem Restoration, Heidelberg Materials has committed to include biodiversity measures in all restoration plans and report annually on the land reclaimed by the company. This action was initiated in 2023, with the first results due in 2024. Reclamation plans are an integral part of local authority approval processes, setting the targets and timetables for the reclamation of extraction sites. Even while a quarry is still in operation, wherever possible, we apply a policy of progressively reclaiming those areas of the quarry that are no longer used.

In cooperation with our partner, BirdLife International, we have been collecting and analysing information about the biodiversity value of our quarries for more than ten years. We now cover all our active quarries. In the process, we collect data about the proportion of quarries in areas with a high level of biodiversity and for which biodiversity management plans are being implemented.

Measures and progress

As early as 2010, we began to collect and analyse information about the biodiversity value of our quarries. We are steadily extending biodiversity monitoring to more and more quarries in a process that involves assessing net impact by comparing a site's ecological value before and after extraction based on its restoration plan.

The fifth edition of the Quarry Life Award, Heidelberg Materials' nature-based research and education competition, concluded in 2022. As part of the Quarry Life Award cycle, 2023 saw participating countries implement selected projects as a means of developing best practices for the improvement of biodiversity management and community engagement. Projects ranged from establishing habitat assessment programmes for amphibians in Australia and reptiles in the UK to involvement in environmental education in communities neighbouring quarries in Germany and France.

In 2023, our partnership with BirdLife International continued with a focus on joint advocacy for the EU Nature Restoration Law, which gained much attention at the European Parliament and was adopted in November 2023. Understanding the strong economic need for a healthy environment, Heidelberg Materials worked alongside associations from the non-energy extractive sector to provide a strong business voice in favour of this law. We also supported the #RestoreNature campaign, collaborating with BirdLife's Europe and Central Asia regional offices to develop an animated video about quarries and their contribution towards restoring habitats.

Key performance indicators

In 2023, the method of collecting the key performance indicator data was revised and the data basis was re-assessed, resulting in changes to the key performance indicators. Consequently, the proportion of our quarries that are located near an area of high biodiversity value and have a biodiversity management plan is now 61% (previous year: 51). Owing to the new data collection method, the proportion of quarries with restoration plans fell to 76% (previous year: 92).

Biodiversity indicators[1]

	2021[1]	2022[1]	**2023**[2]
Proportion of quarries located near an area of high biodiversity value with biodiversity management plan	43%	51%	61%
Proportion of quarries with a restoration plan	87%	92%	76%

1) Until 2022 including joint ventures.
2) The change in the values for 2023 compared to 2022 results from the revision of the survey method.

Sustainable products and solutions

Our overall goal is to provide high-quality building materials to drive sustainable construction. The teams at our research centers work intensively on innovative, environmentally and socially responsible products that are designed to help buildings to be more sustainable over their life cycle (see **Research and development section**). We aim to offer our customers solutions with a lower carbon footprint, good performance, and the possibility of reuse at the end of their service life. Examples of these products include cement and concretes with improved carbon footprints, as well as building materials with characteristics that support the use of less material and enable society to implement more climate-friendly solutions. To promote sustainable construction by means of low-carbon materials, we are working on three levers to reduce our products' carbon emissions. These levers are 1) the incorporation of post-industrial by-products in our cements, 2) the use of biomass and alternative fuels in our cement plants as kiln fuels, and 3) carbon capture and storage.

For example, the high heat absorption capacity of concrete means that ceilings and walls can be used for cold or heat storage, thereby significantly reducing energy consumption for air conditioning and heating. The use of alternative raw materials from other industrial sectors, for example fly ash, or demolished concrete for the production of circular concrete, also allows us to make an active contribution to the circular economy (see **Circular economy section**).

In addition, we are working to develop and implement applications and technologies that support our sustainability targets. Examples include photocatalytic products for cleaning exhaust gases, drainage concrete to help regulate rainwater run-off, concrete for thermal energy storage, and ultra-high-performance concrete for infrastructure maintenance measures. As a service, we provide our customers with the knowledge required to use our products more efficiently, helping them to fulfil their performance requirements.

Targets and commitments

Sustainable building materials with the smallest possible carbon footprint and a high circularity potential are playing an increasingly important role for us and our customers. We are investing in research and development for innovative carbon-reduced and material-efficient production technologies and products. We are driving forward a portfolio of sustainable products in every Group country and have set ourselves the target of being able to offer a circular alternative that either uses less material compared with a standard product or features an increased recycled content for half of our concrete products by 2030 (see **Circular economy section**).

We also aim to generate 50% of our Group revenue from low-carbon and circular products by 2030.[11]

Responsibility and organisation

In dialogue with our customers, the responsible Commercial Directors in the Group countries explore the need for new sustainable products for their respective markets and drive their development and distribution along the entire value chain. The development of these products is often supported by the Group Research and Development department and the Innovation Hub within the Sustainability Office.

The topic of sustainable products and solutions is assigned to the Group Environmental Social Governance (ESG) department headed by the Vice President ESG, who reports directly to the Chief Sustainability Officer (CSO). An internal working group, which is made up of members of the Group ESG department as well as experts from other staff functions and the national organisations, meets regularly to further develop existing concepts for sustainable products, ensure that they are firmly anchored in the organisation, and respond to changing requirements.

11) Revenue that we allocate here to our sustainable products is not aligned with the definitions of the EU Taxonomy Regulation.

Policies and processes

The sustainability of our cement and concrete products is measured by their contribution to the reduction of CO_2 emissions. Our sustainability strategy defines sustainable cement and concrete as a reduction in CO_2 emissions of at least 30% compared with the GCCA's global reference values from 2020. This translates into gross thresholds of ≤552 kg CO_2/t for cementitious material and ≤5.5 kg CO_2/m^3/MPa for ready-mixed concrete. Circular products must contain at least 30% recycled aggregates or reduce material requirements by at least 30%.

Our low-carbon, sustainable products are classified in accordance with the internal ESG Reporting Procedure Sustainable Revenue CEM and the internal Reporting Guidelines for RMC Sustainable Revenue.

As a founding member of the Concrete Sustainability Council (CSC), we are involved in the ongoing development of a certification system for sustainably produced concrete. The CSC certification system strives to improve the sustainable use of concrete by promoting responsible practices throughout the value chain and incentivising continuous improvement. With the certification of concrete and its production chain, we anticipate greater social acceptance of the product and of the entire industry.

We are an active member of Green Building Councils (such as Deutsche Gesellschaft für nachhaltiges Bauen, DGNB) and Infrastructure Sustainability Councils (such as the Australian ISCA) in order to advance the development of sustainable products together with our customers.

Measures and progress

Thanks to the use of by-products from other industrial sectors for the production of clinker and cement or the recycling of demolition concrete, we are able to manufacture cement and concrete in a more resource-efficient way and with lower CO_2 emissions. For several of our products, we have developed Environmental Product Declarations (EPDs), which are externally verified and provide information on the carbon footprint of these products. Product-specific EPDs can therefore be used to produce accurate life cycle assessments for buildings, and they can help buildings achieve higher scores when it comes to green building labels such as LEED or DGNB certification.

A significant part of our research and development work is aimed at developing new cement and concrete formulations in order to minimise energy consumption and CO_2 emissions, and thereby also reduce our environmental impact and costs (see **Research and development section**).

In 2023, 19 ready-mixed concrete plants in Germany, 30 plants in the Netherlands, 4 plants in Italy, and 3 plants in Lithuania obtained CSC certification for the first time or underwent recertification. In Germany, all 16 of our Lithonplus concrete products subsidiary's production facilities were also CSC-certified for the first time. In addition, the CSC R-Module was awarded to selected ready-mixed concrete plants in Germany and the Netherlands, and the CSC CO_2-Module was also awarded to selected plants in Germany, Belgium, and the Netherlands. The CSC R-Module provides an additional product-specific label for concrete products where at least 10% of the aggregates used is recycled content. The CO_2 module provides an additional product-specific label for concrete products with a carbon footprint at least 30% lower than the national baseline as defined by the respective national concrete association. The use of CSC-certified concrete is recognised by green building labels such as DGNB and BREEAM, and the certification of Heidelberg Materials' concrete plants in urban areas helps to improve the sustainability rating of eco-friendly building projects. A CSC supplier certificate was obtained by 2 cement plants in Italy, 4 plants in Belgium, 1 cement plant in Turkey, 14 sand and aggregates production sites in Germany, and 1 site in Norway. The CSC supplier certificate of cement plants and aggregates pits supports the sustainability rating of concrete plants undergoing CSC certification.

Through our engagement in various initiatives and associations, we want to promote and accelerate developments relating to sustainable construction and market transformation. We continued our active involvement in the DGNB in 2023 and as an official partner in the European Network (ERN) of the World Green Building Council. Through our participation in relevant committees, such as the DGNB's Construction Products Advisory Council and the ERN's Building Life Implementation Task Force, we provide support on issues specifically relating to building materials in the DGNB certification system for buildings or in connection with the ERN's positioning on issues concerning building materials.

We have also continued our engagement in various national Green Building Councils and other associations by providing human resources to support and accelerate developments in sustainable construction and the associated market transformation.

Until the end of 2023, almost every Group country had its own brands for sustainable products, such as the German EcoCrete brand for the local sustainable concrete portfolio. While such individuality facilitated effective localisation, it restricted our capacity to influence the sustainable products in line with our Group-level objectives, such as sustainable revenue. Given these barriers, we decided to consolidate all our sustainable products under a single, cohesive brand: evoBuild®. evoBuild is our new global brand for sustainable products and will be gradually rolled out in the Group countries over the course of 2024. Intensive preparations were made for the market launch in 2023. The process was carried out by several working groups involving the Commercial Directors and representatives from Group Communication, the Group ESG department, and the country organisations. The new brand is also in line with Heidelberg Materials' corporate rebranding activities, which started in 2022. The requirements a product must meet to qualify for evoBuild branding align with our definition for sustainable products and are detailed in a specific procedure (see **Policies and processes section**).

In addition to evoBuild, another new brand, evoZero®, was developed specifically for Heidelberg Materials' future CCS-based net-zero products.[12] evoZero achieves its net-zero attribute through the application of carbon capture and storage (CCS) technology at the Heidelberg Materials plant in Brevik, Norway, and the use of both a mass balance and a book-and-claim approach, without offsetting using credits generated outside the company's value chain.[13] The evoZero brand was launched at the end of 2023. We anticipate mechanical completion of the CCS facility in Brevik, Norway, by the end of 2024 and plan to supply our customers with evoZero products from 2025. Our customers will be able to choose between two products: evoZero Carbon Captured Brevik is our mass-balanced product, produced in and delivered from Brevik. Its net-zero footprint will be achieved over its entire life cycle. evoZero Carbon Captured, without the addition of "Brevik" in the product name, is based on a book-and-claim approach. It will be available from any European plant located near a customer project, while leveraging the unique carbon-saving attributes realised in Brevik. It will have a net-zero footprint from delivery onwards. The carbon capture and emission accounting mechanisms have been reviewed by a third-party verifier, ensuring that each tonne of captured CO_2 is only accounted for once. We will also use blockchain technology to offer an additional layer of trust and provide proof that each carbon-saving attribute is only consumed once.

12) Related to CO_2 emissions
13) For more information, refer to https://www.evozero.com/docs/evozero-assurance-en.pdf

Performance indicators

As described above, the share of revenue from sustainable products encompasses the cement, aggregates, ready-mixed concrete, and asphalt business lines. The share of revenue generated by sustainable products increased to 35.4% in the 2023 financial year (previous year: 33.5). The cement business line's share of revenue from sustainable products rose to 39.5% in the reporting year (previous year: 37.2). The increases are mainly attributable to higher revenue from sustainable cements, which was achieved by means of adjustments to our product portfolio in some key markets such as Germany and Italy.

Share of revenue from sustainable products

	2021	2022	**2023**
Share of revenue from sustainable products[1)2)3)4)]	31.1%	33.5%	35.4%
Share of revenue from sustainable products of the cement business line[2)4)]	33.9%	37.2%	39.5%

1) Refers to the cement (cementitious material), aggregates (in North America, the United Kingdom, and Australia), ready-mixed concrete and asphalt business lines.
2) Revenue that we allocate to our sustainable products are not aligned with the definitions of the EU taxonomy regulation.
3) The system does not yet record all relevant revenue for this figure at product level. We are working on continuously improving data collection over the next few years. The revenue shares shown here therefore only refer to the revenue that has already been measured (about 80% of total revenue).
4) The underlying survey method of the specific gross emissions of the individual cement types was slightly adjusted in 2022 compared with previous years. However, this has only an negligible impact on the reported sustainable revenue in 2022.

Circular economy

Through our investments in the circular economy, we also aim to make a contribution to conserving finite resources by reducing material inputs as well as reusing and recycling concrete and aggregates. Recycling and reusing materials such as sandstone and other components of concrete can extend their service life within the use cycle. This helps to reduce the CO_2 emissions that would otherwise be released during the extraction and processing of raw materials. Furthermore, deliberate remineralisation in the recycling process can permanently sequester CO_2 in demolished concrete.

Among other things, we are working to reduce our carbon footprint by closing the carbon loop, develop cements with a reduced clinker content, and devise innovative recycling technologies that allow waste concrete to be fully reused in fresh concrete. Our attention is focused on the life cycle of concrete – including how demolition concrete is processed and returned to the construction cycle.

The circular economy concept describes a regenerative system that conserves finite resources and is based on the following principles[14]:

- Avoiding waste and pollution
- Using products and materials for as long as possible
- Ensuring that natural systems are able to regenerate

For Heidelberg Materials, circularity – i.e. ensuring our products are suitable for use in a circular economy – is an integral part of the Group strategy. Reducing CO_2 emissions and material inputs is central to this alongside reuse and recycling.

Targets and commitments

As part of its **Sustainability Commitments 2030**, Heidelberg Materials has set itself the target of offering circular alternatives for half of its concrete products by 2030. In addition, we want to continuously raise the substitution rate of natural raw materials by using by-products and recycled materials and increase the use of recycled aggregates in our fresh concrete portfolio.

Responsibility and organisation

The topic of circularity is established within the Sustainability Office. A project team steers the further development of the circularity strategy, supports the countries in its implementation, and acts as an interface for coordination with the Managing Board. Responsibility for implementation and target achievement lies with the Group countries. Since the topics of circular economy and circularity are closely linked to our CO_2 and emission reduction strategy and the topic of sustainable products, the respective project teams maintain close contact. In addition, the Recycling Steering Committee currently discusses circularity and recycling three times per year.

Policies and processes

Policies and frameworks, such as the European Green Deal or the EU Circular Economy Action Plan, will help to guide the development and future regular review of our circularity strategy. At the end of 2023, Heidelberg Materials introduced a Circularity Policy. This will be implemented by the Group countries in 2024 with support from the Sustainability Office.

We define products as circular if they contribute either to a reduction in material inputs or to the reuse of materials. In both cases, the threshold set internally and applicable to the products reported here is 30%. Material consumption can be reduced by 30% by using special high-performance concretes or digital design processes such as 3D printing, for example. Besides the potential material savings, 3D concrete printing also helps to reduce construction waste. Recycled content levels must comply with local regulations and standards. Even if a product's recycled content already exceeds 30%, we will strive for a further increase in order to replace as many primary raw materials as possible with alternative raw materials overall and to increase our contribution to the circular economy (see **Climate, energy, and emissions section**).

The development and testing of the performance of these circular products in the Group countries takes place in cooperation with the Group Global Research and Development department and our Concrete and Aggregates & Asphalt competence centers (CCR and CCA). We make our circular products a topic of discussion within our association activities in order to achieve standardisation and, in some cases, certification as well as general acceptance. Through our engagement in various initiatives and associations, we want to promote and accelerate developments in sustainable construction and market transformation (see **Sustainable products and solutions section**).

Measures and progress

As factors such as the proportion of recycled material in products depend on how the circular economy is organised locally and the corresponding rules and regulations, the possible measures and speed of implementation vary considerably from one Group country to another. Heidelberg Materials therefore works closely with the country locations to identify and facilitate the best possible implementation options in each case. In 2023, the Sustainability Office led a project group consisting of employees from the Group Research and Development department, the competence centers, and representatives from a total of six Group countries to look at ways of implementing our circular economy strategy. The initiative aims to both promote circularity in each country and encourage knowledge sharing between the Group countries – this is the main focus for 2024.

To allow us to present and analyse our recycling activities separately, we have made preparations to introduce a recycling operating line into our accounting system, in which the relevant revenue within the cement

14) The circular economy in detail (ellenmacarthurfoundation.org)

and aggregates business lines can be recorded and reported centrally starting in 2024.

We are working on stepping up our recycling activities and expanding our corporate portfolio through acquisitions. In the reporting year, Heidelberg Materials further expanded the business area by means of acquisitions in the field of construction materials recycling in Europe and the USA, for example (see **Investments section**).

The ReConcrete project demonstrated the development of a limestone substitute made from demolition concrete. Waste concrete is crushed using novel processes and sorted almost homogeneously into its components to obtain not only sand and gravel but also hardened cement paste. The latter can be reused as a valuable, low-carbon raw material in clinker and cement production, replacing natural limestone as a raw material. In addition, the hardened cement paste can absorb and permanently bind CO_2, thus acting as a carbon sink. The process thereby highlights not only concrete's circularity potential, but also the close connection between the carbon and material loops. Construction of an industrial-scale facility that will implement this process began in Poland in 2023. The innovative recycling plant for selective separation will start production in 2024.

Performance indicators

By introducing the recycling operating line into our accounting system, we have established a basis for measuring performance indicators relating to the circular economy. We plan to implement this approach in future.

Information according to the EU Taxonomy Regulation

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

Assessment of taxonomy eligibility

The portfolio of our economic activities was assessed in the reporting year with regard to taxonomy eligibility under the delegated acts. In addition to "CCM 3.7. Manufacture of cement" (represented in the following as the cement business line), "CCM 5.9. Material recovery from non-hazardous waste" (represented in the following as the recycled aggregates operating line within the aggregates business line) has been identified as a relevant economic activity in accordance with the delegated act on climate change mitigation and adaptation (see **Circular economy section**). In accordance with the disclosure requirements, we report in detail on these economic activities (alignment reporting). Of the other four environmental objectives, only the environmental objective "transition to a circular economy" with the activity "CE 2.7. Sorting and material recovery of non-hazardous waste" was identified as material for Heidelberg Materials. We have been reporting on taxonomy eligibility for this activity since 2023 pursuant to the Environmental Delegated Act.

There are also other taxonomy-eligible economic activities within Heidelberg Materials' business lines, such as transport services, which are, however, not shown separately and are included in the reporting for the cement business line and activity 3.7, respectively.

Additionally, we analysed our activities in relation to Delegated Act (EU) 2022/1214 regarding economic activities related to the nuclear and fossil gas energy sectors. We did not identify any relevant taxonomy-eligible activities in the 2023 reporting year. We have therefore not applied the reporting pursuant to Annex XII.

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

Review of the technical screening criteria

The technical screening criteria for taxonomy alignment with the Climate Mitigation objective were reviewed by an interdisciplinary working group and with the involvement of further experts, in particular with regard to the interpretation of the "do no significant harm" (DNSH) criteria. The requirements of the Climate Change Adaptation Delegated Act were not pursued further, as we are currently unable to achieve taxonomy-aligned revenue, capital expenses, and operating expenses in accordance with the Taxonomy Regulation.

To review the criteria determining whether a substantial contribution to climate change mitigation ("substantial contribution" criteria) is made, internal reporting systems and data were used to verify compliance with the respective limit values at plant level. A distinction is made between the various types of plants (integrated plants, clinker plants, grinding plants) and is based on the reporting definitions set out by the GCCA industry association. The recovery rate plays a decisive role for the taxonomy-eligible recycling activities under CCM

5.9. We use internal material stream statistics to assess whether the substantial contribution has been achieved.

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

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

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

Explanation of the key figures

The key figures revenue, capital expenses (CapEx), and operating expenses (OpEx) relevant to the EU Taxonomy Regulation were determined with reference to the definitions set out in the Annex to the Delegated Act (EU 2021/2178) to Article 8 of Regulation 2020/852. The relevant revenue, CapEx, and OpEx were assigned to the above-mentioned taxonomy-eligible economic activities. Standard reporting (assignment by business line) was used to determine the key figures, avoiding the possibility of double counting across the two economic activities.

Revenue

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

The total revenue pursuant to the Taxonomy Regulation amounts to €21,177.6 million (previous year: €21,095.1 million), of which €11,210.6 million or 52.9% (previous year: €11,005.8 million or 52.2%) is attributable to taxonomy-eligible revenue for the cement business line and €81.3 million or 0.4% (previous year: €57.2 million or 0.3%) to the recycled aggregates operating line. The taxonomy-aligned share of revenue is €124.5 million or 0.6% (previous year: €114.7 million or 0.5%[15]) for the cement business line. In addition, taxonomy-aligned intercompany revenue is €40.8 million. The taxonomy-aligned share of revenue for the recycled aggregates operating line is €11.6 million or 0.1% (previous year: €11.1 million or 0.1%).

Share of taxonomy-eligible and taxonomy-aligned revenue

	2022		2023	
	in €m	in %	in €m	in %
Taxonomy-non-eligible revenue	10,032.1	47.6	9,885.6	46.7
Taxonomy-eligible revenue	11,063.0	52.4	11,291.9	53.3
thereof taxonomy-aligned revenue[15]	125.7	0.6	136.1	0.6
Total revenue	**21,095.1**	**100.0**	**21,177.6**	**100.0**

15) Values 2022 adjusted

The detailed quantitative information at economic activity level can be found in the table on **page 130**.

Capital expenditure (CapEx)

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

Total CapEx pursuant to the Taxonomy Regulation amounts to €2,199.6 million (previous year: €1,570.1 million). Of this, €1,439.8 million or 65.5% (previous year: €952.5 million or 60.7%) is attributable to taxonomy-eligible CapEx for the cement business line and €55.2 million or 2.5% (previous year: €33.1 million or 2.1%) to the recycled aggregates operating line. The taxonomy- aligned share of CapEx is €307.5 million or 14.0% (previous year: €360.8 million or 23.0%) for the cement business line. The decline is primarily attributable to the modernisation of the Mitchell cement plant in Indiana, USA, which was commissioned in June 2023. The taxonomy-aligned share of CapEx is €4.3 million or 0.2% for the recycled aggregates operating line (previous year: €5.1 million or 0.3%). This taxonomy-aligned CapEx includes €299.3 million (previous year: €365.9 million) from additions to property, plant and equipment as well as €12.5 million (previous year: €0.0 million) from additions to intangible assets and €0.0 million (previous year: €0.0 million) from additions to right-of-use assets and business combinations.

Share of taxonomy-eligible and taxonomy-aligned CapEx

	2022		2023	
	in €m	in %	in €m	in %
Taxonomy-non-eligible CapEx	584.4	37.2	704.6	32.0
Taxonomy-eligible CapEx	985.7	62.8	1,495.0	68.0
thereof taxonomy-aligned CapEx	365.9	23.3	311.8	14.2
Total CapEx	**1,570.1**	**100.0**	**2,199.6**	**100.0**

The detailed quantitative information at economic activity level can be found in the table on **page 131**.

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

Pursuant to the Taxonomy Regulation, the cement business line and the recycled aggregates operating line are taxonomy-eligible in the context of the climate change mitigation and circular economy environmental objectives. In order to continuously increase the share of taxonomy-aligned economic activities, significant investments are required specifically for the "manufacture of cement" activity (CCM 3.7), particularly in carbon capture, utilisation, and storage (CCUS, see **Climate, energy, and emissions section** and **Research and development chapter**) and technical facilities for increasing the proportion of alternative fuels or raw materials.

Heidelberg Materials has set climate targets for 2030 based on detailed measures and plans (CO_2 roadmap). Large-scale projects in particular require a long planning and implementation phase, which is why the extension of the planning period to more than five years is objectively justified and in line with the internal CO_2 roadmap. We want to significantly reduce our specific CO_2 emissions by 2030. Our corporate climate target is below the limit value defined by the EU for a substantial contribution to climate change mitigation for specific gross CO_2 emissions of 469 kg CO_2 per tonne of cement or alternative binders. In order to achieve our corporate climate target by 2030 at the latest, further investments must therefore be made.

We have updated the investment planning on which our internal CO_2 roadmap is based. In order to increase taxonomy-aligned revenue while complying with the technical screening criteria, Heidelberg Materials now expects to invest a total of €1,740 million (reported in the previous year: €3,250 million) and incur operating expenses of €101 million (reported in the previous year: €280 million) in the economic activity "CCM 3.7. Manufacture of cement" by 2030. The figures are significantly lower than the investment requirements reported in the previous year, as the investment volume defined in the CapEx plan for achieving the CO_2 thresholds was reduced on the basis of updated analyses. In addition to the plants remaining in the CapEx plan, the analysis identified further opportunities to reduce CO_2 emissions, which primarily require operating expenses such as the procurement and use of alternative raw materials. Furthermore, significant expenditure was already made on major projects and finalised in 2022. This expenditure is therefore no longer part of the CapEx plan.

Based on the current CapEx plan for the 2023 reporting year, the taxonomy-aligned investments in the previous year would amount to €347.9 million or 22.2% (reported in the previous year: €365.9 million or 23.3%), while the taxonomy-aligned OpEx would amount to €37.9 million or 2.4% (reported in the previous year: €45.6 million or 2.9%).

In the reporting year, investments towards the CapEx plan amounted to €296.2 million. The operating expenses incurred under the CapEx plan for the 2023 financial year came to €21.4 million.

Operating expenditure (OpEx)

The following non-capitalised expenses are considered operating expenditure:

- Research and development:
  Our research and development expenditure is a key driver of innovation. This includes central innovation hubs focused on the development of new technologies, improved processes, and breakthrough digital technologies, as well as the local optimisation of products and applications for an elevated customer experience. The total amount for all business lines corresponds to the presentation in the **Research and development section**.

- Lease expenses for short-term leases and low-value assets:
  Expenses that meet the definition of IFRS 16 Leases but are not recognised as a right-of-use asset or lease liability because they relate to a short-term lease (<12 months) or a low-value asset. The total amount for all business lines corresponds to the lease expenses in the other operating expenses in **Note 7.5**.

- Repair and maintenance/building renovation measures:
  Expenditure on repair materials, spare and wear parts, and repair services from external providers and employees. The total amount for all business lines differs from the expenses for third-party repairs and services in the other operating expenses in **Note 7.5** because of the different scope and resulting different inclusion of accounts (third-party repairs and third-party services in contrast to internal and external expenditure on repair and maintenance).

- All other direct expenditure relating to the daily maintenance of property, plant and equipment necessary to ensure the continuous and effective functioning of these assets.

The method of collecting OpEx data was adjusted in 2023. As a result, we can now collect OpEx figures in a more standardised and simple way, as they are sometimes recorded differently in the individual countries, which can lead to inconsistencies. The global approach that has been introduced means that the calculation is based on a standardised and structured procedure.

For the 2023 financial year, total OpEx pursuant to the Taxonomy Regulation amounted to €1,672.1 million (previous year: €1,582.3 million). Taxonomy-eligible operating expenses were identified as €917.8 million or 54.9% (previous year: €877.6 million or 55.5%) for the cement business line and €9.4 million or 0.6% (previous year: €9.7 million or 0.6%) for the recycled aggregates operating line. For part of the taxonomy-eligible research and development expenditure in the cement business line, no direct assignment to the taxonomy-aligned plants is possible, hence they were assigned proportionally to all plants using a key based on total cement production.

In total, €42.6 million or 2.5% (previous year: €44.6 million or 2.8%) of OpEx for the cement business line and €1.0 million or 0.1% (previous year: €1.0 million or 0.1%) for the recycled aggregates operating line is taxonomy-aligned and composed of €21.5 million (previous year: €22.9 million) from research and development expenditure, €18.6 million (previous year: €19.6 million) from maintenance and repair, and €3.4 million (previous year: €3.1 million) from short-term leases.

Share of taxonomy-eligible and taxonomy-aligned OpEx

	2022		2023	
	in €m	in %	in €m	in %
Taxonomy-non-eligible OpEx	695.0	43.9	744.9	44.5
Taxonomy-eligible OpEx	887.3	56.1	927.2	55.5
thereof taxonomy-aligned OpEx	45.6	2.9	43.6	2.6
Total operating OpEx	**1,582.3**	**100.0**	**1,672.1**	**100.0**

The detailed quantitative information at economic activity level can be found in the table on **page 132**.

Proportion of turnover 2023 from products or services associated with taxonomy-aligned economic activities

Financial year 2023	2023			Substantial contribution criteria						DNSH criteria									
Economic activities (1)	Code(s) (2)	Turnover (3)	Proportion of Turnover 2023 (4)	Climate change mitigation (5)	Climate change adaption (6)	Water (7)	Pollution (8)	Circular Economy (9)	Biodiversity (10)	Climate change mitigation (11)	Climate change adaption (12)	Water (13)	Pollution (14)	Circular Economy (15)	Biodiversity (16)	Minimum safeguards (17)	**Proportion of Taxonomy aligned (A.1.) or eligible (A.2.) turnover 2022 (18)**	Category enabling activity (19)	Category transitional activity (20)
		€m	%	Y; N; N/EL	Y; N; N/EL	Y; N; N/EL	Y; N; N/EL	Y; N; N/EL	Y; N; N/EL	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	%	E	T
A. Taxonomy-eligible activities																			
A.1 Environmentally sustainable activities (Taxonomy-aligned)																			
Manufacture of Cement	CCM 3.7	124.5	0.6%	Y	N/EL	N/EL	N/EL	N/EL	N/EL	Y	Y	Y	Y	Y	Y	Y	**0.5%**		T
Material recovery from non-hazardous waste	CCM 5.9	11.6	0.1%	Y	N/EL	N/EL	N/EL		N/EL	Y	Y	Y	Y	Y	Y	Y	**0.1%**		
Turnover of environmentally sustainable activities (Taxonomy-aligned) (A.1)		136.1	0.6%	0.6%	0.0%	0.0%	0.0%		0.0%	Y	Y	Y	Y	Y	Y	Y	**0.6%**		
of which Enabling		0.0	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	Y	Y	Y	Y	Y	Y	Y		E	
of which Transitional		124.5	0.6%							Y	Y	Y	Y	Y	Y	Y	**0.5%**		T
A.2 Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities)																			
				EL; N/EL	EL; N/EL	EL; N/EL	EL; N/EL	EL; N/EL	EL; N/EL										
Manufacture of Cement	CCM 3.7	11,086.1	52.3%	EL	N/EL	N/EL	N/EL	N/EL	N/EL								**51.6%**		
Material recovery from non-hazardous waste / Sorting and material recovery of non-hazardous waste	**CCM 5.9 /** CE 2.7	69.7	0.3%	EL	N/EL	N/EL	N/EL	EL	N/EL								**0.2%**		
Turnover of Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities) (A.2)		11,155.9	52.7%	52.7%	0.0%	0.0%	0.0%	0.0%	0.0%								**51.8%**		
A. Turnover of Taxonomy eligible activities (A.1+A.2)		11,291.9	53.3%	53.3%	0.0%	0.0%	0.0%	0.0%	0.0%								**52.4%**		
B. Taxonomy-non-eligible activities																			
Turnover of Taxonomy-non-eligible activities		9,885.6	46.7%																
Total		21,177.6	100.0%																

Y – Yes, Taxonomy-eligible and Taxonomy-aligned activity with the relevant environmental objective **N** – No, Taxonomy-eligible but not Taxonomy-aligned activity with the relevant environmental objective **N/EL** – not eligible, Taxonomy-non-eligible activity for the relevant environmental objective

Proportion of CapEx 2023 from products or services associated with taxonomy-aligned economic activities

Financial year 2023	2023			Substantial contribution criteria						DNSH criteria									
Economic activities (1)	Code(s) (2)	CapEx (3)	Proportion of CapEx 2023 (4)	Climate change mitigation (5)	Climate change adaption (6)	Water (7)	Pollution (8)	Circular Economy (9)	Biodiversity (10)	Climate change mitigation (11)	Climate change adaption (12)	Water (13)	Pollution (14)	Circular Economy (15)	Biodiversity (16)	Minimum safeguards (17)	**Proportion of Taxonomy aligned (A.1.) or eligible (A.2.) CapEx 2022 (18)**	Category enabling activity (19)	Category transitional activity (20)
		€m	%	Y; N; N/EL	Y; N; N/EL	Y; N; N/EL	Y; N; N/EL	Y; N; N/EL	Y; N; N/EL	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	%	E	T
A. Taxonomy-eligible activities																			
A.1 Environmentally sustainable activities (Taxonomy-aligned)																			
Manufacture of Cement	CCM 3.7	307.5	14.0%	Y	N/EL	N/EL	N/EL	N/EL	N/EL	Y	Y	Y	Y	Y	Y	Y	**23.0%**		T
Material recovery from non-hazardous waste	CCM 5.9	4.3	0.2%	Y	N/EL	N/EL	N/EL		N/EL	Y	Y	Y	Y	Y	Y	Y	**0.3%**		
CapEx of environmentally sustainable activities (Taxonomy-aligned) (A.1)		311.8	14.2%	14.2%	0.0%	0.0%	0.0%		0.0%	Y	Y	Y	Y	Y	Y	Y	**23.3%**		
of which Enabling		0.0	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	Y	Y	Y	Y	Y	Y	Y		E	
of which Transitional		307.5	14.0%							Y	Y	Y	Y	Y	Y	Y	**23.0%**		T
A.2 Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities)																			
				EL; N/EL	EL; N/EL	EL; N/EL	EL; N/EL	EL; N/EL	EL; N/EL										
Manufacture of Cement	CCM 3.7	1,132.3	51.5%	EL	N/EL	N/EL	N/EL	N/EL	N/EL								**37.7%**		
Material recovery from non-hazardous waste / Sorting and material recovery of non-hazardous waste	**CCM 5.9 /** CE 2.7	50.9	2.3%	EL	N/EL	N/EL	N/EL	EL	N/EL								**1.8%**		
CapEx of Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities) (A.2)		1,183.2	53.8%	53.8%	0.0%	0.0%	0.0%	0,0%	0.0%								**39.5%**		
A. CapEx of Taxonomy eligible activities (A.1+A.2)		1,495.0	68.0%	68.0%	0.0%	0.0%	0.0%	0.0%	0.0%								**62.8%**		
B. Taxonomy-non-eligible activities																			
CapEx of Taxonomy-non-eligible activities		704.6	32.0%																
Total		2,199.6	100.0%																

Y – Yes, Taxonomy-eligible and Taxonomy-aligned activity with the relevant environmental objective **N** – No, Taxonomy-eligible but not Taxonomy-aligned activity with the relevant environmental objective **N/EL** – not eligible, Taxonomy-non-eligible activity for the relevant environmental objective

Proportion of OpEx 2023 from products or services associated with taxonomy-aligned economic activities

Financial year 2023	**2023**			**Substantial contribution criteria**						**DNSH criteria**									
Economic activities (1)	Code(s) (2)	OpEx (3)	Proportion of OpEx 2023 (4)	Climate change mitigation (5)	Climate change adaption (6)	Water (7)	Pollution (8)	Circular Economy (9)	Biodiversity (10)	Climate change mitigation (11)	Climate change adaption (12)	Water (13)	Pollution (14)	Circular Economy (15)	Biodiversity (16)	Minimum safeguards (17)	**Proportion of Taxonomy aligned (A.1.) or eligble (A.2.) OpEx 2022 (18)**	Category enabling activity (19)	Category transitional activity (20)
		€m	%	Y; N; N/EL	Y; N; N/EL	Y; N; N/EL	Y; N; N/EL	Y; N; N/EL	Y; N; N/EL	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	%	E	T
A. Taxonomy-eligible activities																			
A.1 Environmentally sustainable activities (Taxonomy-aligned)																			
Manufacture of Cement	CCM 3.7	42.6	2.5%	Y	N/EL	N/EL	N/EL	N/EL	N/EL	Y	Y	Y	Y	Y	Y	Y	**2.8%**		T
Material recovery from non-hazardous waste	CCM 5.9	1.0	0.1%	Y	N/EL	N/EL	N/EL		N/EL	Y	Y	Y	Y	Y	Y	Y	**0.1%**		
OpEx of environmentally sustainable activities (Taxonomy-aligned) (A.1)		43.6	2.6%	2.6%	0.0%	0.0%	0.0%		0.0%	Y	Y	Y	Y	Y	Y	Y	**2.9%**		
of which Enabling		0.0	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	Y	Y	Y	Y	Y	Y	Y		E	
of which Transitional		42.6	2.5%							Y	Y	Y	Y	Y	Y	Y	**2.8%**		T
A.2 Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities)																			
				EL; N/EL	EL; N/EL	EL; N/EL	EL; N/EL	EL; N/EL	EL; N/EL										
Manufacture of Cement	CCM 3.7	875.2	52.3%	EL	N/EL	N/EL	N/EL	N/EL	N/EL								**52.6%**		
Material recovery from non-hazardous waste / Sorting and material recovery of non-hazardous waste	**CCM 5.9 /** CE 2.7	8.4	0.5%	EL	N/EL	N/EL	N/EL	EL	N/EL								**0.6%**		
OpEx of Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities) (A.2)		883.7	52.8%	52.8%	0.0%	0.0%	0.0%	0.0%	0.0%								**53.2%**		
A. OpEx of Taxonomy eligible activities (A.1+A.2)		927.2	55.5%	55.5%	0.0%	0.0%	0.0%	0.0%	0.0%								**56.1%**		
B. Taxonomy-non-eligible activities																			
OpEx of Taxonomy-non-eligible activities		744.9	44.5%																
Total		1,672.1	100.0%																

Y – Yes, Taxonomy-eligible and Taxonomy-aligned activity with the relevant environmental objective **N** – No, Taxonomy-eligible but not Taxonomy-aligned activity with the relevant environmental objective **N/EL** – not eligible, Taxonomy-non-eligible activity for the relevant environmental objective

Proportion of turnover/Total turnover

	Taxonomy-aligned per objective	Taxonomy-eligible per objective
Climate Change Mitigation (CCM)	0.8%	53.3%
Climate Change Adaptation (CCA)	0.0%	0.0%
Water and Marine Resources (WTR)	0.0%	0.0%
Circular Economy (CE)	-	0.4%
Pollution Prevention and Control (PPC)	0.0%	0.0%
Biodiversity and Ecoystems (BIO)	0.0%	0.0%

Proportion of CapEx/Total CapEx

	Taxonomy-aligned per objective	Taxonomy-eligible per objective
Climate Change Mitigation (CCM)	14.2%	68.0%
Climate Change Adaptation (CCA)	0.0%	0.0%
Water and Marine Resources (WTR)	0.0%	0.0%
Circular Economy (CE)	-	2.5%
Pollution Prevention and Control (PPC)	0.0%	0.0%
Biodiversity and Ecoystems (BIO)	0.0%	0.0%

Proportion of OpEx/Total OpEx

	Taxonomy-aligned per objective	Taxonomy-eligible per objective
Climate Change Mitigation (CCM)	2.6%	55.5%
Climate Change Adaptation (CCA)	0.0%	0.0%
Water and Marine Resources (WTR)	0.0%	0.0%
Circular Economy (CE)	-	0.6%
Pollution Prevention and Control (PPC)	0.0%	0.0%
Biodiversity and Ecoystems (BIO)	0.0%	0.0%

Responsibility towards our employees

Employees

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

At the end of 2023, the number of employees at Heidelberg Materials stood at 50,997 (previous year: 50,780), based on full-time equivalents. The increase of around 220 employees essentially results from two opposing developments. On the one hand, around 1,460 jobs were cut across the Group as a result of portfolio optimisation measures, the realisation of synergies, efficiency enhancements in sales and administration, as well as location optimisations. On the other hand, around 1,680 employees joined the Group, largely due to the expansion of our range of circular materials through the acquisitions of RWG Holding GmbH and SER Group in Germany and the takeover of The SEFA Group in the USA. Information on the number of employees in the Group areas can be found in the **Segment reporting**.

Diversity, equity, and inclusion

Diversity in our workforce in terms of cultural and ethnic origin, gender, age, mental and physical abilities, and sexual orientation and identity is an asset to our global teams. We are convinced that this diversity, in harmony with an appreciative corporate culture, has a positive effect on our innovative strength and the commitment of our employees.

The proportion of local managers – i.e. managers who are nationals of the same country as their place of work – at upper management level amounts to around 80%. This international composition of our top and senior management gives us the benefit of a broad range of experience from different cultural backgrounds. It allows us to respond flexibly and quickly to global challenges as well as local market needs. At our headquarters, we aim to ensure that the workforce is composed of employees from the countries in which we operate, with the intention of improving cooperation with our local teams. Currently, more than 65 different nationalities are represented at our headquarters.

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

Targets and commitments

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

By 2030, we aim to achieve a global target of 25% of management positions occupied by women. In Germany, we want the proportion of women at both the first and second leadership levels below the Managing Board to reach 27% by 2027. We have been signatories to the Diversity Charter since early 2013. It is a corporate initiative that aims to promote diversity and appreciation in the workplace and create a working environment that is free of prejudice.

Responsibility and organisation

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

Members of the employee committees at the individual locations form the General Works Council for Heidelberg Materials AG and the Group Works Council. The representative body for severely disabled employees is embedded in the local works council for the headquarters in Heidelberg. The local works council has also formed its own panels, such as the Personnel Planning Committee and working groups on data protection and IT systems, which liaise with the Director Group HR and the Director HR Germany on an ad hoc basis.

Policies

Heidelberg Materials is committed to upholding the core labour standards of the International Labour Organization (ILO), the OECD Guidelines for Multinational

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

Our Code of Business Conduct is binding across the Group and describes our values as well as our ethical and legal standards. In addition to non-discriminatory employment conditions and an open and fair dialogue with employee representatives, our Code of Business Conduct also covers respectful behaviour towards co-workers, the involvement and development of employees, a commitment to a strong feedback culture, and the importance of our customers to our corporate success. We urge our managers and employees worldwide to apply these principles to the way they behave towards one another, taking local circumstances into account.

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

With our international workforce and calls for greater flexibility in mind, we have made it possible for our employees to work remotely in other European countries as part of a pilot project. We are currently examining the extent to which this will be possible on a long-term basis.

Processes

Employee and employer representatives maintain a close and regular dialogue. For instance, monthly meetings take place between Human Resources representatives and the works councils at the various locations. Furthermore, the works council organises quarterly staff meetings at our headquarters, which are attended by the Chairman of the Managing Board and the Director Group HR every six months. A meeting of the General Works Council is held once a year, to which the Chairman of the Managing Board, the Managing Director of the German organisation, the Director Group Human Resources, and the Director HR for Germany are invited. Group management and employee representatives also engage in constructive dialogue in the European Works Council. Once a year, an in-person event is held with the European Group countries, the Chairman of the Managing Board, and the Director Group Human Resources, among others.

Human resources issues are regularly on the agenda at Managing Board meetings to which the Director Group Human Resources is invited, depending on the topic. The Supervisory Board meets on an ad hoc basis to discuss HR matters concerning the Managing Board.

We have embedded key leadership tasks in standard human resources processes. In salary review processes that take place globally every year, we ensure that the remuneration of our managers and employees not covered by collective agreements develops appropriately for each individual. As part of a structured target agreement process, managers and employees jointly define the forthcoming tasks and expectations. Individual performance appraisals also have an impact on remuneration. Furthermore, annual growth talks between managers and employees not covered by collective agreements help to support our employees' development and career planning.

With the gradual introduction of Workday, we are integrating these processes into a new, centralised HR IT system. Workday follows on from the predecessor system, HR Globe, and the e-Campus learning management system. More than 46,000 employees worldwide are already registered in Workday. Besides supporting the performance and potential assessment processes, Workday also assists with matters relating to remuneration, recruitment, onboarding, and learning. We offer over 600 e-learning courses for specialist and work-related advanced training via the learning module. With the introduction of Workday, Heidelberg Materials is taking a significant step towards greater transparency, global standards, and digitalisation with self-service options for employees and managers.

Measures and progress

In recent years, we have further developed our measures aimed at promoting women. The proportion of women in programmes for the advancement of future executives across Germany was 30% (previous year: 31%) and therefore, as in previous years, significantly higher than the proportion of women in the total workforce in Germany of 18.3% (previous year: 16.9%). We also provide targeted support for the career development of our female future executives. In Germany, for example, we participate in a cross-company mentoring programme in cooperation with other companies from the Rhine-Neckar metropolitan region, where our headquarters is located.

Our measures aimed at promoting women and inclusion are wide-ranging and adapted to individual local circumstances. In Australia, for example, we have been successfully implementing a Female Driver Program for several years, which offers women the chance to gain further qualifications as truck drivers. The opportunity to participate in specialist events, such as Female in Construction conferences in the USA, raises the visibility of talented women and gives them an opportunity to network with other professionals.

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

In Germany, as in previous years, Heidelberg Materials took part in a variety of activities for German Diversity Day in 2023. For example, employees had the opportunity to try out an age suit, which simulates various age-related impairments, to gain a better understanding of how older people feel. With diversity and inclusion training courses, we strive to combat unconscious bias, i.e. unintentional thought patterns and stereotypes that are barriers to equality. To take account of the particular importance of diversity, equity, and inclusion and further anchor the topic at strategy level, the Group countries are developing country-specific action plans to suit their local circumstances. In the UK, for example, this is being done in connection with the FAIR Commitments campaign, where FAIR stands for fairness, awareness, inclusion, and respect. As part of the campaign, employees have been trained to become "inclusion champions," paid paternity leave has been extended, and mandatory unconscious bias training has been introduced for personnel selection panels.

Performance indicators

As at 31 December 2023, the proportion of women in Germany in the first leadership level below the Managing Board was 13% (previous year: 16%) and 24% (previous year: 25%) in the second leadership level below the Managing Board. The reduction is due to various factors. This includes organisational and personnel changes at these two levels as well as the calculation of the values on the basis of full-time equivalents since 2023. In addition, the definition of management positions was adjusted in connection with the introduction of Workday.

Across the Group, the proportion of women in the first two leadership levels below the Managing Board was 18% (previous year: 14%). The increase is mainly due to the adjusted employee group in the upper management levels following the introduction of Workday.

Proportion of women in management positions

	2021	2022	**2023**[1]
First and second leadership level Germany	18%	22%	21%
First leadership level Germany	17%	16%	13%
Second leadership level Germany	19%	25%	24%
First and second leadership level Group	14%	14%	18%

1) Since 2023, we have been calculating the values via Workday on the basis of full-time equivalents (until 2022: HR Globe and on the basis of headcount) and the definition of management positions has also been adjusted.

Occupational health and safety

At Heidelberg Materials, we are aware that there are occupational health and safety risks associated with our business model. Manufacturing cement and aggregates involves various hazards, such as those relating to the extraction and transport of raw materials and finished products, working at great heights, working with high voltages, heavy technical equipment, or rotating parts of kilns, mills, or conveyor belts, and working in the vicinity of cement kilns operating at very high temperatures. Occupational health and safety is therefore one of the essential components of our work processes, and we strive to make continuous improvements in this area.

With effective preventive measures, we intend to minimise the risk of accidents and injuries as well as the risk of occupational illness. However, accidents and occupational illnesses do still occur. Accidents can range from cases where first aid is required to serious injuries and even fatalities. The most commonly recognised occupational illnesses include temporary conditions, such as back problems, other musculoskeletal disorders, and respiratory diseases, but there are also permanent impairments, such as noise-induced hearing loss. In many cases, such issues also have an impact on team members. Besides mental strain, these consequences may include additional overtime, restrictions on holiday, or the restructuring of working groups. Depending on the severity of the incident, it may also lead to interruptions in operational processes or even downtime for parts of production, naturally resulting in financial losses for Heidelberg Materials.

Targets and commitments

We work continuously to further minimise the risks for our employees, contractors, and third parties. Our most important aim in occupational health and safety, which we also confirmed in our Sustainability Commitments 2030, is to prevent accidents and ill health, especially accidents resulting in fatalities. In addition, we want to reduce the lost time injury frequency rate (LTIFR) by at least 50% by 2030 compared with 2020.

Responsibility and organisation

At Heidelberg Materials, all management levels are accountable and 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. She reports the global occupational safety figures to the Managing Board on a monthly basis.

Country managers are responsible for ensuring that occupational health and safety in their country meets legal requirements. They provide leadership and the necessary resources to ensure these obligations are met. Country managers also prepare and implement annual country health and safety action plans to meet these obligations, reduce harm, and develop mitigation strategies for managing risk. To ensure we remain focused on activities that minimise risks and harm, the Managing Board and country managers employ health and safety specialists to advise, assist, and help deliver on legal and corporate requirements for occupational health and safety.

Occupational safety is also included in the individual target agreements for the Managing Board and the operational top management in the various countries.

Policies

In all countries, occupational health and safety is subject to legal requirements. Furthermore, as a member of the Global Cement and Concrete Association (GCCA), Heidelberg Materials complies with its guidelines. These have been integrated into our internal standards.

As part of our Group policy on occupational health and safety, we have defined a set of cardinal rules that are mandatory for all employees and contractors. They relate especially to those activities that have been identified as main risk areas for accidents. They include requirements for equipment isolation, protection from moving parts of machinery, driving safety – both at our sites and en route to customers – entry to confined spaces, a range of personal protective equipment, and the need to report all accidents and incidents. The cardinal rules are supported by Group H&S standards that provide additional information and guidance on how to meet these requirements.

Processes

We recognise that there are inherent risks associated with our activities. Our approach to these risks is one of continuous improvement, taking into account industry best practice, legal requirements, and government regulations. In addition, we assess our activities on a regular basis to ensure hazards are identified and control measures are put in place to mitigate risks. Risk assessments are mandatory in some of the countries in which we operate, and they play a key role in our business operations, whether or not they are not required by law. Each operational site has a risk register, identifying known risks and including corresponding risk assessments and agreed safe systems of work. We also use dynamic risk assessment as a method to establish if it is safe to work, just before starting any activity and at any time something changes during that activity.

To ensure we remain focused on activities that minimise risks and harm, each country manager is responsible for preparing health and safety action plans each year that target risk groups, activities, and primary causes of accidents and incidents. We also have robust selection and vetting criteria for appointing contractors and transport companies and ensure that their employees working for us are included in our on-site safety briefings and initiatives and regularly supervised by nominated competent persons.

Occupational health and safety management systems, such as ISO 45001 and comparable local standards, have already been implemented in 99% of our locations. These locations are regularly internally and externally audited, as required by the relevant management system. The systems require a structured approach from the local line management with planning, clear work procedures, responsibilities, and controls to ensure an ongoing improvement process and thereby prevent accidents.

To support this approach, we use HC Protect throughout the Group. This is a standardised software in which accidents, incidents, near hits, inspections, and safety conversations by our own employees, employees of external companies, and if appropriate, third parties are recorded. It helps us conduct in-depth analysis of trends and patterns to understand and mitigate risks. An accident event cannot be closed in HC Protect until the causes of the accident have been analysed and documented and corrective or preventive actions have been defined. The system tracks the measures defined to ensure that opportunities for improvement are realised.

We place a special focus on potential fatal incidents (PFIs), i.e. accidents and incidents that are identified as unsafe activities or situations that could have been fatal. They are marked as PFIs in HC Protect and must be fully investigated even if no one was harmed. An incident can only be approved and closed once a root cause analysis has been completed and corrective actions have been defined.

We share the findings from accident investigations across the Group in the form of safety alerts in order to prevent similar accidents elsewhere in the Group. In the event of an accident resulting in a fatality, this incident will also be discussed by the Managing Board.

As part of our behavioural safety programme, managers and supervisors conduct safety conversations during operational site visits and record any observations in our HC Protect database. This includes compliance with best practices as well as any unsafe conditions observed. For any significant concerns or violations, actions are identified and agreed with responsible persons, and deadlines for corrective actions are set. In addition, we can identify trends, at-risk groups, and main areas of concern, and report on these monthly.

Measures and progress

In order to obtain an up-to-date overview of the implementation status of our safety standards at our plants, we have expanded the target/actual analyses begun in 2021 for all locations to include the following topics: installing safety nets in our cement works; providing loading platforms for vehicle drivers; improving the visibility of and safety features on our vehicles, heavy mining equipment, and transport delivery vehicles; equipment safeguarding and isolation; visitor and contractor safety; and road safety. The gaps and remedial measures identified in the process, as well as progress made, are discussed with local management on a regular basis and reported to the respective member of the Managing Board on a quarterly basis.

To prevent job-related illnesses, we routinely check our workplaces for exposure to factors that could be hazardous to health, such as respirable crystalline silica (RCS), noise, or dust. Employees who are exposed to these risks are regularly examined by occupational health specialists. Employees trained as first-aiders can provide first aid in emergencies at all operational sites.

As part of our annual Global Safety Week, we organise a range of training sessions, exercises on real-world situations, visits by safety managers, audits, inspections, health awareness training, and plant inspections.

At most of our locations in countries where there is limited access to health care, Heidelberg Materials operates on-site infirmaries, which are generally staffed by nurses and medical personnel. In Egypt and Togo, for example, we have infirmaries whose staff provide a full range of medical services including health education, vaccinations, prescriptions, health monitoring for employees, first aid for visiting contractors and vehicle drivers, and support for families and local communities. In addition, we provide follow-up checks, referrals, and limited treatment for chronic diseases.

In Germany, for example, we have incorporated our health management activities into the FIT for LIFE initiative. This includes a prevention programme for the early diagnosis of illnesses and risk factors, but primarily focuses on supporting the initiative of individuals to adopt a healthy lifestyle. For employees in Germany, we have also introduced the option of company bicycles and set up a fitness studio at the Group headquarters offering physiotherapy support. In the future, our health management activities will continue to focus on preventing typical age-related health risks and supporting health-conscious behaviour. We are therefore specifically promoting company sports activities for a range of age groups. In some countries, such as the United Kingdom, we have established mental health first-aiders. These are volunteers who have opted in to training on how to support people experiencing mental health issues. In addition, they have organised themed events on financial awareness, mental health awareness, summer well-being, and health awareness. In France, similar actions were carried out, with monthly themed health events to raise awareness.

In some Group countries, including Australia, Greece, and North America, we support our employees in managing stress, conflicts, changes at work or in their private lives, and health problems by offering assistance programmes that help with issues such as family problems, alcohol or drug abuse, and domestic violence. In some cases, we work together with external providers of counselling services. Use of these services is free of charge and is treated confidentially. In many countries, we also offer appropriate support in the event of accidents to help the employees affected to come to terms with what they have experienced.

Since the coronavirus pandemic, we have placed particular emphasis on preventive measures, including against other infectious diseases, such as flu. These include the provision of sanitisers, the installation of physical partitions, and more virtual meetings.

In 2023, we continued training our employees on a range of occupational safety topics, including both legally mandated and internally defined topics relating to key hazards that are relevant locally and across the Group. By doing so, we aim to increase awareness of risks and further reduce the number of accidents, especially those resulting in fatalities, and continue our focus on mental health and well-being.

We make use of conventional training in classrooms, e-learning courses, various media, and safety alerts to train and keep our people informed on health, safety, mental health, and well-being issues. This type of information and training accounts for more than 50% of all the training provided at Heidelberg Materials.

In addition to conventional training activities, safety conversations also play a central role as a preventive measure against accidents. During these conversations between managers and employees, both safe and unsafe behaviour in the relevant situation are discussed and, if necessary, safer procedures are agreed. This is an important tool for encouraging safe behaviours in our workforce.

Performance indicators

The lost time injury frequency rate was unchanged in the reporting year at 1.7 (previous year: 1.7). The lost time injury severity rate increased slightly from 79 to 80. This development shows that there were a similar number of accidents compared with the previous year, but that, on average, absences were slightly longer. In the 2023 business year, we mourned the death of one of our own employees and that of four employees of contractors. One case involved a fire and another involved a fall from a great height. Three other cases occurred in connection with working with heavy equipment or on production facilities. All fatalities were investigated, and action plans were developed to prevent similar incidents in the future. The lost time injury frequency rate increased 7% compared with the base year 2020.

Accident development

	2021	2022	2023
Lost time injury frequency rate [1]	1.6	1.7	1.7
Lost time injury severity rate [2]	95	79	80
Fatality rate [3]	0.0	0.2	0.2

1) Number of accidents (with at least one lost working day) suffered by Group employees per 1,000,000 working hours
2) Number of lost working days resulting from accidents suffered by Group employees per 1,000,000 working hours
3) Number of fatalities of Group employees per 10,000 Group employees

Compliance

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

Corruption topic area

Heidelberg Materials' business activity involves significant cash flows, particularly in sales, procurement, financing, and investments, which have the potential to provide opportunities for corruption in all countries of the world. According to Transparency International's 2022 Corruption Perceptions Index, many of the countries in which Heidelberg Materials operates have an increased risk of corruption.

Competition law topic area

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

Human rights topic area

The due diligence process is the core of the compliance management system in the human rights area and is used to assess human rights risks in addition to developing and implementing preventive and remedial measures. Our industry is particularly exposed to potential human rights risks relating to occupational safety, equality, and the environment. Working with heavy technical equipment or in logistics poses a potential risk of unsafe working conditions in our industry. Particular attention should also be paid to the risk of discrimination against women in the sector, which is still male-dominated. The extraction of raw materials can lead to conflicts with the rights of the population, for example if there are resettlement plans or if specially protected indigenous groups are affected. However, according to the annual risk assessment of our Group companies, the overall likelihood of these risks is very low. In addition to the health and safety audits, data from 216 locations worldwide was evaluated, including 100% of the plants in ten countries.

Targets and commitments

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

Our management and monitoring structures are regulated in the company's Articles of Association, the Rules of Procedure of the Managing Board and the Supervisory Board, and the German Stock Corporation Act (AktG) and follow the recommendations of the German Corporate Governance Code (see **Corporate Governance statement chapter**).

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

Responsibility and organisation

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

The compliance organisation is under the authority of the Chairman of the Managing Board, to whom the Director Group Legal & Compliance reports directly. The Director Group Legal & Compliance reports twice a year to the entire Managing Board and the Audit Committee of the Supervisory Board on the status and development of the compliance management system and on key compliance figures. Compliance incidents within the Group that are rated to be significant are also discussed. The Managing Board is also informed in writing about significant compliance incidents on a quarterly basis. All Group countries have their own compliance officers, who report directly to the country managers and indirectly to the Group Compliance department. The Compliance function, including the Group human rights officer appointed by the Managing Board, is responsible for developing, implementing, and monitoring the compliance management system in relation to human rights. The Group ESG department is responsible for implementing the environmental aspects relating to human rights within the compliance management system. The human rights team in the Group Compliance department supports the due diligence processes with regard to human rights in its own area of the business and in the supply chain. In order to strengthen the human rights compliance programme, each country organisation has a person responsible for coordinating human rights and a person with expertise in environmental issues assessing and dealing with human rights impacts related to environmental aspects. Due to the overarching nature of human rights, the persons responsible for coordinating human rights are supported by a cross-functional team drawn from the Group departments ESG, Procurement, Human Resources, Occupational Safety, and Communications.

Policies

Our compliance principles are laid down in our Code of Business Conduct, which covers all compliance topics that are material for Heidelberg Materials, and in our Policy Statement on Human Rights adopted in 2023. The organisation of the compliance management system is defined in our internal Compliance Policy.

In 2023, we aligned the existing compliance guidelines with our new brand identity and implemented adjustments in connection with the change of name to Heidelberg Materials AG. We also published the modified access information for the new version of our SpeakUp whistle-blower system. Major changes have been made to the content of the Group Compliance Incident Reporting & Case Management Guideline. These adjustments to the implementation of the German Whistleblower Protection Act (Hinweisgeberschutzgesetz, HinSchG) and the German Supply Chain Due Diligence Act (Lieferkettensorgfaltspflichtengesetz, LkSG) with regard to the human rights-related complaints mechanism.

The Group Anti-Corruption Guideline defines principles for all companies under the Group's control, such as behaving with integrity towards business partners or avoiding conflicts of interest. The policy aims to prevent corrupt and unethical behaviour in business practice. Among other things, it sets out rules on how gifts and invitations should be handled as well as guidelines for interactions with consultants and advisors.

As regards competition law, the acceptable behaviour for Heidelberg Materials is derived firstly from the applicable antitrust laws including relevant international regulations, such as the antitrust regulations in the Treaty on the Functioning of the EU. In its Code of Business Conduct and with the Group Competition Law Guideline, plus the national antitrust law guidelines based on the latter, Heidelberg Materials has made an explicit internal commitment to strict compliance with antitrust laws, such as the prohibition of cartels and the abuse of a dominant market position, as well as with the rules of merger control. The Group Competition Law Guideline was further developed in 2023 by means of supplementary provisions for all EEA countries and the United Kingdom.

In 2023, the Managing Board adopted a Policy Statement on Human Rights, which replaces Heidelberg Materials' previous position on human rights. The Policy Statement sets out the human rights strategy and applies to all Group companies directly or indirectly controlled by Heidelberg Materials AG. It is a commitment to responsible corporate governance. It incorporates our main principles and key objectives with regard to protecting human rights and the environment, including the promotion of diversity, equality, and decent working conditions. Among other things, it addresses employees' working conditions, the rights of vulnerable groups including indigenous peoples, responsibility at our locations, the selection of suppliers, and the instruction and oversight of security service providers. All Group countries are required to translate the Policy Statement into their respective national language. It has been published on the **website** and communicated to all relevant stakeholders. Its internal and external communication clarifies the company's position on human rights and serves to integrate the principles into our corporate processes. The internal Guideline on Human Rights Compliance Management regulates the organisation and responsibilities associated with implementing compliance with human rights.

Processes

The compliance programme integrated across the Group serves as a cornerstone for achieving our compliance targets.

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

A central element of this programme is the self-commitment made by the Group management not to tolerate violations of applicable laws and to impose sanctions. The programme also includes internal guidelines and measures that express the legal provisions in concrete terms. In addition, suitable corrective and preventive measures are taken to help prevent similar incidents in the future. Further to annual communication of these guidelines, compliance letters and video messages are circulated to the workforce. Software is used for the administration of compliance tasks and reporting. The corruption and human rights risk assessments are also documented using this software and analysed by the Group Compliance department. Our well-established web- and telephone-based whistle-blower system SpeakUp is accessible across the Group and also in all Group languages to people outside the organisation. We updated the system in 2023 by switching to a new version.

Employee training is carried out online as well as face to face. The range of digital courses, which are mandatory for specified groups of employees, covers topics such as the Code of Business Conduct, competition law, the prevention of corruption, and human rights. In order to achieve a 100% completion rate for all digital compliance training, we require the country managers to additionally report on training attendance to the responsible member of the Managing Board. The group of persons required to attend the online training courses includes, depending on the course, all employees who have a company email address or employees of specific departments and/or managers. The training courses are mandatory for new hires and are repeated every two years. In addition, training sessions are conducted on other compliance topics such as trade sanctions or money laundering. They are carried out both at the request of specific departments and on the instructions of the Compliance function. In 2023, regular human rights training was organised for the individuals responsible for coordinating human rights at country level.

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

We conduct comprehensive analyses to assess and prevent corruption risks and possible conflicts of interest. Up until 2023, this risk assessment process was repeated approximately every three years. From 2023, the analysis will be carried out every two years. This will be done on a rolling basis, so that different Group countries are analysed each year. First, the potential risks within a country organisation are assessed. Then, the measures already in place to limit these risks are evaluated, and finally, we examine whether further measures are needed. On the basis of this assessment, an action plan is drawn up for each country, and its implementation is monitored by the Group Legal & Compliance department.

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

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

The human rights risk assessment covers potential and actual negative impacts of our business activities on people and incorporates knowledge from research as well as from internal and external dialogue. In the Group companies controlled by Heidelberg Materials AG, we carry out human rights risk analyses, which are carried out regularly (at least once a year) and on an ad hoc basis from 2023 onwards. The process considers risks relating to discrimination, child or forced labour, risks to freedom of association and collective bargaining, and risks to fair and safe working conditions. The commitment to human rights aspects as a central selection criterion for suppliers is driven forward by our supplier management system. This obliges our partners to commit to our Supplier Code of Conduct, which requires compliance with human rights due diligence obligations as defined by the German LkSG, such as the prohibition of forced labour and rules on non-discrimination.

Measures and progress

Non-compliance with our guidelines by employees may result in disciplinary measures up to and including dismissal. Financial sanctions are possible too in some countries. Individuals may also be demoted, which can be reflected in their salary. Violations of corruption or competition laws, human rights, or contractual agreements by third parties may exclude them from doing business with Heidelberg Materials or require them to meet certain test conditions.

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

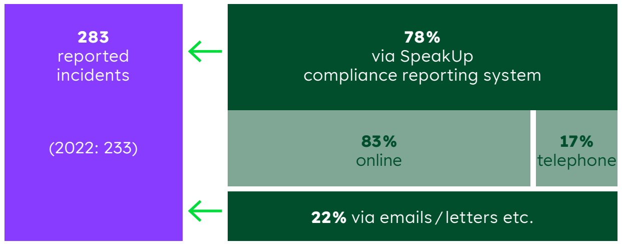
The communication of the values in our Code of Business Conduct, including human rights aspects, is supported by animated explanatory videos and information events. In 2023, the preventive activities of the compliance officers once again placed great emphasis on compliance with the provisions of competition law and anti-corruption regulations. In order to implement the German LkSG, the compliance officers and human rights coordinators continued to work with the Group Procurement department in 2023 as part of the Responsible Procurement initiative. Other functions were made aware of their human rights due diligence obligations via information events backed by appropriate training measures.

Efforts to protect human rights at our own locations and in the supply chain continued and were intensified by the human rights team and the Responsible Procurement initiative. Standardised preventive measures to fulfil our obligation to uphold human rights have been introduced at all country organisations. In addition to training activities, this work included systematically assessing human rights risks on a country-by-country basis and compiling key indicators relating to human rights. The results of the specific risk assessment, both in our own area of operations and in the supply chain, were analysed jointly by the respective country organisation and the Group Compliance department's human rights team and reported to the responsible member of the Managing Board.

Performance indicators

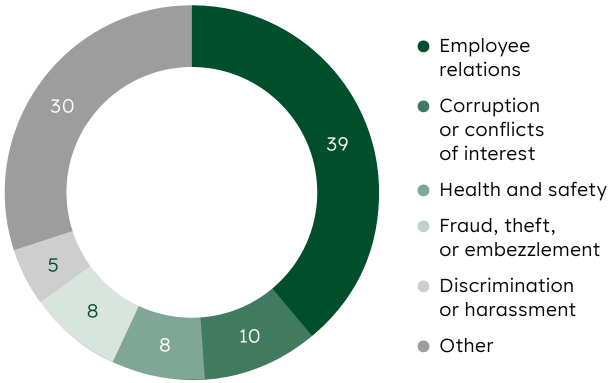
In 2023, a total of 283 incidents were reported in our case management system and investigated under the supervision of compliance employees in the country organisation or by the Group Compliance department.

Incidents reported via case management system



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

Incident categories in %



Of the 283 incidents reported, around half proved to be unfounded, while for 14%, no final investigation result had been determined by the editorial deadline. In the case of 36% of the incidents, the investigations revealed that they were at least partially substantiated. None of the substantiated incident reports had a material impact on the consolidated financial statements.

In the case of substantiated incidents, measures were generally taken, ranging from root cause analysis, changes to policies and processes, and communication and training through to disciplinary action (such as a written warning or dismissal). In 45% of the substantiated incidents, sanctions were imposed, and for 69% of these incidents, preventive measures were implemented.

At the end of the reporting year, the compliance e-learning programmes assigned to employees across the Group, covering the Code of Business Conduct and anti-corruption issues, had completion rates of 93% and 91% respectively.

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

The e-learning programme on the topic of human rights was completed as mandatory training for the first time in 2023 and achieved a completion rate of 87%. Around 15,000 employees across the Group have successfully completed the course.

The country organisations are required to report key figures, such as the number of compliance incidents reported through the case management system that involve suspected human rights violations. Apart from incidents relating to health and occupational safety, nine incidents of discrimination were reported in relation to human rights issues, one of which is still under investigation while the others have not been confirmed, and four incidents of harassment, with three justified complaints. The investigation of the fourth case is still ongoing. There were also ten complaints about suppliers, of which two were confirmed and three are still under investigation. Of the ten cases, nine related to possible unfair working conditions, and one concerned occupational safety. All confirmed incidents were responded to with sanctions and/or corrective measures. There were no complaints or violations concerning other human rights.

Outlook

This outlook contains forward-looking statements based on the information presently available and the current assumptions and forecasts of the Group management. Such statements are naturally subject to risks and uncertainties and may therefore deviate significantly from the actual development.

Risks and opportunities that are not part of the outlook and may lead to significant negative or positive deviations from the forecasted developments are included in the **Risk and opportunity report chapter**.

Assumptions underlying our outlook

Our business is subject to a multitude of external influencing factors that are beyond our control. These include weather-related, macroeconomic, regulatory, and geopolitical factors. This outlook is based on the assumption that the global political environment will not change further as a result of geopolitical crises during the outlook period and that international tensions will not significantly impair Heidelberg Materials' business activities.

Crucial factors for the development of the construction industry include, in particular, weather conditions, the local economic cycle, the development of energy and raw material prices, the level of public investments, and financing costs for real estate. In the growth markets of the emerging countries, the income available for private residential construction also plays an important role.

We have not taken account of any material changes to balance sheet items or any associated expense or income items in our outlook below that may result from, among other things, changes to macroeconomic parameters, such as discount rates, interest rates, inflation rates, exchange rates, changes to future salary developments, or climate policy.

Evaluation of the outlook by Group management

Against the background of high central bank interest rates, the withdrawal of fiscal support, and weak productivity growth, in its January 2024 forecast, the International Monetary Fund (IMF) expects global economic output in 2024 to maintain the slight growth rate of the previous year at 3.1%.

Global demand in the construction sector is expected to stabilise at a low level, even though inflation and persistently high financing costs are likely to continue to have a negative impact on residential construction in particular. For European construction activity, Euroconstruct forecasts a slight decline in almost all construction sectors in 2024. The American cement association PCA and the Australian Construction Industry Forum expect a slight increase in construction activity, primarily driven by non-residential construction.

The Managing Board therefore expects the result from current operations to be between €3.0 billion and €3.3 billion. It expects a value of around 10% for ROIC. It aims to achieve a further slight reduction in specific net CO_2 emissions.

The Managing Board and Supervisory Board will propose to the 2024 Annual General Meeting a dividend of €3.00. In combination with the new share buyback programme with a total volume of up to €1.2 billion and a term no later than the end of 2026, the first tranche of which is scheduled to start in the second quarter of 2024 after the Annual General Meeting, Heidelberg Materials underscores its focus on shareholder return.

The Managing Board continues to assess Heidelberg Materials' financial situation as comfortable in the forecast period.

At the time of preparing the consolidated financial statements, the Managing Board is not aware of any material risks that might jeopardise the company as a going concern (see **Risk and opportunity report chapter**).

Economic environment

General economic development

The global economy is coping better than initially feared with the consequences of geopolitical tensions and persistently high inflation.

In its January 2024 forecast, the International Monetary Fund (IMF) expects global economic output in 2024 to grow slightly at the previous year's level of 3.1%. Overall, however, expected growth remains below the 2000–2019 average of 3.8%, which the IMF attributes to high central bank interest rates, the withdrawal of fiscal support, and weak productivity growth.

However, the outlook is better than assumed in October 2023. The reasons identified by the IMF include the high resilience of numerous economies and higher growth expectations for the USA and China. By contrast, the forecasts for Germany and France have been lowered again. GDP growth of only 1.5% is forecast for 2024 in industrialised countries, and around 4.1% in emerging and developing countries. According to the IMF's forecast, India and China will achieve the highest growth rates in the current year.

In view of the further decline in inflation rates and stable growth, the IMF considers the risks to global economic growth in the current year to be more balanced. On the one hand, growth could be higher than expected if, for example, inflation falls faster and financing conditions improve as a result. Budgetary consolidation and structural reforms would also promote growth. On the other hand, sharp rises in raw material prices or persistent inflation would have a negative impact. A worsening of the problems in China's property sector, as well as a shift towards tax increases and spending cuts, could also lead to weaker growth.

In its October 2023 and January 2024 forecasts, the IMF expects the following growth rates for Heidelberg Materials' most important sales markets:

Expected growth in real GDP[1)]

in %	2024
Western and Southern Europe	
Eurozone	0.9
Germany	0.5
France	1.0
United Kingdom	0.6
Italy	0.7
Northern and Eastern Europe-Central Asia	
Norway	1.5
Poland	2.8
Romania	2.6
Sweden	0.6
Czechia	2.3
North America	
Canada	1.4
USA	2.1
Asia-Pacific	
Australia	1.4
China	4.6
India	6.5
Indonesia	5.0
Africa-Eastern Mediterranean Basin	
Egypt	3.0
Ghana	2.7
Morocco	3.6
Tanzania	6.1
Togo	5.3

1) Source: International Monetary Fund (IMF), October 2023 and January 2024 forecasts

For the 2024 financial year, we expect energy prices to continue to be significantly influenced not only by the Russia-Ukraine war and related sanctions but also by the Middle East conflict and the OPEC oil production policy. At the end of 2023, energy prices fell, especially in Europe, due to mild and windy weather as well as high gas storage levels. This trend continued at the start of 2024. At current price levels and based on our contract portfolio – a mix of forward market and spot purchases – we do not expect energy prices to rise on average for the whole of 2024 compared with 2023.

Development of the construction industry

The development of economic output is also reflected in the expectations for the construction industry.

In its November 2023 forecast, Euroconstruct predicts a slight decline in construction activity in Europe as a whole in almost all construction sectors in 2024. Construction activity is expected to decline in Sweden, Norway, Germany, France, and Italy as well as in Belgium and the United Kingdom. Positive development in the construction sector is expected in the Netherlands and Spain.

According to the fall forecast 2023 of the American cement association PCA, a slight increase in construction activity is anticipated in the USA for 2024, with all construction sectors expected to contribute. A positive development is forecast for non-residential construction in particular.

The Australian Construction Industry Forum expects a further increase for the Australian construction industry. The forecasts are particularly positive for non-residential construction and infrastructure construction, which is supported by rising public spending, while residential construction continues to suffer from elevated interest rates.

In contrast to the mature and developed countries, the GDP growth forecasts and data on population growth as well as per capita cement consumption are frequently used indicators for construction development in the growth markets of emerging countries in Africa and Asia. In this respect, the IMF growth rates for these markets provide an indication of the development of the construction industry.

Industry development

The European Commission has defined its position on the revision of the EU Emissions Trading System (EU ETS) for the fourth trading period from 2021 to 2030 within the “Fit for 55” programme. The original cross-sectoral reduction target for 2030 within the EU ETS was thus raised from 43% improvement compared with 2005 to 62%. The existing benchmarks will apply to the first half of the fourth trading period until 2025. For the years from 2026 onwards, changes are anticipated that will lead to a further significant reduction in carbon allowances and thus in free allocations.

The Carbon Border Adjustment Mechanism (CBAM) has been phased in since 2024. Since October 2023, companies have been required to publish quarterly reports on the quantities imported and the associated CO_2 emissions. In the second step, from 2026 onwards, allowances corresponding to the amount of CO_2 emissions associated with the imported products (cement/clinker) must also be purchased.

An EU ETS has also been introduced for shipping in the 2024 financial year. All ships operating within the EU or whose country of destination/origin is an EU country will be affected by the new ETS. We expect this to result in higher logistics costs from 2025.

With the announced measures within the EU ETS, a significant curtailment in the allocation of CO_2 emission rights is also anticipated within the fourth trading period. Prices for emission rights averaged around €80 in the 2023 financial year. At the beginning of 2024, the carbon price had fallen to around €60. A price increase in the fourth trading period could lead to additional costs for covering the required emission rights, accompanied by a decrease in the freely allocated allowances. So far, Heidelberg Materials has a sufficient number of emission rights across the Group for the next two years. However, in individual countries there are already shortages of emission rights, which are covered by intra-Group trading. Further information can be found in the **Risk and opportunity report chapter**.

Outlook 2024

Forecast of the key performance indicators

Demand in the construction sector is expected to stabilise at a low level, even though inflation and persistently high financing costs are likely to continue to have a negative impact on residential construction in particular. We expect cost developments on the energy and raw materials markets to remain volatile. The focus will therefore continue to be on price adjustments and strict cost management.

For the 2024 financial year, the Managing Board expects the result from current operations (RCO) to be between €3.0 billion and €3.3 billion.

ROIC is expected to be at around 10%.

The Managing Board anticipates a further slight reduction compared with 2023 in specific net CO_2 emissions per tonne of cementitious material.

Supplementary forecast of other financial figures

The Managing Board anticipates slight revenue growth (excluding scope and currency effects).

In line with the progressive dividend policy, the Managing Board and Supervisory Board propose to the

Annual General Meeting the distribution of a dividend of €3.00 per share for the 2023 financial year. In combination with the new share buyback programme, the first tranche of which is scheduled to start in the second quarter of 2024 after the Annual General Meeting, Heidelberg Materials underscores its focus on shareholder return.

The company forecasts net investments in property, plant and equipment (investments in and divestments of property, plant and equipment) in the 2024 financial year to be around €1.1 billion, as in previous years.

Heidelberg Materials plans to repay the financial liabilities expiring in 2024 through free cash flow and available liquidity.

With the €2 billion Multi-Currency Sustainability Target Commercial Paper programme and the €10 billion EMTN programme, we also have framework programmes in the money and capital markets in place, which allow us to issue the relevant securities within a short period of time.

We aim to increase the share of sustainability-linked financing instruments to over 70% by 2025.

We intend to maintain our solid investment grade rating. The leverage ratio is expected to be within the strategic corridor of 1.5x to 2.0x.

Risk and opportunity report

Risk and opportunity management

As one of the world's leading manufacturers of building materials and solutions, Heidelberg Materials is exposed to numerous risks and opportunities due to its international business activity. Heidelberg Materials' risk policy is based on the Group strategy, which focuses, among other things, on both sustainably preserving and increasing enterprise value. An effective risk and opportunity management system serves to identify these risks and opportunities at an early stage and to systematically assess and reduce them. Consequently, the risk management process represents a central element of the Group's value-oriented corporate governance.

At Heidelberg Materials, risks and opportunities are monitored and managed across the Group with the help of integrated planning and monitoring systems. We consider events that may have a negative impact on the achievement of short-term and long-term strategic and operational corporate targets to be risks. Provided that these risks are consistent with the legal and ethical principles of entrepreneurial activity and are well balanced by the opportunities they present, these risks are classified as acceptable. We see possible achievements that go beyond our corporate planning as opportunities. Operational management in each Group country and in the central Group departments are directly responsible for identifying and observing risks and opportunities at an early stage. Risks and opportunities are recorded in the annual operational plan and followed up as part of monthly financial reporting.

Risk management system

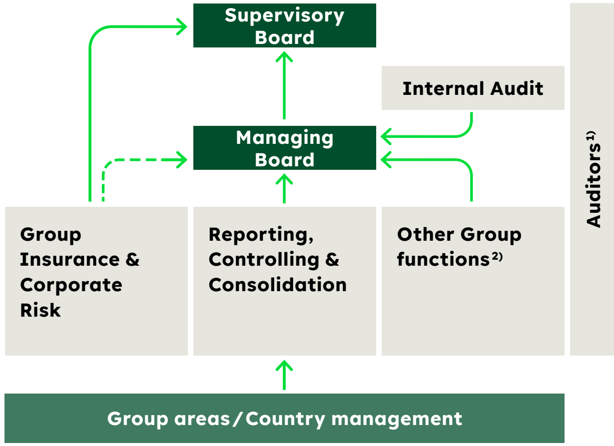
Pursuant to section 91(2) and (3) of the German Stock Corporation Act (Aktiengesetz, AktG), the Managing Board of Heidelberg Materials AG is obliged to set up an appropriate and effective Group-wide internal control and risk management system. The Managing Board also has overall responsibility for the scope and organisation of the established systems. For an assessment of the appropriateness and effectiveness of the risk management system and the internal control system, please refer to the details in the Corporate Governance statement. The Supervisory Board and its Audit Committee also regularly monitor the effectiveness of the risk management system pursuant to section 107(3)(2) of the AktG.

Heidelberg Materials has installed transparent regulations to govern competences and responsibilities for the risk management system 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 risk management system primarily serves to record and analyse risks. Where appropriate and realisable in the short term, potential opportunities are taken into account by country management in regular planning processes and followed-up on an ongoing basis in operating activities. Our risk management process reflects the decentralised structure of the company and facilitates the identification of risks as part of the operational plan. It comprises several components that are carefully coordinated and incorporated into the structure and workflow organisation.

The essential elements of the risk management system are:

- Documentation of the general conditions for a methodical, efficient risk management in a Group guideline; in addition to this Risk Management Policy, the Group's Code of Business Conduct includes the code of conduct and compliance standards to be observed
- Coordination of the risk management process at Group level by the Group Insurance & Corporate Risk department
- Monitoring of local risk management processes, including risk identification and assessment by local operational management
- Recording of risks and measures by managers responsible for corporate risk at country level
- Involvement of internal and external experts to assess and record specific risks (e.g. IT/cyber risks; environmental, social, and governance (ESG) risks)
- Direct information and open communication about identified risks between the Managing Board, country management, and the Group Insurance & Corporate Risk department
- Systematic identification and recording of strategic and long-term risks with the involvement of the relevant Group departments
- Determination of global risk-bearing capacity and risk position
- Standardised and regular reporting at Group and country level
- Promotion of risk culture and risk awareness within the Group through targeted communication and training.

Organisation of risk management



1) Part of the annual audit
2) Legal, Compliance, Tax, IT, Data Protection, Treasury, Corporate Finance, Human Resources, Strategy & Development/M&A, Environmental Social Governance

Risk management process

The Group Insurance & Corporate Risk department defines the organisational requirements for the risk management system as well as binding guidelines and methods for the internal risk management process in the Risk Management Policy. In order to optimise risk management and incorporate it into the operational plan, we use a software across the Group that enables the decentralised recording of risks in the respective countries and Group departments during the year. The software allows us to visualise the Group structure and assign local responsibilities.

Supported by a standardised evaluation framework for risk assessment, short-term risks are systematically recorded on a quarterly basis and can be tracked continuously. The risk data can be consolidated immediately, analysed flexibly, and presented via standardised risk reporting.

In addition to this short-term risk recording, risks with a medium-term (one to three years) or long-term (over three years) time horizon are also taken into account. As well as strategic risks, this medium- and long-term view also concerns climate risks, which according to the definition of the Task Force on Climate-related Financial Disclosures (TCFD) include both physical risks and transition risks. These risks are identified and centrally recorded with regard to any potentially critical economic impact on our company.

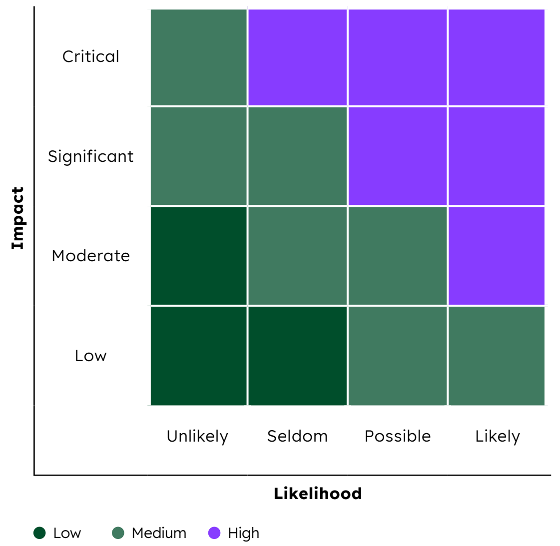
Identification and assessment of risks

The process of identifying risks is performed regularly on a decentralised basis by the country management and by the globally responsible Group departments. General macroeconomic data, industry-specific risk information sources, and identification tools and techniques serve as auxiliary parameters for the identification process, as does the internal risk catalogue, which records the various financial and non-financial risk categories.

For regular risk reporting during the year, specific thresholds have been established for the individual countries, taking into account their specific circumstances. The risks are assessed for each defined risk category on the basis of a minimum likelihood of 10% and according to the expected impact. The two dimensions provide an overall assessment of the risk (see graphic on the following page). The risks are considered net – i.e. after any risk mitigation measures.

The operational planning cycle of 12 months serves as the reference period for estimating the likelihood of a risk occurring. The effects on the following key parameters are used as a benchmark to assess potential impact: result from current operations, profit for the financial year, and cash flow. Both dimensions of risk assessment can be visualised by means of a risk map.

Dimensions of risk assessment



The underlying scaling for the short-term risks incorporated into the planning cycle is as follows:

Likelihood

Unlikely	0% to 20%
Seldom	>20% to 40%
Possible	>40% to 60%
Likely	>60% to 100%

Impact	**Definition of impact on business activity, financial and earnings position, and cash flow**
Low	Negligible negative impact (€10–30 million)
Moderate	Limited negative impact (>€30–120 million)
Significant	Significant negative impact (>€120–300 million)
Critical	Harmful negative impact (>€300 million)

The medium- to long-term strategic risks are reported if the impact exceeds €300 million (gross, before any risk mitigation measures) and their likelihood is at least 20%. These risks are recorded by the Group Strategy and Development/M&A department. In addition, their emergence and annual development are monitored. This includes the physical risks and transition risks associated with climate change.

Risks with a likelihood below 20% that have a potentially critical impact at Group level, known as tail event risks, must also be reported. These are recorded both centrally at Group level and, on an annual basis, separately via the Finance Directors of the countries.

The risk analysis process also takes into account risks that do not have a direct impact on the financial situation. ESG risks in particular are an example of this category. These non-financial risks influence non-monetary factors such as reputation or business strategy. For risks that cannot be quantified directly, a qualitative assessment is made of the potential impact and the likelihood (analogous to quantifiable risks), which is graded from low to critical.

The process of regular identification is supplemented with an ad-hoc risk report in the event of the sudden occurrence of risks or of sudden damage caused. This can arise, in particular, in connection with political events, trends in the financial markets, or natural disasters.

Change compared with the previous year

Financial risks	→
Strategic risks	
Economic risks	→
Political and social risks	→
Natural disasters/pandemics	→
Raw material shortages	→
Substitution of products	→
Digitalisation	→
Skills shortages	→
Operational risks	↓
Legal and compliance risks	→
Climate risks	→

↑ Increased → Stable ↓ Decreased

Risk aggregation and reporting

The quantitative, updated risk reports for all business lines in our Group countries are presented to the Managing Board on a quarterly basis within the framework of central management reporting to ensure that risks are monitored in a structured and continuous way. Correlations between individual risks and events are considered at country level as far as possible.

As part of risk aggregation, the Group's overall risk position is determined, which is regularly used to monitor the relationship to the risk-bearing capacity. The risk-bearing capacity represents the maximum risk that might jeopardise a company as a going concern within the meaning of section 91(2) of the German Stock Corporation Act (Aktiengesetz, AktG).

The Group Insurance & Corporate Risk department is responsible for coordinating the risk management processes at Group level. It summarises all significant quantitative and qualitative risks for countries and Group departments in a central risk map at the quarterly management meetings. The current risk situation is communicated to the Managing Board after each quarterly management meeting. The consolidated risk report is also presented to the Board once a year. This examines the Group's current risk situation, including the assessment of the current risk-bearing capacity, the global risk landscape, expected future developments, and significant regulatory changes. In addition, reporting to the Supervisory Board is effected every six months.

Managing and controlling risks

Country management is responsible for managing risks on a continuous basis and for defining risk control measures. The regular management meetings provide a platform for the Managing Board and responsible country managers to discuss and define risk mitigation measures promptly. Decisions are thus made as to which risks will be intentionally borne independently and which will be transferred to other risk carriers, as well as which measures are suitable for reducing or avoiding potential risks. Costs and benefits are taken into account. Risk controlling includes monitoring the implementation and progress of the agreed measures as well as reviewing them on a regular basis.

Monitoring the risk management process

The Group Internal Audit department examines and assesses the functionality and effectiveness of our risk management to help improve risk awareness. In addition, the auditor carries out an examination of the early risk identification system as part of the financial audit in accordance with legal guidelines to determine whether the monitoring system is capable in all material respects of identifying at an early stage any issues that could jeopardise the Group as a going concern. The Managing Board also regularly informs the Supervisory Board and its Audit Committee about the risk situation.

The internal control and risk management system with regard to the Group accounting process

Pursuant to sections 289(4) and 315(4) of the German Commercial Code (HGB), Heidelberg Materials' internal control system includes all principles, processes, and measures intended to ensure the effectiveness, cost efficiency, and accuracy of the accounting and to ensure observance of the relevant legal provisions.

The internal monitoring system at Heidelberg Materials consists of process-independent and process-integrated control measures. The process-integrated auditing activities include controls like the principle of dual control. Process-independent measures are controls carried out by persons not directly involved in the accounting process (e.g. Group Internal Audit).

Structures and processes

The organisational and management structure of Heidelberg Materials AG and its Group companies is clearly defined. The responsibilities and functions within the accounting process (e.g. accounting of Heidelberg Materials AG and its Group companies, Group Treasury, and Group Reporting, Controlling & Consolidation) are also clearly separated and defined.

Key characteristics of the accounting processes and consolidation

The accounting guideline and a uniform accounting framework, both of which are centrally administered by the Group Reporting, Controlling & Consolidation department, are mandatory for all Group companies and ensure uniform accounting.

Group-wide deadlines set out in a centrally managed financial calendar and instructions pertaining to the financial statements also help to make the accounting process structured, efficient, and uniform across the Group. New laws, accounting standards, and current developments (e.g. in the Group's economic and legal environment) are analysed and taken into account with regard to their relevance and impact on the consolidated financial statements. In the case of accounting issues that are complex or require discretionary judgement, we also call upon the expertise of external service providers.

In most countries, the financial statements of the Group companies are prepared in shared service centers in order to centralise and standardise the accounting processes. Accounting systems from SAP are used in the majority of cases. To prepare the consolidated financial statements, further information is added to the separate financial statements of the Group companies, and these are then consolidated using standardised software developed by SAP. All consolidation adjustments, such as the capital consolidation, the debt consolidation, the expense and income consolidation, and the at equity valuation, are carried out and documented. The various elements that make up the consolidated financial statements, including the Notes, are created entirely from this consolidation program.

At Heidelberg Materials, the accounts data is checked at both local and central level. The decentralised checking of the local financial statements is carried out by the responsible Finance Director and country controlling. The central checking is undertaken by the Group departments Reporting, Controlling & Consolidation, Tax, and Treasury.

Heidelberg Materials' control system is also supplemented by manual checks, such as regular spot checks and plausibility checks, carried out both locally and centrally. It is supplemented by system-side validations, which are performed automatically by the consolidation program.

Process-independent checks are carried out by the Audit Committee of the Supervisory Board and by the Group Internal Audit department. The latter checks the internal control system for the structures and processes described and monitors application of the accounting guidelines and accounting framework. The results of the check are reported to the Managing Board and the Audit Committee of the Supervisory Board.

Measures for identifying, assessing, and limiting risks

In order to identify and assess risks, individual business transactions at Heidelberg Materials are analysed using the criteria of risk potential, likelihood, and impact. Suitable control measures are then established on the basis of these analyses. To limit the risks, transactions above a certain volume or with a certain complexity are subject to an established approval process. Organisational measures (e.g. separation of functions in sensitive areas) and ongoing target/actual comparisons are also performed for key accounting figures. The IT systems used for accounting are protected from unauthorised access by appropriate security measures.

The established control and risk management systems are not able to guarantee accurate and complete accounting with absolute certainty. In particular, individual incorrectly made assumptions, inefficient controls, and illegal activities may limit the effectiveness of the internal control and risk management systems employed. Exceptional or complex circumstances that are not handled in a routine manner also entail a latent risk.

The statements made here apply to Heidelberg Materials AG and its subsidiaries included in the consolidated financial statements.

Risk areas

Risks that may have a significant impact on our assets, financial, and earnings position are divided into five categories based on the risk catalogue established in the Group: financial risks, strategic risks, operational risks, legal and compliance risks, and ESG risks (especially climate risks). In the following, we assess only the risk situation of risks that are significant for us.

Financial risks

Our significant financial risks include currency risks, interest rate risks, refinancing/liquidity risks, credit risks, tax risks, and pension risks. We manage these risks primarily as part of our ongoing business and financing activities and, when required, by using derivative financial instruments. These risk areas are monitored on a continuous basis by the Group Treasury department in accordance with internal Group guidelines, which also define the work and processes of Group Treasury. All Group companies must identify their risks on the basis of these guidelines and, if necessary, hedge them in cooperation with Group Treasury.

Currency risks

The most significant risk position with respect to financial risks is the currency risk, particularly the translation risk. Currency risks arise from our foreign currency positions and are characterised by uncertainty in relation to the future development of exchange rates. Economic, monetary, fiscal, and political factors of influence should not be underestimated in this context. Unforeseen events, such as the Russia-Ukraine war that has been ongoing since February 2022 or the escalating conflict in the Middle East since early October 2023, may lead to distortions in the currency markets and thus have a negative impact on translation and transaction effects. We consider these currency risks, primarily the translation risks, to represent a high risk with a possible likelihood and a significant impact.

Currency risks arising as a result of transactions with third parties in foreign currency (transaction risks) are hedged in certain cases using derivative financial instruments. We primarily use foreign exchange swaps and currency forwards for this purpose. Through our Group-wide financing and liquidity management measures, the borrowing and investment of liquidity of the subsidiaries lead to currency positions that are hedged by external foreign exchange swap transactions, which are appropriate in terms of maturities and amounts.

We do not hedge currency risks arising from converting the financial statements of foreign individual companies or subgroups (translation risks) because the associated effects are not cash-effective and the influences on the consolidated financial statements are monitored on an ongoing basis. More information on currency risks can be found in **Note 10.3**.

Interest rate risks

Interest rate risks exist as a result of potential changes in the market interest rate and may lead to a change in fair value in the case of fixed interest-bearing financial instruments and to fluctuations in interest payments in the case of variable interest-bearing financial instruments. Interest rate risks are maintained within the parameters set by the Group's Chief Financial Officer. By using financial instruments, primarily interest rate swaps, we are able to hedge both the risk of fluctuating cash flows and the risk of value fluctuations. A downgrading of our credit rating by the rating agencies or the non-achievement of the key performance indicators defined in the sustainable financing instruments could increase the interest margins of the financial instruments (see **Group financial management section**). We anticipate that the interest rate rises by the major central banks have peaked. We therefore currently expect interest rates to fall and classify the interest rate risk overall as a medium risk with a possible likelihood and a low impact. More information on interest rate risks can be found in **Note 10.3**.

Refinancing/liquidity risks

Refinancing/liquidity risks exist when a company is not able to procure the funds necessary to fulfil operational obligations or obligations entered into in connection with financial instruments.

Possible risks from fluctuating cash flows are considered as part of the Group liquidity planning. Assumptions concerning the expected economic cycle harbour particular uncertainties in liquidity planning, which is why we update them on an ongoing basis. In this way, we can – if necessary – initiate the appropriate measures, such as the issue of additional money and capital market securities or the raising of fresh funds in the bank market. To secure our payment obligations, we have access to a long-term syndicated credit line – taking into account sustainability targets – with a volume of €2 billion. As a result, we have access to substantial amounts of cash and cash equivalents and have thus considerably reduced the refinancing risk. In total, we have €5.0 billion of free liquidity, consisting of cash and cash equivalents, securities, and free credit lines, in our portfolio across the Group (see **Liquidity instruments table** in the Group financial management section). As a further precautionary measure, a framework for increasing shareholders' equity was decided upon at the 2020 Annual General Meeting. In addition, the 2023 Annual General Meeting authorised Heidelberg Materials AG to issue warrant or convertible bonds or participating bonds, excluding subscription rights, against cash payment (until 10 May 2028) and conditionally increased the subscribed share capital for this purpose. We consider refinancing/liquidity risks in general to be a low risk with a seldom likelihood and a low to significant impact, depending on the capital market situation. More information on liquidity risks can be found in **Note 10.3**.

Credit risks

Credit risks exist when a contractual partner cannot fulfil its obligations, or at least not within the stipulated period. We minimise the risk position arising from this by diversification and ongoing assessment of the creditworthiness of our contracting parties.

Credit risks from operating activities are monitored continuously as part of our receivables management. In this context, we also pay attention to the creditworthiness of our business partners. In this way – as well as by avoiding concentrations of positions – we are able to minimise the Group's credit risks. We minimise credit risks for our financial investments by only conducting transactions with banks that are particularly creditworthy. We select banks for payment transactions and establish cash pools in exactly the same way. We consider the credit risks as a medium risk with a seldom likelihood and a moderate impact. More information on credit risks can be found in **Note 10.3**.

Tax risks

We operate in many countries around the world and are subject to the wide range of tax laws and regulations applicable in those countries as well as ongoing tax audits by the local tax authorities. Possible risks can arise from changes in local taxation laws or case law and from different or increasingly restrictive interpretations of existing provisions. Significant acquisitions, divestments, restructuring measures, and reorganisation activities can also give rise to tax risks. These risks can impact our tax expense and income as well as our tax receivables and liabilities and our liquidity. Our Tax department continuously and systematically monitors the development of the tax risks and, if necessary, proactively takes suitable measures to minimise them. We rate the tax risks as a high risk with a possible likelihood and a significant impact.

Heidelberg Materials falls within the scope of the OECD Pillar Two Model Rules for the domestic implementation of the global minimum tax. The rules on global minimum taxation have been transposed into local law in Germany and other countries in which business units exist, or their implementation has been announced. For Heidelberg Materials, this will result in initial application for the 2024 financial year. It is assumed that no significant financial or regulatory risks will arise from the implementation of the global legislation.

Pension risks

The financing status of the pension plans could be affected by adverse developments in the capital markets, demographic changes, and increases in pension benefits. In North America, Heidelberg Materials is involved in various defined contribution pension plans for unionised employees (multi-employer pension plans). If one of the participating companies no longer pays contributions into the pension plan, all other parties concerned will be held liable for the obligations that have not been covered. Regarding the year 2024, we consider the pension risks as a low risk with a seldom likelihood and low impact. More information on pensions can be found in **Note 9.12**.

Strategic risks

Strategic risks are usually far-reaching in terms of time horizon and geographical dimension. Some strategic risks are general in nature, while others are industry and company specific. As outlined in the **Risk management process section**, medium- to long-term strategic risks are reported if the impact exceeds €300 million (gross, before any risk mitigation measures) and their likelihood exceeds 20%. In addition, the potential speed of occurrence is assessed – i.e. whether gradual or rapid occurrence is to be expected. Finally, the change in the estimate in comparison with the previous year is assessed.

The global economic and social environment is subject to constant transformation as a result of worldwide trends such as climate change, globalisation, demographic development, digitalisation, and new technologies. These trends present both risks and opportunities, and their impact on a company depends on its ability to adapt to changes.

Risks arising from the changing trends may have an impact on demand, price levels, and costs in our sales markets and therefore on the company's earnings. In the following, we describe and assess these risks and indicate measures taken to mitigate their impact.

Economic risks

The global economy's recovery from the effects of the coronavirus pandemic is slow and continues to be hampered by the Russia-Ukraine war. Following estimated global economic growth of 3.1% in 2023, the IMF's January 2024 forecast predicts growth of 3.1% for 2024 and 3.2% for 2025, which means that growth is likely to remain below the 3.8% average for the years from 2000 to 2019. A sharp rise in raw material prices as a result of geopolitical tensions, persistent inflation, faltering growth in China, and an unexpected reversal in budgetary consolidation in countries with rising debt-to-GDP ratios represent significant risks that could negatively impact economic development.

In the event of a recession and a decrease in construction activity, the Group faces the risk of a decline in demand and price pressure. At the same time, high energy and raw material prices continue to pose a risk to the Group's profitability. In addition, growing competition has the potential to increase the pressure on our volumes, prices, and customer relationships in the individual Group areas.

We classify the economic risks as a general risk with a possible impact on the entire Group and, where applicable, rapid occurrence. In comparison with the last year, we believe that the risk situation has remained stable. Heidelberg Materials can partially mitigate this risk thanks to its diversified country portfolio, which reduces dependence on individual markets.

Political and social risks

Potential turmoil in a (geo)political, legal, and social context poses fundamental risks for all companies. Heidelberg Materials operates on five continents and is therefore exposed to global and local political risks, such as nationalisation, trade conflicts, prohibition of capital transfer, terrorism, war, or unrest. Our risk exposure may also depend on our level of shareholding and the control rights or participation of local partners.

The ongoing Russia-Ukraine war and the war that broke out in the Middle East in 2023 carry the risk of the military confrontation extending beyond the original parties to the conflict and the initial conflict area. This could have a strong negative impact on demand and the profitability of Heidelberg Materials. In Russia, there is still an increased risk of nationalisation of private companies.

Furthermore, geopolitical tensions, such as those in the Middle East or Africa, and a deterioration in relations between global trading partners are among the risks that may lead to lower economic growth in the affected regions of the world.

We classify the political and social risks as general risks with a possible impact on individual Group countries and, where applicable, rapid occurrence. We expect the risk to remain high compared with the previous year. Heidelberg Materials can partially mitigate this risk thanks to its diversified country portfolio, which reduces dependence on individual markets.

Natural disasters/pandemics (exceptional external incidents)

Exceptional external incidents, such as natural disasters or pandemics, could negatively impact our business performance. Thanks to our diversified country portfolio, negative effects in individual countries can be offset.

The compensation limits of our Group-wide property insurance programme guarantee comprehensive coverage against natural disasters, including earthquakes, especially for our activities in high-risk regions of North America, Australia, and Asia. However, we cannot rule out the possibility that the cover may not be sufficient in the event of extreme damage.

We classify natural disasters and pandemics as general risks with a possible impact on individual Group countries or the entire Group. Usually, they have a rapid occurrence. In our assessment, the risk outlook has not changed compared with last year.

Raw material shortages

The scarcity of natural raw materials and the increasing difficulty in renewing mining concessions or obtaining new ones can have an impact on costs and raw material availability and thus significantly affect earnings.

The procurement of alternative raw materials such as fly ash or blast furnace slag and, in general, the recycling of certain materials could also become critical because of developments in some industries, such as the progressive shutdown of coal-fired power plants or the decline in steel production with correspondingly lower slag availability.

We classify raw material shortages as an industry-specific risk with a possible gradual impact on the entire Group. Compared with last year, we believe the risk outlook has not changed.

Heidelberg Materials mitigates this risk by constantly monitoring global raw material reserves and, at the same time, securing substitute raw materials for its production sites wherever possible (including recycling of materials).

Substitution of products

Heidelberg Materials is closely monitoring the development of alternative binders and, because of the risk that they will replace conventional cement types, is actively researching this area, especially as regards carbon-reduced materials. In view of the current state of knowledge, however, it appears unlikely that large-scale replacement will take place in the next few years.

If the production costs for traditional binders increase considerably, particularly in mature markets, for example as a result of further shortages of carbon emission allowances or the high cost of emissions reduction technologies, alternative binders could become more economically attractive and replace traditional binders provided that they fulfil the high requirements relating to processability and durability. Tighter regulation and changing investor preferences towards sustainable investments could also lead to a competitive advantage for manufacturers of alternative binders and result in a substitution effect.

In the aggregates business, in which we extract and produce sand, gravel, and hard rock in our own quarries, substitution could take place through increasing use of recycled materials. This effect is strengthened by the progressively stricter requirements when renewing existing or applying for new mining concessions for natural raw materials.

In addition, there is a risk that concrete will be replaced by other materials, such as steel, glass, or wood products, in the construction business. Although the use of these alternative materials is increasing to an extent in some countries, this is currently still limited.

Overall, we classify substitution of products as an industry-specific risk with a possible gradual impact on the entire Group. Compared with last year, we believe the risk outlook has not changed.

Digitalisation

The digital transformation is bringing about fundamental changes in the business world. New digital and networked technologies, increasing automation, and the use of artificial intelligence could challenge existing business models and pave the way for new ones.

The digitalisation of the construction and building materials industry is facilitating gradual changes in construction methods and processes, which could also contribute to achieving climate neutrality during the lifetime of a building. It could enable the construction of more energy-efficient and longer-lasting buildings with lower emissions, which could ultimately also have an impact on concrete and cement consumption.

Digitalisation can also increase efficiency and productivity – for example through data analysis in real time from networked systems, predictive maintenance, or better management of inventories and production processes. Insufficient progress in digitalisation could therefore result in a loss of efficiency and competitiveness.

We classify digitalisation as a general risk with a possible impact on the entire Group and gradual occurrence. We anticipate an unchanged risk compared with the previous year.

Heidelberg Materials proactively drives the digital transformation of the Group and, furthermore, invests in technology companies so that it can benefit from new digital developments at an early stage.

Skills shortage

Increasing population ageing in industrialised countries may result in a lack of qualified workers, resulting in lower productivity and higher personnel costs, ultimately increasing production costs.

In the construction industry, this development could lead to a shift away from personnel-intensive construction on site towards industrial production of prefabricated components and modular construction systems.

In countries with mature markets, the skills shortage can therefore become an industry- and company-specific risk, which has a gradual occurrence. We anticipate an unchanged risk compared with the previous year.

Heidelberg Materials mitigates this risk with personnel development programmes to attract and retain employees (for example, through cross-departmental or transnational career paths). The company is also exploring the possibilities of increased automation, including the use of artificial intelligence.

Other specific risks for the building materials sector

Import risks

Clinker and cement are not transported overland for long distances on account of their heavy weight in relation to the sales price. Internationally, they are traded by sea. If the difference in the price level between two countries, with connection to the sea trade, becomes too high, there is a risk of increased imports.

This risk could arise particularly in countries and regions that are subject to an emissions trading system with high pricing of carbon emissions. Since 2023, in the EU a Carbon Border Adjustment Mechanism (CBAM) has therefore been gradually introduced for the cement sector, among others. However, the risk persists in regions where carbon pricing is in place without such a compensation mechanism. Transition risks due to climate change are described in more detail in the **Transition risks section**.

Risks from acquisitions, partnerships, and investments

Heidelberg Materials also expands its activities through acquisitions, partnerships, and investments in order to improve its market positions and strengthen its vertical integration.

Possible risks in the case of acquisitions can arise from the integration of employees, processes, technologies, and products. These also include cultural and language barriers as well as an increased level of personnel turnover, which leads to an outflow of knowledge. We counteract these risks by targeted personnel development and an integrative corporate culture, including the creation of local management structures.

Investments can affect the leverage ratio and financing structure. Unforeseen negative business trends can also lead to financial charges from impairments of goodwill.

The success of acquisitions, partnerships, and investments can also be hindered by political restrictions. Heidelberg Materials therefore evaluates the political risk and stability of the region when making investments. In order to minimise financial burdens and risks and better exploit opportunities, Heidelberg Materials can also cooperate with suitable partners, particularly in politically unstable regions.

Operational risks

Operational risks particularly include risks related to the cost development and availability of energy and raw materials. We also take into account regulatory risks associated with environmental regulations as well as risks relating to production, quality, and IT. Operational risks have decreased slightly in comparison with the previous year.

Volatility of energy and raw material prices

As an energy-intensive company, Heidelberg Materials is exposed to risk from price trends in raw materials and energy markets. There is a risk that the costs for individual energy sources and raw materials will increase and thus total expenses will be higher in the future than planned.

The Russia-Ukraine war continued to have a significant impact on raw material prices in the 2023 financial year. Although prices on the raw materials and energy markets have fallen, they remain volatile at a high level compared with the average price level in the years prior to 2022. The sanctions imposed on Russia in the financial and energy sectors, and the resulting ongoing gas supply shortage, continue to lead to increased costs, especially in Europe.

We minimise the price risks for energy and raw materials by bundling and structuring procurement processes across the Group and securing mining concessions over the long term. We also make increased use of alternative fuels and raw materials as well as renewable energies in order to minimise price risks, while reducing CO_2 emissions. With the help of our various Group-wide programmes for increasing efficiency and continuous improvement, we are decreasing and optimising our consumption of electricity, fuels, and raw materials, which reduces our energy costs in a targeted way.

In the process of setting prices for our products, we aim to pass on increases in the costs of energy and raw materials to our customers. As most of our products are standardised bulk goods for which demand is determined by price rather than other differentiating factors, there is a risk that price increases cannot be passed on or will cause a decline in volumes, particularly in markets with excess capacities.

We consider the risk to be a high risk (previous year: medium to high risk) with a possible likelihood (previous year: high likelihood) and a significant impact.

Availability of raw materials and additives

Heidelberg Materials requires considerable quantities of raw materials for cement and aggregates production, which should be ensured mainly by own deposits. There is potential for certain risks in particular locations with regard to obtaining or extending mining concessions. For example, necessary permissions may be refused in the short term or disputes may arise regarding mining fees.

The availability and prices of materials such as fly ash and blast furnace slag, which are by-products of steel production and used as clinker substitutes in the manufacture of cement, are subject to economic fluctuations and therefore entail a cost risk. As global demand for these cementitious materials increases, there is a risk of increasing shortages.

Ecological factors and environmental regulations for access to raw material deposits are also sources of uncertainty. In some regions of the world, for example in West Africa south of the Sahara, raw materials for cement production are so scarce that cement or clinker needs to be imported by sea. Rising transportation costs and capacity constraints in the port facilities can lead to an increase in product costs.

In addition, the availability of water can pose a risk. Based on a global water-risk study, we have drawn up a Group-wide guideline concerning sustainable water management in the cement, aggregates, and ready-mixed concrete business lines. Back in 2015, we began developing individual water management plans for those plants in regions suffering from water scarcity. The plans include concepts and measures to ensure careful use of scarce water resources and enable local stakeholders to become involved so that the water utilisation concepts support the common good and thus minimise local water risks. We aim to have water management plans in place by 2030 for all plants in regions affected by water scarcity, limited accessibility, poor water quality and climate-related physical water risks.

Heidelberg Materials has adopted the definitions of reserves and resources as set out in the Pan-European Standard for Reporting of Exploration Results, Mineral Resources, and Mineral Reserves (PERC Reporting Standard). This reporting standard is used to define harmonised Group-wide criteria for mineral reserves and resources, ensuring that the availability of raw material reserves can be monitored in a standardised manner and increasing transparency for management. With a Group policy on reserve and resource management derived from the standard, combined with consistent local processes, we aim to reduce the risk associated with the availability of raw materials. We also seek to mitigate possible supply shortages and price fluctuations in the future by securing long-term supply agreements and developing other sources of supply.

From an operational point of view, we classify the risk of lack of availability of raw materials and additives overall as a medium risk (previous year: low risk) with a seldom likelihood and a moderate impact (previous year: low impact).

Production-related risks

The cement industry is an asset-intensive industry with complex technology for storing and processing raw materials, additives, and fuels. Because of accident and operating risks, personal injury and material or environmental damage may occur and operations may be interrupted.

Heidelberg Materials' risk transfer strategy sets deductibles for the main insurance programmes that have been tailored to the size of the Group and are based on many years of failure analyses. Nevertheless, there is still a risk that the insured amounts in the event of damage may not be sufficient, particularly in the case of very uncommon and serious types of damage, such as natural disasters. We consider this to be a low risk.

In order to avoid the potential likelihood of damage and the resulting consequences, we rely on various surveillance and security systems in our plants as well as integrated management systems, including high safety standards, and regular checks, maintenance, and servicing. To identify the threat of potential dangers, we provide all employees with appropriate training to raise their risk awareness.

As demand for building materials is heavily dependent on weather conditions, there is also a risk that capacity utilisation may fluctuate and production downtimes may occur. We minimise this risk by establishing locations in different regions, demand-oriented production control, and flexible working time models. In addition, we make use of production downtimes, where possible, to carry out any necessary maintenance work.

Overall, we consider the production-related risks as a low and unlikely risk with a moderate impact.

Quality risks

Building materials are subject to strict standardisation. If supplied products do not meet the prescribed standards or the customer's quality requirements, we risk losing volumes, facing claims for damages, and/or damaging our customer relationships. Heidelberg Materials ensures compliance with the standards at the Group's own and third-party laboratories by means of fine-meshed quality assurance in parallel with every process step as well as final inspections. Quality assurance controls are also carried out by independent experts as part of the extensive quality assurance programmes already in place.

Overall, we consider the quality risks as a low and unlikely risk with a low impact.

Regulatory risks

Changes to the regulatory environment can affect the business activities of Heidelberg Materials. This concerns mainly legal regulations for environmental protection. Tighter environmental regulations could lead to increasing costs, higher demand for investments, or even the closure of production sites. Around 40% of Heidelberg Materials' worldwide clinker production is affected by financial CO_2 regulations such as emissions trading systems and CO_2 taxes.

Since 2005, the EU Emissions Trading System (EU ETS) has been the primary political instrument, acting as a cap-and-trade system for monitoring and reducing greenhouse gas emissions in European industry with ambitious targets for climate protection. Besides the energy sector and refineries, this also affects all energy-intensive industries, which generate around 40% of all European emissions.

The cement industry, like other CO_2-intensive industries featured on the carbon leakage list, has not been affected by the requirement since 2013 to purchase all emission rights by auction. It receives a portion of the emission rights free of charge on the basis of ambitious product-specific benchmarks. At the beginning of the fourth trading period in 2021, the benchmark was significantly reduced in comparison with the third period. At the same time, prices for emission allowances have roughly tripled since 2020 and averaged around €80 in 2023. It can be assumed that the price increase will continue in the further course of the fourth trading period. With the adoption of the EU climate protection programme "Fit for 55" (Green Deal), a decision was made to tighten the CO_2 emissions reduction target within the EU ETS from 43% to 62% compared with 2005. Alongside other influencing factors such as increased interest from investment funds and speculation in the market and a reduction in the quantity of free allocations to industry, this could be reflected in higher demand for carbon allowances on the market.

Heidelberg Materials is also affected by CO_2 regulations in North America. While the EU ETS assesses emissions from clinker production, the emissions trading systems in North America are based on cement production. In Canada, a nationwide commitment to financial CO_2 regulations has been in place since the adoption of the Greenhouse Gas Pollution Pricing Act in 2018. Heidelberg Materials North America is affected by emissions trading schemes in Alberta, Ontario, and Quebec, and by CO_2 taxes in British Columbia. Heidelberg Materials North America has drawn up action plans as part of the Group-wide CO_2 roadmap in order to keep its CO_2 emissions below the declining upper limit for free emission rights. This will be achieved, for example, by improving kiln efficiency, using biomass as an alternative fuel, and reducing the clinker ratio.

The UK Emissions Trading Scheme (UK ETS) replaced participation in the EU ETS. Although the approach to free allocation is similar to that of the fourth trading period of the EU ETS, the price of UK allowances was lower than that of EU carbon allowances (2023: between €60–€70 per tonne of CO_2). In the United Kingdom, a compensation mechanism similar to the CBAM has been agreed and is scheduled to be introduced in 2027. However, no decision has yet been made on a possible discontinuation of the free allowances. In Kazakhstan, the national allocation plan for 2022–2025 set a cap of 163.7 million tonnes of CO_2 for 2023. The actual market price for CO_2 is around €1.50 per tonne of CO_2.

Other Group countries have announced the introduction of far-reaching CO_2 regulations for the coming years. In the Chinese province of Guangdong, annual emission reductions of 1% have been planned since 2022 as part of an emissions trading scheme. Further CO_2 regulations are being discussed in countries such as Indonesia and Thailand.

For Heidelberg Materials locations that are subject to CO_2 regulations and easily accessible for imports, rising production costs lead to the risk of a competitive disadvantage resulting from cement imports from countries without CO_2 regulations. The gradual introduction of a CO_2-related import regulation was established with the Carbon Border Adjustment Mechanism (CBAM) for the period from 2026 to 2034 as part of the "Fit for 55" climate protection programme within the EU. One of the consequences of the regulation will bethe continuous reduction of the free allocation of emission allowances for import volumes. Since October 2023, we have been required to publish quarterly reports on import quantities and associated emissions. From 2026, CBAM allowances corresponding to the volume of CO_2 emissions embedded in the imported products (cement/clinker) will also need to be purchased.

With the EU Industrial Emissions Directive 2010/75 for the European cement industry, the limits for dust and ammonia emissions and for nitrogen oxide emissions were significantly tightened for Germany, considerably exceeding EU requirements. Further increases in requirements are likely as part of the current revision of the directive. To comply with the environmental regulations, Heidelberg Materials makes high ongoing investments aimed at improving its facilities so as to reduce emissions. Measures concerning climate and emission protection are outlined in the **Non-financial statement chapter** and the **Research and development section**.

We classify the regulatory risks related to CO_2 and other emissions as a high and likely risk with a significant impact.

IT risks

IT systems play a central role in both supporting our global business processes and achieving our corporate targets.

To minimise IT risks, we identified and assessed the risks to our core systems back in 2022 and defined additional measures aimed at minimising risks. The implementation of these measures and general risk management began in 2023. In 2023, we identified and assessed the local risks in the individual countries and defined additional risk management measures.

There are essentially two main areas of risk:

1. Unavailability of IT systems as a result of natural disasters (e.g. fire, earthquake, or flood), infrastructural risks (e.g. power failure), technical failures (e.g. hardware or software failures), and human error (e.g. operating errors or configuration errors).

2. The threat posed by deliberately harmful actions by external and internal actors. These are targeted external cyberattacks aimed at obtaining sensitive data or compromising systems. In addition, there are possible threats from internal actors creating or exploiting security gaps.

Measures to minimise availability risks

In Europe, Asia, and North America, Heidelberg Materials operates data centers for critical IT systems in premises leased from third parties. Should one of these data centers fail, we use technical infrastructure leased from independent third parties for recovery.

Backup procedures as well as standardised IT infrastructure and processes are used to minimise availability risks. The procedures were reviewed again in 2023 and adapted to the current cybersecurity situation. In addition, Heidelberg Materials uses newly developed processes to ensure that relevant backup systems are continuously and dynamically adjusted.

Both the data centers and the services provided by third-parties (cloud services) are operated by a central operations team staffed by our own employees in Czechia, who ensure the availability of all systems operated by Group IT.

Our internal software development teams use iterative processes that focus on identifying and managing risks. In 2023, procedures were also established that automatically analyse the developed software for common security issues. For particularly sensitive use cases that interact with our enterprise resource planning (ERP) system, small pilot tests are carried out in a structured manner with trusted partners. Developers are only granted access to sensitive data if an additional signed data protection agreement is in place. This allows risks to be identified quickly and dealt with at an early stage of development. Particular attention is paid to building a scalable architecture that can automatically adapt to needs depending on the level of utilisation.

Measures to minimise external and internal cyberattacks

Due to the current worsening geopolitical situation and the increasing prevalence of cyberattacks as a business model, there is a significantly raised threat level, especially from external actors.

To counteract this threat, IT security capacities were significantly expanded in 2023. A new Director Security (CISO) was appointed, reporting directly to the Chief Digital Officer, and the Group Security team has been expanded extensively.

In 2023, this team focused on the following strategic measures, among others:

- Adjustment and expansion of the vision, mission, and strategy regarding cybersecurity.
- Regular reporting on the cybersecurity status to the Managing Board and Supervisory Board, and definition of action areas for the coming months and years. To this end, a central cybersecurity KPI reporting system was set up at Managing Board level in 2023.
- Establishment and expansion of a central IT Security Operation Center (SOC). Its task is to monitor sensitive IT systems around the clock using a central platform for recording and managing potential security incidents and to respond to relevant security incidents.
- Expansion of cybersecurity awareness campaigns and regular training, including running phishing simulations for employees in relation to cybersecurity risks.
- Establishment of an in-house global community to address cybersecurity issues in the Group countries and spread awareness of cybersecurity within the organisation.

Group Security is also responsible for the globally applicable company-internal IT security guidelines and standards, including monitoring, compliance, and implementation. In addition, the department Group Internal Audit checks compliance with the standards at regular intervals. Continuous security checks based on a structured risk assessment also ensure that the Group can respond to changes in the threat level at short notice.

Operational technology risks

Safeguarding the operation of our plants is our top priority. When it comes to operational technology (OT), we are facing increasing challenges and risks due to the worsening global threat landscape and increasingly outdated systems. Like IT risks, OT risks are focused on security breaches where unauthorised access or tampering can result in physical damage to production facilities or an imminent threat to human life.

To counteract this situation, Group Security worked with the digital infrastructure teams in 2023 to develop a concept for a secure and technologically standardised OT platform. This platform will improve the secure operation of critical operational systems in our plants in the future. Consistent global processes and standards were also created and are to be implemented in 2024.

A project to model threats to OT was also launched in 2023, which is expected to provide initial insights into the vulnerabilities and risks of the current security situation at our plants in 2024. The aim of this project is to expand and continuously improve how we protect the OT at our plants.

Overall risk assessment for IT and OT

Overall, the threat level has continued to intensify. We therefore consider the risk in both the IT and OT environments to be a high risk (previous year: medium risk) with a moderate impact (previous year: moderate impact) and a likely likelihood (previous year: possible likelihood).

Legal and compliance risks

Our important legal and compliance risks include risks from ongoing proceedings and investigations, as well as risks arising from changes in the regulatory environment and the non-observance of compliance requirements. The ongoing proceedings are being monitored from a legal perspective. In addition, provisions for possible disadvantages arising from these proceedings are recognised in accordance with the legislative requirements.

Asbestos-related claims and environmental damage cases in the USA

Some of our shareholdings in the USA are exposed to particular legal risks and disputes relating to former activities. The most significant of these are asbestos-related claims, which, among other things, allege bodily injury and involve several American subsidiaries. Products containing asbestos were manufactured before these companies belonged to Heidelberg Materials. In the USA, these damage claims are being handled and intensively managed by a team of in-house lawyers in collaboration with insurers and external consultants. The dispute is likely to continue for a few more years because of the complexity of the cases and the peculiarities of the American legal system. Provisions have been formed on the basis of an extrapolation of the claims and reliable estimates of the development of costs over the next 15 years. The damage claims are mostly covered by liability insurances. Therefore, provisions in the consolidated balance sheet are offset by corresponding claims against insurers.

Furthermore, there are a considerable number of environmental and product liability claims against former and existing shareholdings in the USA that relate back to business activities discontinued a long time ago. There is partly insufficient insurance cover for lawsuits and liability loss claims relating to toxic substances such as coal by-products, wood preservatives, or soil contamination. Our subsidiaries may also be charged further fines set by the court in addition to the clean-up costs and the compensation; there is, however, a possibility to settle valid claims for compensation outside of court. Overall, we consider the risks related to environmental damages in North America as a medium risk.

Antitrust proceedings

In recent years and again in 2023, Heidelberg Materials has gained experience from a series of antitrust proceedings. These include the now completed investigative proceedings against Italcementi S.p.A. for antitrust violations from the period before Heidelberg Materials took over control, in which a considerable number of private claims for damages are currently being pursued. These experiences motivate us to continuously review and develop intensive internal precautions, particularly regular training initiatives – using electronic training programmes, among others – in order to avoid antitrust violations. At present, we consider the risks from antitrust proceedings as a low risk.

Compensation disputes in Egypt

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

We assign a low risk to each of these cases.

Potential risks due to climate claims

Recent international developments show an increasing number of civil proceedings against CO_2 emitters by private individuals and environmental associations, although the legal basis of such claims is contested. We cannot rule out the possibility that Heidelberg Materials

AG or Group companies will also face legal action of this kind. The risks arising from such climate-related claims could be high, but cannot be estimated in more detail at present, given the wide variety of potential courses of such claims. As such, the risk assessment is unchanged compared with the previous year. We currently consider the risk of climate-related claims to be low.

Sustainability and compliance risks

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

Compliance programme

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

Moreover, we have implemented a Group-wide system for the evaluation and reduction of corruption risks and potential conflicts of interest. A comparable system to assess human rights risks has also been implemented within the Group. These risk analyses in conjunction with supplier risk assessments and other elements of the compliance management system, such as the online and telephone-based reporting system SpeakUp, also serve to implement the German Supply Chain Due Diligence Act (Lieferkettensorgfaltspflichtengesetz, LkSG), which has applied to Heidelberg Materials since January 2023. The human rights organisation has been expanded under the leadership of the Group's human rights officer.

To ensure that we comply with the relevant sanctions regulations in the countries in which we are active, in particular those of the EU and the USA, we carry out systematic verification procedures against international sanctions lists. In response to the increased risk posed by complex sanctions regulations following the start of the Russia-Ukraine war, Heidelberg Materials has expanded its screening of business partners. Significant changes to sanctions regulations are communicated on a regular basis.

The results of our compliance risk assessments show a medium compliance risk for Heidelberg Materials. Based on the compliance cases recorded and confirmed in the reporting year, we assess the financial risk from compliance violations as low. For further information, see the **Non-financial statement chapter**.

Climate risks

According to the definition issued by the Task Force on Climate-related Financial Disclosures (TCFD), climate risks include physical risks and transition risks, which we present below.

Physical risks

Physical climate risks are divided into acute and chronic risks. The potential impact of climate change also depends heavily on global developments such as demographic change, economic growth, and efforts to rapidly reduce the CO_2 concentration in the atmosphere. In its analysis of these physical climate risks, Heidelberg Materials has therefore considered both the current risk potentials and – for the periods to 2030, 2040, and 2050 – the recognised scenarios (Shared Socio-Economic Pathways) SSP1 to SSP5 of the Intergovernmental Panel on Climate Change (IPCC). These SSP scenarios depict possible ways in which climate change could unfold and also include socio-economic aspects such as projected population growth.

The development pathways that were previously used, which were primarily based on the concentration of greenhouse gases in the atmosphere (Representative Concentration Pathways, RCP), have also been incorporated into these scenarios and expanded. The SSP scenarios cover both optimistic and pessimistic variations. While the SSP1 scenario can be considered consistent with achieving the Paris Agreement's 1.5°C target, the effects of climate change are more severe in the other scenarios and the greenhouse gas concentration also increases. SSP5 corresponds to a "worst-case" scenario.

One industry-specific risk for Heidelberg Materials is the dependence of construction activities on weather conditions. Harsh winters with extremely low temperatures or high precipitation throughout the year can have a short-term negative effect on construction activity, with direct consequences for our revenue and operating performance.

In general, there are significant geographical variations in climate risks. The impact of extreme weather scenarios, such as floods or droughts, can lead to damage to our production sites, interrupt the supply to our customers, or have adverse effects on the supply of upstream products to our operating units. In recent years, for example, prolonged dry periods in Western Europe have caused low water levels, making it difficult to deliver raw materials by water. At the same time, flooding in Australia, for example, have led to interruptions in production and supply. We respond to weather scenarios like these in various ways, including by using water-saving production techniques and by optimising our wastewater management. Nevertheless, river flooding is currently a major concern for our business in this connection.

These actual effects are also reflected in our overall risk analysis. Precipitation stress and heat stress are the principal chronic climate risks, while river flooding is the most significant acute risk. For the period up to 2030, the picture remains largely unchanged, but the risk exposure to drought increases significantly.

Depending on the scenarios considered, the proportion of locations subject to climate risks will continue to rise over the periods up to 2040 and 2050. For drought stress, for example, there are significant differences between the moderate SSP2 scenario and the SSP5 scenario, which is based on the continued use of fossil fuels. The modelling indicates that our risk exposure would double. Similar developments would also be forecast for other chronic climate risks such as heat stress and precipitation stress. According to the scenarios, our locations in Asia and Africa in particular would suffer from drought and heat if greenhouse gas concentrations increase, while more northerly regions, such as North America and Europe, would be more severely affected by rainfall stress.

If we analyse the periods up to 2040 and 2050 for acute risks such as tropical cyclones and river flooding, these remain largely stable. While the former naturally occur in Africa, Asia, and Australia in particular, the risk of river flooding tends to affect the northern hemisphere. The relative stability of the acute risks also means that the effects of climate change are already impacting us today.

As the risks are already significant, we began a more in-depth analysis in 2022 and, based on the risk exposure and strategic importance, identified around 100 plants, which are being examined in detail. For this purpose, further risks were included in the modelling and made available to the plants. They have verified the findings, compared them with their own experiences, and are now tasked with developing location-specific adaptation measures for the critical risks, including necessary investment plans. With this analysis, we have also begun to quantify the specific financial impact on our locations. We aim to develop this analysis further, utilise it more intensively, and integrate it into accounting processes in the future.

Transition risks

Transition risks are risks arising from the transition to a low-emission economy. They can arise from developments aimed at ending or reversing damage to the climate or nature. The TCFD categorises risks into political and legal, technology, market, and reputational risks. We have identified the following risks as the most important transition risks for Heidelberg Materials.

Policy and legal risks

In the medium to long term, we see the main risk as being additional climate-related regulations or changes to the design (especially prices) of existing regulatory systems. Cap-and-trade systems carry the risk of high operating costs for the purchase of emission allowances within the regulated countries, which can lead to an uneven playing field and significant disadvantages for local manufacturers versus importers and manufacturers from non-regulated countries or from other competing building materials sectors. In 2023, almost 40% of our activities were in countries with a cap-and-trade system or comparable CO_2-related taxes with limited financial impact due to partial offsetting (see also **Regulatory risks section**). Following the adoption of the EU ETS regulation for the fourth trading period starting in 2021, the EU will see a far-reaching tightening of existing CO_2 regulations from 2026, especially in connection with the ambitions surrounding the EU climate protection programme “Fit for 55.”

Increasing costs connected with the purchase of emission allowances are anticipated for Heidelberg Materials. The Carbon Border Adjustment Mechanism (CBAM) is therefore intended to progressively ensure a level playing field between EU manufacturers and importers by 2034. The official start of the CBAM and the gradual reduction in the annual allocation of emission allowances is in 2026. However, importers must report their annual production volumes as well as their direct and indirect CO_2 emissions since October 2023.

In addition to emissions related to clinker production, the EU has expanded its emissions trading system for transport-related CO_2 emissions. This obligation will be implemented gradually starting in 2024. Then, from 2025, companies will have to pay for the emissions caused by transport by ship. This will likely lead to higher logistics costs for Heidelberg Materials.

The EU regulates other emissions such as SO_X, NO_X, and particulate matter, and requires them to be within or below the limits achieved by the best available technology (BAT). As countries outside the EU also require their emissions to be within the limits set by the EU, we need to adapt our production facilities worldwide.

Technology risks

The main technological risk is the substitution of existing products with lower-emission ones that could be available in sufficient volumes in the future and are currently being tested on the market, primarily in small quantities. This relates in particular to new alternative binder concepts, which in turn could trigger a shift in customer preferences (see also **Market and reputational risks section**). We are actively involved in the research and development of potential new product solutions. The Innovation Hub, which is part of the Sustainability Office, works in cooperation with our customers to develop new applications in order to compete by offering alternative products.

Another technology risk in the transition to a low-emission economy is investing in processes that may not succeed in the market. This risk exists particularly with new processes such as carbon capture, utilisation, and storage (CCUS), which may not prove to be as efficient as expected in the future, while investment decisions are already required today. The construction and testing of carbon capture facilities are complex large-scale projects in which unexpected delays can occur in the course of technological implementation. Heidelberg Materials has now launched around a dozen industrial-scale CCUS projects in Europe, the USA, and Canada. Some of the most important future carbon capture technologies for the cement industry, such as direct separation (LEILAC) or oxyfuel technology, are described in the **Research and development section**.

Heidelberg Materials is pursuing a gradual investment approach based on research cooperation with other partners and, wherever possible, also supported by public funding, in order to gain experience with all major carbon capture technologies. On the one hand, this minimises the risk of failed or uneconomic investments and, on the other hand, ensures that Heidelberg Materials gains experience with future-oriented technologies that could be successful in the market. The roll-out costs of new technologies are also considered risks. Current estimates range widely and depend on several factors, such as economies of scale, which influence the final, currently unknown costs of each technology. Large-scale CCUS projects generally span a value chain in which we are primarily responsible for the carbon capture component in a cement plant. In order to prevent general risks associated with CCS technologies in our projects, such as risks to groundwater quality due to CO_2 leakage, we work together with partners who have decades of exploration experience and expertise in the transport and storage of CO_2 from the implementation of CCS projects in other industries.

In addition to the operational risks mentioned above, investments in new technologies such as CCUS may also have an impact on the achievement of targets within the framework of our sustainability strategy. If the commissioning of corresponding projects is delayed, our CO_2 reduction targets may be missed. Among other consequences, this could jeopardise the company’s reputation.

Market and reputational risks

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

Another market risk is the rising cost of raw materials, which could be caused at least in part by the transition to a low-emission economy. We are also seeing an increase in electricity costs, while at the same time the demand for renewable energy is on the rise. As alternative fuels and raw materials are becoming increasingly difficult to procure, owing to rising demand on the one hand and declining availability on the other, we expect a cost increase closely linked to rising CO_2 costs. We are also working to secure the necessary quantities of alternative fuels and raw materials for our future production through acquisitions, such as the takeover of fly ash recycler The SEFA Group in the USA. In addition, we are carrying out research and development on the suitability of other alternative materials, such as pozzolans. At the same time, we are exploring opportunities for a long-term supply of renewable energy generated on site at our plants or from specific (virtual) power purchase agreements ((V)PPAs) with strategic partners.

We regard changing investor preferences towards sustainable investments in companies with low CO_2 emissions as a further market risk. This trend could lead to increased financing costs (e.g. when issuing corporate bonds) or lower market capitalisation. Furthermore, we envisage the possibility of negative feedback from certain stakeholders should we delay or fail to achieve our sustainability targets, which could create a reputational risk for the company. Increasing public interest in sustainability issues and the associated heightened awareness of the company's ESG strategy come with reputational risks. These risks can be mitigated both through the measures outlined above and through open and regular communication.

Overall, we classify the climate risks described above as a general risk with a possible gradual impact on the Group. In our opinion, the risk outlook is stable compared with the previous year.

Opportunity areas

Business opportunities are identified at Group level and at operational level in the individual countries and, if they are likely to materialise, taken into account as part of the strategy and planning processes. In the opportunities outlined below, we refer to possible future developments or events that can lead to a positive deviation from our forecast. Usually, we do not assess opportunities as their likelihood is difficult to estimate.

Financial opportunities

Exchange rate and interest rate risks described under **Financial risks** are also offset by opportunities that can turn the identified factors of influence to our advantage. Fluctuations in the exchange rates of foreign currencies against the euro thus present both risks and opportunities.

In addition, we see opportunities within our Sustainability-Linked Financing Framework and the associated sustainability-linked financing instruments. These bring our financing strategy in line with our sustainability targets, particularly in relation to climate protection and occupational safety, and could help us to appeal to a broader investor base and thus improve refinancing costs. Opportunities also arise from the achievement of the contractually agreed KPIs, since these too could have a positive impact on the refinancing costs.

Strategic opportunities

In the medium and long term, as a result of rising population numbers, we particularly see opportunities for growth in demand for our building materials for residential, commercial, and public construction. An increase in prosperity and the ongoing trend of urbanisation, especially in the growth markets of emerging countries, will also drive demand.

We also see particular potential in activities relating to sustainability and digitalisation, which will further develop and transform our core business. Our aspiration to close the loop in terms of carbon emissions and material streams will enable us to market new products and solutions and thus take advantage of the opportunities arising from the increasing demand for sustainable products. The products, product applications, processes, and technologies already developed and under development by Heidelberg Materials for these purposes are described in more detail in the **Operational opportunities**, **Climate-related opportunities**, and **Research and development sections** and in the **Non-financial statement chapter**.

Increasing digitalisation will improve efficiency at Heidelberg Materials, reduce production and administrative costs, and thus improve overall competitiveness. To give an example from cement production: with our digital solution “Planner,” which is part of our

HProduce product suite and is already available in 66 cement plants, we have been able to save millions of euros in energy costs through algorithmically optimised production planning and energy procurement. We can achieve significant cost reductions and efficiency enhancements by consistently further developing and scaling up the HProduce solutions. The development of new, digital technology solutions, including solutions for our customers, also opens up opportunities to further expand our role in this area and tap into new fields of value creation. With over 32,000 monthly users, our HConnect product suite gives us direct digital access to over 5,000 cement and aggregates customers and over 14,000 construction companies worldwide. Going forward, we intend to use this channel to offer our customers bundled products and services consisting of sustainable building materials and digital solutions from our partners that aim to reduce CO_2 emissions and increase efficiency. Examples include Giatec's app-supported sensor technology and AI-based formulation optimisation for the concrete sector.

Operational opportunities

Risks from the strong increase in prices for energy, raw materials, and additives are also offset by opportunities. Overall, the development of energy prices could be more advantageous than planned if the supply of coal, shale gas, and oil exceeds demand again and we can fully reflect the increase in costs in our pricing.

Heidelberg Materials is also making greater use of waste materials and by-products from other industries as valuable raw materials and fuels. We aim to increase the proportion of alternative fuels in the fuel mix to 45% by 2030, thereby reducing both CO_2 emissions and our dependence on natural resources and fossil fuels. In addition, our recycling activities are contributing to the diversification of our portfolio and offering opportunities for organic growth and vertical integration. Innovations relating to the circular economy are opening up new possibilities in terms of process optimisation and portfolio expansion, enabling us to reach new customers and enter new markets with circular products.

In 2023, we introduced evoZero®, the world's first carbon captured net-zero cement, which we will produce once our CCS project starts in Brevik, Norway. With evoZero, we will be able to deliver a net-zero product with the same performance characteristics as conventional cement products as early as 2025. Since CCS technology does not alter the chemical composition and performance of the building material, evoZero cement and concrete can be used for all kinds of applications. On the one hand, this offers Heidelberg Materials the opportunity for product differentiation in a standardised mass market. On the other hand, we will benefit from the fact that Brevik CCS will be the first industrial-scale CCS project in the cement industry to go into operation, ahead of comparable projects by our competitors. We anticipate mechanical completion of the CCS plant in Brevik at the end of 2024.

By 2030, we aim to generate half of our revenue from sustainable products[1], for which we expect increased demand. More details about our sustainable products and solutions can be found in the **Non-financial statement chapter**.

The consistent and ongoing implementation of measures to increase efficiency, reduce costs, and improve margins in production, logistics, and distribution is an integral part of our Group strategy. The opportunity exists for all projects to produce higher than anticipated results and margin improvements that exceed previous expectations.

1) Revenue that we allocate to our sustainable products is not aligned with the definitions of the EU Taxonomy Regulation.

Climate-related opportunities

The cement industry can make a decisive contribution in the transition to a low-emission and climate-resilient global economy. The urbanisation trend and growing world population are expected to increase the demand for cement and concrete. In the medium term, we see opportunities in a growing demand for durable building materials produced using resource-efficient processes for the construction of resilient infrastructure. With the increasing likelihood of extreme weather events and natural disasters, such as flooding and sea level rise due to climate change, the importance of robust concrete infrastructure capable of withstanding and protecting against the impacts of such events in the regions affected is growing.

To expand our activities in relation to the circular economy and reduce CO_2 emissions, Heidelberg Materials acquired the largest harvested fly ash recycling company in the USA in 2023. The reuse of fly ash from energy generation in alternative products such as composite cements strengthens circularity within Heidelberg Materials' value chain. The addition of fly ash as secondary cementitious material (SCM) helps to reduce the CO_2 intensity of concrete.

As part of our strategic alignment towards climate protection and circularity, we are doing intensive research into possible uses for recycled concrete. One focus is on the recarbonation of cement in recycled fractions. The aim of this process called “enforced recarbonation” is to store the same amount of CO_2 in this material as was previously released during the cement production process. The results of our R&D efforts are encouraging, demonstrating a CO_2 uptake potential close to the amount of process greenhouse gases emitted during clinker production. This has the potential to make a significant contribution to the decarbonisation of the industry, and it gives us the opportunity to access new markets with recarbonated products.

In order to be able to offer climate-neutral cement and concrete in the medium term, we are focusing on carbon capture, utilisation, and storage technology. We have launched around a dozen CCUS projects (including in Brevik in Norway, Slite in Sweden, and Edmonton in Canada). The importance of CCUS in terms of achieving global, regional, and national climate targets has been confirmed by leading international organisations such as the UN Intergovernmental Panel on Climate Change (UN IPCC), the International Energy Agency, and the European Commission. The decision on the global stocktake that was adopted at the UN Climate Change Conference (COP28) in December 2023 contains a clear reference to CCUS as one of the necessary climate technologies whose expansion must be accelerated. Various regions and countries are therefore working on the necessary regulatory framework and financial incentives to scale up the technology for process industries. For example, both the US Inflation Reduction Act and the European Innovation Fund are supporting innovative large-scale CCUS projects in the cement industry, including our CCS projects in Bulgaria and Germany. Further funding measures are also being driven forward, including the Carbon Contracts for Difference in Canada and the United Kingdom, the introduction of which is also planned in Germany and France. At the same time, an Industrial Carbon Management Strategy is being developed at EU level to ensure the rapid introduction of the necessary transnational CO_2 infrastructure. This includes measures to improve the planning and coordination of new CO_2 pipelines, new standardisation processes, and the removal of existing legal obstacles at national level. Efforts are also underway to raise demand for green products through the introduction of green lead markets and sustainability criteria in procurement law.

By continuously expanding our CCUS activities, we expect to be able to reduce costs and increase revenue. Firstly, capturing and storing CO_2 removes the need to purchase emission allowances. The financial effect will increase as we emit less CO_2 and as the price of carbon allowances rises. Secondly, we expect a significant revenue effect in the medium term due to higher sales prices for sustainable products. We anticipate that these two effects will exceed the expected annual capital expenditure of expanding our CCUS projects.

More information about our CCUS projects and climate protection measures can be found in the **Research and development** and **Non-financial statement chapters**.

Assessment of the overall risk and opportunity situation by Group management

The assessment of the Group's overall risk situation is the result of a consolidated examination of all major compound and individual risks. Compared with the previous year, the risks have decreased slightly overall. This is primarily due to the relative easing of tensions on the raw materials and energy markets. However, the current political, social, and economic situation remains unstable and tense, which continues to entail risks for the Group.

Overall, the Managing Board is not aware of any risks that might jeopardise the Group as a going concern either independently or in combination with other risks. There has been no notable change in the Group's risk situation between the reporting date and the preparation of the 2023 consolidated financial statements. The company has a solid financial base, and its liquidity situation is comfortable.

With its integrated product portfolio, its positions in growth markets, and its cost structure, Heidelberg Materials considers itself well positioned to overcome any risks that may materialise and benefit from opportunities that arise.

Corporate Governance

Part of the combined management report of the Group and Heidelberg Materials AG

Corporate Governance statement

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

Declaration of compliance with the German Corporate Governance Code

On 25 January 2024 and 30 January 2024, the Managing Board and the Supervisory Board submitted the following declaration of compliance pursuant to section 161(1) of the AktG:

Since issuing the last declaration of compliance in January 2023, Heidelberg Materials AG has complied with all recommendations of the German Corporate Governance Code in the version of 28 April 2022 published by the Federal Ministry of Justice in the official section of the Federal Gazette (Bundesanzeiger) on 27 June 2022 and will continue to comply with them in the future, with the following exceptions:

- The recommendation G.10 is not fully complied with. According to this recommendation, Managing Board members' variable remuneration shall be granted predominantly as share-based remuneration; furthermore, granted long-term variable remuneration components shall be accessible to Managing Board members only after a period of four years. The previous Managing Board remuneration system of Heidelberg Materials AG, which was approved by the Annual General Meeting in 2021, provides that only the capital market component of the long-term variable remuneration is share-based. The management component of the long-term variable remuneration is already paid out after three years.

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

  Heidelberg Materials AG intends to comply with recommendation G.10 sentence 1 with effect from 1 January 2024 and to comply with recommendation G.10 sentence 2 with the following exception:

  On 13 November 2023, the Supervisory Board adopted a revised Managing Board remuneration system (2024+ Remuneration System) and will submit the 2024+ Remuneration System to the Annual General Meeting for approval in 2024. Under the 2024+ Remuneration System, variable remuneration will be granted predominantly as share-based remuneration. The long-term bonus (LTI) is structured as a 100% virtual performance share plan, under which the entire grant amount is granted in virtual shares (so-called performance share units) on a share basis. The previous distinction in the LTI between capital market component and management component no longer applies. The members of the Managing Board may only dispose of the LTI payout amount after four years. The duration consists of a three-year performance period and a one-year waiting period.

  However, a deviation from recommendation G.10 sentence 2 is declared with regard to the 2024 LTI tranche. In the 2027 financial year, 25% of the provisional payout amount of the 2024 LTI tranche will be provisionally paid after expiry of the three-year performance period.

  The reason for the deviation is that this payout after expiry of the performance period is intended to mitigate a one-time shift of the payout in the 2027 financial year, as only the capital market component of the 2023 LTI tranche will be paid out in that financial year. The provisional payout will be set off against the regular payout of the 2024 LTI tranche after expiry of the waiting period in the 2028 financial year.

- The recommendation in G.13 sentence 2 is not complied with. According to this recommendation, severance payments shall be taken into account in the calculation of any waiting allowances if post-contractual non-compete clauses apply. This is not the case at Heidelberg Materials AG.

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

- Recommendation G.12 and recommendation G.9 are complied with, with the following exception:

  Heidelberg Materials AG intends to enter into an agreement with Kevin Gluskie upon the expiry of his position on the Managing Board and the expiry of the employment relationship with Mr Gluskie on the regular termination date of 31 January 2024, pursuant to which agreement the 2024 annual bonus and the

2024 LTI for the period from 1 January 2024 to 31 January 2024 will not be paid out in accordance with the targets and comparison parameters originally agreed or in accordance with the contractually stipulated due dates. Instead, they will be paid out in accordance with the target achievement of the annual bonus for the 2023 financial year or the target achievement of the management or capital market component of Mr Gluskie's LTI completed at the end of the 2023 financial year and following the 2024 Annual General Meeting.

The reason for this deviation is that, in the opinion of the Supervisory Board, performance based on the actual achievement of targets cannot be reasonably measured for the short performance period of one month and therefore, for reasons of practicability, the degree to which the targets were achieved in the previous financial year with regard to the annual bonus or the last completed LTI components shall be extrapolated and the pro rata temporis 2024 annual bonus and the pro rata temporis 2024 LTI may be paid with the variable remuneration due for payout in 2024.

Remuneration system and remuneration report

The remuneration system for members of the Managing Board, which was approved by the Annual General Meeting on 6 May 2021, is publicly available on the company's **website** under Corporate Governance. The revised 2024+ Managing Board remuneration system adopted by the Supervisory Board on 13 November 2023 will be submitted to the 2024 Annual General Meeting for approval and, once approved, will also be made available on the company's website. The remuneration system for the members of the Supervisory Board, which was also confirmed by the Annual General Meeting on 6 May 2021, can likewise be found on the website together with the resolution passed by the Annual General Meeting pursuant to section 113(3) of the AktG. The remuneration report and the auditor's report are also made publicly available at the same internet address pursuant to section 162 of the AktG. The remuneration report can also be found in the **Remuneration report chapter**.

Information on corporate governance practices

Fundamentals of corporate governance

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

As a German public limited company, Heidelberg Materials AG is required by law to have a two-tier board system. The Managing Board is responsible for independently managing the Group. The members of the Managing Board are jointly accountable for the management of the Group. The Chairman of the Managing Board coordinates the work of the members of the Managing Board. The Supervisory Board appoints the members of the Managing Board for a maximum period of five years (in the case of an initial appointment, usually for a maximum of three years) and extends their appointment if necessary; they may only be removed from office prematurely for good cause. The Supervisory Board also monitors and advises the Managing Board and is directly involved in decisions of fundamental importance to the Group. The Chairman of the Supervisory Board coordinates the work of the Supervisory Board.

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

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

Internal control and risk management system

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

Compliance management system

Integrity, legality, and compliance are integral to everyday business at Heidelberg Materials. The company has a compliance management system that is subject to constant further development. In accordance with the Institute of Public Auditors in Germany (Institut der Wirtschaftsprüfer, IDW) auditing standard 980, the structure of the compliance management system includes compliance culture, targets, risk assessments, and reporting, the compliance programme with guidelines and whistle-blower system, the compliance organisation, communication, training, and controls. Practical implementation in the operating units is the responsibility of the compliance officers of the individual country organisations.

Further information about the compliance management system can be found in the **Non-financial statement chapter**.

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

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

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

Code of Business Conduct

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

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

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

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

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

Managing Board

The Managing Board is the company's managing body and has overall responsibility for corporate governance. In this regard, it is obliged to act exclusively in the Group's best interests within the framework of the law. It takes into account the interests of shareholders, its employees, and other stakeholders with the aim of creating sustainable added value. The Managing Board develops the Group's strategy, coordinates it with the Supervisory Board, and ensures its implementation. It makes sure that all provisions of law and the Group's internal guidelines are adhered to and works to achieve compliance by Group companies. It ensures appropriate risk management and risk controlling within the Group.

The Managing Board Rules of Procedure govern, in connection with the schedule of responsibilities, the work of the Managing Board, in particular the departmental responsibilities of individual members of the Managing Board, matters reserved for the full Managing Board, and the required majority for resolutions. In accordance with these rules, each member of the Managing Board runs their management department independently and on their own responsibility, with the provision that all matters of clearly defined fundamental importance are to be decided upon by the full Managing Board. This takes place in the regular meetings of the Managing Board, led by the Chairman of the Managing Board, on the basis of prepared meeting documents. The results of the meetings are recorded in minutes, which are issued to all members of the Managing Board. There are no Managing Board committees. Further details can be found in the Managing Board Rules of Procedure, which have been made publicly available on our **website**.

Composition of the Managing Board

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

Composition of the Managing Board

	Responsibility	Year of birth	Initial appointment	Appointed until
Dr Dominik von Achten	Chairman of the Managing Board	1965	2007	31 January 2025
René Aldach	Chief Financial Officer and Australia in the Group area Asia-Pacific	1979	2021	31 August 2029
Roberto Callieri	Asia in the Group area Asia-Pacific	1963	2024	31 December 2026
Axel Conrads	Chief Technical Officer	1975	2024	31 January 2027
Hakan Gurdal	Group area Africa-Mediterranean-Western Asia	1968	2016	31 January 2029
Dr Nicola Kimm	Chief Sustainability Officer	1970	2021	31 August 2024
Dennis Lentz	Chief Digital Officer	1982	2021	31 August 2029
Jon Morrish	Group area Europe	1970	2016	31 January 2029
Chris Ward	Group area North America	1972	2019	31 August 2028

Ernest Jelito stepped down from the Managing Board on 31 December 2023 and Kevin Gluskie stepped down on 31 January 2024.

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

Diversity concept for the Managing Board

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

Long-term successor planning for the Managing Board

With the support of the Managing Board, the Supervisory Board ensures long-term successor planning for the Managing Board. The chairs of the Managing Board and the Supervisory Board are in regular contact for this purpose. In addition, the Supervisory Board's Personnel Committee regularly addresses the issue by discussing the contract durations and renewal options for serving members of the Managing Board and consulting on possible successors. In addition to the requirements of the AktG and the German Corporate Governance Code, the target set by the Supervisory Board for the proportion of women on the Managing Board and the criteria in accordance with the diversity concept adopted by the Supervisory Board for the composition of the Managing Board are taken into account. This allows candidates to be identified for the Managing Board at an early stage and prepared for their tasks in a targeted way. Structured discussions are held with these candidates, involving the Supervisory Board's Personnel Committee and, if necessary, supported by external advisors. A recommendation for resolution is then presented to the Supervisory Board.

Cooperation between Managing Board and Supervisory Board

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

The Managing Board informs the Supervisory Board regularly, in a timely manner, and comprehensively of all issues of importance to the Group with regard to strategy, planning, business development, risk situation, risk management, compliance, and sustainability. The Managing Board explains deviations of the actual business development from previously formulated plans and targets, indicating the reasons for this. Documents required for decisions, in particular, the annual financial statements, the consolidated financial statements, and the auditors' report, are sent to the members of the Supervisory Board in due time before the meeting. The cooperation between the Managing Board and the Supervisory Board is shaped by mutual trust and a culture of open debate while fully protecting confidentiality.

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

Supervisory Board

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

Composition of the Supervisory Board

Shareholder representatives	Employee representatives
Dr Bernd Scheifele (Chairman)	Heinz Schmitt (Deputy Chairman)
Ludwig Merckle	Barbara Breuninger
Luka Mucic	Birgit Jochens
Margret Suckale	Dr Ines Ploss
Dr Sopna Sury	Peter Riedel
Professor Dr Marion Weissenberger-Eibl	Werner Schraeder

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

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

An onboarding process is in place for new members of the Supervisory Board, which provides them with information relevant to their Supervisory Board activities. If required, they are given an introduction to the legal framework surrounding the Supervisory Board and can also meet with members of the Managing Board and line managers to discuss fundamental and current issues in order to gain an overview of the topics that are relevant to the company. The purpose of this is to familiarise the new members of the Supervisory Board with their rights and obligations as well as the company's business model and the structures at Heidelberg Materials. The members of the Supervisory Board are themselves responsible for obtaining the training required for their tasks and are supported by the company in this respect. The company also offers specific training sessions – sometimes with external support – for members of the Supervisory Board, most recently in November 2023. These training courses cover topics that are particularly relevant to the company and the work of the Supervisory Board – for example, with regard to changes to the regulatory framework, the selection of suitable investment projects, the ongoing development of the company's antitrust law compliance system, the company's risk management system, any changes to the German Corporate Governance Code, sustainability within the company, and new, future-oriented technologies.

Supervisory Board committees

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

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

The **Audit Committee** is responsible for preparing the decision of the Supervisory Board concerning the adoption of the annual financial statements and the approval of the consolidated financial statements, including the non-financial statement. It is also responsible for monitoring the accounting process, the effectiveness of the internal control system, the risk management system, the internal audit system, the compliance management system, the audit, and the quality of the audit. When dealing with the audit, it is responsible in particular for the preparation of the

Supervisory Board's proposal to the Annual General Meeting for the appointment of the auditor, as part of the selection and proposal procedure provided by law if applicable, for issuing the audit assignment, establishing points of focus for the audit, verifying additional non-audit services provided by the auditor in accordance with the guideline adopted by the Audit Committee on 15 March 2023, concluding the fee agreement with the auditor, verifying the auditor's independence including obtaining the auditor's statement of independence, and making the decision concerning measures to be taken if reasons emerge during the audit to warrant the possible disqualification of the auditor or suggest a conflict of interest on the part of the auditor. Furthermore, the Audit Committee discusses the half-year financial report and quarterly statements with the Managing Board before they are published. The Audit Committee is responsible for compliance and human rights issues and monitors the adequacy and effectiveness of the internal process for related party transactions.

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

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

According to the Supervisory Board's assessment, Ms Suckale, Dr Sury, and Professor Dr Weissenberger-Eibl have proven expertise in sustainability and are therefore sustainability experts on the Supervisory Board of Heidelberg Materials AG.

The **Nomination Committee** is responsible for putting suitable candidates for the Supervisory Board forward to the Supervisory Board for its proposals for election to the Annual General Meeting. To this end, it regularly compiles and reviews requirement profiles for shareholder representatives on the Supervisory Board and monitors suitable individuals. Before submitting a candidate recommendation to the Supervisory Board, the Nomination Committee defines the requirements for the specific mandate to be filled. In doing so, it complies with the legal requirements and takes into account the recommendations of the German Corporate Governance Code and the guidelines and objectives adopted by the Supervisory Board for its composition, in particular the profile of skills for the Supervisory Board. The Nomination Committee comprises Mr Ludwig Merckle (Chairman), Ms Margret Suckale, and Professor Dr Marion Weissenberger-Eibl as shareholder representatives.

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

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

Every two years, the Supervisory Board carries out a regular self-assessment of the effectiveness of the work of the Supervisory Board and its committees, as required by the German Corporate Governance Code. The last such self-assessment took place in autumn 2023. The self-assessment was performed by means of a detailed questionnaire, which the members of the Supervisory Board completed anonymously, and a subsequent discussion within the Supervisory Board. This self-assessment focused on the internal arrangements and organisation of the Supervisory Board, the preparation, conduct, and recording of meetings, the culture of discussions and work, the content and topics of meetings, the composition of the Supervisory Board, the cooperation between the Supervisory Board and the Managing Board, the provision of information, sustainability, and committee-specific aspects. The self-assessment of the Supervisory Board and its committees revealed highly favourable opinions on all topics. No significant need for change was identified. Opportunities to further optimise the work of the full Supervisory Board and the committees in individual areas were identified and corresponding measures were initiated. The next self-assessment of the Supervisory Board and its committees is scheduled for the 2025 financial year.

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

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

Profile of skills

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

- Industry knowledge (familiarity with the building materials sector or related industries)
- International management experience (own management activities in an international environment)
- Personnel competencies (experience in the composition of corporate bodies, knowledge of procedures for identifying candidates for relevant positions, experience in/with change management)
- Governance, legal, and compliance (knowledge of stock corporation and capital markets law, compliance structures and concepts, and corporate governance standards, membership in and leadership of co-determined corporate bodies)
- Accounting, auditing, and controlling (experience and expertise in the fields of accounting and auditing, experience in controlling and risk management structures)
- Strategy, capital markets (experience in developing and implementing corporate strategies, M&A experience)
- Sustainability (experience in the field of sustainability and sustainable corporate governance, integration of ambitious sustainability targets into existing business processes as well as corresponding change management, knowledge of sustainable technologies and corresponding business models)
- Digitalisation (experience in the digitalisation of existing processes and the development of digital and data-based business models).

Diversity concept

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

Independence

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

Age limit and length of membership

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

Status of implementation

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

Qualification matrix of the Supervisory Board

	Dr Bernd Scheifele[1]	Heinz Schmitt[2]	Barbara Breuninger[2]	Birgit Jochens[2]	Ludwig Merckle[1]	Luka Mucic[1]	Dr Ines Ploss[2]	Peter Riedel[2]	Werner Schraeder[2]	Margret Suckale[1]	Dr Sopna Sury[1]	Professor Dr Marion Weissen-berger-Eibl[1]
Industry knowledge	●	●	●	●	●		●	●	●			●
International management experience	●					●	●			●	●	●
Personnel competencies	●	●	●	●	●	●	●	●	●	●	●	●
Governance, legal & compliance	●	●		●	●	●	●	●	●	●	●	●
Accounting, auditing, and controlling	●	●	●		●	●		●	●	●		
Strategy, capital markets	●	●	●		●	●	●	●	●	●	●	●
Sustainability	●					●	●	●	●	●	●	●
Digitalisation				●	●	●	●	●	●	●		●

1) Shareholder representative
2) Employee representative

In addition, the Supervisory Board ascertained with respect to its composition and the composition of its Audit Committee that all of its members are familiar with the sector in which the company operates.

According to the Supervisory Board's own assessment, the objectives of the diversity concept have been fulfilled. The composition of the Supervisory Board exhibits its appropriate diversity with regard to the age structure and the educational and professional backgrounds of its members and reflects the national and international alignment of Heidelberg Materials. There are currently six women on the Supervisory Board, of whom three represent the shareholders and three represent the employees. The proportion of women on the Supervisory Board is thus 50%. The minimum proportion of at least 30% each of women and men on the Supervisory Board, as specified in section 96(2) of the AktG, has therefore been fulfilled.

According to the assessment of the shareholder representatives on the Supervisory Board, all of them (Dr Bernd Scheifele, Ludwig Merckle, Luka Mucic, Margret Suckale, Dr Sopna Sury and Professor Dr Marion Weissenberger-Eibl) are currently regarded as independent within the meaning of the German Corporate Governance Code. In its assessment, the Supervisory Board took into account the fact that Mr Luka Mucic, as a member of the board of Vodafone Group plc, holds a position of responsibility at an external company with which Heidelberg Materials AG has a business relationship. However, as the business success of Heidelberg Materials AG is not significantly influenced by its business relationship with Vodafone and no other dependency on Vodafone Group plc exists, the Supervisory Board considers Mr Mucic to be independent. The Supervisory Board also took into account the fact that Mr Ludwig Merckle has been a member of the Supervisory Board for more than 12 years. In the opinion of the Supervisory Board, this length of membership does not lead to a conflict of interest on the part of Mr Merckle, as his work in past years has shown that this length of membership does not give cause for any such concern. In addition, the regular limit of length of membership of the Supervisory Board and the standard retirement age have been taken into account.

Target figures for the gender balance on the Managing Board and in the two leadership levels below the Managing Board and information on compliance with the minimum proportion of women and men in the composition of the Managing Board and Supervisory Board

The law requires Heidelberg Materials AG to define target figures for the proportion of women on the Managing Board and in the two leadership levels below the Managing Board.

On 18 March 2020, the Supervisory Board resolved to set the target figure for the proportion of women on the Managing Board of Heidelberg Materials AG as at least one woman for the period from 1 July 2020 to 30 June 2025. In addition, according to the AktG, the Managing Board must have as members at least one woman and at least one man (minimum participation requirement). With Dr Nicola Kimm as a member of the Managing Board, the Supervisory Board's target was achieved ahead of schedule, and the composition of the Managing Board of Heidelberg Materials AG thus complies with the above-mentioned legal requirements. The Supervisory Board will continue its efforts to identify suitable women who meet the requirements for filling a position on the company's Managing Board. Independently of this, the Supervisory Board continues to strive to take diversity into account when making personnel decisions.

When filling management positions within the Group, the Managing Board also considers diversity, and in doing so, strives to give due consideration to women. In the 2022 financial year, the Managing Board defined a new, ambitious target for the proportion of women in leadership positions. In Germany, the aim is for the proportion of women to reach 27% for each of the two leadership levels below the Managing Board by 2027. As at 31 December 2023, the proportion of women in leadership positions in Germany was 13% at the first level below the Managing Board and 24% at the second level below the Managing Board.

In 2022, the Managing Board also formulated a global target for the proportion of women in leadership positions of 25% by 2030. As at 31 December 2023, the proportion of women across the Group in management positions in the first and second leadership levels below the Managing Board was 18%. Further information can be found in the **Non-financial statement chapter**.

With regard to the statutory minimum proportion of women and men on the Supervisory Board and the implementation of these proportions at Heidelberg Materials AG, please refer to the explanations given under **Profile of skills, diversity concept, and targets for the composition of the Supervisory Board**.

Shareholdings of members of the Managing Board and Supervisory Board

The direct or indirect ownership of shares or share-based financial instruments, especially derivatives, by members of the Managing Board is shown in the **Remuneration report chapter** and has not exceeded the threshold of 1% of the issued shares in any individual case or in total.

According to the voting rights notifications available to the company, Supervisory Board member Mr Ludwig Merckle holds 27.67% of the issued shares via Spohn Cement Beteiligungen GmbH, a company under his control. As regards the other members of the Supervisory Board, the ownership of shares or share-based derivatives has not exceeded the threshold of 1% of the issued shares in any individual case or in total, according to the available notifications.

Boards

Managing Board

At present, there are nine members on the Managing Board of Heidelberg Materials AG: in addition to the Chairman of the Managing Board and the Chief Financial Officer, there are four members of the Managing Board with regional responsibilities and three further members with responsibility for sustainability, digitalisation, and technology.

Dr Dominik von Achten

Chairman of the Managing Board
Member of the Managing Board since 2007; Chairman of the Managing Board since 2020; appointed until January 2025

Area of responsibility:
Communication & Investor Relations, Strategy & Development/M&A, Human Resources incl. Health & Safety, Internal Audit, Legal, Compliance

External mandates:
- Kunststoffwerk Philippine GmbH & Co. KG[2)], Lahnstein, and Saarpor Klaus Eckhardt GmbH Neunkirchen Kunststoffe KG[2)], Neunkirchen (jointly meeting advisory board of Philippine Saarpor group)
- Verlag Lensing-Wolff GmbH & Co. KG ("Lensing Media")[2)], Dortmund

René Aldach

Chief Financial Officer
Member of the Managing Board since 2021; appointed until August 2029

Area of responsibility:
Corporate Finance, Data Governance, Procurement, Reporting Controlling & Consolidation & Data Hub, Shared Service Center, Tax, Treasury, Insurance & Risk, Australia (since January 2024)

Group mandates:
- Heidelberg Materials Asia Pte. Ltd.[2)], Singapore (since 20 October 2023)
- Heidelberg Materials Canada Holding Limited[2)], UK
- Heidelberg Materials Holding S.à.r.l.[2)], Luxembourg
- Heidelberg Materials Italia Cementi S.p.A.[2)], Italy (Deputy Chairman)
- Heidelberg Materials UK Holding Limited[2)], UK
- Heidelberg Materials UK Holding II Limited[2)], UK
- PT Indocement Tunggal Prakarsa Tbk.[2), 3)], Indonesia
- S.A. Heidelberg Materials Benelux N.V.[2)], Belgium

Roberto Callieri

Member of the Managing Board since 1 January 2024; appointed until December 2026

Area of responsibility:
Asia within the Asia-Pacific Group area

Group mandates:
- Asia Cement Public Company Limited[2)], Thailand
- Heidelberg Materials Italia Cementi S.p.A.[2)], Italy
- Jalaprathan Cement Public Company Limited[2)], Thailand

Axel Conrads

Chief Technical Officer since 1 February 2024
Member of the Managing Board since 1 February 2024; appointed until January 2027

Area of responsibility:
Global technical Competence Centers: Cement (CCC), Aggregates & Asphalt (CCA), and Readymix (CCR)

Group mandates:
- Heidelberg Materials Midwest Agg, Inc.[2)], USA
- Italmed Cement Company Ltd.[2)], Cyprus

Kevin Gluskie

Member of the Managing Board from 2016 until January 2024

Area of responsibility:
Asia-Pacific, Competence Center Readymix

External mandates:
- Alliance Construction Materials Limited[2)], Hong Kong S.A.R.
- Cement Australia Holdings Pty Ltd[2)], Australia (Chairman until 8 March 2023)
- Cement Australia Pty Limited[2)], Australia (Chairman until 8 March 2023)
- Cement Australia Partnership[2)], Australia (Chairman until 8 March 2023)
- China Century Cement Ltd.[2)], Bermuda
- Easy Point Industrial Ltd.[2)], Hong Kong S.A.R.
- Guangzhou Heidelberg Yuexiu Enterprise Management Consulting Company Ltd.[2)], China
- Jidong Heidelberg (Fufeng) Cement Company Limited[2)], China
- Jidong Heidelberg (Jingyang) Cement Company Limited[2)], China
- Squareal Cement Ltd[2)], Hong Kong S.A.R.

Group mandates:
- Asia Cement Public Company Limited[2)], Thailand
- Butra HeidelbergCement Sdn. Bhd.[2)], Brunei Darussalam (Chairman)
- Gulbarga Cement Limited[2)], India
- Hanson Pacific (S) Pte Limited[2)], Singapore (until 6 April 2023)
- Heidelberg Materials Asia Pte. Ltd.[2)], Singapore (Chairman)
- HeidelbergCement Bangladesh Limited[2), 3)], Bangladesh (Chairman)
- HeidelbergCement Holding HK Limited[2)], Hong Kong S.A.R.
- HeidelbergCement India Limited[2), 3)], India (until 13 March 2024)
- HeidelbergCement Myanmar Company Limited[2)], Myanmar
- Jalaprathan Cement Public Company Limited[2)], Thailand
- PT Indocement Tunggal Prakarsa Tbk.[2), 3)], Indonesia (Chairman)
- Zuari Cement Limited[2)], India (Chairman)

Hakan Gurdal

Member of the Managing Board since 2016; appointed until January 2029

Area of responsibility:
Africa-Eastern Mediterranean Basin (until December 2023), Africa-Mediterranean-Western Asia (since January 2024), Heidelberg Materials Trading

External mandates:
- Akçansa Çimento Sanayi ve Ticaret A.Ş.[2),3)], Turkey (Deputy Chairman)
- Asment de Temara S.A.[2)], Morocco
- CEMZA (PTY) LTD[2)], South Africa
- Continental Blue Investment SA[2)], Switzerland
- Vassiliko Cement Works Ltd[2)], Cyprus

Group mandates:
- Austral Cimentos Sofala SA[2)], Mozambique
- Calcim SA[2)], Benin (Chairman)
- Cimbenin SA[2)], Benin (Chairman)
- CimBurkina S.A.[2)], Burkina Faso
- Cimenterie de Lukala S.A.[2)], Democratic Republic of the Congo
- Ciments du Maroc S.A.[2),3)], Morocco
- Ciments du Togo SA[2)], Togo
- Ghacem Ltd.[2)], Ghana (Chairman)
- Granuburkina SA[2)], Burkina Faso (Chairman)
- Hanson Israel Limited[2)], Israel
- Heidelberg Materials - Helwan Cement S.A.E.[2)], Egypt (Chairman)
- Heidelberg Materials - Suez Cement S.A.E.[2)], Egypt
- Heidelberg Materials - Tourah Cement S.A.E.[2)], Egypt
- La Societe GRANUTOGO SA[2)], Togo (Chairman)
- Scancem Holding AS[2)], Norway (Chairman)
- Scancem International DA[2)], Norway (Chairman)
- Scantogo Mines SA[2)], Togo (Chairman)
- Tanga Cement PLC[2)], Tanzania (Chairman) (since 1 December 2023)
- Tanzania Portland Cement Public Limited Company[2),3)], Tanzania (Chairman)

Ernest Jelito

Member of the Managing Board from 2019 until December 2023

Area of responsibility:
Northern and Eastern Europe-Central Asia, Competence Center Cement

External mandates:
- CaucasusCement Holding B.V.[2)], Netherlands (Chairman) (until 20 April 2023)
- Duna-Dráva Cement Kft.[2)], Hungary
- Optima Medycyna S.A.[2)], Poland (Chairman)
- Tvornica Cementa Kakanj d.d.[2)], Bosnia-Herzegovina

Group mandates:
- Górażdże Cement S.A.[2)], Poland (Chairman)
- Heidelberg Materials Central Europe B.V.[2)], Netherlands (Chairman)
- Heidelberg Materials CZ, a.s.[2)], Czechia (Chairman)
- Heidelberg Materials Devnya JSC[2)], Bulgaria (Chairman)
- Heidelberg Materials Hellas S.A.[2)], Greece (Chairman)
- Heidelberg Materials Northern Europe AB[2)], Sweden (Chairman)
- Heidelberg Materials Romania SA[2)], Romania
- Heidelberg Materials Vulkan JSC[2)], Bulgaria (Chairman)
- JSC “Cesla”[2)], Russia

Dr Nicola Kimm

Chief Sustainability Officer
Member of the Managing Board since 2021; appointed until August 2024

Area of responsibility:
Environmental Social Governance (ESG), Research & Development

External mandates:
- EQT AB[2),3)], Sweden (until 29 May 2023)

Dennis Lentz

Chief Digital Officer
Member of the Managing Board since 2021; appointed until August 2029

Area of responsibility:
Digitalisation, Information Technology

External mandates:
- Giatec Scientific Inc.[2)], Canada
- Project Potter Parent GP, LLC[2)], Cayman Islands

Group mandates:
- Volt RMC Solutions Canada Ltd.[2)], Canada

Jon Morrish

Member of the Managing Board since 2016; appointed until January 2029

Area of responsibility:
Western and Southern Europe (until December 2023), Europe (since January 2024), International Associations (e.g. GCCA, CEMBUREAU)

Group mandates:
- Castle Cement Limited[2)], UK
- Hanson Quarry Products Europe Limited[2)], UK
- Heidelberg Materials Holding S.à.r.l.[2)], Luxembourg
- Heidelberg Materials Iberia Holding, S.L.[2)], Spain
- Heidelberg Materials Italia Cementi S.p.A.[2)], Italy (Deputy Chairman)
- Heidelberg Materials Nederland N.V.[2)], Netherlands
- S.A. Heidelberg Materials Benelux N.V.[2)], Belgium

Chris Ward

Member of the Managing Board since 2019; appointed until August 2028

Area of responsibility:
North America, Competence Center Aggregates & Asphalt (until January 2024)

External mandates:
- Project Potter Parent GP, LLC[2], Cayman Islands

Group mandates:
- Commercial Aggregates Transportation and Sales LLC[2], USA (Chairman)
- Constar LLC[2], USA
- Essroc Holdings LLC[2], USA
- Greyrock, LLC[2], USA (until 30 May 2023)
- Hanson Aggregates WRP, Inc.[2], USA (Chairman)
- Hanson Building Materials America LLC[2], USA
- Hanson Micronesia Cement, Inc.[2], USA (Chairman)
- Hanson Permanente Cement of Guam, Inc.[2], USA (Chairman)
- HBMA Holdings LLC[2], USA
- Heidelberg Materials Canada Holding Limited[2], UK
- Heidelberg Materials Canada Limited[2], Canada (Chairman)
- Heidelberg Materials Midwest Agg, Inc.[2], USA (Chairman)
- Heidelberg Materials Northeast LLC[2], USA (Chairman)
- Heidelberg Materials Northeast-NY LLC[2], USA (Chairman)
- Heidelberg Materials Southeast Agg LLC[2], USA (Chairman)
- Heidelberg Materials Southwest Agg LLC[2], USA (Chairman)
- Heidelberg Materials UK Holding II Limited[2], UK
- Heidelberg Materials US, Inc.[2], USA
- Heidelberg Materials US Cement LLC[2], USA
- HM Northwest Cement Company[2], USA
- HM Northwest Marine, LLC[2], USA (Chairman)
- HM Pacific Northwest, Inc.[2], USA (Chairman)
- HM Southeast Cement LLC[2], USA (Chairman)
- HM South Texas Concrete LLC[2], USA (Chairman)
- HM South Texas Concrete Transport LLC[2], USA (Chairman)
- HM South Texas Stabilized Sand LLC[2], USA (Chairman)
- HM US Receivables LLC[2], USA
- HM US Services LLC[2], USA
- HNA Investments[2], USA
- KH 1 Inc.[2], USA
- Lehigh Southwest Cement Company[2], USA (Chairman)
- LHI Duomo Holdings LLC[2], USA
- Seacoast Products, Inc.[2], USA
- SEFA Transportation, LLC[2], USA (Chairman) (since 1 May 2023)
- Southeast Concrete LLC[2], USA (Chairman)
- Standard Concrete Products, Inc.[2], USA (Chairman) (dissolved on 1 July 2023)
- The SEFA Group, LLC[2], USA (Chairman) (since 1 May 2023)

1) Membership in legally required supervisory boards of German companies
2) Membership in comparable German and foreign supervisory committees of commercial enterprises
3) Publicly listed company

Supervisory Board

According to the Articles of Association, the Supervisory Board of Heidelberg Materials AG consists of twelve members. Half of the members shall be elected by the Annual General Meeting according to the provisions of the German Stock Corporation Act and half by the employees according to the provisions of the German Co-determination Act. The term of office for the Supervisory Board started with the conclusion of the Annual General Meeting of 9 May 2019 and ends according to schedule with the conclusion of the ordinary Annual General Meeting on 16 May 2024.

Dr Bernd Scheifele

Chairman of the Supervisory Board
Heidelberg; former Chairman of the Managing Board of HeidelbergCement AG (now Heidelberg Materials AG); member of various supervisory bodies
Member since 12 May 2022; member of the Personnel, Audit, and Mediation Committees

External mandates:
- PHOENIX Pharma SE[1] (Chairman) and PHOENIX Pharmahandel GmbH & Co KG[2] (Chairman), Mannheim (jointly meeting supervisory board and advisory board, respectively)
- Verlagsgruppe Georg von Holtzbrinck GmbH[1], Stuttgart (Chairman) (Dr Scheifele will step down from the Supervisory Board at the end of 24 April 2024.)
- Springer Nature AG & Co. KGaA[1], Berlin (Dr Scheifele will step down from the Supervisory Board at the end of 23 April 2024.)

Heinz Schmitt

Deputy Chairman
Heidelberg; Controller; member of the Works Council at the headquarters of Heidelberg Materials AG
Member since 6 May 2004; Deputy Chairman since 7 May 2009; member of the Personnel, Audit, and Mediation committees

Barbara Breuninger

Frankfurt; Specialist Strategic Management Personnel Recruiting/Development and Coaching, IG Bauen-Agrar-Umwelt, as well as independent Management Trainer and Consultant
Member since 5 April 2018; member of the Audit Committee

Birgit Jochens

Mainz; Industrial Clerk and State Certified Business Economist; Mainz plant, Heidelberg Materials AG
Member since 9 May 2019; member of the Personnel Committee

Ludwig Merckle

Ulm; Managing Director of Merckle Service GmbH[4]
Member since 2 June 1999; Chairman of the Personnel and Nomination committees, Deputy Chairman of the Audit Committee and member of the Sustainability and Innovation Committee

External mandates:
- Kässbohrer Geländefahrzeug AG[1, 4], Laupheim (Chairman)
- PHOENIX Pharma SE[1, 4] (Deputy Chairman) and PHOENIX Pharmahandel GmbH & Co KG[2, 4], Mannheim (jointly meeting supervisory board and advisory board, respectively)

Luka Mucic

London; Chief Financial Officer of Vodafone Group Plc
Member since 9 May 2019; Chairman of the Audit Committee and member of the Personnel Committee

Dr Ines Ploss

Heidelberg; Director Group Procurement at Heidelberg Materials AG
Member since 9 May 2019; member of the Personnel, Sustainability and Innovation, and Mediation Committees

Peter Riedel

Frankfurt; Department Head – building materials industry at the Federal Executive Committee of IG Bauen-Agrar-Umwelt
Member since 9 May 2019; member of the Audit Committee and Sustainability and Innovation Committee

External mandates:
- Zusatzversorgungskasse der Steine- und Erden-Industrie und des Betonstein-handwerks VVaG – Die Bayerische Pensionskasse (ZVK)[2)], Munich

Werner Schraeder

Ennigerloh; Building Fitter; Chairman of the General Works Council of Heidelberg Materials AG, Chairman of the Works Council at the Ennigerloh plant of Heidelberg Materials AG, and Chairman of the Group Works Council
Member since 7 May 2009; member of the Personnel, Audit, and Sustainability and Innovation Committees

External mandates:
- Berufsgenossenschaft Rohstoffe und chemische Industrie[2)], Heidelberg
- Volksbank eG[2)], Warendorf

Margret Suckale

Tegernsee; member of supervisory boards
Member since 25 August 2017; member of the Personnel, Audit, and Nomination Committees

External mandates:
- Deutsche Telekom AG[1), 3)], Bonn
- DWS Group GmbH & Co. KGaA[1), 3)], Frankfurt
- Greiner AG[2)], Austria (since 14 June 2023)
- Infineon Technologies AG[1), 3)], Neubiberg

Dr Sopna Sury

Willich; Chief Operating Officer Hydrogen and member of the Executive Board of RWE Generation SE
Member since 12 May 2022; member of the Sustainability and Innovation Committee

Professor Dr Marion Weissenberger-Eibl

Karlsruhe; Head of the Fraunhofer Institute for Systems and Innovation Research ISI in Karlsruhe and holder of the Chair of Innovation and Technology Management (iTM) at the Karlsruhe Institute of Technology (KIT)
Member since 3 July 2012; Chairwoman of the Sustainability and Innovation Committee and the Mediation Committee as well as member of the Nomination Committee

External mandates:
- ExxonMobil Central Europe Holding GmbH[2)], Hamburg (since 23 June 2023)
- MTU Aero Engines AG[1), 3)], Munich
- Semperit Aktiengesellschaft Holding[2), 3)], Austria (since 25 April 2023)

1) Membership in other legally required supervisory boards of German companies
2) Membership in comparable German and foreign supervisory committees of commercial enterprises
3) Publicly listed company
4) Non-listed companies controlled by Ludwig Merckle

Supervisory Board committees

Personnel Committee

- Ludwig Merckle (Chairman)
- Birgit Jochens
- Luka Mucic
- Dr Ines Ploss
- Dr Bernd Scheifele
- Heinz Schmitt
- Werner Schraeder
- Margret Suckale

Audit Committee

- Luka Mucic (Chairman)
- Ludwig Merckle (Deputy Chairman)
- Barbara Breuninger
- Peter Riedel
- Dr Bernd Scheifele
- Heinz Schmitt
- Werner Schraeder
- Margret Suckale

Sustainability and Innovation Committee

- Professor Dr Marion Weissenberger-Eibl (Chairwoman)
- Ludwig Merckle
- Dr Ines Ploss
- Peter Riedel
- Werner Schraeder
- Dr Sopna Sury

Nomination Committee

- Ludwig Merckle (Chairman)
- Margret Suckale
- Professor Dr Marion Weissenberger-Eibl

Mediation Committee, pursuant to section 27(3) of the German Co-determination Act

- Professor Dr Marion Weissenberger-Eibl (Chairwoman)
- Dr Ines Ploss
- Dr Bernd Scheifele
- Heinz Schmitt

Consolidated financial statements

Consolidated income statement

€m	Notes	2022	2023
Revenue	7.1	**21,095.1**	**21,177.6**
Change in finished goods and work in progress		274.4	100.6
Own work capitalised		21.9	28.8
Operating revenue		**21,391.4**	**21,307.0**
Other operating income	7.2	623.8	561.6
Material costs	7.3	-8,961.3	-8,160.1
Personnel costs	7.4	-3,216.7	-3,414.8
Other operating expenses	7.5	-6,359.6	-6,269.3
Result from equity accounted investments (REI)	7.6	261.8	233.7
Result from current operations before depreciation and amortisation (RCOBD)		**3,739.4**	**4,258.0**
Depreciation and amortisation		-1,263.9	-1,235.6
Result from current operations		**2,475.6**	**3,022.5**
Additional ordinary income	7.7	124.9	164.8
Additional ordinary expenses	7.7	-318.1	-163.9
Additional ordinary result		**-193.2**	**0.9**
Earnings before interest and taxes (EBIT)		**2,282.4**	**3,023.4**
Interest income		31.7	74.7
Interest expenses	7.8	-151.2	-206.8
Foreign exchange gains and losses		-98.7	-24.7
Result from other participations		12.6	5.8
Other financial result	7.9	140.3	-23.3
Financial result		**-65.3**	**-174.3**
Profit before tax from continuing operations		**2,217.1**	**2,849.0**
Income taxes	7.10	-485.0	-658.6
Net income from continuing operations		**1,732.0**	**2,190.4**
Net loss from discontinued operations	7.11	-9.1	-103.5
Profit for the financial year		**1,723.0**	**2,086.9**
Thereof attributable to non-controlling interests		126.4	157.9
Thereof attributable to Heidelberg Materials AG shareholders		**1,596.6**	**1,928.9**
Earnings per share – attributable to Heidelberg Materials AG shareholders	7.12	**8.45**	**10.43**
Earnings per share – continuing operations		8.49	10.99
Loss per share – discontinued operations		-0.05	-0.56

Consolidated statement of comprehensive income

€m	2022	2023
Profit for the financial year	**1,723.0**	**2,086.9**
Other comprehensive income		
Items not being reclassified to profit or loss in subsequent periods		
Remeasurement of the defined benefit liability (asset)	13.5	-131.8
Income taxes	-3.4	33.0
Defined benefit plans	**10.0**	**-98.8**
Net gains/losses arising from equity accounted investments	9.8	5.6
Total	**19.9**	**-93.2**
Items that maybe be reclassified subsequently to profit or loss		
Cash flow hedges – change in fair value	162.7	-59.4
Reclassification adjustments for gains/losses included in profit or loss	-43.9	-11.0
Income taxes	-26.9	15.6
Cash flow hedges	**92.0**	**-54.7**
Currency translation	127.1	-371.7
Reclassification adjustments for gains/losses included in profit or loss	13.4	-0.1
Income taxes		7.4
Currency translation	**140.5**	**-364.3**
Net gains/losses arising from equity accounted investments	-2.6	-31.8
Total	**229.8**	**-450.8**
Other comprehensive income	**249.7**	**-544.0**
Total comprehensive income	**1,972.7**	**1,542.9**
Thereof attributable to non-controlling interests	99.6	131.1
Thereof attributable to Heidelberg Materials AG shareholders	1,873.1	1,411.8

Consolidated statement of cash flows

€m	Notes	2022	2023
Net income from continuing operations		1,732.0	2,190.4
Income taxes		485.0	658.6
Interest income/expenses		119.5	132.1
Dividends received	8.1	209.3	203.4
Interest received	8.2	272.5	158.9
Interest paid	8.2	-211.6	-321.9
Income taxes paid		-359.9	-522.3
Depreciation, amortisation, and impairment		1,402.3	1,233.3
Other eliminations	8.3	-168.0	-78.8
Cash flow		**3,481.3**	**3,653.7**
Changes in operating assets		-900.0	-83.4
Changes in operating liabilities		95.3	-121.6
Changes in working capital	8.4	**-804.7**	**-205.0**
Decrease in provisions through cash payments		-241.1	-220.5
Cash flow from operating activities – continuing operations		**2,435.4**	**3,228.2**
Cash flow from operating activities – discontinued operations		-15.2	-23.1
Cash flow from operating activities		**2,420.2**	**3,205.1**
Intangible assets		-35.1	-57.8
Property, plant and equipment		-1,300.1	-1,271.9
Government grants		75.6	94.4
Subsidiaries and other business units		-63.5	-414.2
Other financial assets, associates, and joint ventures		-487.8	-200.2
Investments (cash outflow)	8.5	**-1,810.9**	**-1,849.8**
Intangible assets		0.0	0.5
Property, plant and equipment		144.8	135.2
Subsidiaries and other business units		144.8	26.6
Other financial assets, associates, and joint ventures		39.0	207.8
Divestments (cash inflow)	8.6	**328.7**	**370.0**
Cash flow from investing activities		**-1,482.2**	**-1,479.8**

Consolidated statement of cash flows (Continued)

€m	Notes	2022	2023
Capital increase of/repayment to non-controlling interests		-1.7	0.7
Dividend to Heidelberg Materials AG shareholders		-458.3	-484.1
Dividends to non-controlling interests		-169.4	-94.9
Acquisition of treasury shares	8.7	-350.0	-298.0
Decrease in ownership interests in subsidiaries	8.8	2.7	
Increase in ownership interests in subsidiaries	8.8	-78.4	
Proceeds from bond issuance and loans	8.9	1.9	1,504.6
Repayment of bonds, loans and lease liabilities	8.10	-1,393.7	-737.5
Changes in short-term financial liabilities	8.11	-92.0	243.9
Cash flow from financing activities		**-2,538.9**	**134.6**
Net change in cash and cash equivalents – continuing operations		-1,585.7	1,883.0
Net change in cash and cash equivalents – discontinued operations		-15.2	-23.1
Net change in cash and cash equivalents		**-1,600.9**	**1,859.9**
Effect of exchange rate changes		-60.1	-47.6
Cash and cash equivalents at 1 January		3,115.1	1,454.1
Cash and cash equivalents at 31 December	8.13	**1,454.1**	**3,266.5**

Consolidated balance sheet – Assets

€m	Notes	31 Dec. 2022	31 Dec. 2023
Non-current assets			
Goodwill		8,368.1	8,341.7
Other intangible assets		209.3	342.9
Intangible assets	9.1	**8,577.4**	**8,684.6**
Land and buildings		6,763.6	7,131.2
Plant and machinery		4,354.0	4,988.2
Other operating equipment		841.0	858.8
Prepayments and assets under construction		1,701.9	1,171.4
Property, plant and equipment	9.2	**13,660.4**	**14,149.6**
Investments in joint ventures	7.6	1,743.2	1,698.4
Investments in associates	7.6	688.3	659.0
Financial investments	9.3	87.5	95.6
Loans		156.2	197.0
Derivative financial instruments		40.3	6.9
Deferred taxes	7.10	268.2	295.5
Other non-current receivables and assets	9.4	888.6	840.0
Non-current income tax assets	7.10	26.7	22.5
Total non-current assets		**26,136.8**	**26,649.2**
Current assets			
Raw materials and consumables		1,330.9	1,273.7
Work in progress		380.6	378.3
Finished goods and goods for resale		931.4	989.6
Prepayments		26.2	28.7
Inventories	9.5	**2,669.2**	**2,670.3**
Current interest-bearing receivables		98.5	143.9
Trade receivables	9.6	2,040.0	2,005.2
Other current receivables and assets	9.4	602.1	606.9
Current income tax assets	7.10	121.9	53.9
Current financial investments			12.3
Current derivative financial instruments		83.3	39.9
Cash and cash equivalents	8.13	1,454.1	3,266.5
Total current assets		**7,069.2**	**8,799.0**
Assets held for sale	7.11	49.6	23.3
Balance sheet total		**33,255.6**	**35,471.5**

Consolidated balance sheet – Equity and liabilities

€m	Notes	31 Dec. 2022	31 Dec. 2023
Equity			
Subscribed share capital	9.7	579.3	558.6
Share premium	9.8	6,241.4	6,262.1
Retained earnings	9.9	10,809.1	11,854.0
Other components of equity	9.10	-741.9	-1,135.5
Treasury shares	9.7	-350.0	-298.0
Total shareholders' equity of Heidelberg Materials AG		**16,537.9**	**17,241.3**
Non-controlling interests	9.11	1,086.3	1,133.5
Total equity		**17,624.2**	**18,374.8**
Non-current liabilities			
Bonds payable	9.14	5,269.4	5,389.9
Bank loans		62.6	46.6
Other non-current financial liabilities	9.14	1,001.0	1,022.9
Pension provisions	9.12	639.1	666.6
Deferred taxes	7.10	886.3	948.5
Other non-current provisions	9.13	1,364.5	1,370.9
Other non-current operating liabilities	9.14	53.6	70.3
Non-current income tax liabilities	7.10	208.8	196.5
Total non-current liabilities		**9,485.2**	**9,712.2**
Current liabilities			
Bonds payable (current portion)	9.14	52.5	1,471.6
Bank loans (current portion)		258.6	243.7
Other current financial liabilities	9.14	465.8	444.7
Pension provisions (current portion)	9.12	95.5	97.2
Other current provisions	9.13	276.2	313.1
Trade payables	9.14	3,343.1	3,156.5
Other current operating liabilities	9.14	1,429.0	1,430.9
Current income tax liabilities	7.10	225.1	224.5
Total current liabilities		**6,145.8**	**7,382.2**
Liabilities associated with assets held for sale	7.11	0.3	2.2
Total liabilities		**15,631.3**	**17,096.6**
Balance sheet total		**33,255.6**	**35,471.5**

Consolidated statement of changes in equity

€m				Other components of equity							
	Subscribed share capital	Share premium	Retained earnings	Cash flow hedge reserve	Asset revaluation reserve	Currency translation	Total other components of equity	Treasury shares	Total share-holders' equity of Heidelberg Materials AG	Non-controlling interests[1]	Total
1 January 2022	**595.2**	**6,225.4**	**10,015.7**	**17.5**	**21.7**	**−1,088.6**	**−1,049.4**	**−349.8**	**15,437.2**	**1,222.3**	**16,659.4**
First-time application IAS 29 Hyperinflation						50.9	50.9		50.9		50.9
1 January 2022 (adjusted)	**595.2**	**6,225.4**	**10,015.7**	**17.5**	**21.7**	**−1,037.7**	**−998.6**	**−349.8**	**15,488.1**	**1,222.3**	**16,710.3**
Profit for the financial year			1,596.6						1,596.6	126.4	1,723.0
Other comprehensive income			18.4	93.3		164.7	258.1		276.5	−26.8	249.7
Total comprehensive income			**1,615.0**	**93.3**		**164.7**	**258.1**		**1,873.1**	**99.6**	**1,972.7**
Change in consolidation scope										0.1	0.1
Change in ownership interests in subsidiaries			−19.8						−19.8	−56.0	−75.8
Change in non-controlling interests with put options			4.0						4.0	−8.4	−4.4
Transfer asset revaluation reserve			1.5		−1.5		−1.5				
Repayment of capital										−1.7	−1.7
Other changes			0.8						0.8		0.8
Acquisition of treasury shares								−350.0	−350.0		−350.0
Cancellation of treasury shares	−16.0	16.0	−349.8					349.8			
Dividends			−458.3						−458.3	−169.5	−627.8
31 December 2022	**579.3**	**6,241.4**	**10,809.1**	**110.8**	**20.2**	**−873.0**	**−741.9**	**−350.0**	**16,537.9**	**1,086.3**	**17,624.2**
1 January 2023	**579.3**	**6,241.4**	**10,809.1**	**110.8**	**20.2**	**−873.0**	**−741.9**	**−350.0**	**16,537.9**	**1,086.3**	**17,624.2**
First-time application IAS 29 Hyperinflation						51.0	51.0		51.0	2.4	53.4
1 January 2023 (adjusted)	**579.3**	**6,241.4**	**10,809.1**	**110.8**	**20.2**	**−822.0**	**−690.9**	**−350.0**	**16,588.9**	**1,088.8**	**17,677.7**
Profit for the financial year			1,928.9						1,928.9	157.9	2,086.9
Other comprehensive income			−93.6	−55.9		−367.7	−423.5		−517.2	−26.8	−544.0
Total comprehensive income			**1,835.3**	**−55.9**		**−367.7**	**−423.5**		**1,411.8**	**131.1**	**1,542.9**
Change in consolidation scope										7.6	7.6
Change in ownership interests in subsidiaries			−1.1						−1.1	−0.2	−1.3
Change in non-controlling interests with put options			10.3						10.3	−1.8	8.4
Transfer asset revaluation reserve			20.2		−20.2		−20.2				
Share-based payment of equity accounted investments			13.9						13.9		13.9
Capital increase from corporate funds										0.7	0.7
Other changes			0.4	−0.8			−0.8		−0.3	2.5	2.1
Acquisition of treasury shares								−298.0	−298.0		−298.0
Cancellation of treasury shares	−20.7	20.7	−350.0					350.0			
Dividends			−484.1						−484.1	−95.1	−579.2
31 December 2023	**558.6**	**6,262.1**	**11,854.0**	**54.2**		**−1,189.6**	**−1,135.5**	**−298.0**	**17,241.3**	**1,133.5**	**18,374.8**

1) The accumulated currency translation differences included in non-controlling interests changed in 2023 by €−19.5 million (previous year: −26.7) to €−255.7 million (previous year: −236.3).
The total currency translation differences recognised in equity thus amount to €−1,445.4 million (previous year: −1,058.3).

Segment reporting/Part of the Group Notes

Group areas	Western and Southern Europe		Northern and Eastern Europe-Central Asia		North America		Asia-Pacific		Africa-Eastern Mediterranean Basin		Group Services		Reconciliation[1]		Continuing operations	
€m	2022	**2023**	2022	**2023**	2022	**2023**	2022	**2023**	2022	**2023**	2022	**2023**	2022	**2023**	2022	**2023**
External revenue	6,259	6,395	3,577	3,593	4,907	5,219	3,608	3,670	1,991	1,710	754	591			21,095	21,178
Inter-Group areas revenue	49	42	23	24			25	35	118	146	1,029	669	-1,245	-916		
Revenue	**6,308**	**6,437**	**3,600**	**3,617**	**4,907**	**5,219**	**3,633**	**3,705**	**2,108**	**1,856**	**1,783**	**1,260**	**-1,245**	**-916**	**21,095**	**21,178**
Change to previous year in %		2.0%		0.5%		6.4%		2.0%		-12.0%		-29.3%				0.4%
Result from equity accounted investments (REI)	22	19	35	14	43	39	123	117	35	38	4	7			262	234
Result from current operations before depreciation and amortisation (RCOBD)	**908**	**1,212**	**730**	**787**	**1,028**	**1,181**	**598**	**643**	**464**	**474**	**35**	**31**	**-22**	**-71**	**3,739**	**4,258**
as % of revenue (operating margin)	14.4%	18.8%	20.3%	21.8%	20.9%	22.6%	16.4%	17.4%	22.0%	25.5%	1.9%	2.5%			17.7%	20.1%
Depreciation and amortisation	-358	-347	-196	-188	-327	-326	-248	-245	-109	-104	-1	-1	-25	-25	-1,264	-1,236
Result from current operations	**550**	**864**	**534**	**599**	**700**	**856**	**350**	**399**	**355**	**370**	**34**	**31**	**-47**	**-96**	**2,476**	**3,022**
as % of revenue	8.7%	13.4%	14.8%	16.6%	14.3%	16.4%	9.6%	10.8%	16.8%	19.9%	1.9%	2.5%			11.7%	14.3%
Additional ordinary result													-193	1	-193	1
Earnings before interest and taxes (EBIT)													**2,282**	**3,023**	**2,282**	**3,023**
Capital expenditures[2]	**342**	**430**	**190**	**220**	**464**	**337**	**161**	**143**	**96**	**92**	**7**	**13**	**551**	**614**	**1,811**	**1,850**
Segment assets[3]	**5,150**	**5,474**	**2,584**	**2,592**	**8,996**	**9,033**	**4,020**	**4,146**	**1,488**	**1,588**	**1**	**1**			**22,238**	**22,834**
RCOBD as % of segment assets	17.6%	22.1%	28.2%	30.4%	11.4%	13.1%	14.9%	15.5%	31.2%	29.9%	>100%	>100%			16.8%	18.6%
Number of employees as at 31 December[4]	**14,883**	**15,052**	**10,869**	**10,590**	**7,933**	**8,247**	**12,139**	**12,218**	**4,858**	**4,790**	**99**	**100**			**50,780**	**50,997**
Average number of employees[4]	**15,113**	**15,140**	**11,078**	**10,734**	**8,327**	**8,585**	**12,309**	**12,310**	**4,832**	**4,705**	**93**	**99**			**51,752**	**51,573**

1) Reconciliation includes:
a) intra Group revenues = eliminations of intra-Group relationships between the segments
b) results from current operations before depreciation and amortisation/depreciation from corporate functions
c) additional ordinary result and earnings before interest and taxes
2) Capital expenditures = in the segment columns: cash effective investments in property, plant and equipment as well as intangible assets; in the reconciliation column: cash effective investments in non-current financial assets and other business units
3) Segment assets = property, plant and equipment as well as intangible assets
4) Number based on full-time equivalents

Group Notes

1 General information

At the Annual General Meeting on 11 May 2023, a resolution was passed to change the name of HeidelbergCement AG to Heidelberg Materials AG. The name was entered in the commercial register on 16 June 2023. Since then, the company has operated as Heidelberg Materials AG.

Heidelberg Materials AG is a public limited company based in Germany. The company has its registered office in Heidelberg, Germany. Its address is: Heidelberg Materials AG, Berliner Straße 6, 69120 Heidelberg. The company is registered at the Mannheim Local Court (HRB 330082).

The core activities of Heidelberg Materials include the production and distribution of cement, aggregates, ready-mixed concrete, and asphalt.

2 Accounting and valuation principles

2.1 Accounting principles

The consolidated financial statements of Heidelberg Materials AG as at 31 December 2023 were prepared in accordance with the International Financial Reporting Standards (IFRS) as adopted by the European Union and the additional requirements of German Commercial Law pursuant to section 315e(1) of the German Commercial Code (Handelsgesetzbuch, HGB). All binding IFRSs for the 2023 financial year adopted into European law by the European Commission, including the interpretations of the IFRS Interpretations Committee (IFRS IC), were applied. The previous year's figures were determined according to the same principles.

The consolidated financial statements cover the period from 1 January 2023 to 31 December 2023 and are prepared in euro. Unless otherwise stated, all amounts are given in millions of euros (€m). The amounts have been rounded in accordance with standard commercial practice. The financial statements show a true and fair view of the assets, financial, and earnings position of the Heidelberg Materials Group.

In accordance with IAS 1 (Presentation of Financial Statements), the consolidated financial statements contain a balance sheet as at the reporting date, an income statement, a statement of comprehensive income, a statement of changes in equity, and a statement of cash flows in accordance with the principles of IAS 7 (Statement of Cash Flows). The segment reporting is prepared in accordance with the regulations of IFRS 8 (Operating Segments).

For reasons of clarity, some individual items have been combined in the income statement and in the balance sheet. Explanations of these items are contained in the Notes. The income statement classifies expenses according to their nature. To improve the level of information, the additional ordinary result is shown separately in the income statement. This item shows income and expenses that, although occurring in the course of ordinary business activities, are not reported in result from current operations. This includes, in particular, impairment of goodwill, other intangible assets and property, plant and equipment, gains and losses from the disposal of subsidiaries and other business units, expenses from additions to or income from the reversal of provisions for legal proceedings, restructuring expenses pursuant to IAS 37, expenses directly related to the rebranding of our Group companies, and transaction costs for business combinations and disposals.

2.2 Scope of consolidation

In addition to Heidelberg Materials AG, the consolidated financial statements include subsidiaries, joint arrangements, and associates.

Subsidiaries are characterised by the fact that Heidelberg Materials can exercise control over these companies. Control exists when Heidelberg Materials has decision-making power, is exposed to variable returns, and is able to influence the level of the variable returns as a result of the decision-making power. Normally, this is the case when more than 50% of the shares are owned. If contracts or legal regulations stipulate that a company can be controlled despite a shareholding of less than 50%, this company is included in the consolidated financial statements as a subsidiary. If a company cannot be controlled with a shareholding of more than 50% as a result of contracts or legal regulations, this company is not included in the consolidated financial statements as a subsidiary.

In joint arrangements, Heidelberg Materials exercises joint control over a company with one or more parties through contractual agreements. Joint control exists if decisions about the relevant activities of the company must be made unanimously. Depending on the rights and obligations of the parties, joint arrangements may be joint operations or joint ventures. In joint operations, however, the controlling parties have direct rights to the assets and obligations for the liabilities of the jointly controlled operation. Joint ventures are characterised by the fact that the parties that have joint control participate in the net assets of the company by virtue of their position as shareholders.

In associates, Heidelberg Materials has a significant influence on the operating and financial policies of the company. This is normally the case if Heidelberg Materials holds between 20% and 50% of the voting rights in a company.

2.3 Consolidation principles

The capital consolidation of subsidiaries is performed using the acquisition method pursuant to IFRS 3 (Business Combinations). In this process, the acquirer measures the identifiable assets acquired and liabilities assumed at their fair values at the acquisition date. The acquiring entity's investment, measured at the fair value of the consideration transferred, is eliminated against the revalued equity of the newly consolidated subsidiary at acquisition date. The residual positive difference between the fair value of the consideration transferred and the fair value of acquired assets and liabilities is shown as goodwill. A residual negative difference is recognised in profit or loss after further review. Non-controlling interests can be recognised either at their proportionate share of the acquiree's net assets or at fair value. This option can be applied separately for every business combination.

Income and expenses as well as receivables and payables between consolidated companies are eliminated. Profits and losses from intra-Group sales of assets are eliminated. The consequences of consolidation on income tax are taken into account by recognising deferred taxes.

The share of equity and the share of profit or loss for the financial year attributable to non-controlling interests of consolidated subsidiaries are shown separately. In the case of put options held by non-controlling interests, the total comprehensive income attributable to the non-controlling interests as well as the dividend payments to non-controlling interests are shown over the course of the year as changes in equity. At the reporting date, non-controlling interests with a put option were reclassified as financial liabilities. The financial liability is measured at the present value of the redemption amount. Differences between the carrying amount of the non-controlling interests and the present value of the redemption amount are recognised directly in equity. In the case of non-controlling interests in German partnerships, changes in the value of the settlement obligation are recognised in profit or loss in the financial result. In the statement of changes in equity, this is reported in the line Change in non-controlling interests with put options.

In the event of business combinations achieved in stages, Heidelberg Materials achieves control of a company in which it held a non-controlling equity interest immediately before the acquisition date. In this scenario, differences between the carrying amount and the fair value of previously held shares are recognised in profit or loss. Changes in the ownership interest in a subsidiary that do not lead to a loss of control are recognised outside profit or loss as equity transactions. In the case of transactions that lead to a loss of control, any residual interests are revalued at fair value in profit or loss.

In joint operations, the assets, liabilities, income and expenses, as well as cash flows are included pro rata in the consolidated financial statements in accordance with the rights and obligations of Heidelberg Materials.

Joint ventures and associates are accounted for using the equity method. Initially, the acquired investments are recognised at cost. In subsequent years, the carrying amount of the investment is increased or decreased according to the share of Heidelberg Materials in the comprehensive income of the investee. Dividend payments received from investees reduce the carrying amount. Unrealised gains on transactions between the Group and its associates and joint ventures are eliminated to the extent of the Group's participation in these companies. Unrealised losses are eliminated unless the transaction provides evidence of an impairment of the asset transferred. When the share of losses attributable to Heidelberg Materials in the company in which a participating interest is held equals or exceeds the carrying amount of the investment, no further shares of losses are recognised. If the investee subsequently reports profits, the investor resumes recognising its share of these profits only after the share in profit equals the share of losses not yet recognised.

Subsidiaries, joint operations, joint ventures, and associates that do not have a material impact on the assets, financial, and earnings position of the Group, either individually or collectively, are accounted for at cost less impairment and shown as financial investments. In each case, the financial data of the immaterial subsidiaries accounted for less than 1% of Group revenue, equity, and balance sheet total.

2.4 Currency translation

The separate financial statements of the Group's foreign subsidiaries are translated into euro pursuant to IAS 21 (The Effects of Changes in Foreign Exchange Rates) using the concept of functional currency. In general, for operating companies, the functional currency is the local currency of the country in which the subsidiary is based, since all foreign subsidiaries are financially, economically, and organisationally independent in the conduct of their business. Assets and liabilities are translated using the middle rates at the reporting date, with equity, in contrast, using the historical exchange rates. The translation differences resulting from this are recognised outside profit or loss in other components of equity through other comprehensive income until the subsidiary is disposed of. The proportionate equity of the foreign joint ventures and associates is translated in accordance with the procedure described for subsidiaries. Income and expenses are translated using average annual exchange rates. The differences arising from the translation at the closing rate are also recognised outside profit or loss in other components of equity through other comprehensive income.

Foreign currency transactions in the companies' separate financial statements are recorded at the spot exchange rate at the date of the transaction. Exchange gains or losses from the measurement of monetary items in foreign currency at the closing rate up to the reporting date are recognised in profit or loss. Exchange differences arising from foreign currency borrowings, to the extent that they are part of a net investment in a foreign operation, form an exception to recognition in profit or loss. They are part of a net investment in a foreign operation if settlement is neither planned nor likely to occur in the foreseeable future. These translation differences are recognised directly in equity via other comprehensive income and only reclassified to profit or loss on disposal of the business. Non-monetary items in foreign currency are recorded at historical exchange rates.

The following table shows the key exchange rates used in the translation of the separate financial statements denominated in foreign currencies into euro.

Exchange rates

		Exchange rates at reporting date		Average exchange rates	
EUR		31 Dec. 2022	**31 Dec. 2023**	2022	**2023**
AUD	Australia	1.5717	1.6206	1.5169	1.6290
CAD	Canada	1.4506	1.4606	1.3702	1.4593
GBP	Great Britain	0.8853	0.8669	0.8527	0.8697
INR	India	88.1544	91.9427	82.7297	89.3056
IDR	Indonesia	16.840	17.018	15.717	16.460
MAD	Morocco	11.1645	10.8963	10.6861	10.9558
NOK	Norway	10.4994	11.2239	10.1045	11.4219
PLN	Poland	4.6852	4.3430	4.6840	4.5408
SEK	Sweden	11.1604	11.1375	10.6339	11.4744
USD	USA	1.0705	1.1039	1.0536	1.0816

Hyperinflation

As at 31 December 2023, Ghana fulfilled the definition of a hyperinflationary country pursuant to IAS 29 (Financial Reporting in Hyperinflationary Economies). IAS 29 was thus applied retroactively to the activities of our subsidiaries that are based in Ghana and whose functional currency is the cedi (GHS) with effect from 1 January 2023. Accordingly, the non-monetary assets and liabilities, equity with the exception of retained earnings, and income statement items as at 31 December 2023 have been adjusted using the consumer price index published by the Ghana Statistical Service. The balance sheet items as well as expenses and income were then translated into the reporting currency euro at the closing rate. Pursuant to IAS 21 (The Effects of Changes in Foreign Exchange Rates), the previous year's figures did not need to be adjusted. The initial retroactive application resulted in an adjustment to the currency translation reserve of €53.4 million, recognised directly in equity. The application of IAS 29 in the reporting year resulted in a gain from the net position of the monetary items and the indexation of the income statement totalling €0.3 million, which has been shown in other operating income. Non-monetary assets that have been revalued in accordance with IAS 29 continue to be subject to impairment testing pursuant to the relevant IFRSs.

Turkey has been classified as hyperinflationary in accordance with IAS 29 since 30 June 2022. In order to reflect the change in purchasing power, the activities of our joint venture Akçansa Çimento Sanayi ve Ticaret A.S. are therefore not recognised on the basis of historical acquisition or production costs, but adjusted for the effects of inflation. The Turkish consumer price index is used for this purpose. The balance sheet items as well as the expenses and income are then translated into the reporting currency euro at the closing rate. As in the previous year, the effect on the result from equity accounted investments (REI) is of minor importance.

2.5 Recognition and measurement principles

The consolidated financial statements are generally prepared using the historical cost principle. Exceptions to this are derivative financial instruments and certain non-derivative financial assets, which are measured at fair value. Furthermore, the carrying amounts of the assets and liabilities recognised in the balance sheet, which represent the hedged items in fair value hedges and are otherwise accounted at cost, are adjusted as a result of changes in the fair values assigned to the hedged risks. The fundamental recognition and measurement principles are outlined below.

Intangible assets are initially measured at cost. In subsequent periods, intangible assets with a finite useful life are measured at cost less accumulated amortisation and impairment, and intangible assets with an indefinite useful life are measured at cost less accumulated impairment. Intangible assets with a definite useful life are amortised using the straight-line method.

Pursuant to IFRS 3 (Business Combinations), **goodwill** is not amortised. Instead, goodwill is tested for impairment according to IAS 36 (Impairment of Assets) at least once a year in the fourth quarter after completion of the current operational plan or upon the occurrence of significant events or changes in circumstances that indicate an impairment requirement. In this impairment test, the carrying amount of a group of cash-generating units (CGUs) to which goodwill is allocated is compared with the recoverable amount of this group of CGUs. On the basis of the sales and management structure, a group of CGUs is defined generally as a country or Group area; exceptions are the cross-border Nordic Precast Group and the Mibau Group. As soon as the carrying amount of a group of CGUs to which goodwill is allocated exceeds its recoverable amount, an impairment loss of the allocated goodwill is recognised in profit or loss. The recoverable amount is the higher of fair value less costs of disposal and the value in use of a group of CGUs. The fair value is the best estimate of the price at which an independent third party would acquire a group of CGUs. The value in use is calculated by discounting estimated future cash flows after taxes with a post-tax risk-adjusted discount rate (weighted average cost of capital – WACC).

Property, plant and equipment are accounted for according to IAS 16 (Property, Plant and Equipment) at cost less accumulated depreciation and impairment. Existing asset retirement obligations are also capitalised. Cost includes all costs that can be attributed to the manufacturing process and appropriate amounts of production overheads. Costs for repair and maintenance of property, plant and equipment are generally expensed as incurred. Capitalisation takes place if the measures lead to an extension or significant improvement of the asset. Property, plant and equipment are depreciated on a straight-line basis unless there is another depreciation method more appropriate for the pattern of use. Scheduled depreciation of property, plant and equipment is determined on the basis of the following Group-wide useful lives.

Useful lives

	Years
Buildings	20 to 40
Technical equipment and machinery	10 to 30
Plant and office equipment	5 to 15

Exploitation land and mineral reserves are amortised using the unit of production method. Borrowing costs that can be allocated directly or indirectly to the construction of large facilities with a creation period of more than 12 months (qualifying assets) are capitalised as part of the cost in accordance with IAS 23 (Borrowing Costs).

Government grants for the acquisition or construction of property, plant and equipment reduce the cost of the respective assets. Investment grants are reported as soon as there is reasonable assurance that the conditions attached to them have been met and that the grants will be received in full. Grants received are reported separately in the cash flow from investing activities. Other expenditure-related grants or subsidies are recognised in profit or loss in the period in which the corresponding expenses to be compensated are recognised.

Leases are accounted for pursuant to IFRS 16 (Leases). According to IFRS 16, the lessee has a fundamental obligation to recognise rights and obligations arising under leases in the balance sheet. Lessees account for the right-of-use asset in the fixed assets as well as a corresponding lease liability.

The lease liability is measured at the present value of the lease payments to be made during the term of the lease. In addition, payments connected with purchase options are taken into account if their exercise is reasonably certain. The lease payments are discounted at the incremental borrowing rate. Lease liabilities are reported in the other financial liabilities. The costs of the right-of-use asset include the initially recognised amount of the lease liability as well as any additional costs connected with the lease. The lease liability is compounded in subsequent periods and reduced by the amount of the lease payments made. The right-of-use assets are depreciated over the term of the underlying lease. If the ownership of the leased asset is transferred to the Group at the end of the lease term or the exercise of a purchase option is included in the cost of the right-of-use asset, the depreciation takes place on the basis of the expected useful life of the underlying leased asset.

In the case of leases for vehicles and ships that contain lease and non-lease components, Heidelberg Materials separates the components so that only the lease components are accounted for in accordance with the regulations of IFRS 16. No right-of-use assets or lease liabilities are recognised for leases with a term of up to 12 months and contracts for low-value assets. The expenditure on these leases is recognised in the period in which it arises in the other operating expenses; the payments are shown under cash flow from operating activities in the statement of cash flows. The same applies to variable lease payments not linked to an index or (interest) rate. Leases for exploitation land do not fall within the scope of IFRS 16. These leases are considered pending transactions and the expenses are recognised in the material costs in the period in which they arise.

Inventories are measured pursuant to IAS 2 (Inventories) at the lower of cost and net realisable value using the weighted average cost method. Adequate provisions are made for risks relating to quality and quantity. Besides direct expenses, the costs for finished goods and work in progress include production-related indirect materials and indirect labour costs, as well as production-related depreciation. The overhead rates are calculated on the basis of the average operating performance rate. Borrowing costs are not recognised as part of the costs because the production period is less than 12 months. Spare parts for equipment are generally reported under inventories. If they were acquired in connection with the acquisition of the equipment, or in a separate acquisition meet the definition of an asset, then they are reported under property, plant and equipment.

Emission rights are reported under raw materials and consumables. Emission rights granted free of charge by the public sector are initially measured at a nominal value of zero. Emission rights acquired for consideration are accounted for at cost and measured at the lower of cost and net realisable value using the average cost method. Provisions for the obligation to return emission rights are recognised if the actual CO_2 emissions up to the reporting date are not covered by emission rights granted free of charge. The amount of the provision for emission rights already acquired for consideration is measured at the carrying amount and, for emission rights yet to be acquired in order to fulfil the obligation, at the market value as at the reporting date.

Treasury shares acquired are recognised at the settlement date at the consideration paid, including any directly attributable additional costs, and are deducted from equity in a separate item until the shares are cancelled, re-issued, or resold. Both the purchase or sale and any subsequent cancellation of treasury shares are recognised directly in equity.

Pension provisions and similar obligations are determined pursuant to IAS 19 (Employee Benefits). For numerous employees, the Group makes provisions for retirement either directly or indirectly through contributions to pension funds. Various post-employment benefit plans are in place, depending on the legal, economic, and tax framework in each country, which are generally based on employees' years of service and remuneration. The pension provisions include those from current pensions and from entitlements from pensions to be paid in the future.

At Heidelberg Materials, the company pension schemes include both defined contribution and defined benefit plans. In defined contribution plans, the Group pays contributions into external funds. After paying the contributions, the Group has no further benefit obligations. In defined benefit plans, the Group's obligation is to provide the agreed benefits to current and former employees. A distinction is made between benefit systems financed by provisions and those financed by funds.

The most significant post-employment benefit plans financed by funds exist in the United Kingdom, the USA, Belgium, Canada, Norway, Indonesia, and Australia. The retirement benefit system in Indonesia consists of a statutory defined benefit plan and a company-based defined contribution plan financed by funds, the benefits from the latter may be set off from the statutory benefits. In Germany, Sweden, and France, the retirement benefit plans are predominantly financed by means of provisions. Heidelberg Materials also has a number of post-retirement medical benefit plans financed by provisions to cover the health care costs of pensioners mainly in the USA, France, Belgium, Morocco, and Canada. In addition, the Group grants its employees other long-term employee benefits, such as jubilee benefits, old age part-time arrangements, or early retirement commitments. The Group areas or countries North America, the United Kingdom, and Germany account for around 90% of the defined benefit obligations.

All material defined benefit pension plans in North America have been closed to new entrants, the majority of these have been frozen for future accruals. In North America, a retirement plans committee has been established by Heidelberg Materials to serve as oversight of the pension administration, the fiduciary responsibilities of Heidelberg Materials in relation to the retirement plans, and Heidelberg Materials' role as plan administrator. The regulatory framework for each of the qualified pension plans in the USA has a minimum funding requirement based on the statutory funding objective agreed with the plan administrator. In the USA, the Employee Retirement Income Security Act of 1974 (ERISA) provides the national legal framework. ERISA sets minimum standards for participation, vesting, the funding status of the pension plan, and the accountability of plan fiduciaries. In Canada, the pension plans fall under the jurisdiction of the province of Alberta.

In the United Kingdom, the main defined benefit pension plans operate under UK trust law and under the guidelines of the UK Pensions Regulator. These plans are run by groups of trustees, some of whom are appointed by the sponsoring employer and some of whom are nominated by the plan members. Under UK law, the trustees are obligated to meet the statutory funding objective of having sufficient assets to cover the schemes' technical provisions. Benefits are granted under a number of plans, many of which are final salary plans. All of the main defined benefit pension plans in the United Kingdom are closed to new entrants and to future accruals. As such, the liabilities are expected to trend downwards in the medium to long term as benefits are paid out gradually. Liability-driven investment (LDI) strategies are used extensively, and the pension plans are, in aggregate, overfunded as at the reporting date. As pension benefits in the United Kingdom receive inflationary increases after benefit commencement, these benefits are subject to inflation risk. This risk is mitigated in many cases through the use of LDI products and/or caps on the maximum pension indexation granted. Given the closed nature of main arrangements, the defined benefit obligation in the United Kingdom is only marginally impacted by the salary trend assumption.

In Germany, pension plans operate under the framework of the German Company Pension Law (Betriebsrentengesetz, BetrAVG) and general regulations based on German Labour Law. The main pension plans were closed to new entrants in 2005. Employees hired prior to 2006 continue to earn benefits under these arrangements which are final salary and/or years of service related. In addition, individual pension entitlements have been granted to the members of the Managing Board and to executives. The German pension benefits are largely unfunded.

The liabilities in respect of the benefits granted are subject to the following major risks:

- Discount rate risks in all cases where falling market interest rates could result in a higher present value of the remaining future obligations
- Inflation risks (in particular where benefits are linked to salary, or pension payments are subject to inflation adjustments)
- Asset performance risks in countries where pension plans are funded (such as the United Kingdom and the USA); these risks have been partially mitigated through the use of liability-driven investment strategies
- Longevity risks in cases where benefits would be paid for a longer period in the future than is currently anticipated in the mortality tables used
- Changes to national funding requirements may increase contributions, and changes in national law might also mandate rises in benefits beyond those presently agreed upon

The defined benefit obligations and plan assets are valued annually by independent experts for all major Group companies. The defined benefit obligation and the expenses required to cover these obligations are measured in accordance with the internationally accepted projected unit credit method.

For the purpose of financial reporting, the actuarial assumptions are dependent on the economic situation in each individual country. The interest rate is based on the interest yield achieved on the measurement date for high-quality corporate bonds (AA rating) in the relevant currency with a duration corresponding to the pension plans concerned. In countries or currency areas without a deep market for high-quality corporate bonds, the interest rate is determined on the basis of government bonds or using approximation methods.

Actuarial gains and losses may result from increases or decreases in the present value of the defined benefit obligations. These may be caused by, for example, changes in the calculation parameters or deviations between the actual and expected development of the pension obligations. These amounts, as well as the difference between the actual asset performance and the interest income recognised in profit or loss, and the effect of the asset ceiling are reported in other comprehensive income.

Defined contribution accounting has been applied for certain multi-employer pension plans for which insufficient information is available to apply defined benefit accounting.

Other provisions are recognised in accordance with IAS 37 (Provisions, Contingent Liabilities and Contingent Assets) if, as a result of past events, there are legal or constructive obligations towards third parties that are likely to lead to outflows of resources embodying economic benefits that can be reliably determined. The provisions are calculated on the basis of the best estimate, taking into account all identifiable risks.

The capital market components of the Group-wide virtual stock option plan are accounted for as cash-settled, share-based payment transactions pursuant to IFRS 2 (Share-based Payment). As at the reporting date, a provision is recognised pro rata temporis in the amount of the fair value of the payment obligation. Changes in the fair value are recognised in profit or loss. The fair value of the options is determined using a recognised option price model.

The **current tax expense** is determined according to the local tax regulations in which the respective Group company operates. Local tax liabilities not yet covered by prepayments are presented as non-current or current tax liabilities in the financial statements, depending on the expected cash outflow. Any overpayments are capitalised as current or non-current tax receivables.

Deferred tax assets and liabilities are recognised in accordance with the balance sheet liability method (IAS 12 Income Taxes). This means that deferred taxes are principally recognised for all temporary differences between the IFRS amount and the tax amount. No deferred taxes are recognised for temporary differences from goodwill, unless tax-deductible goodwill exists at the same time. Deferred tax assets are only recognised to the extent that it is probable that taxable income will be sufficiently available in the future. Furthermore, deferred tax assets are recognised on unused tax losses carried forward, to the extent that the probability of their recovery in subsequent years is sufficiently high. Deferred tax liabilities are considered in connection with undistributed profits from subsidiaries, joint ventures, and associates, unless Heidelberg Materials is able to control the dividend policy of the companies and no dividend distribution or disposal is anticipated in the foreseeable future. The deferred taxes are measured using the rates of taxation that, as at the reporting date, are applicable or have been announced as applicable in the individual countries for the period when the deferred taxes are realised. Deferred tax assets and liabilities are offset if there is an enforceable right to set off current tax assets and liabilities and if they relate to income taxes levied by the same taxing authority and the Group intends to settle its current tax assets and liabilities on a net basis. In principle, changes in the deferred taxes in the balance sheet lead to deferred tax expense or income. If circumstances that lead to a change in the deferred taxes are recognised outside profit or loss in other comprehensive income or directly in equity, the change in deferred taxes is also taken into account in other comprehensive income or directly in equity. If deferred taxes were recognised via other comprehensive income, they are also subsequently released via other comprehensive income.

Financial instruments are any contracts that give rise to a financial asset of one entity and a financial liability or equity instrument of another entity. The financial instruments include non-derivative and derivative financial instruments.

The **non-derivative financial assets** include investments in equity instruments and debt instruments. These assets are divided into the amortised cost, fair value through other comprehensive income, and fair value through profit or loss measurement categories when initially recognised, pursuant to IFRS 9 (Financial Instruments).

Investments in equity instruments are in principle measured at fair value. The gains and losses resulting from the subsequent measurement are recognised either in profit or loss or directly in equity through other comprehensive income. For investments in equity instruments that are not held for trading, an individual decision can be made for each participation, when initially recognised, as to whether it is measured at fair value through profit or loss or through other comprehensive income. Investments are generally measured at fair value through profit or loss and are therefore allocated to the financial investment category fair value through profit or loss, provided that there is no significant influence on the investee. If a participation is irrevocably allocated to the category fair value through other comprehensive income, the gains and losses resulting from the subsequent measurement are recognised outside profit or loss in other comprehensive income. After the participation is derecognised, the gains and losses will not be subsequently reclassified from fair value through other comprehensive income to profit or loss. Dividends received from these participations are recognised in profit or loss.

For debt instruments, the initial recognition of a financial asset is at fair value plus transaction costs directly attributable to the acquisition, provided that the financial asset is not measured at fair value through profit or loss. For financial assets recognised at fair value through profit or loss, attributable transaction costs are recognised directly as an expense in profit or loss. The subsequent measurement is based on the cash flow characteristics and the business model in use. Accordingly, Heidelberg Materials divides its debt instruments into the following two measurement categories:

- At amortised cost (AC): Financial assets held for the collection of contractual cash flows that are solely payments of principal and interest are measured at amortised cost. Interest income from these financial assets is recognised in the financial result using the effective interest method. All gains or losses resulting from derecognition, impairment losses, or currency translation are recognised directly in profit or loss. Impairment losses represent probability-weighted estimates of credit losses. They are calculated on the basis of the best available information and the time value of money. Reversals are carried out if the reasons for the impairment losses no longer apply. Financial assets measured at amortised cost include non-current receivables, interest-bearing receivables, trade receivables, and other current operating receivables. In principle, the amortised cost in the case of current financial assets corresponds to the carrying amount.

- Fair value through profit or loss (FVTPL): Financial assets for which the cash flow condition is not met because there are not only payments of principal and interest on the nominal amount outstanding are measured at fair value through profit or loss. Financial assets held for the purpose of sale are also assigned to this measurement category. This category mainly includes trade receivables that are intended for sale in the context of factoring transactions. Changes in the fair value and income from these assets are recognised directly in profit or loss in the period in which they are incurred.

Financial assets are derecognised from the balance sheet at the point in time that the contractual rights to cash flows from the asset expire or the financial asset is transferred. Transferred financial assets are fully derecognised if all risks and rewards are substantially transferred to the acquirer. If the risks and rewards are only partially transferred (risk sharing), the assets continue to be recognised to the extent of the maximum risk retained due to the impossibility of resale.

Financial assets are also derecognised when there is no prospect of recovery, for example if enforcement measures have been unsuccessful, insolvency proceedings have been discontinued due to lack of assets, or the debt has since become statute barred. No further enforcement activities will subsequently be taken.

Non-derivative financial liabilities are initially recognised at the fair value of the consideration received or at the value of the cash received less transaction costs incurred, if applicable. These instruments are subsequently measured at amortised cost, using the effective interest method if applicable. In principle, the amortised cost in the case of current financial liabilities corresponds to the nominal value or the redemption amount. Non-derivative financial liabilities include trade payables, other operating liabilities, and financial liabilities. The Group has not yet made use of the possibility of designating non-derivative financial liabilities, when initially recognised, as financial instruments at fair value through profit or loss.

All non-derivative financial instruments at amortised cost are accounted for at the settlement date, whereas non-derivative financial instruments at fair value through profit or loss are accounted for at the trade date.

At Heidelberg Materials, **derivative financial instruments** are generally used to minimise financial risks and include stand-alone derivatives such as currency, interest rate, and commodity derivatives as well as embedded electricity derivatives.

In principle, embedded derivatives must be separated from the non-derivative host contract and recognised separately if the economic characteristics and risks of the embedded derivative are not closely linked to the economic characteristics and risks of the host contract. Separation is not required if the entire contract is already measured at fair value through profit or loss, for example because it is a financial asset and the cash flow criterion has been violated.

Derivative financial instruments are measured at fair value both on their initial accounting on the trade date and in subsequent periods. The valuations are derived from the market or determined using recognised valuation methods (discounted cash flow or option price models). In particular, currency exchange rates, interest rate curves, and raw material prices are used, which can be observed in the corresponding markets. If market prices are no longer available for long-term commodity futures, the prices available on the market are extrapolated for the valuation. Derivatives are recognised as assets if their fair value is positive and as liabilities if their fair value is negative.

Whether changes in fair value are recognised in profit or loss or directly in equity depends on whether the derivative financial instrument is designated as being in an effective hedging relationship (hedge accounting) pursuant to IFRS 9 and the type of the underlying transaction.

Derivative financial instruments held for trading are classified in the category fair value through profit or loss (FVTPL). The changes in fair values are recognised immediately in profit or loss. Within the context of the Group strategy, derivative financial instruments held for trading generally represent an effective hedge in an economic sense, because the changes in the fair values of these derivative financial instruments are principally offset by changes in the fair values of the hedged items.

In **hedge accounting**, in order to avoid volatility in the income statement, the accounting of the hedged item and the hedge of a hedging relationship is modified so that the results of measuring the hedged item or hedge are recognised in the period incurred directly in equity or in profit or loss. Heidelberg Materials uses cash flow hedges and fair value hedges. At the beginning of each hedge, the clear hedging relationship between the hedged item and the hedging instrument as well as the objectives and the risk management strategy are documented and the effectiveness of the hedge is demonstrated. The effectiveness of existing hedges is continuously monitored.

When hedging future cash flows (cash flow hedges), the effective portion of the changes in the fair value of the hedging instrument is recognised directly in equity through other comprehensive income. The ineffective portion of the hedging instrument is recognised immediately in profit or loss. When the hedged item is realised, the amounts recognised in equity are either reclassified directly to the acquisition costs of the hedged item, if this leads to the recognition of a non-financial asset or a non-financial liability, or reclassified to the income statement at the same time that the hedged item is recognised in profit or loss. Heidelberg Materials accounts for the hedging of the currency risk of off-balance sheet firm commitments as a cash flow hedge. In this case, only the spot component is designated as a hedging instrument. The change in the forward component of the currency derivative is recognised in profit or loss in the other financial result.

In the case of fair value hedges of balance sheet items, both the hedging instrument and the effective portion of the hedged portion of the risk of the underlying transaction are measured at fair value. The change in fair value of the hedging instrument and the hedged item are recognised simultaneously in the same item in profit or loss.

Contracts concluded for the purpose of receiving or supplying non-financial items pursuant to Heidelberg Materials' expected purchase, sale, or usage requirements and held as such (own use contracts) are accounted for as pending transactions rather than derivative financial instruments. Written options for the purchase or sale of non-financial items that can be cash-settled are not classified as own use contracts.

Both physical and virtual **long-term power purchase agreements** (PPAs) have been concluded to secure the supply of electricity from renewable energies. Depending on their structure, the physical PPAs are accounted for as lease contracts in accordance with IFRS 16 with fully variable lease payments or as pending transactions in accordance with IFRS 9, using the own use exception. The terms are up to 20 years. In addition, virtual PPAs with a term of up to 10 years have also been concluded in some cases. The embedded electricity price differential contracts are accounted for as derivatives that are designated in a cash flow hedge.

Assets held for sale and discontinued operations are shown separately in the balance sheet if they can be sold in their present condition and the sale is highly probable. Assets classified as held for sale are recognised at the lower of their carrying amount and fair value less costs to sell, unless another value is to be recognised under other standards. According to their classification, liabilities directly connected with these assets are shown in a separate line on the liability side of the balance sheet.

For discontinued operations, the net result is shown in a separate line in the income statement. In the statement of cash flows, the cash flows are broken down into continuing and discontinued operations. For discontinued operations, the previous year's figures in the income statement, the statement of cash flows, and the segment reporting are adjusted accordingly in the year of the reclassification. The Notes include additional details on the assets held for sale and discontinued operations.

Contingent liabilities and assets are, on the one hand, possible obligations or assets arising from past events and whose existence depends on the occurrence or non-occurrence of one or more uncertain future events that are not within the Group's control. On the other hand, contingent liabilities are current obligations arising from past events for which there is unlikely to be an outflow of resources embodying economic benefits or where the scope of the obligation cannot be reliably estimated. Contingent liabilities are not included in the balance sheet unless they are current obligations that have been taken on as part of a business combination. Contingent assets are only recognised in the balance sheet if they are virtually certain. Insofar as an outflow or inflow of economic benefits is possible, details of contingent liabilities and assets are provided in the Notes.

Income is recognised when control of a promised good or service is transferred to a customer. It is measured at the fair value of the consideration received or receivable, including variable consideration; sales tax and other duties collected on behalf of third parties are not taken into account.

Heidelberg Materials primarily generates **revenue** from simply structured sales of building materials, such as cement, aggregates (including processed primary raw materials), ready-mixed concrete, and asphalt, for which the control is transferred to the customer at a specific point in time. In the context of the sale of the products, separate performance obligations may arise from transport services as well as from services directly related to the sale of the products. These services are generally performed at the time that the control of the products is transferred. In a few exceptional cases, the transport services are performed after the control of the products has been transferred. In accordance with IFRS 15 (Revenue from Contracts with Customers), the revenue relating to these transport services is realised later than the corresponding product revenue. The revenue is measured on the basis of the consideration defined in the contract with a customer, including variable consideration, such as discounts, volume rebates, or other contractual price reductions. The variable consideration is estimated on the basis of the most likely amount. However, variable consideration is only included if it is highly probable that a significant reversal of revenue will not occur once the uncertainty related to the variable consideration is resolved. As the period between the date on which Heidelberg Materials transfers the promised goods or services to the customer and the date on which the customer pays for these goods or services is generally one year or less, no financing components are taken into account. Contract assets and contract liabilities are recognised as soon as one of the contracting parties has commenced performance of the contract. If the right to consideration is unconditional, it is recognised as a trade receivable. Heidelberg Materials grants its customers country- and industry-specific payment terms, which normally include payment within 30 to 60 days after the date of invoicing. Contract assets and contract liabilities are not shown separately in the balance sheet but under other operating receivables and assets and other operating liabilities respectively. They are shown separately in the Notes. Costs directly attributable to obtaining or fulfilling the contract are recognised as an expense when they are incurred, as the amortisation period is generally no longer than one year.

Interest income is recognised pro rata temporis using the effective interest method.

Dividend income is realised when the legal entitlement to payment arises.

3 Application of new accounting standards

3.1 Initial application of accounting standards in the financial year

In the 2023 financial year, Heidelberg Materials applied the following standards and interpretations of the International Accounting Standards Board (IASB) for the first time.

- IFRS 17 Insurance Contracts
- Amendments to IAS 1 Presentation of Financial Statements and IFRS Practice Statement 2: Disclosure of Accounting Policies,
- Amendments to IAS 8 Accounting policies, Changes in Accounting Estimates and Errors: Definition of Accounting Estimates
- Amendments to IAS 12 Income Taxes: Deferred Tax related to Assets and Liabilities arising from a Single Transaction
- Amendments to IAS 12 Income Taxes: International Tax Reform – Pillar Two Model Rules

These new regulations had no significant impact on the assets, financial, and earnings position of the Group.

3.2 Published, but not yet applicable accounting standards

The IASB and IFRS IC have adopted additional standards and interpretations that may impact the assets, financial, and earnings position of the Heidelberg Materials Group, but whose application was not yet mandatory for the 2023 financial year.

Published, but not yet applicable accounting standards

Title	Date of initial application [1]	Endorsement by the EU Commission
Amendments to IAS 1 Presentation of Financial Statements: Classification of Liabilities as Current or Non-current	1 January 2024	yes
Amendments to IAS 1 Presentation of Financial Statements: Non-current Liabilities with Covenants	1 January 2024	yes
Amendments to IFRS 16 Leases: Lease Liability in a Sale and Leaseback	1 January 2024	yes
Amendments to IAS 7 Statement of Cash Flows and IFRS 7 Financial Instruments: Disclosures: Supplier Finance Arrangements	1 January 2024	no
Amendments to IAS 21 The Effects of Changes in Foreign Exchange Rates: Lack of Exchangeability	1 January 2025	no

1) Fiscal years beginning on or after that date.

Heidelberg Materials will not apply these standards and interpretations until the date when their application first becomes mandatory and after endorsement by the European Commission.

The standards and interpretations listed are not expected to have a significant impact on the assets, financial, and earnings position of the Group.

4 Judgements, estimates, and assumptions

Judgements must be made by management when applying the accounting and valuation methods. Furthermore, the presentation of the assets, financial, and earnings position in the consolidated financial statements is dependent on estimates and assumptions made by the management, which affect the amounts and presentation of the assets and liabilities, expenses and income, and contingent liabilities accounted for in the period.

The assumptions and estimates relate particularly to the necessity and calculation of impairments of goodwill and property, plant and equipment, the purchase price allocation in the event of business combinations, the determination of the useful lives of fixed assets, and the measurement of inventories. Assumptions and estimates are also used in the recognition and measurement of deferred tax assets, the measurement of pension provisions and other provisions, and the measurement of financial instruments. Effects of the ongoing Russia-Ukraine war, the war in the Middle East broken out in 2023 as well as the price development for energy and raw materials and the slight decline in inflation expectations were also taken into account.

Furthermore, Heidelberg Materials is subject to climate-related risks. Climate risks include both transition risks and physical risks. Transition risks exist in connection with the shift to a low-emission economy. As part of the structural transition, Heidelberg Materials anticipates a rise in prices for the acquisition of emission allowances. These cost increases are taken into account in the operational plans. Physical climate risks are the direct consequences of extreme weather scenarios (e.g. floods and droughts), which may lead to a reduction in the useful lives of property, plant and equipment. The useful lives are reviewed regularly and, if necessary, adjusted to the changed conditions.

In determining the scope of consolidation, discretionary decisions may be required when assessing the existence of control over subsidiaries or joint control or significant influence.

When accounting for business combinations, discretionary judgement is required to determine whether the business combination concerns a business operation or the acquisition of an individual asset or a group of assets. As part of the purchase price allocation, all identifiable assets, liabilities, and contingent liabilities must be recognised at fair value on first-time consolidation. In this context, judgement must be exercised as to whether an intangible asset is identifiable and should be recognised separately from goodwill. The fair values of the assets and liabilities as at the acquisition date are determined on the basis of estimates. Among other things, valuation methods are used that require a forecast of expected future cash flows. Explanations concerning business combinations are provided in Note 5.1.

A cash flow-based method in accordance with IAS 36 (Impairment of Assets) is used to determine the recoverable amount of groups of cash-generating units as part of the impairment test for goodwill and property, plant and equipment. In particular, estimates are required in relation to future cash flows of the groups of cash-generating units as well as to the discount rates and growth rates used (discounted cash flow method). A change in the influencing factors may have a significant impact on the existence or amount of impairment losses. In addition, the decision on how to define a group of cash-generating units to which goodwill is allocated is subject to discretion. Discretionary decisions are also required for the assessment of the existence of indications of impairment or, in the case of impaired cash-generating units, for the assessment of the occurrence of significant changes compared with the previous year. Explanations concerning the composition of the carrying amount of goodwill and the impairment test are provided in Note 9.1 Intangible assets. Explanations of impairments of property, plant and equipment are made in Note 9.2.

Estimates of the useful lives of intangible assets and depreciable fixed assets are based on empirical values and subject to regular review. If the estimate changes, the remaining useful life is adjusted and, if necessary, an impairment is recognised.

In the accounting of leases in accordance with IFRS 16, judgement is required when assessing whether or not to exercise extension or termination options and when determining the incremental borrowing rate.

Furthermore, estimates and assumptions are made when recognising inventories that are subject to inherent measurement-related uncertainties due to their physical nature and when measuring inventories. The lower of cost and net realisable value is used in the impairment test. The net realisable value is determined as the estimated sales proceeds less the estimated costs to completion and the estimated necessary sale costs and therefore has an influence on any requirement for impairment or reversal of impairment losses. Impairments or reversal of impairment losses on inventories are shown in Note 9.5.

To assess the future probability that deferred tax assets can be utilised, various estimates must be adopted, for example operational plans and tax projections. If the actual results deviate from these estimates, this may impact the assets and earnings position. Further explanations on current and deferred taxes are provided in Note 7.10 Income taxes.

Owing to the international nature of its business activities, Heidelberg Materials AG and its subsidiaries are subject to a large number of national tax laws and regulations. Changes in tax laws as well as the issuance of case law and the possible differing interpretation by local tax authorities due to the complexity of tax laws can have an influence on the amount of both current and deferred taxes. The potential uncertainties resulting from this are to be resolved by means of appropriate discretionary decisions. Recognition and measurement are based on the most probable realisation value of the uncertainty. Individual presentation or aggregation of several uncertainties depends on the individual case under consideration. Uncertainties in current taxes are taken into account with an appropriate estimate of potential tax payments. Uncertainties regarding the recoverability of deferred tax assets are countered by means of internal planning, also with regard to the future development of results of the Group company concerned. Ongoing monitoring of the aforementioned uncertainties is ensured by organisational measures.

The obligations arising from defined benefit plans are determined on the basis of actuarial methods, which are based on assumptions and estimates concerning the discount rate, pension increase rate, life expectancy, and other influencing factors. A change in the underlying parameters may lead to changes in the extent of the obligation. Further details are given on **page 199 f.** and in Note 9.12 Pension provisions.

Provisions for damages and environmental obligations are measured on the basis of an extrapolation of the claims and estimates of the development of costs. A change in the influencing parameters may have an impact on the income statement and the amount of the provision. Discretionary assumptions are required when determining the necessary parameters for the measurement of other environmental provisions (e.g. amount and timing of expected payouts, discount factor, rate of cost increase). The recognition and measurement of the miscellaneous other provisions are based on estimates of the probabilities of future outflow of resources and on the basis of empirical values and the circumstances known at the reporting date. The actual outflow of resources may differ from the outflow of resources expected at the reporting date and may have an impact on the recognition and measurement. Further explanations on provisions can be found in Note 9.13 Other provisions.

Financial assets are classified on the basis of the contractual cash flows and the business model used. While the contractual cash flows are determined by the characteristics of the financial instrument, discretionary decisions may be required when assessing under which business model a financial asset should be classified. For certain contracts, a decision must be made as to whether they should be treated as derivatives or accounted for as own use contracts. Furthermore, discretionary judgement may be required to determine whether the material opportunities and risks of selling receivables under factoring agreements have been transferred.

The measurement of specific financial instruments such as put options of non-controlling interests, which are not traded on an active market, is based on best possible estimates using probability forecasts and recognised actuarial methods.

Impairment testing of financial assets requires estimates of the amount of the possible default and the likelihood of future events. When determining the impairment for expected credit losses for receivables within the scope of IFRS 9, default probabilities and macroeconomic information are taken into account in the loss rates, which are based on assumptions about the future development of the relevant economic factors and how these factors will influence each other. Explanations of impairments of financial assets are provided in Note 10.3.

All estimates and discretionary decisions are subject to ongoing review and based on past experience and other factors, including expectations about future events that may have a financial impact on the company and are considered appropriate in the circumstances. The actual values may differ from these estimates.

5 Changes in scope of consolidation

In addition to Heidelberg Materials AG, the consolidated financial statements include 678 subsidiaries that have been fully consolidated, of which 28 are German and 650 are foreign companies. The changes in comparison with 31 December 2022 are shown in the following table.

Number of fully consolidated companies

	Germany	Abroad	Total
31 December 2022	**19**	**660**	**679**
First-time consolidations	8	4	12
Divestments		-3	-3
Other changes	1	-11	-10
31 December 2023	**28**	**650**	**678**

A list of shareholdings of the Heidelberg Materials Group as at 31 December 2023 on the basis of the regulations of section 313(2) of the German Commercial Code (HGB) is provided in Note 12. It also contains an exhaustive list of all subsidiaries that make use of the exemption from disclosure obligations in accordance with sections 264(3) and 264b of the HGB.

5.1 Business combinations

Business combinations in the reporting year

As part of the implementation of the circular economy strategy and in order to strengthen the Group's portfolio of recycled materials, Heidelberg Materials completed its acquisition of a 100% shareholding in RWG I Holding GmbH and its subsidiaries ("RWG") on 9 January 2023. RWG is an integrated provider in the field of demolition and building materials recycling in the Berlin metropolitan area. The acquisition includes three modern recycling centres and a specialised demolition company. With this acquisition, Heidelberg Materials is strengthening its range of circular materials to meet the increasing demand for sustainable building materials. On 3 April 2023, Heidelberg Materials also completed the acquisition of the Heilbronn-based SER Group, an integrated company in the demolition and construction materials recycling business segments. The acquisition comprises 100% of the shares in SER Hoch- und Tiefbau GmbH & Co. KG and SER Sanierung im Erd- und Rückbau GmbH, Heilbronn, as well as their subsidiaries. The SER Group operates in the Heilbronn metropolitan area of Germany with three modern recycling locations. The purchase price for the above transactions amounted to a total of €122.7 million and was paid in cash. The purchase price allocations have been completed. The goodwill totalling €99.6 million from the above-mentioned transactions is not tax-deductible and represents synergy and growth potential.

On 1 May 2023, Heidelberg Materials acquired a 100% shareholding in The SEFA Group, LLC, including its wholly-owned subsidiary SEFA Transportation, LLC, Lexington, South Carolina, USA. The companies are active in the field of fly ash recycling. The acquisition includes 20 locations with more than 500 employees. The purchase price of €183.4 million is subject to the usual purchase price adjustments and consists of a cash payment of €165.2 million and a liability for contingent consideration with a fair value of €18.2 million. The contingent consideration is based on the EBITDA of the companies until 30 April 2025 and was determined on the basis of probabilities. The range of results (undiscounted) is between €0 and €18.2 million. The purchase price allocation is provisional, primarily because the measurement of intangible assets and property, plant and equipment has not yet been completed. On 3 April 2023, Heidelberg Materials also acquired a quarry along with a fixed processing plant and five mobile crushing plants from RMS Gravel Inc., Central New York, USA, as part of an asset deal. The purchase price amounted to €13.5 million and was paid in cash. The purchase price allocation has been completed. As part of a further asset deal, Heidelberg Materials acquired the aggregates business of Green Drop Rock Products, Cochrane, Canada, on 1 September 2023. The assets include a high-capacity aggregates plant in the Calgary Metropolitan Region. The purchase price amounted to €17.2 million and was paid in cash. The (provisionally) recognised goodwill totalling €16.7 million from the above-described transactions is tax-deductible and represents synergy and growth potential.

On 27 November 2023, Heidelberg Materials completed its purchase of 68.3% of the shares in the Tanzanian cement manufacturer Tanga Cement PLC. The acquisition also includes a quarry with limestone resources for a minimum of 30 years. The quarry and cement plant with a capacity of 1.3 million tonnes are located in northern Tanzania. With this acquisition, Heidelberg Materials is strengthening its local business activities and creating synergies with its existing locations in Tanzania. The purchase price of €38.8 million is subject to the usual purchase price adjustments was paid in cash. The non-controlling interests of €9.4 million were measured at the proportionate fair value of the identifiable net assets. The provisionally recognised goodwill of €18.5 million is not tax-deductible and represents synergy and growth potential. The purchase price allocation is provisional, primarily because the measurement of non-current assets and deferred taxes has not yet been completed.

On 30 November 2023, our subsidiary PT Indocement Tunggal Prakarsa Tbk, Indonesia, acquired 100% of the shares in PT Semen Grobogan's integrated cement plant located in Semarang, Central Java, Indonesia. The cement plant has a capacity of 1.8 million tonnes of clinker and 2.5 million tonnes of cement and has more than 50 years' worth of limestone reserves. With this acquisition, Heidelberg Materials is strengthening its presence in Indonesia will be able to leverage synergies with its existing businesses in Indonesia, including in logistics, the use of alternative fuels, and the transfer of technical and sustainability know-how. The purchase price amounted to €89.1 million and was paid in cash. The provisionally recognised goodwill of €7.9 million represents synergy and growth potential and is not tax-deductible. The purchase price allocation is provisional, primarily because the measurement of property, plant and equipment has not yet been completed.

The following table shows the provisional fair values of the assets and liabilities as at the acquisition date.

Provisional fair values recognised as at the acquisition date (reporting period)

€m	Germany	North America	Tanzania	Indonesia	**Total**
Intangible assets	4.7	115.7		3.0	123.4
Property, plant and equipment	69.8	91.1	100.5	307.4	568.9
Financial fixed assets	3.0		0.2		3.2
Deferred taxes	0.1			2.1	2.2
Inventories	1.1	3.1	29.0	5.5	38.7
Trade receivables	14.4	18.6	0.6	11.4	45.1
Cash and cash equivalents	7.3	18.3	1.6	18.7	46.0
Other assets	12.7	17.7	7.1	1.8	39.2
Total assets	**113.1**	**264.6**	**138.9**	**349.9**	**866.6**
Deferred taxes	2.9		9.1	10.3	22.3
Provisions	5.2	2.8	1.9	0.4	10.3
Non-current liabilities	64.6	36.3	69.9	244.1	414.9
Current liabilities	17.3	28.1	28.3	14.0	87.8
Total liabilities	**90.0**	**67.2**	**109.2**	**268.8**	**535.3**
Net assets	**23.1**	**197.3**	**29.7**	**81.2**	**331.3**

The acquired intangible assets mainly relate to customer relationships. The acquired property, plant and equipment relates to land and buildings (€374.5 million), plant and machinery (€147.4 million), other operating equipment (€43.6 million), and prepayments and assets under construction (€3.3 million).

As part of the business combinations, receivables with a fair value of €62.7 million were acquired. These concern trade receivables amounting to €45.1 million and other operating receivables to the amount of €17.6 million. The gross value of the contractual receivables totals €68.8 million, of which €6.1 million is likely to be irrecoverable.

Since the acquisition took place, the companies have contributed €177.6 million to revenue and €8.9 million to the profit for the financial year. If the acquisitions had taken place on 1 January 2023, contributions to revenue and profit for the financial year would have been €220.8 million and €0.3 million higher respectively. Transaction costs of €5.3 million arising in connection with the above-mentioned business combinations were recognised in the additional ordinary expenses.

Furthermore, Heidelberg Materials effected other business combinations during the reporting year that are of minor importance, both individually and collectively, for the presentation of the assets, financial, and earnings position of the Group.

Business combinations in the previous year

On 7 February 2022, our subsidiary Hanson Quarry Products Europe Limited, United Kingdom, acquired 100% of the shares in Charterneed Limited, including the wholly owned subsidiaries A1 Services (Manchester) Limited and Green Earth Developments Limited, Manchester, United Kingdom. The companies are active in the removal of surface materials, municipal recycling, and the processing of construction and utility arisings. The acquisition comprises a 13-hectare site with a rail connection and track system, as well as licences for waste transport and handling. The acquisition improves our strategic position for entry into the recycling market. The purchase price amounted to €21.5 million and was paid in cash. The goodwill of €4.8 million is not tax-deductible and represents synergy and growth potential.

On 4 April 2022, Heidelberg Materials acquired four ready-mixed concrete plants and a fleet of mixer trucks in the Atlanta metropolitan area from Meriwether Ready Mix, Inc., Griffin, USA, as part of an asset deal. The purchase price amounted to €13.3 million and was paid in cash. The goodwill of €1.0 million is tax-deductible and represents synergy and growth potential.

The following table shows the fair values of the assets and liabilities as at the acquisition date.

Fair values recognised as at the acquisition date (previous year)

€m	United Kingdom	North America	**Total**
Intangible assets	3.7		3.7
Property, plant and equipment	14.3	12.4	26.8
Inventories	0.9	0.1	0.9
Trade receivables	2.6	0.7	3.3
Cash and cash equivalents	1.7		1.7
Other assets	0.2		0.2
Total assets	**23.5**	**13.2**	**36.7**
Deferred taxes	2.3		2.3
Provisions	0.2		0.2
Non-current liabilities	1.8		1.8
Current liabilities	2.6	0.9	3.5
Total liabilities	**6.9**	**0.9**	**7.8**
Net assets	**16.7**	**12.3**	**29.0**

Furthermore, Heidelberg Materials effected other business combinations during the previous year that are of minor importance, both individually and collectively, for the presentation of the assets, financial, and earnings position of the Group.

Acquisition of joint ventures in the previous year

To drive the digital transformation in the heavy building materials industry, Heidelberg Materials acquired a 44.9% participation in Project Potter Parent, L.P., Cayman Islands, through its subsidiary HDigital GmbH, Heidelberg, on 29 April 2022. Project Potter Parent, L.P., indirectly holds all shares in Command Alkon, a globally active provider of comprehensive supply chain technology solutions for building materials. Partnering with Command Alkon means cloud-based solutions can be offered across the heavy building materials supply chain. The purchase price including transaction costs amounted to €325.8 million and was paid in cash. The carrying amount as at 31 December 2022 was €306.6 million, and the result from equity accounted investments (REI) since the acquisition date was −€10.5 million.

In order to strengthen our market position in Ghana and significantly reduce CO_2 emissions in this region, Heidelberg Materials acquired 50% of the shares in CBI S.A., Buchs, Switzerland, ("CBI") on 6 May 2022. CBI controls the Ghanaian cement manufacturer CBI Ghana. The acquisition of the shares is also linked to an investment in the construction of the world's largest industrial-scale flash calciner to produce calcined clay cement with reduced clinker content. In addition, Heidelberg Materials will strengthen its presence in Ghana through CBI's cement grinding operations in Tema in the south of the country. The purchase price amounted to €32.5 million and was paid in cash.

5.2 Divestments

Divestments in the reporting year

As part of the portfolio optimisation and margin improvement programme in connection with the "Beyond 2020" strategy, Heidelberg Materials signed an agreement on 30 September 2021 to sell its aggregates and ready-mixed concrete business in the Madrid region. The transaction was concluded on 31 July 2023. The sales price amounted to €14.4 million and was paid in cash. The divestment resulted in a gain of €1.3 million, which is shown in the result from current operations.

The following table shows the assets and liabilities as at the date of divestiture.

Assets and liabilities as at the date of divestiture (reporting year)

€m	Spain
Property, plant and equipment	12.5
Inventories	0.7
Total assets	**13.2**
Non-current liabilities	0.1
Current liabilities	0.1
Total liabilities	**0.2**
Net assets	**13.1**

Incidental disposal costs of €0.1 million arose in connection with these divestments and were recognised in the additional ordinary expenses.

Furthermore, Heidelberg Materials effected other divestments in the reporting year that are of minor importance for the presentation of the assets, financial, and earnings position of the Group.

Disposal of joint ventures and associates in the reporting year

On 24 February 2023, as part of the portfolio optimisation programme, Heidelberg Materials signed a contract for the sale of its 45% participation in CaucasusCement Holding B.V., 's-Hertogenbosch, Netherlands ("CCH"). CCH is the parent company of HeidelbergCement Georgia Ltd. and Terjola Quarry Ltd., Tbilisi. The joint venture comprised two cement plants, 14 ready-mixed concrete plants, and two aggregates plants. The sale was completed on 20 April 2023. The divestment resulted in a gain of €15.3 million, which has been shown in the additional ordinary income.

Furthermore, Heidelberg Materials sold its 25% participation in the Chaney Group, USA, on 5 June 2023. The sale comprised participations in seven companies that were included in the consolidated financial statements as associates. The divestment resulted in a gain of €32.6 million, which has been shown in the additional ordinary income.

The sales prices for the above-described transactions totalling €178.5 million were paid in cash.

Divestments in the previous year

On 30 April 2021, Heidelberg Materials signed an agreement to sell its aggregates business and two ready-mixed concrete plants in Greece. In the future, Heidelberg Materials will focus on its core business in Greece and will continue cement production through its subsidiary Heidelberg Materials Hellas S.A. The transaction was concluded on 3 January 2022. The sales price amounted to €34.6 million, of which a prepayment of €3.4 million was already received during the 2021 financial year. The remaining amount was collected in the 2022 financial year. The divestment resulted in a gain of €18.7 million, which has been shown in the additional ordinary income.

On 2 August 2021, Heidelberg Materials signed an agreement to sell its aggregates and ready-mixed concrete business in the Spanish region of Catalonia. The sale was completed on 1 April 2022. The sales price amounted to €21.1 million and was paid in cash. The divestment resulted in a gain of €3.7 million, which has been shown in the result from current operations.

On 10 November 2021, Heidelberg Materials signed an agreement for the sale of its activities in southern Spain to Votorantim Cimentos. The sale comprises the integrated cement plant in Malaga as well as three aggregates and eleven ready-mixed concrete plants in Andalusia. The transaction was concluded on 1 November 2022. The sales price amounted to €93.3 million and was paid in cash. The divestment resulted in a gain of €24.1 million, which has been shown in the additional ordinary income.

The following table shows the assets and liabilities as at the date of divestiture.

Assets and liabilities as at the date of divestiture (previous year)

€m	Greece	Spain	**Total**
Other intangible assets	0.2	0.1	0.3
Property, plant and equipment	14.5	78.2	92.7
Other non-current assets		0.8	0.8
Inventories	2.6	12.4	15.0
Cash and cash equivalents		1.1	1.1
Other assets		19.5	19.5
Total assets	**17.3**	**112.1**	**129.4**
Provisions	1.2	5.0	6.2
Non-current liabilities	0.2	4.3	4.5
Current liabilities		16.2	16.2
Total liabilities	**1.4**	**25.5**	**26.9**
Net assets	**15.9**	**86.6**	**102.5**

Furthermore, Heidelberg Materials effected other divestments in the previous year that are of minor importance for the presentation of the assets, financial, and earnings position of the Group.

6 Notes to the segment reporting

Heidelberg Materials' segment reporting is based on the Group's internal division into geographical regions, corresponding to the management organisation. Heidelberg Materials is divided into six Group areas:

- Western and Southern Europe: Belgium/Netherlands, France, Germany, Italy, Spain, and the United Kingdom
- Northern and Eastern Europe-Central Asia: Denmark, Iceland, Norway, Sweden, and the Baltic States, as well as the cross-border Nordic Precast Group and Mibau Group, Bosnia-Herzegovina, Bulgaria, Croatia, Czechia, Georgia, Greece, Hungary, Kazakhstan, Poland, Romania, Russia, and Slovakia
- North America: Canada and USA
- Asia-Pacific: Australia, Bangladesh, Brunei, China, India, Indonesia, Malaysia, Singapore, and Thailand
- Africa-Eastern Mediterranean Basin: Benin, Burkina Faso, DR Congo, Egypt, the Gambia, Ghana, Israel, Liberia, Morocco, Mozambique, South Africa, Tanzania, Togo, and Turkey
- Group Services comprise the international trading activities

Heidelberg Materials evaluates the performance in the segments primarily on the basis of the result from current operations. As Group financing (including financing expenses and income) is managed centrally by the Group and income taxes are, in general, calculated across business lines, neither is allocated to segments. The IFRS used in these financial statements form the basis for the valuation principles of the segment reporting. The Inter-Group areas revenue represents the revenue between segments. In the reconciliation, intra-Group relationships between the segments are eliminated.

The revenue and non-current assets of the main countries are shown in the table below. Revenue is allocated to countries according to the supplying company's country of origin.

Information by country

	Revenue with external customers		Non-current assets[1]	
€m	2022	**2023**	2022	**2023**
USA	4,090	4,327	8,424	8,434
Germany	1,877	1,909	1,590	1,810
United Kingdom	1,814	1,885	1,175	1,236
Australia	1,403	1,435	1,982	1,921
France	1,349	1,356	1,149	1,203
Indonesia	1,022	1,070	1,001	1,269
Canada	990	1,033	569	599
Italy	838	886	492	480
Other countries	7,712	7,277	5,856	5,882
Total	**21,095**	**21,178**	**22,238**	**22,834**

1) Intangible assets and property, plant and equipment

7 Notes to the income statement

7.1 Revenue

The revenue shown in the consolidated income statement relates to revenue from contracts with customers in accordance with IFRS 15. In the following table, the revenue is broken down into two categories: type of products and services (business lines) and Group areas.

Revenue development by Group areas and business lines

	Cement		Aggregates		Ready-mixed concrete-asphalt		Service-other		Intra-Group eliminations		Total	
€m	2022	**2023**	2022	**2023**	2022	**2023**	2022	**2023**	2022	**2023**	2022	**2023**
Western and Southern Europe	3,385	3,432	1,383	1,398	2,376	2,372	406	490	-1,241	-1,255	6,308	6,437
Northern and Eastern Europe-Central Asia	1,933	2,058	644	679	715	684	554	476	-245	-279	3,600	3,617
North America	1,974	2,196	1,987	2,098	1,161	1,141	331	336	-545	-552	4,907	5,219
Asia-Pacific	1,961	1,978	665	661	1,298	1,338	59	65	-349	-337	3,633	3,705
Africa-Eastern Mediterranean Basin	1,755	1,548	92	87	409	360	49	36	-196	-175	2,108	1,856
Group Services							1,783	1,260			1,783	1,260
Inter-Group area revenue within business lines	-2	-1	-43	-44			6	8			-38	-38
Total	**11,006**	**11,211**	**4,727**	**4,879**	**5,958**	**5,895**	**3,187**	**2,670**	**-2,577**	**-2,598**	**22,301**	**22,056**
Inter-Group area revenue between business lines									-1,206	-879	-1,206	-879
Total	**11,006**	**11,211**	**4,727**	**4,879**	**5,958**	**5,895**	**3,187**	**2,670**	**-3,783**	**-3,476**	**21,095**	**21,178**

7.2 Other operating income

Other operating income

€m	2022	2023
Foreign exchange gains	118.5	107.2
Gains from sale of fixed assets	131.0	62.0
Income from ancillary business	48.7	52.1
Rental income	35.2	34.6
Reversal of provisions	25.9	26.5
Other income	264.5	279.1
	623.8	**561.6**

The foreign exchange gains concern trade receivables and payables. Foreign exchange gains from interest-bearing receivables and liabilities are shown in the financial result. The gains from the sale of fixed assets include gains from the sale of quarries that were depleted and no longer in operational use to the amount of €7.3 million (previous year: 41.5). The income from the reversal of provisions includes the reversal of provisions that cannot be assigned by cost type. The other income item includes proceeds of €23.6 million (previous year: 15.2) from the participation in energy efficiency projects, premium income of reinsurers of €22.6 million (previous year: 23.0), the gain from the net position of the monetary items from the application of IAS 29 of €0.3 million (previous year: 0), as well as numerous individual items.

Significant income that occurs in the course of ordinary business activities but is not reported in result from current operations is shown in the additional ordinary income and explained in Note 7.7.

7.3 Material costs

Material costs

€m	2022	2023
Raw materials	2,988.7	2,842.6
Supplies, repair materials, and packaging	1,405.2	1,395.1
Costs of energy	2,975.1	2,460.7
Goods purchased for resale	1,153.3	1,026.1
Miscellaneous	439.1	435.6
	8,961.3	**8,160.1**

State subsidies for electricity and gas of €20.5 million received in the financial year (previous year: 44.5) were offset against energy expenses. Material costs amounted to 38.5% of revenue (previous year: 42.5%).

7.4 Personnel costs and employees

Personnel costs

€m	2022	2023
Wages and salaries	2,751.9	2,928.7
Social security costs	259.2	270.2
Costs of retirement benefits	158.7	164.1
Other personnel costs	46.9	51.8
	3,216.7	**3,414.8**

Personnel costs equalled 16.1% of revenue (previous year: 15.2%). The development of expenses for retirement benefits is explained in Note 9.12 Pension provisions.

Annual average number of employees

Number based on full-time equivalents	2022	2023
Blue-collar employees	32,424	32,092
White-collar employees	18,972	19,124
Total	**51,396**	**51,215**
Apprentices	356	358
Total	**51,752**	**51,573**

Long-term bonus – capital market component

As a long-term variable remuneration element, the members of the Managing Board of Heidelberg Materials AG and certain managers within the Heidelberg Materials Group receive a long-term bonus made up of a management component and a capital market component. The capital market component, with a duration of four years, considers the external added value as measured by total shareholder return (TSR) – adjusted for the reinvested dividend payments and for changes in capital – compared with the relevant capital market indices, using performance share units (PSUs). The PSUs are virtual shares used for the calculation of the capital market component.

For the capital market component, the number of PSUs granted is determined in a first step: the number of PSUs is calculated from a set percentage of the fixed annual salary divided by the reference price of the Heidelberg Materials share as at the time of issue. The reference price in each case is the average of the daily closing prices (trading days) of the Heidelberg Materials share on the Frankfurt Stock Exchange Xetra trading system in the three months before the start or expiration of the performance period.

After expiry of the four-year performance period, the PSUs definitively earned are to be calculated in a second step according to the achievement of the target (0%–200%) and paid in cash at the reference price of the Heidelberg Materials share valid at that time, adjusted for the reinvested dividend payments and for changes in capital.

The following table shows the key parameters of the plans.

Key parameters of the long-term bonus plans

	Plan 2020	Plan 2021	Plan 2021	Plan 2023
Date of issuance	1 January 2020	1 January 2021	1 January 2022	1 January 2023
Term	4 years	4 years	4 years	4 years
Reference price at issuance	€65.84	€57.00	€62.56	€48.74
Maximum payment amount per PSU	€164.60	€142.50	€156.40	€121.85

The reconciliation of the number of PSUs granted from 1 January 2020 to 31 December 2023 is shown in the following table.

Number of PSUs

	Plan 2020	Plan 2021	Plan 2022	Plan 2023
Granted as of 1 January 2020				
Additions	149,384			
Disposals	-3,173			
Granted as of 31 December 2020 / as of 1 January 2021	146,211			
Additions		185,400		
Disposals	-4,014	-9,273		
Granted as of 31 December 2021 / as of 1 January 2022	142,197	176,127		
Additions			158,790	
Disposals	-9,821	-11,879	-4,512	
Granted as of 31 December 2022 / as of 1 January 2023	132,376	164,249	154,278	
Additions				207,673
Disposals	-1,746	-2,817	-3,600	-3,450
Granted as of 31 December 2023	**130,630**	**161,432**	**150,678**	**204,223**

In the reporting year, all of the 153,382 PSUs from the 2019 plan granted as at 31 December 2022 were exercised and either settled via cash payment or lapsed due to the departure of employees.

For accounting in accordance with IFRS 2 (Share-based Payment), the fair value of the PSUs is calculated using a recognised option price model. A large number of different development paths for the Heidelberg Materials share – taking into account the effects of reinvested dividends – and the benchmark indices are simulated (Monte Carlo simulation). As at the reporting date, the benchmark index DAX 40 had 16,752 points (previous year: 13,924) and the benchmark index MSCI World Construction Materials 342.3 points (previous year: 218.3).

The fair value and additional measurement parameters are shown in the tables below.

Fair value

in €	Plan 2020	Plan 2021	Plan 2022	Plan 2023
Fair value as of 31 December 2020	39.15			
Fair value as of 31 December 2021	2.00	13.86		
Fair value as of 31 December 2022	1.18	22.26	51.20	
Fair value as of 31 December 2023		59.36	125.24	131.53

Measurement parameters

	31 Dec. 2020	31 Dec. 2021	31 Dec. 2022	31 Dec. 2023
	Plans 2018/19/20 [2]	Plans 2019/20/21 [2]	Plans 2020/21/22 [2]	Plans 2021/22/23 [2]
Expected dividend yield	-0.8%	-0.7%	2.0%	2.9%
Share price at 31 December	€61.22	€59.52	€53.28	€80.94
Volatility of Heidelberg Materials share [1]	32%	32%	25%	25%
Volatility of MSCI World Construction Materials Index [1]	25%	26%	19%	19%
Volatility of DAX 40 Index [1]	22%	22%	16%	16%
Correlation Heidelberg Materials share/ MSCI World Construction Materials Index [1]	67%	92%	87%	96%
Correlation Heidelberg Materials share/ DAX 40 Index [1]	51%	89%	79%	94%
Correlation DAX 40 Index/ MSCI World Construction Materials Index [1]	92%	97%	94%	91%

1) Average over the last two years
2) The plans expiring in the financial year were revalued each on the base of the current value (31 Dec. 2021: Plan 2018/31 Dec. 2022: Plan 2019/31 Dec. 2023: Plan 2020).

The total expenditure on the capital market component of the long-term bonus plan amounted to €17.4 million (previous year: 3.4). As at the reporting date, the provisions for the capital market component totalled €21.5 million (previous year: 4.1). The capital market component of the long-term bonus plan 2020–2022/23 is paid after the Annual General Meeting in 2024. The same applies to the additional current long-term bonus plans, i.e. payment takes place in the year following the four-year performance period.

7.5 Other operating expenses

Other operating expenses

€m	2022	2023
Expenses for third party repairs and services	2,277.1	2,297.9
Freight	2,328.4	2,143.0
Selling and administrative expenses	1,274.6	1,330.3
Lease expenses	131.1	151.7
Other taxes	152.9	146.4
Foreign exchange losses	125.1	115.6
Impairment losses on operating receivables and contract assets	26.8	19.9
Losses from derecognition of operating receivables	1.8	4.3
Other expenses	41.7	60.2
	6,359.6	**6,269.3**

The lease expenses include expenditure on short-term leases of €148.2 million (previous year: 125.0) and expenditure on leases of low-value assets of €3.5 million (previous year: 6.2). The expenses for variable lease payments not included in the measurement of lease liabilities amounted to €107.5 million (previous year: 104.3) and were incurred primarily in connection with freight and third-party services. The foreign exchange losses concern trade receivables and payables. Foreign exchange losses from interest-bearing receivables and liabilities are shown in the financial result. Other expenses include expenses from the transfer of receivables outstanding as at the reporting date amounting to €10.1 million (previous year: 8.4).

Significant expenses that occur in the course of ordinary business activities but are not reported in result from current operations are shown in the additional ordinary expenses and explained in Note 7.7.

7.6 Result from equity accounted investments (REI)

The result from equity accounted investments (REI) is made up of the results from joint ventures and associates engaged in the Group's core activities. Results from associates that are not engaged in the Group's core activities are reported in the result from other participations.

Joint ventures

With its joint venture partners, Heidelberg Materials operates numerous joint ventures worldwide. Cement Australia makes an important contribution to the result from current operations of the Heidelberg Materials Group.

The joint venture Cement Australia comprises Cement Australia Holdings Pty Ltd, Cement Australia Pty Limited, and Cement Australia Partnership, all based in Darra, Australia. Cement Australia is a joint venture between Heidelberg Materials and Holcim. Each partner holds 50% of the capital shares in the companies. Cement Australia is the largest Australian cement manufacturer and operates two cement plants and two grinding plants in eastern and southeastern Australia as well as in Tasmania. Heidelberg Materials procures its entire Australian cement requirement from Cement Australia.

The following table shows the statement of comprehensive income (100% values).

Statement of comprehensive income Cement Australia

€m	2022	2023
Revenue	830.2	857.6
Depreciation and amortisation	-43.3	-42.1
Result from current operations	**161.6**	**218.4**
Additional ordinary result		-0.5
Earnings before interest and taxes (EBIT)	**161.6**	**217.9**
Interest expenses	-15.7	-25.8
Other financial income and expenses	-1.1	-0.1
Profit before tax	**144.8**	**192.0**
Income taxes	7.6	-15.0
Profit for the financial year	**152.4**	**177.0**
Other comprehensive income	-3.7	7.4
Total comprehensive income	**148.7**	**184.4**

The assets and liabilities (100% values), the reconciliation to the total carrying amount of the interest, and the dividend received are shown in the following table.

Additional financial information Cement Australia

€m	2022	2023
Intangible assets	21.6	36.3
Property, plant and equipment	487.1	485.4
Financial fixed assets	37.1	35.5
Other non-current assets	1.9	1.9
Total non-current assets	**547.7**	**559.1**
Cash and cash equivalents	4.4	0.5
Other current assets	166.8	164.9
Total current assets	**171.2**	**165.4**
Total assets	**718.9**	**724.5**
Non-current financial liabilities	338.2	218.0
Non-current provisions	6.5	21.7
Other non-current liabilities	7.2	9.9
Total non-current liabilities	**351.9**	**249.6**
Current financial liabilities	36.8	138.4
Current provisions	9.3	8.8
Trade payables	108.8	92.3
Other current liabilities	70.5	76.8
Total current liabilities	**225.4**	**316.3**
Total liabilities	**577.3**	**565.9**
Net assets	**141.6**	**158.6**
Group share in %	50.0	50.0
Group share of net assets	70.8	79.3
Goodwill	349.1	338.5
Total carrying amount of the interest	**419.9**	**417.8**
Dividends received	80.8	77.9

Heidelberg Materials also holds investments in individually immaterial joint ventures. The summarised financial information for these companies is shown in the following table (Heidelberg Materials shareholding).

Summarised financial information for immaterial joint ventures

€m	2022	2023
Investments in immaterial joint ventures	**1,323.3**	**1,280.6**
Result from immaterial joint ventures	133.5	96.2
Other comprehensive income	20.7	-23.1
Total comprehensive income	**154.2**	**73.1**
Unrecognised share of losses of the period	-2.8	-0.8
Unrecognised share of losses cumulated	-5.5	-3.7

Impairments / reversals of impairment losses

In view of the economic and political situation in Hungary, Heidelberg Materials conducted an impairment review for the joint venture Duna Drava Kft. The introduction of additional taxes in the reporting year and the associated impact on cash flow resulted in an impairment loss of €23.0 million. The carrying amount of €58.6 million was impaired to a value in use of €35.7 million. A cost of capital of 13.7% was used. The impairment loss is shown in the additional ordinary expenses. In the reporting year, the result from equity accounted investments (REI) amounted to €-6.4 million.

In view of the economic situation and the hyperinflationary environment in Turkey, an impairment review was also conducted for the joint venture Akçansa Çimento Sanayi ve Ticaret A.S. This resulted in a reversal of impairment losses of €57.1 million. The reasons for this were the increased fair value and an improvement in the operating business plan. A reversal of impairment losses was recognised on the carrying amount of €201.6 million to a fair value of €258.7 million. The reversal of impairment loss is shown in the additional ordinary income. In the reporting year, the result from equity accounted investments amounted to €28.9 million.

In addition, Heidelberg Materials recognised further impairments totalling €6.1 million and reversals of impairment losses of €1.1 million on equity accounted investments during the reporting year that are of minor importance, both individually and collectively, for the presentation.

Associates

The following table shows the summarised financial information concerning the associates.

Summarised financial information for associates

€m	2022	2023
Investments in associates	**688.3**	**659.0**
Result from associates - reported in result from equity accounted investments (REI)	52.1	49.0
Result from associates - reported in result from other participations	11.1	0.5
Other comprehensive income	-11.1	-2.6
Total comprehensive income	**52.1**	**46.9**
Unrecognised share of losses of the period	-1.3	-1.3
Unrecognised share of losses cumulated	-7.5	-8.7

7.7 Additional ordinary result

The additional ordinary result includes income and expenses that, although occurring in the course of ordinary business activities, are not reported in result from current operations.

Additional ordinary result

€m	2022	2023
Additional ordinary income		
Gains from the disposal of subsidiaries and other business units	43.2	57.1
Gains from the disposal of other non-current assets	0.0	14.4
Reversal of impairment losses of other intangible assets and property, plant and equipment	56.3	10.6
Reversal of impairment losses of at equity accounted investments		58.1
Other additional income	25.4	24.5
	124.9	**164.8**
Additional ordinary expenses		
Losses from the disposal of subsidiaries and other business units	-13.9	-4.6
Impairment of other intangible assets and property, plant and equipment	-196.3	-40.6
Impairment at equity accounted investments	-25.9	-29.2
Restructuring expenses	-26.5	-18.5
Other additional expenses	-55.6	-71.1
	-318.1	**-163.9**
	-193.2	**0.9**

Additional ordinary income

In 2023, the gains from the disposal of subsidiaries and other business units were essentially attributable to the sale of the 25% participation in the Chaney Group in the USA in the amount of €32.6 million, the sale of the 45% joint venture in Georgia in the amount of €15.3 million, the sale of the subsidiary Ing. Sala S.p.A., Italy, in the amount of €4.8 million, and the liquidation of a subsidiary in the amount of €3.3 million. In the previous year, the item included, in particular, gains from the sale of the business activities in southern Spain in the amount of €24.1 million and from the sale of the business activities in Greece in the amount of €18.7 million.

An explanation of the reversal of impairment losses on other intangible assets and property, plant and equipment is given in Note 9.2. The reversal of impairment losses on equity accounted investments is explained in Note 7.6.

Other additional income mainly includes income from the reversal of provisions in connection with divested business activities and litigation risks. Also included is other income not reported in result from current operations. In the 2022 financial year, the item included income from the reversal of provisions in connection with divested business activities.

Additional ordinary expenses

The losses from the disposal of subsidiaries and other business units in the 2023 financial year are essentially attributable to the liquidation of several participations. In the previous year, this item included losses from the liquidation of a subsidiary.

An explanation of the impairment of other intangible assets and property, plant and equipment is given in Note 9.2. The impairment on equity accounted investments is explained in Note 7.6.

The restructuring expenses in the 2023 financial year mainly included personnel costs and were primarily incurred in the Group areas of Western and Southern Europe at €12.1 million, Africa-Eastern Mediterranean Basin at €6.0 million, and Asia-Pacific at €0.4 million. In the previous year, the restructuring expenses were incurred in the Group areas of Western and Southern Europe at €23.1 million, Asia-Pacific at €2.5 million, and Africa-Eastern Mediterranean Basin at €1.7 million.

Other additional expenses include expenses of €31.7 million from additions to provisions for litigation risks and in connection with divested business activities, expenses directly attributable to the rebranding of our Group companies in the amount of €20.2 million, transaction costs of €9.3 million in connection with business combinations, incidental disposal costs of €5.8 million for subsidiaries and other business units, and other expenses not reported in results from current operations. In the previous year, this item included expenses of €36.7 million connected with the closure of locations, additions to provisions amounting to €7.8 million for litigation and other risks, incidental disposal costs of €5.6 million in connection with the disposal of subsidiaries, transaction costs of €3.4 million in connection with business combinations, and other expenses not reported in results from current operations.

7.8 Interest expenses

In the 2023 financial year, the interest expenses for lease liabilities amounted to €35.5 million (previous year: 32.2).

7.9 Other financial result

Other financial result

€m	2022	2023
Interest balance from defined benefit pension plans	0.0	2.0
Interest effect from the valuation of other provisions	111.8	–11.9
Valuation result of derivative financial instruments	49.9	31.7
Impairment losses on interest-bearing receivables	4.0	0.1
Miscellaneous other financial result	–25.4	–45.2
	140.3	**–23.3**

Interest effects from the valuation of other provisions are explained in Note 9.13. The valuation result of derivative financial instruments essentially stems from the interest component of the foreign currency derivatives. The miscellaneous other financial result includes expenses from the continuing involvement to the amount of €46.6 million (previous year: 19.7).

7.10 Income taxes

Income tax expense

€m	2022	2023
Current taxes		
Current taxes current year	–447.9	–611.6
Current taxes previous years	14.0	19.1
	–433.8	**–592.5**
Deferred taxes		
Deferred taxes resulting from the recognition and reversal of temporary differences	–74.2	–149.3
Deferred taxes resulting from carryforwards of unused tax losses and interest, tax credits	24.1	62.1
Deferred taxes resulting from changes in tax rate	–1.1	21.1
	–51.2	**–66.1**
Income taxes from continuing operations	**–485.0**	**–658.6**

Adjusted for tax income for previous years, which amounted to €19.1 million (previous year: 14.0), the current tax expense increased by €163.7 million. This increase is primarily attributable to the rise in profit before tax. The deferred tax expense includes expenses of €149.3 million (previous year: 74.2) due to the recognition and reversal of temporary differences. Deferred tax assets created in previous years for carryforwards of unused tax losses and interest as well as tax credits were offset and reduced by €15.5 million (previous year: 9.6) during the reporting year. The reduction in the current and deferred tax expense for carryforwards of unused tax losses and interest not recognised in previous years as well as tax credits amounted to €127.4 million (previous year: 90.7) in the financial year. The deferred tax income from changes in the tax rate of €21.1 million (previous year: –1.1) largely results from the reduction in corporate income tax rates in the USA and a fall in the tax rate in India. In the reporting year, deferred tax assets of €9.5 million (previous year: 7.2) not covered by deferred tax liabilities were recognised from companies that had made a loss in the current or previous period. This mainly concerns companies in Spain and Thailand and corresponds to the assessment of recoverability based on positive business development and corporate planning.

Tax refund claims and liabilities from income taxes include assessed taxes and taxes not yet assessed for the current year and for previous years.

Carryforwards of unused tax losses as well as tax credits for which no deferred tax assets are recognised amount to €2,532.9 million (previous year: 2,745.9). They have essentially vested both in Germany and abroad. However, they are not determined separately in all countries by official notice and are therefore partly subject to review by the financial authorities prior to utilisation. In addition, no deferred tax assets were recognised for carryforwards of interest amounting to €326.2 million (previous year: 374.3) and deductible temporary differences of €71.7 million (previous year: 88.0). Overall, unrecognised deferred tax assets amounted to €736.5 million (previous year: 771.8) in the reporting year.

In the financial year, net deferred tax liabilities were reduced by €49.5 million in equity account (previous year: increase in deferred tax liabilities of €5.4 million). This reduction results primarily from the measurement of pension provisions in accordance with IAS 19. In addition, current tax liabilities were reduced by €6.6 million in equity account (previous year: increase in current tax liabilities of €24.9 million). This decrease is related to the measurement of financial instruments pursuant to IFRS 9. Changes to the scope of consolidation led to a net increase in deferred tax liabilities of €21.3 million (previous year: 3.1), recognised directly in equity. The change in comparison with the previous year is largely due to the first-time consolidation of the two subsidiaries PT Semen Grobogan in Indonesia and Tanga Cement PLC in Tanzania.

As laid down in IAS 12, deferred taxes must be recognised on the difference between the share of equity of a subsidiary captured in the consolidated balance sheet and the carrying amount for this subsidiary in the parent company's tax accounts, if realisation is expected (outside basis differences). On the basis of the regulations for the application of IAS 12.39, deferred taxes of €58.5 million (previous year: 43.1) were recognised on planned future dividends. No deferred tax liabilities were recognised for additional temporary taxable outside basis differences from subsidiaries, associates, and other participations of Heidelberg Materials AG amounting to €124.3 million (previous year: 119.0), as no reversal is likely within the foreseeable future. In accordance with the regulations of IAS 12.87, the amount of unrecognised deferred tax liabilities was not computed.

To measure deferred taxes, a combined income tax rate of 29.7% is applied for the domestic companies. This consists of the statutory corporation tax rate of 15.0% plus the solidarity surcharge of 5.5% levied on the corporation tax to be paid, as well as an average trade tax burden of 13.9%. For 2022, the combined income tax rate was also 29.7%. The calculation of the expected income tax expense at the domestic tax rate is carried out using the same combined income tax rate that is used in the calculation of deferred taxes for domestic companies.

The profit before tax of the Group companies based abroad is taxed at the applicable rate in the respective country of residence. The local income tax rates in the individual countries vary, thus resulting in corresponding tax rate differentials. These are shown in the line "Effect of different tax rates in countries in which the Group operates."

A weighted average tax rate is established by taking the tax rate differentials of foreign Group companies into account. The increase in this rate in comparison with the earlier period is due to the change in the relative weighting of the companies' results.

Tax reconciliation

€m	2022	2023
Profit before tax from continuing operations	**2,217.1**	**2,849.0**
Expected tax expense at national tax rate of 29.7% (2022: 29.7%)	-658.6	-846.4
Effect of different tax rates in countries in which the Group operates	148.6	150.7
Expected tax expense at weighted average tax rate of 24.4% (2022: 23.0%)	**-510.0**	**-695.7**
Tax-free earnings (+) and non-deductible expenses (-)	-41.7	-92.5
Effects from carryforward of unused tax losses and interest, tax credits	81.1	111.9
Not recognised deferred tax assets on losses incurred in the fiscal year	-11.1	-9.0
Tax increase (-), reduction (+) for prior years	13.5	14.7
Changes in tax rate	-1.1	21.1
Others	-15.7	-9.2
Income taxes	**-485.0**	**-658.6**
Effective tax rate	**21.9%**	**23.1%**

Deferred taxes

€m	2022	**2023**
Deferred tax assets		
Fixed assets	52.4	54.0
Other assets	90.9	122.9
Provisions and liabilities	692.9	669.5
Carryforward of unused tax losses and interest, tax credits	267.1	327.0
Gross amount	1,103.1	1,173.3
Netting	-834.9	-877.8
	268.2	**295.5**
Deferred tax liabilities		
Fixed assets	1,386.0	1,521.5
Other assets	76.5	41.2
Provisions and liabilities	258.6	263.7
Gross amount	1,721.2	1,826.4
Netting	-834.9	-877.8
	886.3	**948.5**

In Germany and other jurisdictions in which we operate, the rules on global minimum taxation (Pillar Two) have been transposed into local law, or their implementation has been announced. For Heidelberg Materials, this will result in initial application for the 2024 financial year.

An impact analysis was carried out in order to estimate the future effects of the new regulations on the Group. This analysis is based on the currently available tax returns, the country-by-country report, and the financial statements of the business units to be included. Based on the impact analysis, we assume that we are represented in only a few jurisdictions where the transitional safe harbour regulations do not apply and where the simplified effective tax rate is simultaneously less than 15%.

On the basis of the information available at this point in time and notwithstanding any possible changes to local tax laws in the various jurisdictions, Heidelberg Materials anticipates an increase in the current tax expense of a low single-digit million euro amount in the 2024 financial year due to the global minimum tax.

In accordance with IAS 12.88, Heidelberg Materials has made use of the exception from the recognition and disclosure of deferred tax assets and deferred tax liabilities in connection with the global minimum tax (Pillar Two).

7.11 Discontinued operations and disposal groups

Discontinued operations

The following table shows the composition of the result.

Net loss from discontinued operations

€m	2022	**2023**
Income	1.4	0.1
Expenses	-13.4	-117.9
Result before tax	**-12.0**	**-117.8**
Attributable income taxes	2.9	14.2
Result after tax	**-9.1**	**-103.5**

The result includes income and expenses incurred in connection with discontinued operations of the Hanson Group in previous years and that result from provisions for damages and environmental obligations. Further details on the obligations are provided in Note 9.13 Other provisions. In the 2023 financial year, expenses of €61.3 million were recognised in connection with a claim for damages.

Disposal groups

As part of its portfolio optimisation programme, Heidelberg Materials signed agreements with various regional transport specialists in December 2023 to sell its French cement transport business Tratel S.a.s. The transactions were concluded on 2 January 2024, with final closing for one location expected in the first half of 2024.

In the previous year, the disposal groups included the assets and liabilities of the aggregates and ready-mixed concrete business in the Madrid region, which were sold on 31 July 2023. Further explanations are given in Note 5.2. The disposal groups also included non-current assets of the Western and Southern Europe Group area that were sold during the financial year.

The following overview shows the main groups of assets and liabilities of the disposal groups.

Assets and liabilities classified as held for sale

€m	2022	2023
Intangible assets		3.7
Property, plant and equipment	48.7	19.2
Other non-current assets		0.1
Inventories	0.9	
Other current assets		0.3
Assets classified as held for sale	**49.6**	**23.3**
Pension provisions		1.3
Other non-current provisions		0.3
Non-current liabilities	0.3	0.6
Current liabilities		0.0
Liabilities classified as held for sale	**0.3**	**2.2**
Net assets	**49.3**	**21.1**

7.12 Earnings per share

Earnings per share

	January – December	
€m	2022	2023
Profit for the financial year	1,723.0	2,086.9
Thereof attributable to non-controlling interests	126.4	157.9
Thereof attributable to Heidelberg Materials AG shareholders	1,596.6	1,928.9
Number of shares in '000s (weighted average)	189,028	185,008
Earnings per share in €	**8.45**	**10.43**
Net income from continuing operations – attributable to Heidelberg Materials AG shareholders	1,605.7	2,032.5
Earnings per share in € – continuing operations	8.49	10.99
Net loss from discontinued operations – attributable to Heidelberg Materials AG shareholders	-9.1	-103.5
Loss per share in € – discontinued operations	-0.05	-0.56

8 Notes to the statement of cash flows

The consolidated statement of cash flows shows how the Group's cash and cash equivalents changed through inflows and outflows during the reporting year. In accordance with IAS 7 (Statement of Cash Flows), a distinction is made between cash flows from operating, investing, and financing activities. The changes in the relevant balance sheet items cannot be directly derived from the consolidated balance sheet, as they are adjusted for non-cash transactions, such as effects arising from currency translation and changes to the scope of consolidation.

The cash flow is calculated as net income from continuing operations adjusted for income taxes, net interest, depreciation, amortisation, impairment, and other eliminations. Cash flows from dividends received from non-consolidated companies, from interest received and paid, and from income taxes paid are also recognised. Changes in working capital and utilisation of provisions are taken into account when determining the cash flow from operating activities.

Cash flows from the acquisition or sale of intangible assets as well as property, plant and equipment and financial fixed assets are recognised in the cash flow from investing activities. If these relate to the acquisition or disposal of subsidiaries or other business units (gain or loss of control), the effects on the statement of cash flows are shown in separate items.

The cash flow from financing activities mainly results from changes in capital and dividend payments as well as proceeds from and repayments of bonds and loans and repayments of lease liabilities. In addition, cash flows from changes in ownership interests in subsidiaries that do not result in a loss of control are classified as financing activities.

The cash flows from foreign Group companies shown in the statement are generally translated into euro using the average annual exchange rates. In contrast, cash and cash equivalents are translated using the exchange rate at year end, as in the consolidated balance sheet. The effects of exchange rate changes on cash and cash equivalents are shown separately.

The significant individual items in the statement of cash flows are explained below.

8.1 Dividends received

Of the cash inflow from dividends received, €173.9 million (previous year: 177.8) relates to joint ventures, €27.8 million (previous year: 30.0) to associates, and €1.7 million (previous year: 1.5) to other participations.

8.2 Interest received/interest paid

The cash inflow from interest received decreased by €113.7 million to €158.9 million (previous year: 272.5), primarily as a result of the decline in payments received from interest rate swaps. Interest paid increased by €110.4 million to €321.9 million (previous year: 211.6). This was mainly due to the rise in payments for interest rate swaps and the rise in interest payments for bonds.

8.3 Other eliminations

The other eliminations include non-cash expenses and income, such as results from equity accounted investments (REI) (before impairment or reversal of impairments), additions to and reversal of provisions, and impairment and reversal of impairments of working capital. Furthermore, the results from divestments are adjusted because the total amount earned from divestments is shown in the cash flow from investing activities. The following table shows the composition of the other eliminations:

Other eliminations

€m	2022	**2023**
Result from equity accounted investments	−271.7	−234.2
Addition/reversal of pension provisions	46.4	59.6
Addition/reversal of other provisions	−7.5	152.0
Impairment/reversal of impairments of working capital	76.2	28.2
Result from divestments	−115.8	−108.8
Other non-cash expenses and income	104.4	24.3
	−168.0	**−78.8**

8.4 Changes in operating assets/liabilities

Operating assets consist of inventories, trade receivables, and other assets used in operating activities. Operating liabilities include trade payables and other liabilities from operating activities.

8.5 Investments (cash outflow)

The payments for investments differ from additions in the fixed asset movement schedule, which shows, for instance, non-cash transactions as additions, such as additions in connection with leasing transactions.

Of the total cash-relevant investments of €1,849.8 million (previous year: 1,810.9), €1,058.9 million (previous year: 1,288.7) related to investments to maintain and optimise capacity and €790.9 million (previous year: 522.2) to capacity expansions.

Investments in intangible assets and property, plant and equipment less subsidies received amounted to €1,235.4 million (previous year: 1,259.6) and concerned maintenance, optimisation, and environmental protection measures at our production sites, as well as expansion projects in growth markets.

Payments for the acquisition of subsidiaries and other business units amounted to €414.2 million (previous year: 63.5); this figure was primarily attributable to the acquisition of The SEFA Group, LLC, in the USA, RWG and SER Group in Germany, PT Semen Grobogan in Indonesia, and Tanga Cement PLC in Tanzania. In the previous year, the payments resulted mainly from business combinations in the United Kingdom and North America. Further details of the acquisitions are provided in Note 5.1.

Investments in financial assets, associates, and joint ventures amounted to €200.2 million (previous year: 487.8) and primarily resulted from the acquisition and granting of loans totalling €151.5 million. Payments in the previous year related to the acquisition of 44.9% of the shares in Command Alkon for €325.8 million, the indirect acquisition of 50% of the shares in CBI Ghana for €32.5 million, and the acquisition and granting of loans totalling €94.8 million.

8.6 Divestments (cash inflow)

The cash inflow from the disposal of subsidiaries and other business units amounted to €26.6 million (previous year: 144.8) and primarily relates to the sale of the business in the Madrid region of Spain. Proceeds in the previous year mainly related to the sale of the business activities in southern Spain as well as the sale of the aggregates business and two ready-mixed concrete plants in Greece. Detailed explanations on the divestments are provided in Note 5.2.

Proceeds from the disposal of intangible assets and property, plant and equipment amounted to €135.6 million in the financial year (previous year: 144.9). The payments received from the disposal of financial assets, associates, and joint ventures as well as the repayment of loans amounting to €207.8 million (previous year: 39.0) primarily resulted from the disposal of the joint venture in Georgia and of the Chaney Group in the USA.

8.7 Acquisition of treasury shares

The third tranche of the share buyback programme was completed in the financial year with the acquisition of 4,117,499 shares for a total of €298.0 million (including incidental acquisition costs). In the previous year, 6,906,281 shares were acquired for a total of €350.0 million under the second tranche.

8.8 Decrease/increase in ownership interests in subsidiaries

In the financial year, there were no cash inflows or outflows from the decrease or increase in ownership interests in subsidiaries that do not lead to a loss of control.

Of the payments amounting to €78.4 million made to increase ownership interests in subsidiaries in the previous year, €77.2 million related to the 1.8% increase in our share in PT Indocement Tunggal Prakarsa Tbk., Indonesia, through the acquisition of treasury shares.

8.9 Proceeds from bond issuance and loans

This item includes the issue of two bonds, each with a nominal value of €750.0 million. The bond issued in January with a coupon of 3.75% has a term ending on 31 May 2032. The bond issued in November with a coupon of 4.875% has a term ending on 21 November 2033.

8.10 Repayment of bonds, loans, and lease liabilities

This item includes the scheduled repayments of financial liabilities. In the 2023 financial year, Heidelberg Materials AG repaid the loan from the European Investment Bank Luxembourg in the amount of €180.0 million as well as other bank loans in the amount of €20.4 million. In addition, financial liabilities assumed as a result of business combinations amounting to €283.1 million were repaid. Lease liabilities of €233.4 million (previous year: 236.7) were also repaid. In the previous year, this item included the repayment of the debt certificate amounting to €360.5 million and of a bond with a nominal volume of €750.0 million.

8.11 Changes in short-term financial liabilities

This line shows the balance of proceeds from and payments for items with a high turnover rate, large amounts, and short terms from financing activities.

8.12 Changes in liabilities arising from financing activities

The following table shows the changes in liabilities arising from financing activities, broken down into cash-relevant and non-cash changes.

Changes in liabilities arising from financing activities

€m	Bonds payable	Bank loans	Miscellaneous other financial liabilities	Lease liabilities	Non-controlling interests with put options	Derivative financial instruments (net position)	**Total**
1 January 2023	**5,321.9**	**321.2**	**92.0**	**1,051.1**	**87.3**	**37.0**	**6,910.7**
Cash flow from financing activities	1,500.0	-40.2	-278.6	-233.4		63.1	1,010.9
Change in consolidation scope		20.8	350.8	53.9			425.4
Currency translation		-11.6	4.3	-14.7			-22.0
Changes in fair value						-59.4	-59.4
Other changes	39.5	0.1	-63.6	231.6	-8.1		199.6
31 December 2023	**6,861.5**	**290.3**	**104.9**	**1,088.5**	**79.3**	**40.7**	**8,465.2**
1 January 2022	**6,169.9**	**736.4**	**91.2**	**1,059.1**	**79.9**	**-27.1**	**8,109.4**
Cash flow from financing activities	-750.0	-406.0	-9.1	-236.7		-82.1	-1,483.9
Change in consolidation scope			6.4	4.7			11.1
Currency translation		-8.0	-1.9	-8.6			-18.4
Changes in fair value						146.3	146.3
Other changes	-98.0	-1.2	5.3	232.6	7.5		146.2
31 December 2022	**5,321.9**	**321.2**	**92.0**	**1,051.1**	**87.3**	**37.0**	**6,910.7**

The cash-relevant change in liabilities arising from financing activities includes cash flows resulting from the proceeds from and repayments of loans, bonds, and short-term financial liabilities and repayments of lease liabilities, as well as cash flows from rolling currency derivatives, insofar as they serve to hedge financial liabilities.

The net position of the derivative financial instruments includes currency derivatives with both positive and negative fair values. This results in a negative net carrying amount of €40.7 million (previous year: 37.0) as at 31 December 2023. The total change in interest liabilities is shown in other changes, as interest-related payment flows in the statement of cash flows are allocated to cash flow from operating activities.

8.13 Cash and cash equivalents

Cash and cash equivalents with a remaining term of up to three months are included. The cash equivalents in this item are short-term, highly liquid financial investments that are readily convertible to a known amount of cash and subject to only insignificant changes in value. Of this item, €75.6 million (previous year: 54.8) is not available for use by Heidelberg Materials. This includes €17.1 million (previous year: 21.1) in short-term cash deposits at banks that were placed as security for various business transactions, for example outstanding recultivation payments and guarantees provided. The figure also takes into account bank balances of €58.5 million (previous year: 33.7) that cannot be freely transferred within the Group because of foreign exchange restrictions.

9 Notes to the balance sheet

9.1 Intangible assets

Intangible assets (31 December 2023)

€m	Goodwill	Other intangible assets	Total
Cost			
1 January 2023	12,442.1	648.8	13,090.9
First-time application IAS 29 Hyperinflation	18.0		18.0
Currency translation	-169.8	-7.2	-177.0
Business combinations	142.9	123.4	266.3
Divestments	-0.9	-0.2	-1.1
Additions		57.8	57.8
Disposals		-29.4	-29.4
Reclassifications		7.9	7.9
Reclassifications to current assets	-3.7	-0.0	-3.7
31 December 2023	12,428.7	801.0	13,229.7
Amortisation			
1 January 2023	4,074.0	439.5	4,513.5
Currency translation	12.9	-4.6	8.3
Divestments	0.1	-0.2	-0.1
Additions		46.3	46.3
Impairment		5.4	5.4
Disposals		-28.5	-28.5
Reclassifications		0.3	0.3
31 December 2023	4,087.0	458.2	4,545.2
Carrying amount at 31 December 2023	**8,341.7**	**342.9**	**8,684.6**

Intangible assets (31 December 2022)

€m	Goodwill	Other intangible assets	**Total**
Cost			
1 January 2022	12,326.7	616.3	12,943.0
Currency translation	96.3	1.3	97.7
Business combinations	20.6	3.9	24.5
Divestments	-1.5	-0.2	-1.7
Additions		35.1	35.1
Disposals		-16.5	-16.5
Reclassifications		9.0	9.0
Reclassifications to current assets		-0.1	-0.1
31 December 2022	12,442.1	648.8	13,090.9
Amortisation			
1 January 2022	4,162.0	409.5	4,571.5
Currency translation	-88.0	1.1	-86.9
Divestments	-0.0	-0.2	-0.2
Additions		40.2	40.2
Impairment		3.5	3.5
Reversal of impairment		-0.2	-0.2
Disposals		-16.4	-16.4
Reclassifications		2.0	2.0
31 December 2022	4,074.0	439.5	4,513.5
Carrying amount at 31 December 2022	**8,368.1**	**209.3**	**8,577.4**

Goodwill

An impairment test on goodwill in accordance with IAS 36 (Impairment of Assets) is generally performed annually within the Heidelberg Materials Group, in the fourth quarter once the operational three-year plan has been prepared or if there are indications for impairment.

In this impairment test, the carrying amount of a group of cash-generating units (CGUs) to which goodwill is allocated is compared with the recoverable amount of this group of CGUs.

Cash flow estimates extend over a five-year planning period, after which a terminal value is applied. A three-year detailed bottom-up operational plan approved by the Managing Board and Supervisory Board forms the basis for these estimates. This is generally complemented by a top-down plan for an additional two years, which incorporates medium-term expectations of the management based on estimates of market volume, market shares, as well as cost and price development. As a general rule, the top-down plan is derived by applying growth rates to the detailed three-year operational plan. A detailed plan is created for all CGUs operating in unstable markets. This applies especially to those markets in which demand for building materials and building products, as well as the price level, have decreased substantially due to economic uncertainties. It is generally assumed that demand and prices in these markets will recover.

The sales volumes derived from the demand are generally based on the assumption of constant market shares. The underlying development of the price level varies by CGU.

Variable costs are assumed to evolve in line with the projected development of sales volumes and prices. As a rule, it is expected that the contribution margin as a percentage of revenue will increase slightly. With increasing sales volumes, this leads to a significant improvement in the operating margin in some cases.

Under our Sustainability Commitments 2030, we will further reduce our emissions through conventional levers and carbon capture, utilisation, and storage (CCUS), circular economy, responsible land use, and water conservation. The assumptions for the estimated CO_2 costs are based on analyst estimates. The potential impact of physical climate risks was assessed and taken into account accordingly in operational planning. The projections for the estimated growth rates of the terminal value are based on country-specific long-term inflation rates.

The WACC rates for the Group were calculated using a two-phase approach, whereby a phase-one WACC rate was used to discount the payment surpluses for the first five years and a phase-two WACC discount rate was applied for the determination of the terminal value. The difference between the two WACC rates merely results from the downward adjustment for the perpetual growth rate as well as a long-term inflation differential adjustment in phase two. The credit spread as premium to the risk-free rate was derived from the rating of the homogenous peer group. The peer group is subjected to an annual review and adjusted if necessary.

The following key assumptions were applied in the determination of the recoverable amount based on the value in use for the CGU.

Goodwill impairment test assumptions

Group area/CGU[1] or group of CGUs	Carrying amount of goodwill in €m		Weighted average cost of capital before taxes[2]		Weighted average cost of capital after taxes[2]		Perpetual growth rate	
	31 Dec. 2022	**31 Dec. 2023**	31 Dec. 2022	**31 Dec. 2023**	31 Dec. 2022	**31 Dec. 2023**	31 Dec. 2022	**31 Dec. 2023**
Western and Southern Europe	926.3	1,023.6	9.7%–13.6%	10.1%–14.2%	7.5%–10.3%	7.7%–10.5%	1.6%–2.0%	1.6%–2.0%
Benelux	222.3	222.3	9.7%	10.4%	7.6%	8.3%	1.9%	2.0%
Germany	379.0	478.6	9.9%	10.1%	7.5%	7.7%	2.0%	2.0%
France	190.9	187.2	9.7%	10.3%	7.5%	8.1%	1.6%	1.6%
Northern and Eastern Europe-Central Asia	763.4	756.8	8.6%–14.4%	9.4%–14.2%	7.0%–12.6%	8.0%–12.3%	2.0%–2.5%	2.0%–2.5%
Czechia	144.0	140.9	10.4%	10.6%	8.8%	9.0%	2.0%	2.0%
Nordic Precast Group	115.4	109.0	9.0%	9.4%	7.5%	8.0%	2.0%	2.0%
Poland	147.1	150.7	12.8%	12.4%	11.1%	10.7%	2.5%	2.5%
North America	4,852.7	4,735.2	9.1%	9.9%	7.0%	7.8%	2.0%	2.1%
Asia-Pacific	1,407.1	1,372.7	8.8%–19.4%	9.2%–20.5%	7.2%–16.5%	7.6%–17.8%	1.0%–5.5%	1.0%–5.5%
Australia	1,062.6	1,030.5	9.9%	11.1%	7.5%	8.7%	2.5%	2.6%
Bangladesh	8.2	8.1	19.4%	20.5%	16.5%	17.8%	5.5%	5.5%
India	211.8	203.3	15.5%	15.9%	11.6%	12.0%	4.0%	4.0%
Africa-Eastern Mediterranean Basin	418.7	453.3	10.1%–44.2%	11.0%–37.2%	8.0%–34.7%	8.9%–30.2%	1.9%–6.5%	2.1%–8.0%
Israel	72.1	67.9	10.1%	11.0%	8.0%	8.9%	1.9%	2.1%
Morocco	274.0	280.8	14.8%	15.6%	10.5%	11.2%	2.0%	2.1%
Total	**8,368.1**	**8,341.7**						

1) CGU = Cash-generating unit
2) Stated figure is the phase one WACC, before adjustment for growth. The second phase WACC, used to calculate the terminal value, is equal to the phase one WACC after adjustment for growth and long-term inflation differential.

As in the previous year, the goodwill impairment test did not lead to any impairment.

For the CGUs Bangladesh, France, and Nordic Precast Group, changes in the sustainable growth rate or in the operational plan as the basis for cash flow estimates or the weighted average cost of capital could cause the carrying amount to exceed the recoverable amount. Management does not rule out such a development. With a reduction of the growth rate of around 1.6 percentage points for the CGU France, around 2.0 percentage points for the CGU Nordic Precast Group, and around 2.9 percentage points for the CGU Bangladesh, the recoverable amount corresponds to the respective carrying amount. With a decline in the planned results (EBIT) for each year of planning as well as in the terminal value of around 14.8% for the CGU Bangladesh, around 15.9% for the CGU France, and around 22.5% for the CGU Nordic Precast Group, the recoverable amount and carrying amount are equal. With an increase in the weighted average cost of capital before taxes of around 1.6 percentage points for the CGU France, around 1.9 percentage points for the CGU Nordic Precast Group, and around 2.3 percentage points for the CGU Bangladesh, the recoverable amount corresponds to the respective carrying amount. For the CGU Morocco, we assumed the fair value less costs to sell on the basis of the stock market price.

Without the aforementioned changes, the recoverable amount exceeds the carrying amount of the CGU Bangladesh by €9.1 million, of the CGU Nordic Precast Group by €53.9 million, and of the CGU France by €251.1 million as at the reporting date.

With a reduction of 3.0 percentage points in the growth rate, an increase in the WACC before taxes of 3.3 percentage points, or a decline of 25.4% in the planned result (EBIT) for each year of planning as well as in the terminal value, the recoverable amount for all other CGUs continues to lie above the carrying amount.

Other intangible assets

Other intangible assets mainly include concessions, acquired customer relationships, development costs, and software. Spending on research and development of €95.3 million (previous year: 103.2) was recorded as an expense as it did not fulfil the recognition criteria for intangible assets.

9.2 Property, plant and equipment

Property, plant and equipment (31 December 2023)

€m	Land and buildings	Plant and machinery	Other operating equipment	Prepayments and assets under construction	**Total**
Cost					
1 January 2023	11,146.2	13,855.7	2,294.8	1,728.7	29,025.5
First-time application IAS 29 Hyperinflation	15.6	78.4	3.4		97.4
Currency translation	-189.5	-271.8	-37.3	-28.0	-526.5
Business combinations	387.5	148.7	45.8	3.3	585.4
Divestments	-8.2	-7.2	-3.1	-0.1	-18.5
Additions	144.8	114.1	155.0	1,019.0	1,433.0
Disposals	-75.0	-188.4	-143.2	-3.1	-409.8
Reclassifications	307.2	1,118.5	94.1	-1,527.7	-7.9
Reclassifications to current assets	-0.8	-1.0	-35.8	0.0	-37.5
31 December 2023	11,727.9	14,847.1	2,373.8	1,192.2	30,141.1
Depreciation					
1 January 2023	4,382.6	9,501.6	1,453.8	26.9	15,364.9
First-time application IAS 29 Hyperinflation	4.6	44.8	2.6		52.0
Currency translation	-67.3	-174.1	-25.7	-2.9	-270.0
Divestments	-2.9	-5.0	-2.0		-9.9
Additions	320.9	623.9	244.4		1,189.3
Impairment	16.3	14.2	0.8	4.0	35.2
Reversal of impairment	-5.8	-4.7	-0.1	-0.1	-10.6
Disposals	-55.0	-149.3	-135.2	-3.2	-342.6
Reclassifications	2.0	8.0	-6.5	-3.8	-0.3
Reclassifications to current assets	1.1	-0.6	-17.1		-16.6
31 December 2023	4,596.7	9,858.8	1,515.0	20.9	15,991.5
Carrying amount at 31 December 2023	**7,131.2**	**4,988.2**	**858.8**	**1,171.4**	**14,149.6**

Property, plant and equipment (31 December 2022)

€m	Land and buildings	Plant and machinery	Other operating equipment	Prepayments and assets under con-struction	**Total**
Cost					
1 January 2022	11,052.6	13,674.0	2,154.2	1,402.2	28,283.0
Currency translation	2.8	-87.1	-14.7	-1.4	-100.4
Business combinations	34.0	14.6	5.2	-1.3	52.5
Divestments	-4.2	-7.2	-0.3		-11.7
Additions	159.4	139.9	117.6	1,066.7	1,483.7
Disposals	-202.2	-322.4	-90.4	-3.6	-618.6
Reclassifications	145.7	455.2	123.8	-733.7	-9.0
Reclassifications to current assets	-41.9	-11.2	-0.6	-0.2	-54.0
31 December 2022	11,146.2	13,855.7	2,294.8	1,728.7	29,025.5
Depreciation					
1 January 2022	4,185.7	9,162.4	1,284.5	19.6	14,652.2
Currency translation	-23.7	-48.5	-12.2	-1.3	-85.7
Divestments	-1.1	-5.5	-0.8		-7.4
Additions	327.8	642.2	253.7		1,223.7
Impairment	81.5	87.8	5.9	17.5	192.7
Reversal of impairment	-30.3	-25.1	-0.7		-56.1
Disposals	-154.7	-300.8	-80.7	-3.2	-539.4
Reclassifications	4.7	-5.2	4.2	-5.7	-2.0
Reclassifications to current assets	-7.2	-5.7	-0.2		-13.1
31 December 2022	4,382.6	9,501.6	1,453.8	26.9	15,364.9
Carrying amount at 31 December 2022	**6,763.6**	**4,354.0**	**841.0**	**1,701.9**	**13,660.4**

Exploitation land and mineral reserves are also recorded in land and buildings.

In the 2023 financial year, government grants of €94.4 million (previous year: 75.6) were deducted directly from the acquisition costs. The conditions attached to these grants have been met in full and there are no other uncertainties.

In the 2023 financial year, no property, plant and equipment was pledged as security (previous year: €5.9 million). In addition, borrowing costs of €7.7 million (previous year: 9.9) were capitalised. The average capitalisation rate applied was 2% (previous year: 2%).

Right-of-use assets

The right-of-use assets reported under property, plant and equipment result from leases accounted for in accordance with IFRS 16. The following table shows the development of the right-of-use assets.

Right-of-use assets (31 December 2023)

€m	Land and buildings	Plant and machinery	Other operating equipment	Total
Cost				
1 January 2023	894.4	214.0	842.8	1,951.2
First-time application IAS 29 Hyperinflation	7.5		0.0	7.5
Currency translation	-18.3	-5.1	-10.4	-33.8
Business combinations	49.9	1.3	3.1	54.3
Divestments	-0.2	-0.0	-0.9	-1.0
Additions	106.7	6.1	127.7	240.5
Disposals	-20.0	-4.9	-73.3	-98.3
Reclassifications		0.8	-8.2	-7.4
Reclassifications to current assets	-0.0			-0.0
31 December 2023	1,020.1	212.1	880.9	2,113.0
Depreciation				
1 January 2023	315.0	144.4	500.3	959.7
First-time application IAS 29 Hyperinflation	0.6			0.6
Currency translation	-7.1	-4.3	-6.7	-18.1
Divestments	-0.1	-0.0	-0.5	-0.7
Additions	89.2	18.8	126.9	235.0
Impairment	2.0		0.1	2.0
Reversal of impairment	-3.1		-0.0	-3.1
Disposals	-14.8	-3.4	-71.4	-89.6
Reclassifications		9.2	-19.1	-9.9
Reclassifications to current assets	0.1		-0.0	0.1
31 December 2023	381.8	164.7	529.7	1,076.1
Carrying amount at 31 December 2023	**638.3**	**47.4**	**351.2**	**1,036.9**

Right-of-use assets (31 December 2022)

€m	Land and buildings	Plant and machinery	Other operating equipment	**Total**
Cost				
1 January 2022	794.0	174.7	803.8	1,772.5
Currency translation	-12.8	-2.6	-6.3	-21.6
Business combinations	1.7	0.3	2.0	3.9
Divestments	-0.0	-0.0	-0.1	-0.2
Additions	125.9	49.2	72.1	247.2
Disposals	-14.8	-1.8	-28.3	-45.0
Reclassifications	0.2	-5.8	-0.3	-6.0
Reclassifications to current assets	0.3		0.0	0.4
31 December 2022	894.4	214.0	842.8	1,951.2
Depreciation				
1 January 2022	240.0	122.2	404.3	766.5
Currency translation	-5.5	-0.1	-5.8	-11.4
Divestments	-0.0	0.0	-0.1	-0.2
Additions	86.8	13.2	137.6	237.5
Impairment	5.1		0.3	5.3
Reversal of impairment	-5.2		-0.2	-5.4
Disposals	-6.7	0.9	-25.7	-31.5
Reclassifications	0.0	8.2	-10.2	-1.9
Reclassifications to current assets	0.5	0.0	0.1	0.6
31 December 2022	315.0	144.4	500.4	959.8
Carrying amount at 31 December 2022	**579.4**	**69.6**	**342.4**	**991.4**

Information on lease liabilities is provided in Note 8.12 and Note 9.14 as well as on **page 261 f.** and **page 263**.

The following table contains all the cash outflows for leases.

Cash outflow for leases

€m	2022	**2023**
Principal payments for lease liabilities	236.7	233.4
Interest payments for lease liabilities	32.2	35.5
Short-term leases	125.0	148.2
Leases of low-value assets	6.2	3.5
Variable lease payments, that were not recognised in the lease liability	104.3	107.5
	504.3	**528.1**

Impairment of other intangible assets and property, plant and equipment

In the reporting year, Heidelberg Materials tested impairment losses on the basis of local cash-generating units (CGUs). This did not result in any significant impairments.

The impairments in the 2023 financial year are shown in the following table.

Impairment of other intangible assets and property, plant and equipment (reporting year)

€m	Other intangible assets	Land and buildings	Plant and machinery	Other operating equipment	Prepayments and assets under construction	Total
Western and Southern Europe	-0.1	-4.6	-2.5	-0.1		-7.4
United Kingdom		-2.9	-2.5	-0.1		-5.5
Other	-0.1	-1.7		-0.1		-1.8
Northern and Eastern Europe-Central Asia	-0.0	-1.8	-3.1	-0.6	-4.0	-9.5
North America		-8.0	-0.1			-8.1
Asia-Pacific	-0.4	-1.9	-8.5	-0.0		-10.9
India		-1.9	-6.3			-8.2
Other	-0.4	-0.0	-2.1			-2.6
Group other	-4.8					-4.8
Total	**-5.4**	**-16.3**	**-14.2**	**-0.8**	**-4.0**	**-40.6**

In North America, the impairments relate to purchase options received for real estate at Crabtree and Perfection Farms. The carrying amount for Perfection Farms of €9.5 million was impaired by €6.0 million to the fair value less costs to sell of €3.5 million. The carrying amount of €2.1 million for Crabtree was impaired by €2.1 million to €0 million.

In India, the value of a coal-fired power plant was reviewed due to the planned change in energy supply. This resulted in an impairment loss of €8.2 million. The carrying amount of €9.3 million was reduced to the fair value less costs to sell of €1.1 million.

In the United Kingdom, the impairment of assets was tested on the basis of local cash-generating units (CGUs) or management areas. Impairment losses mainly related to the CGU Hanson Quarry Products Europe. Assets within the CGUs were impaired by €4.8 million, with a carrying amount of €6.7 million and a value in use or fair value less costs to sell of €1.9 million. The reasons for the impairment are increased costs of capital, as well as a decline in demand due to the stagnating economic situation. A cost of capital of 10.8% was used.

Impairment losses are shown in the additional ordinary expenses.

Reversal of impairment on property, plant and equipment

Reversals of impairment losses in the 2023 financial year are shown in the following table.

Reversal of impairment on property, plant and equipment (reporting year)

€m	Land and buildings	Plant and machinery	Other operating equipment	Prepayments and assets under construction	Total
Western and Southern Europe	5.4	2.9	0.0		8.3
United Kingdom	3.9	2.9	0.0		6.9
Other	1.4				1.4
Northern and Eastern Europe-Central Asia		1.8	0.1	0.0	1.9
Africa-Eastern Mediterranean Basin	0.4				0.4
Total	**5.7**	**4.7**	**0.1**	**0.0**	**10.6**

Significant reversals of impairment losses relate to individual CGUs within Hanson Quarry Products Europe and Cementitious in the United Kingdom. Due to improved expectations for the development of results, coupled with a focus on strict cost management, reversals of impairment losses totalling €6.8 million were recognised to a carrying amount of €21.8 million. A cost of capital of 10.8% was used.

Reversals of impairment losses are shown in the additional ordinary income.

Impairment of other intangible assets and property, plant and equipment in the previous year

The impairments in the 2022 financial year are shown in the following table.

Impairment of other intangible assets and property, plant and equipment (previous year)

€m	Other intangible assets	Land and buildings	Plant and machinery	Other operating equipment	Prepayments and assets under con-struction	**Total**
Western and Southern Europe	-0.0	-17.9	-29.1	-0.6	-0.6	-48.1
United Kingdom	-0.0	-8.9	-29.1	-0.6	-0.6	-39.1
Other		-9.0		-0.0	-0.0	-9.0
Northern and Eastern Europe-Central Asia	-3.5	-44.3	-32.2	-4.9	-16.6	-101.5
Russia	-3.5	-43.8	-31.4	-4.9	-16.6	-100.2
Other		-0.5	-0.8	-0.0		-1.3
North America	-0.0	-19.2	-26.5	-0.5	-0.3	-46.5
Asia-Pacific		-0.1	-0.0	-0.0		-0.1
Total	**-3.5**	**-81.5**	**-87.8**	**-5.9**	**-17.5**	**-196.3**

In view of the effects of the Russia-Ukraine war, Heidelberg Materials conducted an impairment review of intangible assets and property, plant and equipment in Russia. This resulted in total impairments of €100.2 million. This is due to significantly higher risk premiums and interest rates, which led to an increase in the cost of capital to 28.0%. The impairment mainly relates to the CGUs Cesla and HC RUS. Assets within the CGU Cesla were impaired by €55.4 million, with a carrying amount of €55.4 million and a value in use or fair value less costs to sell totalling €0 million. Assets within the CGU HC RUS were impaired by €41.0 million, with a carrying amount of €183.3 million and a value in use or fair value less costs to sell totalling €142.3 million.

Further impairments were recognised in North America and the United Kingdom.

In North America, the impairment of assets was tested on the basis of local cash-generating units (CGUs) and individual assets were impaired. The impairments relate in particular to the early commissioning of our new cement plant in Mitchell, Indiana. This resulted in total impairments of €46.5 million for the CGUs Glens Falls, Cementon, Mitchell, and Speed. Of this total, €30.7 million is attributable to Glens Falls, €3.2 million to Cementon, €5.8 million to Mitchell, and €6.8 million to Speed. The carrying amount was written off in full for all units. A cost of capital of 7.0% was used.

In the United Kingdom, the impairment of assets was tested on the basis of local cash-generating units (CGUs) or management areas. Impairment losses mainly related to individual CGUs within Hanson Quarry Products Europe and Cementitious, as well as impairments on closed sites. Assets with impairment losses within closed sites were impaired by €2.7 million, with a carrying amount of €297.4 million and a value in use or fair value less costs to sell totalling €294.7 million. Assets of the CGUs within Hanson Quarry Products Europe were impaired by €31.3 million, with a carrying amount of €143.6 million and a value in use or fair value less costs to sell of €112.3 million. The carrying amount of the CGU Cementitious of €23.3 million was impaired by €4.8 million to a value in use or fair value less costs to sell of €18.5 million. The reasons for the impairment are increased capital and material costs, as well as a decline in demand due to the challenging economic situation. A cost of capital of 10.6% was used.

Reversal of impairment on other intangible assets and property, plant and equipment in the previous year

Reversals of impairment losses in the 2022 financial year are shown in the following table.

Reversal of impairment on other intangible assets and property, plant and equipment (previous year)

€m	Other intangible assets	Land and buildings	Plant and machinery	Other operating equipment	Total
Western and Southern Europe	0.2	28.7	25.1	0.7	54.6
United Kingdom		20.0	16.9	0.4	37.3
Other	0.2	8.6	8.2	0.3	17.3
Northern and Eastern Europe-Central Asia		0.2			0.2
North America		1.4			1.4
Total	**0.2**	**30.3**	**25.1**	**0.7**	**56.3**

Significant reversals of impairment losses related to individual CGUs within Hanson Quarry Products Europe in the United Kingdom. Following the renewal of a mining concession, reversals of impairment losses on assets totalling €35.7 million were recognised to a carrying amount of €45.5 million. A cost of capital of 10.6% was used.

9.3 Financial investments

This item includes investments in equity instruments. Firstly, participations in immaterial subsidiaries, joint ventures, and associates with a carrying amount of €60.4 million (previous year: 51.7) are shown. These participations are measured at cost. Secondly, this item contains financial investments, which are measured at fair value through profit or loss. These primarily include participations of €22.1 million (previous year: 22.5) on which Heidelberg Materials has no significant influence.

Additional information on the financial investments is provided in Note 10.1.

9.4 Other receivables and assets

The following table shows the composition of the financial and non-financial other receivables and assets.

Other receivables and assets

€m	31 December 2022 Non-current	31 December 2022 Current	31 December 2023 Non-current	31 December 2023 Current
Deposits paid	31.4	11.4	30.6	16.4
Miscellaneous operating receivables	25.6	120.1	28.6	149.0
Other receivables and assets that qualify as financial instruments	**57.0**	**131.5**	**59.2**	**165.4**
Overfunding of pension plans	702.6		679.0	
Contract assets	1.0	40.5	0.8	44.4
Other non-financial assets	61.8	14.7	42.5	14.2
Non-income tax receivables		199.7		177.7
Prepaid expenses and payments made on account	66.2	215.7	58.5	205.2
Other receivables and assets that do not qualify as financial instruments	**831.6**	**470.6**	**780.8**	**441.5**
	888.6	**602.1**	**840.0**	**606.9**

Other non-financial assets mainly include non-current claims for reimbursement against insurance companies for environmental and third-party liability damages amounting to €42.5 million (previous year: 61.7), as well as current claims for reimbursement against insurance companies for environmental and third-party liability damages amounting to €10.6 million (previous year: 14.2).

An explanation of the credit risks is provided in Note 10.3.

9.5 Inventories

In the reporting year, impairments of inventories of €40.5 million (previous year: 54.6) and reversals of impairment losses of €25.9 million (previous year: 10.5) were recognised.

9.6 Trade receivables

Trade receivables relate to contracts with customers within the scope of IFRS 15.

Information on valuation allowances and credit ratings as well as an explanation of credit risks are provided in Note 10.3.

Heidelberg Materials is party to several factoring agreements for the revolving sale of trade receivables. There are no repurchase obligations for these receivables. As at the reporting date, receivables of €774.6 million (previous year: 911.7) were sold under these agreements, of which €286.1 million (previous year: 489.8) were fully derecognised. The maximum exposure to loss from the continuing involvement amounts to €20.6 million (previous year: 26.5) and results from the partial coverage of credit and late payment risks, whereby the inherent risk from the continuing involvement is monitored as part of regular receivables management. The maximum exposure to loss substantially contains the carrying amount for the reserve account covering credit losses of pre-financed trade receivables as well as guarantees granted for this. The reserve account with a carrying amount of €5.9 million (previous year: 11.4) is reported in the cash and cash equivalents. Guarantees were granted in the amount of €11.1 million (previous year: 10.8). The management assumes that no significant risks or rewards remain because, as in the past, utilisation of the reserve accounts for the maximum exposure to loss is not anticipated. The fair value of the continuing involvement corresponds to the carrying amount.

Continuing involvements of €47.4 million (previous year: 51.1) were recognised for two factoring agreements, as the risks and rewards associated with the sold receivables amounting to €488.5 million (previous year: 421.9) were neither transferred nor retained, and the economic control remains with Heidelberg Materials since the buyer is unable to resell the receivables to third parties. The carrying amount of the continuing involvement in trade receivables sold results from the reserve account covering credit losses of pre-financed trade receivables amounting to €16.3 million (previous year: 14.3), guarantees granted for this in the amount of €21.6 million (previous year: 28.6), and the maximum late payment interest costs of €9.6 million (previous year: 8.2). The corresponding liability of €48.1 million (previous year: 51.9) is reported in the other operating liabilities. At the time of the sale of the receivables, the fair value of the expected losses of €0.7 million (previous year: 0.8) is recognised in the financial result as an expense. To ensure legal validity, trade receivables of €26.8 million (previous year: 33.6) were pledged as security.

9.7 Subscribed share capital

As at the reporting date of 31 December 2023, the subscribed share capital amounts to €558,556,857. It is divided into 186,185,619 shares; the shares are no-par value bearer shares. The pro rata amount of each share is €3.00, which corresponds to a proportionate amount of the subscribed share capital.

Authorised Capital

The Annual General Meeting held on 4 June 2020 authorised the Managing Board, with the consent of the Supervisory Board, to increase the company's subscribed share capital by a total amount of up to €178,500,000 by issuing new no-par value bearer shares in total in return for cash contributions and/or contributions in kind on one or more occasions in partial amounts until 3 June 2025 (Authorised Capital 2020). The shareholders must be granted subscription rights. However, the Managing Board is authorised by the Articles of Association, in certain cases described in more detail in the authorisation, to exclude the subscription rights of shareholders – i.e. in the event of a capital increase for cash in order to realise residual amounts, to service option or conversion rights, or to issue shares totalling up to 10% of the share capital at a near-market price; or in the event of a capital increase in return for contributions in kind for the purpose of acquiring companies or within the scope of implementing a dividend in kind/dividend option. As at 31 December 2023, the authorisation to issue new shares in return for cash contributions and/or contributions in kind forming the basis of the Authorised Capital 2020 had not been used.

Conditional share capital

In addition, the conditional share capital described below existed as at 31 December 2023. The Annual General Meeting of 11 May 2023 decided to conditionally increase the subscribed share capital by a further amount of up to €115,800,000, divided into up to 38,600,000 new no-par value bearer shares (Conditional Share Capital 2023). The conditional capital increase serves to back the issuance of option or conversion rights, or option or conversion obligations on Heidelberg Materials AG shares. The conditional capital increase is only carried out insofar as the Managing Board issues warrant or convertible bonds under the authorisation until 10 May 2028 and the bearers of option or conversion rights make use of their rights. Warrant or convertible bonds may also be issued with option or conversion obligations. The shareholders generally have a subscription right to newly issued warrant or convertible bonds. The authorisation governs specific cases in which the Managing Board may exclude the subscription right of shareholders to warrant or convertible bonds. As at 31 December 2023, the authorisation to issue warrant or convertible bonds forming the basis of the Conditional Share Capital 2023 had not been used.

A corresponding volume limit as well as the deduction clauses ensure that the sum of all exclusions of subscription rights in the Authorised Capital 2020 and the Conditional Share Capital 2023 will not exceed a limit of 10% of the share capital existing at the time the authorisation to exclude the subscription right comes into force.

Authorisation to acquire treasury shares

Furthermore, the authorisation to acquire treasury shares described below existed as at 31 December 2023. On 11 May 2023, the Annual General Meeting authorised the company to acquire treasury shares up to 10 May 2028 once or several times, in whole or partial amounts, up to a total of 10% of the share capital at the time of the Annual General Meeting's resolution or – if this amount is lower – of the share capital at the time this authorisation is exercised, for any permissible purpose within the scope of the legal restrictions. The authorisation may not be used for the purpose of trading in treasury shares. At no time may more than 10% of the respective share capital be attributable to the acquired own shares combined with other shares that the company has already acquired and still possesses. The shares may be acquired via the stock exchange or by way of a public purchase offer or by means of a public call for the submission of offers to sell or by issuing rights to sell shares to the shareholders. The treasury shares acquired on the basis of the authorisation will be used by selling them via the stock exchange or in another suitable manner while ensuring the equal treatment of the shareholders, or for any other purposes permitted by law. The Managing Board is authorised to cancel the acquired treasury shares with the consent of the Supervisory Board without further resolution of the Annual General Meeting. The cancellation may also be effected without a capital decrease by adjusting the proportional amount of the remaining no-par value shares in the company's subscribed share capital. In both cases, the Managing Board is authorised to adjust the number of no-par value shares in the Articles of Association. Shareholders' subscription rights can be excluded in certain cases.

On 28 July 2021, the company announced that it would make use of the authorisation of 6 May 2021, replaced by the current authorisation, to launch a share buyback programme in August 2021 with a total volume of up to €1 billion (excluding incidental acquisition costs) and a term ending on 30 September 2023. The share buyback will be carried out in various tranches via the stock exchange. The aim of the share buyback programme is to strengthen shareholder return. The company started the share buyback on 10 August 2021 with a first tranche in a planned volume of €300 to €350 million. A total of 5,324,577 shares were acquired by the completion of the first tranche on 2 December 2021. This corresponds to a nominal amount of €15,973,731 or 2.68% of the company's subscribed share capital. The average purchase price per share paid on the stock exchange was €65.68. The total price (including incidental acquisition costs) of the repurchased shares amounted to around €349.8 million. The share buyback was effected in the above-mentioned period on 83 trading days by a bank commissioned by the company exclusively via the Xetra trading of the Frankfurt Stock Exchange.

On 13 January 2022, the Managing Board resolved to cancel all 5,324,577 treasury shares purchased under the first tranche of the share buyback programme in the period from 10 August to 2 December 2021, with a reduction of €15,973,731 in the subscribed share capital. This corresponds to 2.68% of the company's subscribed share capital before cancellation and capital reduction. Following the cancellation of the shares and the capital reduction, the subscribed share capital of Heidelberg Materials AG amounted to €579,275,700 and was divided into 193,091,900 no-par value shares, each representing a notional amount of €3.00 of the subscribed share capital.

On 13 January 2022, the company announced that it would continue its share buyback programme earlier than originally planned. The second tranche with a planned volume of €300 to €350 million started on 7 March 2022 and was completed by 13 July 2022. A total of 6,906,281 shares were acquired. This corresponds to a nominal amount of €20,718,843 or 3.58% of the company's subscribed share capital. The average purchase price per share paid on the stock exchange was €50.16. The total price (including incidental acquisition costs) of the repurchased shares amounted to around €350.0 million. The share buyback was effected in the above-mentioned period on 83 trading days by an independent investment company commissioned by the company exclusively via the Xetra trading of the Frankfurt Stock Exchange.

On 27 July 2023, the company announced that it would continue its share buyback programme. With the consent of the Supervisory Board, the Managing Board extended the originally announced term ending 30 September 2023 until 28 November 2023. The total volume of the programme of €1 billion remained unchanged. The third tranche with a planned volume of up to €300 million started on 28 July 2023 and was completed on 30 October 2023. A total of 4,117,499 shares were acquired. This corresponds to a nominal amount of €12,352,497 or 2.21% of the company's subscribed share capital. The average purchase price per share paid on the stock exchange was €72.28. The total price (including incidental acquisition costs) of the repurchased shares amounted to around €298 million. The share buyback was effected in the above-mentioned period on 60 trading days by an independent investment company commissioned by the company exclusively via the Xetra trading of the Frankfurt Stock Exchange.

On 8 September 2023, the Managing Board resolved to cancel all 6,906,281 treasury shares purchased under the second tranche of the share buyback programme in the period from 7 March to 13 July 2022, with a reduction of €20,718,843 in the subscribed share capital. This corresponds to 3.58% of the company's subscribed share capital before cancellation and capital reduction. The Supervisory Board approved the cancellation on 11 September 2023. Following the cancellation of the shares and the capital reduction, the subscribed share capital of Heidelberg Materials AG amounts to €558,556,857 and is divided into 186,185,619 no-par value shares, each representing a notional amount of €3.00 of the subscribed share capital.

The number of treasury shares as at 31 December 2023 is shown in the following overview:

Treasury shares

Number	Shares
1 January 2023	**6,906,281**
Cancellation of treasury shares of the 2nd tranche	-6,906,281
Share buyback 3rd tranche	4,117,499
31 December 2023	**4,117,499**

As at 31 December 2023, the company holds 4,117,499 treasury shares, corresponding to a nominal amount of €12,352,497 or 2.21% of the company's subscribed share capital.

9.8 Share premium

The share premium changed by €20.7 million to €6,262.1 million compared with the previous year as a result of the cancellation of treasury shares.

9.9 Retained earnings

In the financial year, dividends of €484.1 million (previous year: 458.3), i.e. €2.60 per share (previous year: €2.40 per share), were paid to shareholders of Heidelberg Materials AG.

The Managing Board and Supervisory Board propose the payment of a dividend of €3.00 on each of the participating 182,068,120 no-par value shares for the 2023 financial year. As at the reporting date of 31 December 2023, the number of no-par value shares entitled to dividends is calculated from 186,185,619 shares issued less the 4,117,499 treasury shares acquired in the 2023 financial year.

9.10 Other components of equity

To improve clarity within the components of equity, Heidelberg Materials reclassified the revaluation reserve resulting from successive business combinations pursuant to IFRS 3 (2004) in full to retained earnings as at 31 December 2023.

The change of €-367.7 million in the currency translation reserve is essentially attributable to the devaluation of the US dollar against the euro.

9.11 Non-controlling interests

Subsidiaries with material non-controlling interests

PT Indocement Tunggal Prakarsa Tbk. (“Indocement”), Jakarta, Indonesia, is the material subsidiary with non-controlling interests in the Heidelberg Materials Group. Indocement is a leading Indonesian manufacturer of high-quality cement and special cement products that are sold under the brand name Tiga Roda. Indocement has several subsidiaries that produce ready-mixed concrete, aggregates, and trass. Non-controlling interests hold 45.3% (previous year: 45.3%) of the capital or voting rights in the Indocement Group, which is included in the Asia-Pacific Group area. The Indocement share is listed on the stock exchange in Jakarta, Indonesia.

Non-controlling interests in the equity of Indocement amount to €518.4 million (previous year: 491.9). The profit for the financial year attributable to non-controlling interests amounts to €48.9 million (previous year: 48.1). In the 2023 financial year, Indocement paid dividends of €15.3 million (previous year: 53.9) to non-controlling interests.

The following tables summarise the key financial information of the Indocement Group excluding goodwill allocated to the CGU.

Statement of comprehensive income Indocement Group

€m	2022	**2023**
Revenue	1,037.3	1,088.3
Depreciation and amortisation	-91.5	-95.7
Result from current operations	**128.5**	**127.8**
Additional ordinary result	-2.5	-0.7
Earnings before interest and taxes (EBIT)	**126.0**	**127.1**
Interest income	6.6	11.0
Interest expenses	-2.7	-3.7
Other financial income and expenses	3.7	0.0
Profit before tax	**133.7**	**134.5**
Income taxes	-27.6	-26.5
Profit for the financial year	**106.1**	**108.0**
Other comprehensive income	-31.2	-10.8
Total comprehensive income	**74.9**	**97.3**

Assets and liabilities Indocement Group

€m	2022	2023
Intangible assets	1.6	1.8
Property, plant and equipment	925.8	1,183.7
Financial fixed assets	10.5	11.4
Other non-current assets	9.3	11.8
Non-current assets	**947.2**	**1,208.8**
Cash and cash equivalents	268.7	187.2
Other current assets	329.5	342.4
Current assets	**598.2**	**529.6**
Total assets	**1,545.4**	**1,738.3**
Non-current financial liabilities	37.6	22.8
Non-current provisions	25.1	28.6
Other non-current liabilities	16.9	27.6
Non-current liabilities	**79.7**	**79.0**
Current financial liabilities	21.6	143.2
Current provisions	8.0	5.6
Trade payables	181.4	199.0
Other current liabilities	77.4	84.7
Current liabilities	**288.3**	**432.5**
Total liabilities	**368.0**	**511.6**

9.12 Pension provisions

Defined contribution plans

The sum of all pension expenses in connection with defined contribution plans amounted to €125.5 million (previous year: 118.5). In the 2023 financial year, the contributions to the social security programmes came to €77.8 million (previous year: 73.7).

Actuarial assumptions

The significant actuarial assumptions on which the calculations of the defined benefit obligation are based are summarised in the following table (weighted presentation).

Actuarial assumptions

	Discount rate		Pension increase rate		Mortality table
	2022	**2023**	2022	**2023**	
Group	4.84%	4.49%	2.69%	2.66%	-
North America	5.30%	4.96%	-	-	USA: PRI-2012; Canada: CPM 2014
United Kingdom	4.80%	4.55%	2.84%	2.76%	Different tables based on “S3” series
Germany	4.20%	3.50%	2.25%	2.40%	Heubeck 2018 G

The mortality tables in the United Kingdom, the USA, and Canada have been modified to consider future improvements in life expectancy and in many cases are additionally adjusted based on company-specific experience. With regard to the overfunded pension plans for which an asset ceiling has not been applied, Heidelberg Materials has the unconditional entitlement to the pension plan surplus if the plan is wound up.

Development of defined benefit plans

In the 2023 financial year, defined benefit obligations amounting to €2,935.3 million (previous year: 2,934.4) existed in the Group, which were essentially covered by plan assets. In addition, there were obligations from direct agreements of €699.8 million (previous year: 654.8). Of this figure, €182.9 million (previous year: 178.2) related to obligations for health care benefits.

The following table shows the financing status of these plans and their presentation in the balance sheet.

Development of defined benefit plans

	Defined benefit obligation (DBO) (a)		Fair value of plan assets (b)		Effects of asset ceiling (c)		Net defined benefit liability (a – b + c)	
€m	2022	**2023**	2022	**2023**	2022	**2023**	2022	**2023**
Balance at 1 January	**5,198.7**	**3,589.2**	**5,170.8**	**3,560.0**	**22.0**	**2.8**	**49.9**	**32.0**
Current service cost	29.7	22.9					29.7	22.9
Past service cost	-3.0	1.0					-3.0	1.0
Plan settlements	0.5	1.5					0.5	1.5
Interest cost	106.9	166.6			0.4	0.1	107.3	166.7
Interest income			107.3	168.7			-107.3	-168.7
Administrative expenses paid by the plan			-7.6	-8.9			7.6	8.9
Defined benefit costs recognised in profit and loss	**134.1**	**192.0**	**99.7**	**159.8**	**0.4**	**0.1**	**34.8**	**32.3**
Remeasurements recognised in other comprehensive income	**-1,371.0**	**160.2**	**-1,376.7**	**25.4**	**-19.2**	**-3.0**	**-13.5**	**131.8**
Employer contributions			23.1	25.7			-23.1	-25.7
Employee contributions	1.5	1.0	1.5	1.0				
Benefits paid by the company	-61.5	-63.7					-61.5	-63.7
Benefits paid by the fund	-282.3	-244.2	-282.3	-244.2				
Cash flows in the period	**-342.3**	**-306.9**	**-257.7**	**-217.5**			**-84.6**	**-89.4**
Change in consolidation scope	0.3	-0.2		-0.4			0.3	0.2
Disposal groups		-1.3						-1.3
Exchange rate changes	-30.6	2.1	-76.1	22.9	-0.4	0.1	45.1	-20.7
Other reconciling items	**-30.3**	**0.6**	**-76.1**	**22.5**	**-0.4**	**0.1**	**45.4**	**-21.8**
Balance at 31 December	**3,589.2**	**3,635.1**	**3,560.0**	**3,550.2**	**2.8**		**32.0**	**84.9**
North America	1,067.3	1,007.4	855.9	823.2			211.4	184.2
United Kingdom	1,775.5	1,819.2	2,464.8	2,475.1	2.7		-686.6	-655.9
Germany	365.8	411.7	91.4	102.8			274.4	308.9
Other countries	380.6	396.8	147.9	149.1	0.1		232.8	247.7
Total	**3,589.2**	**3,635.1**	**3,560.0**	**3,550.2**	**2.8**		**32.0**	**84.9**
Thereof non-current provisions							639.1	666.6
Thereof current provisions							95.5	97.3
Thereof other long-term operating receivables (overfunding of pension schemes)							-702.6	-679.0

Breakdown of defined benefit obligation

The following tables show the defined benefit obligation divided into the underlying plan types and the different member groups.

Defined benefit obligation by plan type

€m	2022	2023
Defined benefit pension plans	3,411.0	3,452.2
Plans for health care costs	178.2	182.9
Total defined benefit obligation	**3,589.2**	**3,635.1**
Thereof related to wholly or partly funded plans	2,934.4	2,935.3
Thereof related to wholly unfunded plans	654.8	699.8

Defined benefit obligation by member groups

€m	2022	2023
Active members	502.2	491.6
Deferred vested members	812.0	739.8
Pensioners	2,275.0	2,403.7
Total defined benefit obligation	**3,589.2**	**3,635.1**

Development in the income statement

Of the total pension expenses of €32.3 million (previous year: 34.8), €34.3 million (previous year: 34.8) are shown in the personnel costs or in other operating expenses, and income of €2.0 million (previous year: 0.0) in other financial result.

Remeasurements recognised in other comprehensive income

In the 2023 financial year, the actuarial losses from the defined benefit obligation amounting to €160.2 million (previous year: gains of 1,371.0) have arisen mainly from the reduction in the discount rate on which the actuarial calculation is based, partially offset by the fall in inflation expectations.

The actuarial gains and losses can be broken down into effects from the adjustment of financial assumptions resulting in a loss of €117.9 million (previous year: gain of 1,359.1), effects from experience adjustments resulting in a loss of €60.0 million (previous year: 29.1), and effects from changes in demographic assumptions resulting in a gain of €17.7 million (previous year: 41.0), essentially attributable to the adjustment of assumptions relating to a reduction in future life expectancy in the United Kingdom, partially offset by losses from changes to mortality assumptions in the USA.

Sensitivity analysis of defined benefit obligation (pension plans)

Changes in the discount rate, pension increase rate, and life expectancy affect the income statement of the following year and the defined benefit obligation of pension plans. The sensitivities to changes in assumptions as shown below are determined by changing one assumption as indicated and keeping all other assumptions constant. In reality, multiple assumptions may change at the same time, and changing one parameter may lead to a change in another parameter.

Sensitivity analysis of defined benefit obligation (pension plans)

€m		2022	2023
Defined benefit obligation		3,411.0	3,452.2
	+0.5%	3,244.1	3,282.0
Discount rate	−0.5%	3,593.1	3,639.7
	+0.25%	3,464.1	3,508.3
Pension increase rate	−0.25%	3,359.9	3,395.0
	+1 year	3,537.5	3,573.3
Life expectancy	−1 year	3,283.7	3,329.1

Breakdown of plan assets

The plan assets originate primarily from North America with 23% (previous year: 24%) and the United Kingdom with 70% (previous year: 69%). The plan assets can be divided into the following categories:

Breakdown of plan assets

€m	2022	2023
Cash and cash equivalents	126.6	121.5
Equity instruments	438.4	435.0
Derivatives	144.4	12.1
Nominal government bonds	753.3	947.0
Nominal corporate bonds	532.0	550.2
Index linked bonds	1,121.0	1,064.1
Real estate	137.0	122.2
Insurance policies	87.1	82.2
Other	220.2	215.9
Total	**3,560.0**	**3,550.2**

The actual return on plan assets amounted to €194.1 million (previous year: −1,269.3).

The majority of the Group's plan assets are based directly on quoted market prices for the invested assets or, in the case where investment funds are used, indirectly based on the quoted value of the underlying investments. Exceptions are that in the United Kingdom, a portion of the assets needs to be estimated as at the year end, as detailed asset information is not available or cannot be provided in time for the adoption of the consolidated financial statements by the Managing Board. The assets without a quoted market price (totalling €71.4 million) consist of insurance policies primarily in the United Kingdom. As a rule, the plan assets do not include any significant own financial instruments, real estate occupied by, or other assets used by Heidelberg Materials.

Cash flows

Heidelberg Materials paid €63.7 million (previous year: 61.5) directly to the pension recipients and €25.7 million (previous year: 23.1) as employer contributions to the plan assets. In 2024, Heidelberg Materials expects to make pension payments of €57.0 million and employer contributions to the plan assets of €26.3 million.

Over the next ten years, average annual benefits of €283.0 million are expected to be paid to the pension recipients either in the form of direct payments or in the form of payments from the plan assets. The average duration of the obligations is 10.6 years (previous year: 10.4).

Multi-employer pension plans

Heidelberg Materials participates in multi-employer pension plans (MEPPs), predominantly in North America, which award some unionised employees fixed benefits after their retirement. These MEPPs are accounted for as defined contribution plans because it is not possible to isolate the individual company components for these plans. The contributions are determined on the basis of collective bargaining. Contributions of €13.2 million (previous year: 13.0) were paid in 2023. The funding status of these pension plans could be affected by adverse developments in the capital markets, demographic changes, or increases in pension benefits. If one of the participating companies no longer pays contributions into the MEPP, all other parties concerned will be held liable for the obligations that have not been covered. For 2024, contributions of €6.8 million are expected in North America. The withdrawal liability of these plans as at 31 December 2023 would amount to €63.9 million (previous year: 68.9), should Heidelberg Materials decide to withdraw. Heidelberg Materials has provisions of €12.7 million (previous year: 12.8) for these liabilities, which are shown under miscellaneous other provisions.

9.13 Other provisions

The following table explains the development of other provisions.

Other provisions

€m	Provisions for damages and environmental obligations	Other environmental provisions	Miscellaneous other provisions	Total
1 January 2023	**380.7**	**719.2**	**540.8**	**1,640.7**
Change in consolidation scope		2.9	7.3	10.2
Currency translation	-11.7	-14.1	-6.4	-32.1
Reclassification	5.7	1.9	-6.4	1.2
Utilisation	-25.4	-37.3	-93.7	-156.4
Release	-9.0	-28.8	-91.6	-129.3
Offset	-9.7	-2.0	-33.9	-45.6
Addition	117.0	93.8	184.5	395.4
31 December 2023	**447.8**	**735.6**	**500.6**	**1,684.0**

The offset line includes the offsetting of obligations against the corresponding claims for reimbursement and the offsetting of obligations in kind against other assets, particularly from emission rights.

The maturities of the other provisions can be broken down as follows:

Maturities of other provisions

€m	Provisions for damages and environmental obligations	Other environmental provisions	Miscellaneous other provisions	Total
Maturity ≤1 year	113.3	47.9	151.8	313.1
Maturity >1 year ≤5 years	213.9	439.4	280.2	933.5
Maturity >5 years	120.5	248.3	68.6	437.4
	447.8	**735.6**	**500.6**	**1,684.0**

Provisions for damages and environmental obligations

Provisions for damages and environmental obligations result from discontinued operations that were transferred to the Heidelberg Materials Group as part of the takeover of the Hanson Group in 2007. The obligations are therefore not linked to the continuing operations of the Heidelberg Materials Group.

The provisions for damages concern legal proceedings before US courts. The claims relate to health problems allegedly caused by the sale of products containing asbestos. The provisions to be formed are measured at the present value of the expected expenses using reliable estimates of the development of costs for the next 15 years. The environmental liability claims pertain to remediation obligations in connection with the sale of chemical products and environmental pollution by former Hanson participations.

The provisions are offset by claims for reimbursement against environmental and third-party liability insurers. As at 31 December 2023, the claims amounted to €53.2 million (previous year: 75.9), of which €42.5 million (previous year: 61.7) is recorded under other non-current receivables and assets and €10.6 million (previous year: 14.2) under other current receivables and assets.

Other environmental provisions

The other environmental provisions include recultivation, environmental, and asset retirement obligations.

Recultivation obligations relate to legal and constructive obligations to backfill and restore raw material quarrying sites. The provisions recognised for these obligations are measured in accordance with the extraction progress on the basis of the best cost estimate for fulfilling the obligation. As at the reporting date, these provisions amounted to €500.6 million (previous year: 500.3).

Provisions for environmental obligations are recognised on the basis of contractual or official regulations and essentially include expenses connected with the cleaning up of contaminated areas and the remediation of extraction damages. The provisions are measured at the present value of the expected expenses. These provisions amount to a total of €84.6 million (previous year: 73.6).

The provisions for asset retirement obligations pertain to obligations arising in connection with the removal of installations (e.g. conveying systems at rented locations), so that a location can be restored to its contractually agreed or legally defined state after the end of its useful life. As at the reporting date, provisions for asset retirement obligations of €150.4 million (previous year: 145.2) had been recognised.

Miscellaneous other provisions

Miscellaneous other provisions exist in particular for restructuring obligations, other litigation risks, compensation obligations, the obligation to return emission rights, and obligations to personnel.

The provisions for restructuring obligations concern expenses for various optimisation programmes, such as the closure of plants. Provisions of €38.1 million (previous year: 46.2) had been recognised for this purpose as at the reporting date.

Because of pending legal action against the Group, provisions for litigation risks, including those relating to pending antitrust proceedings, amounting to €107.1 million (previous year: 113.8) were recognised in the balance sheet. These obligations are assessed as most likely, provided that other estimates do not lead to a fairer evaluation as a result of specific probability distributions.

Provisions for compensation obligations relate to the Group's obligations arising from occupational accidents. As at the reporting date, provisions of €54.8 million (previous year: 63.3) had been formed for this purpose.

As at the reporting date, provisions for emission rights of €1.2 million (previous year: 35.7) had been recognised.

Obligations to personnel include the provision for the long-term bonus plan (management and capital market component) of €60.4 million (previous year: 27.6), as well as provisions for multi-employer pension plans amounting to €12.7 million (previous year: 12.8).

Additionally, there are provisions for a variety of minor issues.

Impact of interest effects

Provisions are measured at their present value, which is determined using a pre-tax interest rate. For this purpose, Heidelberg Materials uses the risk-free interest rate of government bonds from the respective countries, taking into account the relevant term. The risks specific to the liability are taken into account in the estimate of future cash outflows.

Changes in the interest rate led to a decrease of €8.0 million in other environmental provisions and miscellaneous other provisions. Compounding effects of €19.9 million led to an increase in other environmental provisions and miscellaneous other provisions. Positive effects from the change in interest rate of €0.1 million and negative compounding effects of €12.4 million for provisions for damages and environmental obligations are included in the expenses from discontinued operations.

9.14 Liabilities

Bonds payable

The following table shows the issued bonds payable.

Bonds payable

Issuer (€m)	Nominal volume	Book value 31. Dec. 2022	**Book value 31. Dec. 2023**	Coupon rate in %	Offering date	Maturity date
Heidelberg Materials AG	750.0	757.7	759.1	2.250	2016-06-03	2024-06-03
HM Finance Luxembourg S.A.	650.0	651.8	652.9	2.500	2020-04-09	2024-10-09
Heidelberg Materials AG	1,000.0	1,008.8	1,011.0	1.500	2016-12-07	2025-02-07
HM Finance Luxembourg S.A.	1,000.0	1,009.6	1,010.3	1.625	2017-04-04	2026-04-07
HM Finance Luxembourg S.A.	500.0	500.8	501.6	1.500	2017-06-14	2027-06-14
HM Finance Luxembourg S.A.	750.0	640.2	678.8	1.125	2019-07-01	2027-12-01
HM Finance Luxembourg S.A.	750.0	753.1	754.2	1.750	2018-04-24	2028-04-24
Heidelberg Materials AG	750.0		755.4	3.750	2023-01-20	2032-05-31
HM Finance Luxembourg S.A.	750.0		738.2	4.875	2023-11-21	2033-11-21
		5,322.0	**6,861.5**			

Other financial liabilities and operating liabilities

The following table shows the composition of other financial liabilities and operating liabilities, broken down into financial and non-financial.

Other financial liabilities and operating liabilities

	31 December 2022		31 December 2023	
€m	Non-current	Current	Non-current	Current
Lease liabilities	854.2	196.9	893.5	195.0
Non-controlling interests with put options		87.3		79.3
Derivative financial instruments	113.9	122.4	85.2	109.7
Miscellaneous other financial liabilities	32.9	59.1	44.2	60.7
Miscellaneous other operating liabilities	28.4	695.6	51.4	649.6
Other liabilities that qualify as financial instruments	**1,029.4**	**1,161.3**	**1,074.3**	**1,094.3**
Employee liabilities		404.9		473.0
Contract liabilities	1.6	134.7	1.0	108.2
Prepaid expenses and other non-financial liabilities	23.6	193.9	17.9	200.1
Other liabilities that do not qualify as financial instruments	**25.2**	**733.5**	**18.9**	**781.3**

The contract liabilities relate to prepayments received by customers for performance obligations not yet fulfilled as at the reporting date. Current contract liabilities of €134.7 million as at 31 December 2022 were fully recognised in revenue in the 2023 financial year.

Explanations on the derivative financial instruments are provided in Note 10.2.

Trade payables

Trade payables at year end include liabilities of €342.4 million (previous year: 398.8) settled by external payment service providers (reverse factoring). The use of payment service providers does not change the disclosure of the trade payables concerned because this does not result in any significant changes to the contractual terms of the liabilities. The aggregation of liabilities with individual payment service providers has not resulted in an increased liquidity risk.

10 Additional disclosures on financial instruments

10.1 Financial instruments by class

The following table assigns the individual balance sheet items for the financial instruments to classes and measurement categories of IFRS 9. In addition, the aggregate carrying amounts for each measurement category and the fair values for each class are depicted.

Carrying amounts and fair values of financial instruments

€m	Category of IFRS 9[1]	31 December 2022 Carrying amount	31 December 2022 Fair value	31 December 2023 Carrying amount	31 December 2023 Fair value
Assets					
Financial investments	FVTPL	35.8	35.8	47.6	47.6
Loans and other interest-bearing receivables	AC	254.7	259.5	340.9	349.8
Trade receivables and other receivables	AC	1,911.9	1,911.9	1,850.3	1,850.3
Trade receivables and other receivables	FVTPL	316.6	316.6	379.6	379.6
Cash and cash equivalents	AC	1,412.4	1,412.4	3,188.9	3,188.9
Cash and cash equivalents	FVTPL	41.7	41.7	77.6	77.6
Derivatives – hedge accounting	Hedge	52.6	52.6	9.1	9.1
Derivatives – held for trading	FVTPL	71.0	71.0	37.7	37.7
Liabilities					
Bonds payable, bank loans, and miscellaneous other financial liabilities	AC	5,735.2	5,528.0	7,256.7	7,275.6
Trade payables and miscellaneous operating liabilities	AC	4,067.0	4,067.0	3,857.5	3,857.5
Derivatives – hedge accounting	Hedge	152.1	152.1	120.2	120.2
Derivatives – held for trading	FVTPL	84.2	84.2	74.7	74.7
Non-controlling interests with put options	AC	87.3	87.3	79.3	79.3

1) AC: Amortised cost, FVTPL: Fair value through profit or loss, Hedge: Hedge accounting

Fair value disclosures

For level 1, the fair value is determined using prices quoted on an active market (unadjusted) for identical assets or liabilities to which Heidelberg Materials has access on the reporting date. For level 2, the fair value is determined using a discounted cash flow model on the basis of input data that does not involve quoted prices classified in level 1, and which is directly or indirectly observable. The fair values of level 3 are calculated using measurement models that include factors that cannot be observed on the active market.

The following table shows the fair value hierarchies for the assets and liabilities that are measured at fair value in the balance sheet. Here, the fair value always corresponds to the carrying amount.

Fair value hierarchy of financial assets and liabilities measured at fair value in the balance sheet

	31 December 2022			**31 December 2023**		
€m	Level 1	Level 2	Level 3	**Level 1**	**Level 2**	**Level 3**
Assets						
Financial investments	13.3		22.5	25.5		22.1
Trade receivables and other receivables		316.6			379.6	
Cash and cash equivalents	41.7			77.6		
Derivatives – hedge accounting		14.5	38.1		0.6	8.6
Derivatives – held for trading		71.0			37.6	
Liabilities						
Derivatives – hedge accounting		106.7	45.4		74.3	45.9
Derivatives – held for trading		84.2			74.8	

For financial investments in level 1, the fair value is determined using the published price quotations as at the reporting date.

The financial investments in level 3 include participations on which Heidelberg Materials has no significant influence. The decrease of €0.4 million in the financial year was mainly due to disposals of €7.3 million, which were offset by remeasurements at fair value through profit or loss amounting to €3.9 million and additions of €3.2 million. The fair value measurement is mainly carried out using the multiplier method, which determines the proportionate enterprise value based on company-specific variables using EBITDA or revenue multipliers. The revaluation through profit or loss is reported in the result from other participations. Uncertainties relating to the determination of the fair value of these investments mainly result from the change in the multipliers used, as no quoted price on an active market exists. If the multipliers used were increased or decreased by 10.0 percentage points, the fair value of these investments would increase or decrease by €1.8 million.

The receivables are receivables that are intended for sale in the scope of factoring transactions. The fair values were primarily determined using the prices of recent transactions.

Cash and cash equivalents include highly liquid money market funds whose fair value was determined by multiplying the shares by the price quotation as at the reporting date.

Derivative financial instruments in level 2, both those designated as hedges and those held for trading, are measured using recognised actuarial models based on observable input parameters. The derivative financial instruments designated as hedges in level 3 are embedded derivatives from long-term power purchase agreements (PPAs) for solar and wind power plants in Poland and Italy. The changes in value during the financial year resulted from the remeasurement at fair value in the amount of €–41.0 million and from the further development of the measurement model in the amount of €11.0 million. The fair values are determined by discounting the expected future cash flows, which are largely determined by future electricity market prices. Any changes to the market situation could have a positive or negative impact on this figure. If the electricity prices used were increased or decreased by 10.0 percentage points, the fair values would increase or decrease by €7.1 million (previous year: 15.0).

The following table shows the fair value hierarchies for the assets and liabilities that are not measured at fair value in the balance sheet, but whose fair value is reported.

Fair value hierarchy of financial assets and liabilities not measured at fair value in the balance sheet

	31 December 2022			**31 December 2023**		
€m	Level 1	Level 2	Level 3	**Level 1**	**Level 2**	**Level 3**
Assets						
Loans and other interest-bearing receivables		259.5			349.8	
Trade receivables and other operating receivables – amortised cost		1,911.9			1,850.3	
Cash and cash equivalents – amortised cost	1,412.4			3,188.9		
Liabilities						
Bonds payable, bank loans, and miscellaneous other financial liabilities	5,065.9	462.1		6,810.1	465.5	
Trade payables and miscellaneous operating liabilities		4,067.0			3,857.5	
Non-controlling interests with put options			87.3			79.3

The fair values of the non-current loans, other non-current operating receivables, bank loans, and other non-current financial and operating liabilities correspond to the present values of the future payments, taking into account the current interest parameters.

The fair values of the listed bonds correspond to the nominal values multiplied by the price quotations as at the reporting date. For the financial instruments with short-term maturities, the carrying amounts on the reporting date represent appropriate estimates of the fair values.

Non-controlling interests with put options in level 3 are liabilities that relate to put options resulting from tender rights of non-controlling interests. The calculation of the fair value is based on the respective contractual agreements for paying off the non-controlling interests in the event of a tender. These usually provide an approximation of the proportionate enterprise value based on company-specific variables and multipliers. If the tender is only possible at a later point in time, the payoff amount is discounted using an appropriate market interest rate. For the German partnerships, the fair value is calculated using a discounted cash flow model. In this respect, the cash flows based on the companies' underlying plans were discounted with a risk-adjusted discount rate (WACC).

The assessment as to whether financial assets and liabilities that are accounted for at fair value are to be transferred between the levels of the fair value hierarchy takes place at the end of each reporting period. No reclassifications were carried out in the reporting period.

The following table shows the net gains or losses from the financial instruments by measurement category.

Net gains or losses

€m	Measurement category	2022	**2023**
Financial assets	FVTPL	-21.2	-48.1
Financial assets	AC	38.8	-125.4
Derivatives – held for trading	FVTPL	-24.0	112.8
Financial liabilities	AC	-96.2	-19.0
		-102.6	**-79.7**

The net result of financial assets measured at fair value through profit or loss (FVTPL) is essentially derived from the measurement affecting profit or loss and the expenses from the continuing involvement. The net result of financial assets measured at amortised cost (AC) is made up of impairment losses of €19.4 million (previous year: 22.8), losses of €4.7 million (previous year: 1.8) from the derecognition of operating and interest-bearing receivables, and currency losses of €101.3 million (previous year: currency gains of 63.4). The net result of derivative financial instruments held for trading comprises currency and interest rate effects. For financial liabilities at amortised costs (AC), the net result primarily includes effects from currency translation.

The following table shows the total interest income and expenses for the financial instruments. All interest results from financial receivables and financial liabilities measured at amortised cost.

Total interest income and expense

€m	2022	**2023**
Total interest income	31.7	74.7
Total interest expense	-122.9	-155.6
	-91.2	**-80.9**

Offsetting of financial instruments

The following table shows the gross and net amounts of financial instruments that have been netted on the balance sheet or that are the subject of a legally enforceable global netting agreement.

Offsetting of financial instruments

	Offsetting amounts in balance sheet			Potential offsetting amounts	
€m	Gross amounts	Gross amounts set off in balance sheet	Net amounts presented in balance sheet	Amounts subject to global netting agreements	Net amounts
31 December 2023					
Financial assets					
Current interest-bearing receivables	486.0	342.1	143.9		143.9
Derivative financial instruments (assets)	46.8		46.8	-31.5	15.3
Financial liabilities					
Other current operating liabilities	1,773.0	342.1	1,430.9		1,430.9
Derivative financial instruments (liabilities)[1]	194.9		194.9	-31.5	163.4
31 December 2022					
Financial assets					
Current interest-bearing receivables	485.0	386.5	98.5		98.5
Derivative financial instruments (assets)	123.6		123.6	-44.7	78.9
Financial liabilities					
Other current operating liabilities	1,815.5	386.5	1,429.0		1,429.0
Derivative financial instruments (liabilities)[1]	236.3		236.3	-44.7	191.6

1) Derivative financial instruments (liabilities) are included in the balance sheet items "Other non-current financial liabilities" and "Other current financial liabilities".

Receivables and liabilities were netted in connection with factoring transactions. The presentation in the balance sheet is shown on a net basis. The derivatives contracted by Heidelberg Materials are partly subject to legally enforceable netting agreements (ISDA Agreement or German Master Agreement for Financial Derivatives Transactions), which, however, do not permit netting of receivables and liabilities in the balance sheet in accordance with IAS 32.42. The right to offset only exists in the case of delayed payment or if a contracting party becomes insolvent. The presentation in the balance sheet is therefore shown on a gross basis.

10.2 Derivative financial instruments and hedging relationships

The following table shows the nominal values and fair values of the derivative financial instruments.

Derivative financial instruments

	31 December 2022		**31 December 2023**	
€m	Nominal value	Fair value	**Nominal value**	**Fair value**
Assets				
Cash flow hedges				
Currency forwards	3.3	0.1	23.4	0.3
Interest rate swaps	500.0	9.3		
Commodity derivatives [1]	33.9	43.2	21.5	8.8
Derivatives held for trading				
Currency forwards	11.2	0.1	18.3	0.7
Foreign exchange swaps	2,851.3	40.6	3,557.6	32.4
Cross-currency interest rate swaps [2]	821.3	29.9	776.9	2.3
Interest rate caps			78.5	2.3
Commodity derivatives	0.7	0.4		
	4,221.7	**123.6**	**4,476.1**	**46.8**
Liabilities				
Cash flow hedges				
Currency forwards	24.3	1.0	4.8	0.1
Commodity derivatives [1]	93.2	46.2	163.1	50.7
Fair value hedges				
Interest rate swaps	750.0	104.9	750.0	69.4
Derivatives held for trading				
Currency forwards [3]	21.4	0.9	6.0	0.0
Foreign exchange swaps	5,024.0	76.9	5,165.2	73.8
Cross-currency interest rate swaps [2]	638.3	6.4		0.9
	6,551.2	**236.3**	**6,089.1**	**194.9**

1) The commodity derivatives with positive market values relate to a delivery volume of 0.4 (previous year: 0.5) million MWh of electricity and 0.005 (previous year: 0.019) million tonnes of fuels. The commodity derivatives with negative market values relate to a delivery volume of 1.7 (previous year: 0.7) million MWh of electricity and 0.018 (previous year: 0.015) million tonnes of fuels.
2) Nominal values of €776.9 million (previous year: 821.3) relate to cross-currency interest rate swaps with positive fair values of €1.4 million (previous year: 29.9), which are shown on the assets side in the amount of €2.3 million (previous year: 29.9) and on the liabilities side in the amount of €-0.9 million (previous year: 0.0) because of the separation into long-term and short-term components of the swaps.
3) Fair values specified with €0.0 million amount to less than €50,000.

At Heidelberg Materials, derivative financial instruments are generally used for economic hedging purposes arising from operational business or refinancing activities. In order to correct the accounting mismatch between the hedging instrument and the hedged item, hedges are designated in individual cases (hedge accounting).

Cash flow hedges

Our Group trading companies hedge significant purchase and sale contracts in foreign currencies through currency forwards and cash holdings in foreign currencies. The term of the contracts is up to three years. The features of the hedging instruments match those of the hedged items. The hedge ratio is 100%.

The two fixed-interest bonds issued in the 2023 financial year, each with a nominal volume of €750 million, were hedged by rolling forward starting payer interest rate swaps. Heidelberg Materials recognises the effective portion of the gains realised from the cancelled interest rate swaps directly in equity in the cash flow hedge reserve, which is reclassified to the income statement over the term of the bonds. Due to timing differences in the hedged item and the hedge, an ineffectiveness of €5.6 million was recognised as income in the income statement. The weighted average hedge rate of the interest rate swaps is 1.4%. The hedge ratio is 67%.

As an energy-intensive company, Heidelberg Materials is exposed to energy price risks in its fuel and electricity procurement activities. In Northern Europe, some of the future electricity and gas oil deliveries are hedged using electricity and gas oil forward contracts with terms of up to three years. In the electricity price hedges, 22% (previous year: 10%) of the short-term and 28% (previous year: 5%) of the long-term planned electricity purchases are hedged. The hedge ratio for the short-term gas oil hedges is 65% (previous year: 46%).

In Poland and, starting this financial year, Italy, electricity prices are secured via three long-term power purchase agreements (PPAs) until 2032. In one of the Polish PPAs, the contractually agreed fixed price scale was modified in the 2023 financial year. This resulted in an ineffectiveness in the cash flow hedge of €–5.1 million, which was recognised in profit or loss in other operating expenses. In the case of the other cash flow hedges, the main contract features of the hedging instruments correspond in principle to the features of the hedged items and do not lead to any significant ineffectiveness. The hedge ratio is 26% in Poland (previous year: 27%) and 8% in Italy.

The hedging instruments and hedged items designated as hedges have the following impact on the balance sheet and income statement.

Cash flow hedges by risk category

			2022			**2023**
€m	Currency risk	Interest risk	Electricity price risk	**Currency risk**	**Interest risk**	**Electricity price risk**
Hedging instruments						
Balance sheet items and carrying amounts						
Derivative financial instruments (assets)	0.1	9.3	33.6	0.2		6.1
Current derivative financial instruments (assets)			9.6	0.1		2.7
Cash and cash equivalents (assets)				5.0		
Other non-current financial liabilities			-31.2			-41.2
Other current financial liabilities	-1.0		-15.0	-0.1		-9.5
Change in fair value to measure the ineffectiveness in the reporting period	-1.3	141.6	22.4	-1.1	30.9	40.2
Hedged items						
Change to measure the ineffectiveness	1.3	-141.6	-22.4	-1.1	25.3	35.1
Cash flow hedge reserve	-0.3	141.6	-1.4	-0.4	-102.2	33.6
Profit or loss item and value of ineffectiveness						
Other operating expenses						-5.1
Other financial result					5.6	

The reconciliation of the cash flow hedge reserve including the non-controlling interests is shown in the following table.

Reconciliation of cash flow hedge reserve

€m	Risk	2022	2023
Balance as at 1 January		**17.8**	**110.8**
Changes in fair values	Currency risk	-1.3	1.1
Changes in fair values	Interest risk	141.6	-25.3
Changes in fair values	Electricity price risk	22.4	-35.1
Gains or losses recognised in other comprehensive income		**162.7**	**-59.4**
Reclassification to profit or loss (material costs)	Currency risk	-0.6	-0.2
Reclassification to profit or loss (interest expenses)	Interest risk		-14.1
Reclassification to profit or loss (material costs)	Electricity price risk	-43.3	3.4
Reclassification to cost of finished goods and goods for resale	Currency risk		-0.8
Income taxes		-26.9	15.6
Gains/losses arising from equity accounted investments		1.1	-1.2
Balance as at 31 December		**110.8**	**54.2**

Fair value hedges

The interest rate swaps open at the reporting date hedge the interest rate risk of the fixed interest-bearing Eurobond with a nominal volume of €750.0 million that matures in 2027. The weighted average hedge rate of the outstanding interest rate swaps is the six-month EURIBOR plus a margin of 1.06%. The interest rate swaps have similar terms to the hedged items as regards the benchmark interest rate, payment dates, terms, and notional amount. The changes in the value of the hedged items arising from the change in the EURIBOR are offset to the greatest extent possible by the change in the value of the swaps. The hedge ratio is 100%.

The hedging instruments and hedged items designated as fair value hedges have the following impact on the balance sheet and income statement.

Fair value hedge – hedging interest risk

	2022	2023
Hedging instrument		
Balance sheet items and carrying amount		
Other non-current financial liabilities	-82.6	-43.1
Other current financial liabilities	-22.3	-26.4
Change in fair value to measure the ineffectiveness in the reporting period	-106.1	36.4
Hedged item		
Balance sheet items and carrying amount		
Bonds payable (liabilities)	-644.6	-682.2
thereof cumulated changes in fair value	102.5	67.8
Change in fair value to measure the ineffectiveness in the reporting period	105.9	-37.5
Profit or loss item and value of ineffectiveness		
Other financial result	-0.2	1.1

The ineffectiveness of the fair value hedges results essentially from the influence of the credit risk of the counterparty and the Group on the fair value of the interest rate swaps and on the change in the fair value of the bonds. The accrued interest of €0.9 million (previous year: 3.9) included in the fair value was recognised in profit or loss in the interest result.

The effectiveness of the cash flow hedges and fair value hedges is verified prospectively on the basis of the main contract features at inception and at every reporting date.

10.3 Risks from financial instruments

With regard to its assets, liabilities, firm commitments, and planned transactions, Heidelberg Materials is particularly exposed to risks arising from changes in exchange rates, interest rates, and market and stock market prices. These market price risks might have a negative impact on the assets, financial, and earnings position of the Group. The Group manages these risks primarily as part of its ongoing business and financing activities and, when required, by using derivative financial instruments. The main aspects of the financial policy are determined by the Managing Board and implemented by the Group Treasury department on the basis of existing guidelines.

Credit risk

Heidelberg Materials is exposed to credit risk through its operating activities and certain financial transactions. The credit risk stands for the risk that a contracting party unexpectedly does not fulfil, or only partially fulfils, the obligations agreed when signing a financial instruments contract. The Group limits its credit risk by essentially only concluding contracts for financial assets and derivative financial instruments with partners that meet our credit rating requirements (investment grade range).

Credit rating

The rating agencies Moody's and Standard & Poor's assess the Group's creditworthiness as Baa2/P-2 (stable outlook) and BBB/A-2 (stable outlook) as at the end of 2023. Any potential downgrading of the ratings awarded by the rating agencies could have a negative impact on the Group's cost of capital and refinancing options.

Cash and cash equivalents

This item essentially comprises cash and cash equivalents. The Group is exposed to losses arising from credit risk in connection with the investment of cash and cash equivalents if contracting parties do not fulfil their obligations. Heidelberg Materials manages the resulting risk position by diversification of contracting parties. Currently, no cash or cash equivalents are overdue or impaired as a result of actual defaults. The maximum credit risk of cash and cash equivalents corresponds to the carrying amount.

Trade receivables and contract assets

Trade receivables result mainly from the sale of cement, concrete, and aggregates. In operating activities, the outstanding debts are monitored on an ongoing basis. The maximum risk position from trade receivables corresponds to the carrying amount. The concentration of risk with regard to trade receivables and contract assets is classified as low because of Heidelberg Materials' global activity and the dispersion across a large number of customers.

To calculate the expected credit losses for trade receivables carried at amortised cost and contract assets, Heidelberg Materials uses the simplified approach of IFRS 9. This provides for a loss allowance at every reporting date in the amount of the expected credit losses over the term.

Initially, receivables are tested for impairment individually. The decision as to when an individual loss allowance is required is made at the individual company level, taking local conditions into account. If there are objective indications that a receivable is not or only partially realisable, an individual loss allowance is recorded, e.g. for customers in financial difficulties or if insolvency proceedings have been opened. Available external and internal information on the financial situation of customers, such as an assessment of creditworthiness or past experience with these customers, is used to assess the need for impairment. The impaired receivables are classified as “credit-impaired”.

For receivables whose expected credit losses are not determined individually (“not credit-impaired”), the loss allowance is determined on the basis of the sector-specific default probability and country-specific default probabilities. The calculated default rate is then adjusted by a factor in order to reflect forward-looking macroeconomic information that could have an impact on customers' ability to settle the receivables. The expected real growth of the gross domestic product of the countries in which the customers are domiciled is used for this purpose. In addition, the expected credit loss is determined by taking into account the turnover period of the receivables of the respective individual companies, i.e. the average number of days from invoicing to receipt of payment.

In each country's domestic business, trade receivables may be secured by various types of collateral, such as guarantees, letters of credit, and other types of credit insurance. These securities are considered an integral part of the trade receivables and are taken into account when calculating impairment. The securities received as at 31 December 2023 amount to €267.6 million (previous year: 358.6).

The contract assets relate to performance obligations already fulfilled for which no unconditional right to payment exists as at the reporting date. The contract assets essentially have the same risk characteristics as the trade receivables. The expected default rates for trade receivables in each country are therefore regarded as a reasonable approximation of the default rates for the contract assets and used to calculate the expected credit losses.

Information about the credit risk position and the expected credit losses for the trade receivables accounted for at amortised cost is shown in the following table. The calculated loss allowance in % is derived from the ratio of all loss allowances posted per individual company to the gross carrying amount.

Trade receivables by risk class

€m	Loss allowance in %	Gross carrying amount	Loss allowance	**Total**
31 December 2023				
Not credit-impaired	0.4%	1,560.5	-6.3	1,554.2
Credit-impaired	61.8%	186.9	-115.5	71.4
		1,747.4	**-121.8**	**1,625.6**
31 December 2022				
Not credit-impaired	0.4%	1,640.0	-6.8	1,633.2
Credit-impaired	54.4%	197.9	-107.7	90.2
		1,837.9	**-114.5**	**1,723.4**

The loss allowances on trade receivables have developed as follows:

Loss allowances on trade receivables

€m	2022	**2023**
Balance at 1 January	**100.6**	**114.5**
Addition	40.8	35.7
Reversal	-12.7	-14.7
Utilisation	-12.6	-14.1
Currency translation and other adjustments	-1.7	0.4
Balance at 31 December	**114.5**	**121.8**

Other receivables and financial assets

This item essentially includes non-current receivables, interest-bearing receivables, and other operating receivables. The credit risk position from other receivables and financial assets corresponds to the carrying amount of these instruments. Heidelberg Materials regards this credit risk as insignificant.

Heidelberg Materials already takes into account the default risk when a financial asset is initially recognised by setting up loss allowances for expected credit losses. The general approach in accordance with IFRS 9 is used for the calculation of impairments. At every reporting date, an assessment is made as to whether the credit risk has increased significantly. If the credit risk has not increased significantly since initial recognition, the default probability is calculated on the basis of a 12-month period; otherwise, the total remaining term is used.

In order to assess whether the credit risk has increased significantly, the risk of a default on the financial asset at the reporting date is compared with the default risk at the time of initial recognition. A significant increase in credit risk is assumed if there is information about a deterioration in the debtor's financial situation or if agreed payments have been overdue for more than 30 days. In addition to the local conditions, which vary from country to country, and customers' payment behaviour, this assessment also takes into account credit ratings according to internal assessments of Heidelberg Materials or external rating agencies.

External and internal credit assessments taking into account both quantitative and qualitative information are used to calculate the expected credit losses. The internal classifications are then reconciled with the rating classes of external rating agencies and the resulting default probabilities. The default probability, which is then determined by considering probability-weighted scenarios, is adjusted to take into account the expected real growth of the gross domestic product of the country in which the debtor is domiciled. Both the financial situation and earnings position of the debtor and securities received are taken into consideration when calculating the risk provision to be set up.

If there are objective indications of impairment, individual loss allowances are made to the corresponding receivables in the amount that is likely to be no longer recoverable, taking into account any securities received. Objective indications are, inter alia, payment arrears of more than 90 days, information about significant financial difficulties of the debtor, non-compliance with a payment plan, or a high probability of insolvency proceedings against the debtor.

The securities available as at the reporting date amount to €126.9 million (previous year: 128.6) and mainly comprise liens and guarantees.

The following table explains the development of the loss allowances for the other financial receivables that are accounted for at amortised cost.

Other financial receivables – amortised cost

€m	Loans and other interest-bearing receivables	Other operating receivables	**Total**
Gross carrying amount as at 31 December 2023	**374.9**	**228.5**	**603.4**
Loss allowances as at 1 January 2023	-34.4	-4.2	-38.6
Changes	0.2	0.2	0.4
Currency translation	0.2	0.1	0.3
Change in consolidation scope	0.0		0.0
Loss allowances as at 31 December 2023	**-34.0**	**-3.9**	**-37.9**
Carrying amount as at 31 December 2023	**340.9**	**224.6**	**565.5**
Gross carrying amount as at 31 December 2022	**289.1**	**192.7**	**481.8**
Loss allowances as at 1 January 2022	-37.6	-6.5	-44.1
Changes	3.1	1.8	4.9
Currency translation	0.1	0.5	0.6
Loss allowances as at 31 December 2022	**-34.4**	**-4.2**	**-38.6**
Carrying amount as at 31 December 2022	**254.7**	**188.5**	**443.2**

The credit risk position and expected credit losses for the other financial receivables accounted for at amortised cost can be broken down by risk class as follows.

Other financial receivables by risk class

€m	Loss allowance in %	Gross carrying amount	Loss allowance	**Total**
31 December 2023				
Low risk	0.1%	534.0	-0.3	533.7
Default event	54.2%	69.4	-37.6	31.8
		603.4	**-37.9**	**565.5**
31 December 2022				
Low risk	0.0%	436.1	-0.2	435.9
Default event	84.1%	45.7	-38.4	7.3
		481.8	**-38.6**	**443.2**

There was no allocation to the doubtful risk class as the credit risk for the above receivables has not increased significantly since initial recognition.

The cash and cash equivalents are also subject to the impairment requirements of IFRS 9. The identified impairment loss was immaterial.

Derivative financial instruments

Derivative financial instruments are generally used to reduce risks. In the course of its business activity, Heidelberg Materials is exposed to interest rate, currency, and energy price risks. For accounting purposes, a significant portion of the derivatives are not accounted for as hedges in accordance with IFRS 9, but as instruments in the held-for-trading category. However, from a commercial perspective, the changes in the fair values of these instruments represent an economically effective hedge within the context of the Group strategy. The maximum credit risk of this item corresponds to the fair value of the derivative financial instruments that have a positive fair value and are shown as financial assets at the reporting date. To reduce default risks, care is taken to ensure that, as far as possible, hedging transactions are concluded only with financial institutions with a good credit rating (investment grade). There are currently no past-due derivative financial instruments in the portfolio.

Liquidity risk

The liquidity risk describes the risk of a company not being able to fulfil its financial obligations to a sufficient degree. To manage Heidelberg Materials' liquidity, the Group maintains cash and cash equivalents as well as credit lines with banks, besides the cash inflow from operating activities. The operating liquidity management includes a daily reconciliation of cash and cash equivalents. The Group Treasury department coordinates the Group's financing and liquidity management measures. This allows liquidity surpluses and requirements to be managed in accordance with the needs of the entire Group and of individual Group companies. In addition, factoring programmes are used to optimise working capital.

As at the year end, the Group still has as yet undrawn, confirmed credit lines of €1.8 billion available in order to secure liquidity, in addition to available cash and cash equivalents. Heidelberg Materials AG has an open-ended framework agreement for the issue of short-term bearer bonds (commercial papers) of €2 billion to cover short-term liquidity peaks. Within the context of the programme, individual tranches with different terms will be issued at different times depending on the market situation. As at the end of 2023, none of the commercial papers issued by Heidelberg Materials AG were outstanding.

As the financial contracts of Heidelberg Materials do not contain any clauses that trigger a repayment obligation in the event of the credit rating being downgraded, the maturity structure will remain unaffected even if the credit assessments change. Margin calls that could lead to an outflow of liquidity are not agreed in any of the main financial instruments. All derivative financial instruments are contracted on the basis of existing framework agreements that contain netting agreements for the purpose of reducing credit and liquidity risks.

The maturity overviews below show the future cash flows of financial liabilities and derivative financial instruments. Payments include the undiscounted repayments and interest payments for bonds payable, bank loans, and other financial liabilities. The cash flows of the lease liabilities are presented on a gross basis – i.e. before deducting financing costs. The undiscounted contractually agreed payments for derivative financial instruments as a total for the year did not take into account the inflow of liquidity amounting to €945.3 million (previous year: 1,696.5) from cross-currency interest rate swaps and €8,767.4 million (previous year: 7,886.9) arising from current foreign exchange transactions and other derivatives. The trade payables are assigned to short-term maturities (within a year). For variable interest payments, the current interest rate is taken as a basis. Payments in foreign currency are translated using the exchange rate at year end.

Cash flows of financial liabilities and derivative financial instruments (reporting year)

€m	**Carrying amount 31 Dec. 2023**	Cash flows 2024	Cash flows 2025	Cash flows 2026	Cash flows 2027	Cash flows ≥2028
Bonds payable	6,861.5	1,558.1	1,125.0	1,110.0	1,343.8	2,623.2
Bank loans	290.3	174.2	14.2	14.2	12.8	12.8
Lease liabilities	1,088.5	232.3	189.3	143.7	114.1	714.1
Miscellaneous other financial liabilities	104.9	91.9	34.5	8.4	2.1	1.0
Derivatives with positive fair value						
Cash flow hedges	9.1	13.8	9.7	3.0	0.0	0.2
Derivatives held for trading	37.7	3,598.0	76.5	77.7	833.3	
Derivatives with negative fair value						
Cash flow hedges	50.8	16.9	16.5	15.5	1.1	57.1
Fair value hedges	69.4	38.4	38.1	38.2	38.2	
Derivatives held for trading	74.7	5,209.4				

Cash flows of financial liabilities and derivative financial instruments (previous year)

€m	Carrying amount 31 Dec. 2022	Cash flows 2023	Cash flows 2024	Cash flows 2025	Cash flows 2026	Cash flows ≥2027
Bonds payable	5,321.9	93.4	1,493.4	1,060.3	1,045.3	2,042.2
Bank loans	321.2	255.2	23.0	13.1	11.0	23.0
Lease liabilities	1,051.1	228.7	177.9	138.7	106.8	669.4
Miscellaneous other financial liabilities	92.0	65.8	23.0	10.0	2.6	2.3
Derivatives with positive fair value						
Cash flow hedges	52.6	11.0	2.3	3.4	2.3	10.3
Derivatives held for trading	71.0	2,909.5	58.3	57.8	58.0	854.6
Derivatives with negative fair value						
Cash flow hedges	47.2	18.0	14.4	8.6	8.2	36.9
Fair value hedges	104.9	26.6	26.8	26.6	26.6	26.6
Derivatives held for trading	84.2	5,102.9				

Interest rate risk

Interest rate risks exist as a result of potential changes in the market interest rate and may lead to a change in fair value in the case of fixed interest-bearing financial instruments and to fluctuations in interest payments in the case of variable interest-bearing financial instruments. Interest rate risks are maintained within the parameters set by the Group's Chief Financial Officer. For financial instruments with fixed interest that are measured at amortised cost, interest rate risks have no impact on result and equity.

If the market interest rate level across all currencies had been 100 basis points higher or lower on 31 December 2023, the net interest cost of the Heidelberg Materials Group taking into account the variable interest-bearing assets and liabilities would have risen by €8.5 million (previous year: 4.1) or fallen by €8.5 million (previous year: 2.9).

Currency risk

Heidelberg Materials' currency risk results from its investing, financing, and operating activities. Risks from foreign currencies are generally hedged, insofar as they affect the Group's cash flow. Currency forwards and foreign exchange swaps are used in the elimination of existing currency risks.

Through Heidelberg Materials AG's financing and liquidity management measures, the borrowing and investment of liquidity of the subsidiaries lead to currency positions that are generally hedged by external foreign exchange swap transactions, which are appropriate in terms of maturities and amounts. Consequently, currency fluctuations in connection with the financing and liquidity management measures usually have no impact on result or equity. Unhedged items exist only in isolated cases, such as where currencies are not convertible.

The following table shows the hypothetical impact on the financial result assuming a 10% increase or decrease in the value of the foreign currency against the respective functional currency, whereby the positive values represent income and the negative values an expense in the income statement.

Sensitivity analysis of currency risk

	Increase in the value of the foreign currency by 10%		Decrease in the value of the foreign currency by 10%	
€m	31 Dec. 2022	**31 Dec. 2023**	31 Dec. 2022	**31 Dec. 2023**
EUR/XOF	-9.9	-10.3	9.9	10.3
USD/CDF		-7.9		7.9
USD/TZS	3.5	3.8	-3.5	-3.8
MAD/EUR		3.4		-3.4
THB/EUR		1.2		-1.2

By contrast, foreign currency risks that do not affect the Group's cash flows (i.e. the risks resulting from the translation of the assets and liabilities of foreign subsidiaries into the Group reporting currency) generally remain unhedged.

11 Other disclosures

11.1 Capital management

The objective of capital management is to ensure sufficient liquidity for the Group at all times. Therefore, the Group makes use of external and internal financing opportunities. The net debt and the leverage ratio, which corresponds to the ratio of net debt to the result from current operations before depreciation and amortisation, are of fundamental importance to the monitoring of the Group's capital.

Leverage ratio

€m	31 Dec. 2022	**31 Dec. 2023**
Cash, derivative financial instruments and short-term financial investments	1,577.7	3,325.6
Interest-bearing liabilities	7,109.9	8,619.4
Net debt	**5,532.2**	**5,293.8**
Result from current operations before depreciation and amortisation (RCOBD)	3,739.4	4,258.0
Leverage ratio	**1.48**	**1.24**

A loan agreement finally repaid on 4 January 2023 still contained a financial covenant regarding the leverage ratio. This financial covenant was complied with until repayment in accordance with the loan agreement.

11.2 Contingent liabilities

As at the reporting date, contingent liabilities amounted to €181.9 million (previous year: 199.1) and essentially concern risks related to taxes on income. The timing of the possible cash outflows for the contingent liabilities is uncertain because they depend on various external factors that remain outside Heidelberg Materials' control. The application of taxation regulations might not yet be determined at the time that tax refund claims and liabilities are calculated. The calculation of tax items is based on the regulations most likely to be applied in each case. Nevertheless, the fiscal authorities may be of a different opinion, which could give rise to additional tax liabilities.

11.3 Other financial commitments

As at the reporting date, there were contractual obligations for the acquisition of property, plant and equipment amounting to €399.2 million (previous year: 418.7), of which €98.0 million relates to the new kiln line in Airvault, France, and €30.5 million relates to the modernisation of assets at the Mokra cement plant in Brno, Czechia. Future cash outflows of €60.6 million (previous year: 68.5) result from leases that had been entered into as at the reporting date but have not yet commenced.

11.4 Related party disclosures

IAS 24 requires a statement concerning the most important relationships with related companies and persons that may exert a significant influence on Heidelberg Materials AG; the former are accounted for as joint ventures or associates, the latter hold key positions as members of the management.

Pursuant to the last notification of voting rights in accordance with the German Securities Trading Law (Wertpapierhandelsgesetz, WpHG), Mr Ludwig Merckle, Ulm, holds via Spohn Cement Beteiligungen GmbH, Schönefeld, a company under his control, 27.67% of the voting rights in Heidelberg Materials AG. In the 2023 financial year, Heidelberg Materials AG provided services with a net amount of €210,000 (previous year: 235,000) to PHOENIX Pharmahandel GmbH & Co KG, Mannheim, a related company of Mr Ludwig Merckle. In addition, net expenses of €2,000 (previous year: 2,000) for purchased services were incurred.

Revenue and other sales with joint ventures in the Heidelberg Materials Group amounted to €124.8 million (previous year: 90.5). Raw materials, goods, and other services with a value of €422.7 million (previous year: 490.0) were procured from these joint ventures. A total of €4.7 million (previous year: 13.3) was generated in financial and other services. Receivables of €166.1 million (previous year: 100.5) and liabilities of €51.1 million (previous year: 44.9) exist in connection with these activities and financial transactions. In addition, capital increases of €34.4 million (previous year: 0.1) were carried out for joint ventures. Repayment of capital from joint ventures to the parent company amounted to €0.8 million (previous year: 1.5). In the 2023 financial year, guarantees of €0.5 million (previous year: 0.5) were outstanding to joint ventures.

Business transactions with associates include revenue and other sales amounting to €97.1 million (previous year: 113.1), the procurement of goods and services amounting to €28.9 million (previous year: 26.2), and services provided amounting to €0.9 million (previous year: 1.0). Receivables of €32.9 million (previous year: 38.0) and liabilities of €10.9 million (previous year: 9.7) exist in connection with these activities and financial transactions. Capital increases and contributions in kind made to associates amounted to €17.2 million (previous year: 19.6). Obligations from capital commitments amount to €27.5 million (previous year: 44.3). Repayment of capital from associates to the parent company in the 2023 financial year amounted to €0.3 million (previous year: 2.8). Guarantees of €7.5 million (previous year: 0) were outstanding to associates in the 2023 financial year.

Receivables of €15.2 million (previous year: 11.5) and liabilities of €23.0 million (previous year: 20.4) existed in connection with transactions with non-consolidated subsidiaries. Guarantees of €1.3 million (previous year: 1.4) were outstanding to non-consolidated subsidiaries in the 2023 financial year.

Receivables of €12.3 million (previous year: 11.1) and liabilities of €7.6 million (previous year: 6.0) existed in connection with transactions with immaterial associates and joint ventures. For an immaterial associated investment, there is a guarantee of €12.3 million (previous year: 0) and a loss assumption guarantee of €1.5 million (previous year: 1.5).

The stated transactions were carried out under conditions that would also apply to third parties.

11.5 Managing Board and Supervisory Board

The fixed remuneration of the Managing Board remained at the level of the previous year of €7.4 million (previous year: 7.4). The sum of short-term variable remuneration elements amounted to €11.3 million (previous year: 9.9). In 2023, it consisted of the annual bonus in the amount of €11.3 million (previous year: 9.9). The annual bonus is a variable remuneration element, which relates to the financial year. Two thirds of the overall target achievement for the annual bonus is measured by corporate targets (profit for the financial year attributable to the shareholders of Heidelberg Materials AG and CO_2 component) and one third by individual targets. The achievement of the corporate targets results from the multiplication of the target achievement of the performance criterion profit for the financial year attributable to the shareholders of Heidelberg Materials AG with the multiplier of the CO_2 component.

Other remuneration elements again totaled €1.7 million (previous year: 1.7). In 2023, they consisted of a contribution of private pension benefits (cash allowance) and taxable fringe benefits. These included, in particular, bearing the costs of flights home, school fees, and company-related relocations, assignment-related benefits, the provision of company cars and driving services, mobile phones and communication tools, the reimbursement of expenses, as well as insurance benefits.

The members of the Managing Board are participating in the long-term bonus plan 2023-2025/26, granted in 2023. The target values for the plan, rounded to the nearest €'000, are €9,783,000.

The plan comprises two equally weighted components: the management component and the capital market component. The management component, with a term of three years, considers the internal added value as measured by earnings before interest and taxes (EBIT) and return on invested capital (ROIC), and is arranged in the form of a bonus with cash settlement. The capital market component, with a term of four years, considers the external added value as measured by total shareholder return (TSR) – adjusted for the reinvested dividend payments and for changes in capital – compared with the relevant capital market indices, using performance share units (PSUs). The PSUs are virtual shares used for the calculation of the capital market component. The target value, rounded to the nearest €'000, amounts to €4,890,000 for the management component and €4,892,000 for the capital market component. The different amounts result from the pro-rata calculation for the incoming and outgoing members of the Managing Board during the year. The reference price for the capital market component amounts to €48.74. This equates to 100,377 performance share units (PSUs) in total.

Pursuant to section 314(1)(6a) sentence 4 of the German Commercial Code (HGB), the fair value at the grant date must be indicated for the capital market component. For the members of the Managing Board, the amount, rounded to the nearest €'000, is in total €5,348,000.

The total remuneration pursuant to HGB amounted to €35.2 million (previous year: 30.4).

The retirement agreements of the members of the Managing Board appointed prior to 2019 contain the promise of an annual retirement pension, in the form of either an absolute amount or a percentage of the pensionable income. In 2019, a defined contribution pension commitment was introduced for the newly and reappointed members of the Managing Board. The design and expected pension benefits are based on the customary characteristics of such schemes, and existing contractual obligations are taken into account. In the financial year, allocations to provisions for pensions (service cost) for active members of the Managing Board amounted to €2.6 million (previous year: 3.7). The present values of the defined benefit obligation increased with the change in the discount rate relevant to the provisions to €26.1 million (previous year: 20.6).

Due to the strong share price performance in the record year 2023, expenses relating to the long-term capital market components of the last four issued and outstanding long-term bonus plans in accordance with IFRS 2.51a amounted to €9,036,000 for the Members of the Managing Board (previous year: 1,738,000).

In accordance with IAS 24, recognized expenses relating to the long-term capital market components for the service as members of the Managing Board amounted to €9.0 million (previous year: 1.7). Due to the record performance of the financial targets, the expenses recognized relating to the long-term management components came to €16.7 million (previous year: -3.0). Provisions for capital market components amounted to €11.1 million (previous year: 2.1), and for management components they amounted to €18.6 million (previous year: 19.6).

For the members of the Managing Board appointed as of 2016 and 2019, the existing contractual entitlements from long-term bonus and pension plans from prior positions within the Heidelberg Materials Group were continued. These entitlements are serviced according to the original plan conditions. The corresponding expenses in the financial year are included in the following table, in addition to the expenses for the service as member of the Managing Board.

Total remuneration of the Managing Board in accordance with IAS 24 came to €48.8 million in 2023 (previous year: 21.4) as represented in the following table.

Total remuneration of the Managing Board in accordance with IAS 24

€m	2022	**2023**
Short-term employee benefits (fixed remuneration, short-term variable remuneration elements, other remuneration elements)	19.0	20.5
Post-employment benefits (allocations to provisions for pensions – service cost including prior positions)	3.7	2.6
Other long-term benefits (expenses related to the LTIP management components including prior positions)	-3.0	16.7
Share-based payment (expenses related to the LTIP capital market components including prior positions)	1.7	9.0
Total	**21.4**	**48.8**

Payments to former members of the Managing Board and their surviving dependents amounted to €5.2 million in the financial year (previous year: 5.4). Provisions for pension obligations to former members of the Managing Board amounted to €62.0 million (previous year: 56.1).

The total Supervisory Board remuneration (excluding value added tax), which is short-term only, for the 2023 financial year amounted to €1,911,000 (previous year: 1,738,000). Employee representatives of the Supervisory Board who are employees of the Heidelberg Materials Group also received remuneration in accordance with their contracts of employment, the level of which corresponded to an equitable remuneration for their relevant functions and tasks within the Group.

11.6 Declaration of compliance with the German Corporate Governance Code

The declaration of compliance with the German Corporate Governance Code as required by section 161 of the German Stock Corporation Act (Aktiengesetz, AktG) was submitted by the Managing Board and the Supervisory Board of Heidelberg Materials AG and made available on the internet at **www.heidelbergmaterials.com under Company/Corporate Governance/Declaration of compliance pursuant to section 161 of the German Stock Corporation Act (Aktiengesetz)**.

11.7 Auditor's fees

The total fee calculated for the services of the auditor PricewaterhouseCoopers GmbH Wirtschaftsprüfungsgesellschaft (PwC Germany) and the companies in the global PwC network for the 2023 financial year is composed as follows:

Auditor's fees

€m	2022	2023	
	PwC Germany	PwC network	thereof: PwC Germany
Audit services [1]	4.2	14.5	4.7
Other assurance services	0.3	0.5	0.4
Tax services	0.0	0.1	
Other services		0.0	
Total	**4.5**	**15.1**	**5.1**

1) Thereof for the previous year: 2023: PwC network €0.5 million, PwC Germany €0.1 million, 2022: PwC Germany €0.0 million

The auditor's services mainly comprised services for the audit of the financial statements and, to a lesser extent, other assurance services, tax services, and other services. The fee for the other assurance services primarily includes the fee for the audit to obtain limited assurance on the non-financial statement and selected ESG indicators. It also includes remuneration for issuing a comfort letter in connection with the €10 billion Euro Medium Term Note (EMTN) programme and for auditing the remuneration report.

11.8 Events occurring after the close of the 2023 financial year

On 19 February 2024, the Managing Board of Heidelberg Materials AG resolved to cancel all 4,117,499 treasury shares purchased under the third tranche of the share buyback programme in the period from 28 July to 30 October 2023, with a reduction of €12,352,497 in the subscribed share capital. This corresponds to approximately 2.21% of the company's subscribed share capital before cancellation and capital reduction. The Supervisory Board approved the cancellation on 21 February 2024. Following the cancellation of the shares and the capital reduction, the subscribed share capital of Heidelberg Materials AG amounts to €546,204,360 and is divided into 182,068,120 no-par value shares, each representing a notional amount of €3.00 of the subscribed share capital.

On 21 February 2024, the Managing Board, with the consent of the Supervisory Board, resolved to launch a new share buyback programme with a total volume of up to €1.2 billion (excluding incidental acquisition costs) and a term no later than the end of 2026. It is envisaged that the share buyback will be carried out in three tranches. The first tranche is scheduled to start in the second quarter following the Heidelberg Materials AG 2024 Annual General Meeting. The share buyback will be carried out via the stock exchange. In taking this step, the Managing Board makes use of the authorisation granted by the Annual General Meeting on 11 May 2023, according to which own shares of up to 10% of the share capital existing on 11 May 2023 or – if this amount is lower – of the share capital existing at the time of exercising this authorisation may be acquired until the end of 10 May 2028.

11.9 Approval by the Supervisory Board

The consolidated financial statements were prepared by the Managing Board and adopted on 20 March 2024. They were then submitted to the Supervisory Board for approval.

12 List of shareholdings

List of shareholdings of Heidelberg Materials Group and Heidelberg Materials AG as at 31 December 2023 (section 313(2), resp. section 285(11) of the German Commercial Code (HGB)).

Company name	Registered office	Direct ownership %	Group ownership %	Year[1]	Equity in € million[2]	Net income in € million[3]
Subsidiaries						
Western and Southern Europe						
A.R.C. (Western) Limited	Maidenhead, GB		100.00	2022	6.9	-
A1 Services (Manchester) Limited	Maidenhead, GB		100.00	2022	7.2	0.4
Amey Group Limited (The)	Maidenhead, GB		100.00	2022	14.4	-
Amey Roadstone International Limited	Maidenhead, GB		100.00	2022	0.1	-
Appleby Group Limited	Maidenhead, GB		100.00	2022	30.4	-
ARC Aggregates Limited	Maidenhead, GB		100.00	2022	3.7	-
ARC Building Limited	Maidenhead, GB		100.00	2022	-20.3	-
ARC Concrete (Anglia) Limited	Maidenhead, GB		100.00	2022	0.0	-
ARC Concrete Limited	Maidenhead, GB		100.00	2022	0.0	-
ARC Holdings Limited	Maidenhead, GB		100.00	2022	0.1	-
ARC Land Holdings Limited	Maidenhead, GB		100.00	2022	0.3	-
ARC Limited	Maidenhead, GB		100.00	2022	0.0	-
ARC Property Investments Limited	Maidenhead, GB		100.00	2022	44.2	-
ARC Slimline Limited	Maidenhead, GB		100.00	2022	-3.6	-
ARC South Wales Limited	Maidenhead, GB		100.00	2022	0.0	-
ARC South Wales Mortar Limited	Maidenhead, GB		100.00	2022	0.0	-
ARC South Wales Quarries Limited	Maidenhead, GB		100.00	2022	0.0	-
ARC South Wales Surfacing Limited	Maidenhead, GB		100.00	2022	0.4	-
Attendflower Limited	Maidenhead, GB		100.00	2022	0.0	-
Banbury Alton Limited	Maidenhead, GB		100.00	2022	-0.3	-
Beazer Limited	Maidenhead, GB		100.00	2022	11.4	-
Beforebeam Limited	Maidenhead, GB		100.00	2022	109.1	-355.8
Beforeblend Limited	Maidenhead, GB		100.00	2022	0.1	-

Company name	Registered office	Direct ownership %	Group ownership %	Year[1]	Equity in € million[2]	Net income in € million[3]
Berec Holdings B.V.	's-Hertogenbosch, NL		100.00	2022	58.9	-0.2
Béton Contrôle de l'Adour S.a.s.[5]	Bayonne, FR		35.99	2022	2.1	-0.0
Béton Contrôle du Pays Basque S.a.s.	Bayonne, FR		59.98	2022	2.0	-0.7
Betontir S.p.A.	Bergamo, IT		100.00	2022	0.6	-0.3
Birchwood Concrete Products Limited	Maidenhead, GB		100.00	2022	180.0	-
Birchwood Omnia Limited	Maidenhead, GB		100.00	2022	1,322.2	299.9
BravoEnergy S.r.l.	Peschiera Borromeo, IT		100.00	2022	0.5	-0.1
British Agricultural Services Limited	Maidenhead, GB		100.00	2022	0.1	-
British Ever Ready Limited	Maidenhead, GB		100.00	2022	30.1	-
Bulldog Company Limited	St. Peter Port, GG		100.00	2022	43.3	-4.3
Calumite Limited	Maidenhead, GB		51.00	2022	3.5	0.8
Castle Building Products Limited	Maidenhead, GB		100.00	2022	-0.5	-
Castle Cement (Chatburn) Limited	Maidenhead, GB		100.00	2022	0.2	-
Castle Cement (Clyde) Limited	Maidenhead, GB		100.00	2022	0.1	-
Castle Cement (Ketton) Limited	Maidenhead, GB		100.00	2022	25.5	-
Castle Cement (Padeswood) Limited	Maidenhead, GB		100.00	2022	6.7	-
Castle Cement (Pitstone) Limited	Maidenhead, GB		100.00	2022	11.0	-
Castle Cement (Ribblesdale) Limited	Maidenhead, GB		100.00	2022	26.5	-
Castle Cement Limited	Maidenhead, GB		100.00	2022	273.3	21.3
Castle Lime Limited	Maidenhead, GB		100.00	2022	0.0	-
Castle Pension Scheme Trustees Limited	Maidenhead, GB		100.00	2022	0.0	-
Cemitaly S.p.A.	Bergamo, IT		100.00	2022	15.0	-4.5
Centro Administrativo y de Servicios de Malaga S.A.	Madrid, ES		99.94	2022	-1.1	-0.2
Cetramaris S.a.s	Saint-Herblain, FR		70.00	2022	1.0	0.0
CGF Capital B.V.	's-Hertogenbosch, NL		100.00	2022	0.0	-0.0
Charterneed Limited	Maidenhead, GB		100.00	2022	0.0	-
CHB Group Limited	Maidenhead, GB		100.00	2022	758.8	-
CHB P H R Limited	Maidenhead, GB		100.00	2022	13.4	3.4
CHB Products Limited	Maidenhead, GB		100.00	2022	2.8	-2,342.6
Chemical Manufacture and Refining Limited	Maidenhead, GB		100.00	2022	6.2	-
Ciment du Littoral S.a.s.	Bassens, FR		100.00	2022	-8.2	-1.9
Ciments Calcia S.a.s.	Courbevoie, FR		100.00	2022	1,095.3	44.5
Ciminter S.A.	Strassen, LU		100.00	2022	59.9	-0.0
City of London Heliport Limited	Maidenhead, GB		55.56	2022	-2.0	-

Company name	Registered office	Direct ownership %	Group ownership %	Year[1]	Equity in € million[2]	Net income in € million[3]
Civil and Marine (Holdings) Limited	Maidenhead, GB		100.00	2022	34.6	-
Civil and Marine Limited	Maidenhead, GB		100.00	2022	355.9	54.7
Civil and Marine Slag Cement Limited	Maidenhead, GB		100.00	2022	68.9	-
Claughton Manor Brick Limited (The)	Maidenhead, GB		100.00	2022	0.2	-
Codesib S.a.s.	Guerville, FR		100.00	2022	44.7	11.7
Compagnie Financière et de Participations S.a.s.	Guerville, FR		100.00	2022	30.3	1.3
Compagnie pour l'Investissement Financier en Inde S.a.s.	Guerville, FR		100.00	2022	9.5	-0.9
Conbloc Limited	Maidenhead, GB		100.00	2022	-0.1	-
Creative Land Developers Limited[5]	Maidenhead, GB		50.00	2022	-0.4	-
Cromhall Quarries, Limited	Maidenhead, GB		100.00	2022	0.1	-
Cumbrian Industrials Limited	Maidenhead, GB		100.00	2022	8.5	-0.0
Delmorgal Limited	Maidenhead, GB		100.00	2022	0.0	-
Desimpel Brick Limited	Maidenhead, GB		100.00	2022	2.9	-
Devon Concrete Works, Limited	Maidenhead, GB		100.00	2022	0.1	-
Dragages du Pont de St Leger S.a.s.	St Léger, FR		60.00	2022	5.5	0.8
Dragages Transports & Travaux Maritimes S.a.s.	La Rochelle, FR		100.00	2022	19.6	1.2
DUPAMIJ Holding GmbH i.L.[4]	Kalkar, DE		100.00	2022	0.0	-0.0
E & S Retail Limited	Maidenhead, GB		100.00	2022	0.0	-
E Sub Limited	Maidenhead, GB		100.00	2022	6.8	-
Eckhard Garbe GmbH[7]	Berlin, DE		100.00	2022	1.3	0.0
Effectengage Limited	Maidenhead, GB		100.00	2022	70.7	-236.2
Emerging Markets Industrial Corporation S.à r.l.	Strassen, LU		100.00	2022	71.3	-0.0
Ensign Park Limited[5]	Maidenhead, GB		50.00	2022	-1.8	-
Essroc Netherlands Coöperatief U.A.	's-Hertogenbosch, NL		100.00	2022	245.6	-0.0
Eurarco France S.A.	Le Crotoy, FR		64.98	2022	7.9	0.9
F.C. Precast Concrete Limited	Maidenhead, GB		100.00	2022	0.1	-
Ferrersand Aggregates Limited	Maidenhead, GB		100.00	2022	1.6	-
Fruitbat Company	Maidenhead, GB		100.00	2022	0.0	-
Fulber Limited	St. Peter Port, GG		100.00	2022	0.1	-0.0
Granulats de la Drôme S.a.s.	Saint-Jean-de-Védas, FR		100.00	2022	4.3	0.6
Granulats de Lahontan	Guerville, FR		51.00	2022	2.6	0.4
Granulats Ouest – GO S.a.s.	Saint-Herblain, FR		100.00	2022	4.5	0.8
Greenwoods (St. Ives) Limited	Maidenhead, GB		100.00	2022	2.0	-
GSM S.a.s.	Courbevoie, FR		100.00	2022	215.3	25.3

Company name	Registered office	Direct ownership %	Group ownership %	Year[1)]	Equity in € million[2)]	Net income in € million[3)]
Guidelink	Maidenhead, GB		100.00	2022	0.1	-
Habfield Limited	Maidenhead, GB		100.00	2022	0.0	-
Hanson (BB) Limited	Maidenhead, GB		100.00	2022	0.5	-
Hanson (BBIN02) Limited	Maidenhead, GB		100.00	2022	0.0	-
Hanson (CGF) (No.1) Limited	Maidenhead, GB		100.00	2022	0.0	-
Hanson (CGF) (No2) Limited	Maidenhead, GB		100.00	2022	0.0	-
Hanson (CGF) Finance Limited	Maidenhead, GB		100.00	2022	152.6	-
Hanson (CGF) Holdings Limited	Maidenhead, GB		100.00	2022	0.0	-
Hanson (ER – No 10) Limited	Maidenhead, GB		100.00	2022	287.2	0.0
Hanson (ER – No 5) Limited	Maidenhead, GB		100.00	2022	448.6	-
Hanson (F) Limited	Maidenhead, GB		100.00	2022	5.6	-
Hanson (FH) Limited	Maidenhead, GB		100.00	2022	3.8	-
Hanson (FP) Limited	Maidenhead, GB		100.00	2022	0.0	-
Hanson (LBC) Limited	Maidenhead, GB		100.00	2022	24.8	-
Hanson (MR) Limited	Maidenhead, GB		100.00	2022	0.0	-
Hanson (NAIL) Limited	Maidenhead, GB		100.00	2022	6.1	-
Hanson (RBMC) Limited	Maidenhead, GB		100.00	2022	6.8	-
Hanson (SH) Limited	Maidenhead, GB		100.00	2022	65.8	0.2
Hanson Aggregates (North) Limited	Maidenhead, GB		100.00	2022	45.6	-
Hanson Aggregates Limited	Maidenhead, GB		100.00	2022	0.0	-
Hanson Aggregates Marine Limited	Maidenhead, GB		100.00	2022	123.8	-24.9
Hanson Aggregates South Wales Holdings Limited	Maidenhead, GB		100.00	2022	7.7	-
Hanson Aggregates South Wales Limited	Maidenhead, GB		100.00	2022	43.8	-
Hanson Aggregates UK Limited	Maidenhead, GB		100.00	2022	0.5	-2,342.8
Hanson America Holdings (1) Limited	Maidenhead, GB		100.00	2022	0.0	-
Hanson America Holdings (2) Limited	Maidenhead, GB		100.00	2022	34.7	-
Hanson America Holdings (3) Limited	Maidenhead, GB		100.00	2022	0.0	-
Hanson America Holdings (4) Limited	Maidenhead, GB		100.00	2022	133.6	0.4
Hanson Aruba Limited	St. Peter Port, GG		100.00	2022	0.4	-28.6
Hanson Bath and Portland Stone Limited	Maidenhead, GB		100.00	2022	-2.4	-
Hanson Batteries Limited	Maidenhead, GB		100.00	2022	0.0	-
Hanson Blocks North Limited	Maidenhead, GB		100.00	2022	14.9	-
Hanson Brick Ltd	Maidenhead, GB		100.00	2022	0.2	-
Hanson Building Materials Europe Limited	Maidenhead, GB		100.00	2022	633.7	-4.3

Company name	Registered office	Direct ownership %	Group ownership %	Year[1]	Equity in € million[2]	Net income in € million[3]
Hanson Building Materials Limited	Maidenhead, GB		100.00	2022	3,509.3	-70.4
Hanson Building Products (2003) Limited	Maidenhead, GB		100.00	2022	213.7	-
Hanson Building Products Limited	St. Helier, JE		100.00	2022	0.1	0.0
Hanson Canada Limited	Maidenhead, GB		100.00	2022	1.0	0.0
Hanson Clay Products Limited	Maidenhead, GB		100.00	2022	17.2	-
Hanson Concrete Products Limited	Maidenhead, GB		100.00	2022	59.3	-
Hanson Crewing Services Limited	Maidenhead, GB		100.00	2022	-0.0	-
Hanson Devon Designated Activity Company	Shannon, IE		100.00	2022	5,389.0	0.1
Hanson Facing Bricks Limited	Maidenhead, GB		100.00	2022	280.1	-
Hanson Finance (2003) Limited	Maidenhead, GB		100.00	2022	493.6	-11.7
Hanson Finance Limited	Maidenhead, GB		100.00	2022	684.3	-0.1
Hanson Financial Services Limited	Maidenhead, GB		100.00	2022	227.0	-
Hanson FP Holdings B.V.	's-Hertogenbosch, NL		100.00	2022	170.8	517.1
Hanson Funding (G) Limited	Maidenhead, GB		100.00	2022	196.3	-
Hanson H4 Limited	Maidenhead, GB		100.00	2022	9.9	-
Hanson H5	Maidenhead, GB		100.00	2022	0.1	-
Hanson Hedging (Dollars) (1) Limited	Maidenhead, GB		100.00	2022	0.3	-
Hanson Holdings (1) Limited	Maidenhead, GB		100.00	2022	5,245.3	-441.6
Hanson Holdings (2) Limited	Maidenhead, GB		100.00	2022	179.9	-759.5
Hanson Holdings (3) Limited	Maidenhead, GB		100.00	2022	2,114.8	64.8
Hanson Holdings Limited	Maidenhead, GB		100.00	2022	3,912.9	10.5
Hanson Industrial (Engineering Holdings) Limited	Maidenhead, GB		100.00	2022	6.1	-
Hanson Industrial Limited	Maidenhead, GB		100.00	2022	179.9	-
Hanson International Holdings Limited	Maidenhead, GB		100.00	2022	2,813.9	163.8
Hanson Island Management Limited	St. Peter Port, GG		100.00	2022	-2.6	-0.2
Hanson Land Development Limited	Maidenhead, GB		100.00	2022	-33.4	-
Hanson Limited	Maidenhead, GB		100.00	2022	12,085.5	-2,585.7
Hanson Marine Holdings Limited	Maidenhead, GB		100.00	2022	1.4	-
Hanson Marine Limited	Maidenhead, GB		100.00	2022	10.9	0.5
Hanson Overseas Corporation Limited	Maidenhead, GB		100.00	2022	0.0	-
Hanson Overseas Holdings Limited	Maidenhead, GB		100.00	2022	4,566.5	-250.9
Hanson Packed Products Limited	Maidenhead, GB		100.00	2022	302.4	6.0
Hanson Peabody Limited	Maidenhead, GB		100.00	2022	0.0	-
Hanson Quarry Products Europe Limited	Maidenhead, GB		100.00	2022	1,916.4	106.6

Company name	Registered office	Direct ownership %	Group ownership %	Year[1]	Equity in € million[2]	Net income in € million[3]
Hanson Quarry Products Holdings Limited	Maidenhead, GB		100.00	2022	47.4	-
Hanson Quarry Products Trade Finance Limited	Maidenhead, GB		100.00	2022	3.3	-
Hanson Quarry Products Transport Limited	Maidenhead, GB		100.00	2022	0.1	-
Hanson Quarry Products Ventures Limited	Maidenhead, GB		100.00	2022	54.0	0.1
Hanson Retail Limited	Maidenhead, GB		100.00	2022	442.1	-
Hanson Ship Management Ltd	St. Peter Port, GG		100.00	2022	-1.2	-0.3
Hanson Thermalite Limited	Maidenhead, GB		100.00	2022	47.1	-
Hanson TIS Holdings Limited	Maidenhead, GB		100.00	2022	0.0	-
Hanson TIS Limited	Maidenhead, GB		100.00	2022	-2.9	-
Hanson Trust Limited	Maidenhead, GB		100.00	2022	109.9	-
Hanson Trustees Limited	Maidenhead, GB		100.00	2022	-1.6	-
Harrisons Limeworks Limited	Maidenhead, GB		100.00	2022	0.0	-
Hartsholme Property Limited	Maidenhead, GB		100.00	2022	0.1	-
HB Hotels Limited	Maidenhead, GB		100.00	2022	-0.6	-
HC Fuels Limited	Maidenhead, GB		100.00	2022	10.3	0.1
HC Green Trading Limited	Żebbuġ, MT		100.00	2022	-0.2	-0.2
HC Trading Malta Limited	Żebbuġ, MT		100.00	2022	-0.4	-0.4
HCT Holding Malta Limited	Żebbuġ, MT	100.00	100.00	2022	41.0	-0.1
HDigital GmbH[7]	Heidelberg, DE		100.00	2022	345.0	0.0
Heidelberg Materials Alkmaar Beton B.V.	Alkmaar, NL		66.67	2022	-1.3	-0.0
Heidelberg Materials Asia Holding GmbH	Heidelberg, DE	100.00	100.00	2022	87.9	3.5
Heidelberg Materials Beton DE GmbH[7]	Heidelberg, DE	100.00	100.00	2022	538.6	38.8
Heidelberg Materials Betonelemente DE GmbH & Co. KG[7]	Chemnitz, DE		83.00	2022	12.6	5.1
Heidelberg Materials BP Limited	Maidenhead, GB		100.00	2022	0.1	-
Heidelberg Materials Canada Holding Limited	Maidenhead, GB		100.00	2022	3,242.5	-86.6
Heidelberg Materials Cement Holding Limited	Maidenhead, GB		100.00	2022	90.5	-
Heidelberg Materials Central Asia B.V.	's-Hertogenbosch, NL		100.00	2022	85.1	0.0
Heidelberg Materials Central Europe B.V.	's-Hertogenbosch, NL		100.00	2022	1,270.2	66.5
Heidelberg Materials Euro II Limited	Maidenhead, GB		100.00	2022	3,330.4	43.3
Heidelberg Materials Euro III Limited	Maidenhead, GB		100.00	2022	886.5	11.9
Heidelberg Materials Finance Luxembourg S.A.	Strassen, LU		100.00	2022	35.2	52.0
Heidelberg Materials France S.A.S.	Courbevoie, FR		100.00	2022	2,726.8	286.9
Heidelberg Materials Grundstücksgesellschaft DE mbH & Co.KG[7]	Heidelberg, DE	100.00	100.00	2022	8.0	4.5
Heidelberg Materials Hispania Áridos, S.A.	Madrid, ES		100.00	2022	82.2	7.9

Company name	Registered office	Direct ownership %	Group ownership %	Year[1]	Equity in € million[2]	Net income in € million[3]
Heidelberg Materials Hispania Cementos, S.A.	Madrid, ES		99.94	2022	479.1	52.2
Heidelberg Materials Hispania Hormigones, S.L.	Madrid, ES		99.99	2022	8.2	6.5
Heidelberg Materials Holding GmbH[7]	Heidelberg, DE		100.00	2022	2,374.0	2.8
Heidelberg Materials Holding S.à r.l.	Strassen, LU		100.00	2022	24,225.9	270.2
Heidelberg Materials Iberia Holding, S.L.	Madrid, ES		100.00	2022	362.5	-1.3
Heidelberg Materials International Holding GmbH[7]	Heidelberg, DE	100.00	100.00	2022	20,635.7	36.4
Heidelberg Materials Leeuwarden Beton B.V.	Leeuwarden, NL		79.79	2022	-0.3	-0.4
Heidelberg Materials Limited	Maidenhead, GB		100.00	2022	0.0	-
Heidelberg Materials Mediterranean Basin B.V.	's-Hertogenbosch, NL		100.00	2022	475.1	50.2
Heidelberg Materials Mineralik DE GmbH[7]	Heidelberg, DE	6.00	100.00	2022	248.8	0.0
Heidelberg Materials NAM B.V.	's-Hertogenbosch, NL		100.00	2022	13,824.3	1,421.7
Heidelberg Materials Nederland Aggregaten B.V.	's-Hertogenbosch, NL		100.00	2022	2.7	-0.1
Heidelberg Materials Nederland Beton B.V.	's-Hertogenbosch, NL		100.00	2022	63.8	-9.3
Heidelberg Materials Nederland Cement B.V.	's-Hertogenbosch, NL		100.00	2022	84.4	47.5
Heidelberg Materials Nederland Extractie B.V.	's-Hertogenbosch, NL		100.00	2022	7.2	0.4
Heidelberg Materials Nederland N.V.	's-Hertogenbosch, NL		100.00	2022	326.8	100.8
Heidelberg Materials Netherlands Holding B.V.	's-Hertogenbosch, NL	14.54	100.00	2022	811.4	129.6
Heidelberg Materials Polska B.V.	's-Hertogenbosch, NL		100.00	2022	209.3	55.0
Heidelberg Materials Reinsurance Luxembourg S.A.	Strassen, LU		100.00	2022	22.3	19.3
Heidelberg Materials South Asia B.V.	's-Hertogenbosch, NL		100.00	2022	158.7	16.1
Heidelberg Materials UK Holding II Limited	Maidenhead, GB		100.00	2022	17,495.1	-1,347.9
Heidelberg Materials UK Holding Limited	Maidenhead, GB		100.00	2022	11,732.4	-148.8
Heidelberg Materials UK Limited	Maidenhead, GB	100.00	100.00	2022	2.2	-
Heidelberg Materials Y GmbH[9]	Heidelberg, DE		100.00	-	-	-
Heidelberg Materials, Funk & Kapphan Grundstücksgesellschaft DE GmbH & Co. KG[7]	Heidelberg, DE	79.91	79.91	2022	11.7	0.2
HeidelbergCement Logistik GmbH[7]	Polch, DE		100.00	2022	10.3	0.0
HeidelbergCement Mediterranean Basin Holdings S.L.U.	Madrid, ES		100.00	2022	19.0	0.8
Heidelberger Beton Donau-Naab GmbH & Co. KG[7]	Burglengenfeld, DE		77.70	2022	3.6	1.8
HIPS (Trustees) Limited	Maidenhead, GB		100.00	2022	0.0	-
HK Holdings (No.1) Limited	Maidenhead, GB		100.00	2022	47.7	-
HK Holdings (No.2) Limited	Maidenhead, GB		100.00	2022	0.0	-
HM Italia Calcestruzzi S.p.A.	Peschiera Borromeo, IT		100.00	2022	18.5	-23.8
HM Italia Cementi S.p.A.	Peschiera Borromeo, IT		100.00	2022	3,562.7	145.7
HM Poland B.V.	's-Hertogenbosch, NL		100.00	2022	1,127.9	81.5

Company name	Registered office	Direct ownership %	Group ownership %	Year[1]	Equity in € million[2]	Net income in € million[3]
HM Trading Global GmbH[7]	Heidelberg, DE		100.00	2022	7.3	0.0
HM Trading Services B.V.	's-Hertogenbosch, NL		100.00	2022	0.2	0.2
Holms Sand & Gravel Company (1985) (The)	Maidenhead, GB		100.00	2022	0.0	-
Holms Sand & Gravel Company Limited (The)	Maidenhead, GB		100.00	2022	0.0	-
Homes (East Anglia) Limited	Maidenhead, GB		100.00	2022	0.2	-
Hormigones y Minas S.A.	Madrid, ES		99.94	2022	26.1	1.1
Housemotor Limited	Maidenhead, GB		100.00	2022	0.0	-
Houseprice Limited	Maidenhead, GB		100.00	2022	0.0	-
Houserate Limited	Maidenhead, GB		100.00	2022	9,765.9	-2,440.8
HPL Albany House Developments Limited[5]	Maidenhead, GB		50.00	2022	-0.6	-
HPL Estates Limited	Maidenhead, GB		100.00	2022	4.0	-
HPL Investments Limited	Maidenhead, GB		100.00	2022	0.0	-
HPL Properties Limited	Maidenhead, GB		100.00	2022	44.9	-
HPL Property Limited	Maidenhead, GB		100.00	2022	45.2	-
HPL West London Developments Limited[5]	Maidenhead, GB		50.00	2022	-0.2	-
Hurst and Sandler Limited	Maidenhead, GB		100.00	2022	5.3	-
Immobilière des Technodes S.a.s.	Guerville, FR		100.00	2022	13.5	0.2
Imperial Foods Holdings Limited	Maidenhead, GB		100.00	2022	0.7	-
Imperial Group Limited	Maidenhead, GB		100.00	2022	278.4	-
Imperial Seafoods Limited	Maidenhead, GB		100.00	2022	1.3	-
Interbulk Trading (IBT) S.A.	Lugano, CH		100.00	2022	57.3	0.1
Investcim S.a.s.	Guerville, FR		100.00	2022	112.4	0.4
Irvine – Whitlock Limited	Maidenhead, GB		100.00	2022	-19.5	0.5
Ital Real Estate S.r.l.	Bergamo, IT		100.00	2022	38.4	0.0
Italcementi Finance S.A.	Guerville, FR		100.00	2022	27.0	0.3
Italsacci S.p.A.	Bergamo, IT		100.00	2022	152.5	31.5
James Grant & Company (West) Limited	Edinburgh, GB		100.00	2022	2.5	-
Judkins Limited	Maidenhead, GB		100.00	2022	0.1	-
K.M. Property Development Company Limited	Maidenhead, GB		100.00	2022	0.0	-
Ketton Cement Limited	Maidenhead, GB		100.00	2022	0.0	-
Kingston Minerals Limited	Maidenhead, GB		100.00	2022	0.2	-
L.B. (Stewartby) Limited	Maidenhead, GB		100.00	2022	59.2	-
Lehigh UK Limited	Maidenhead, GB		100.00	2022	15,030.1	4.2
Les Sabliers de l'Odet S.a.s.	La Rochelle, FR		100.00	2022	4.4	0.0

Company name	Registered office	Direct ownership %	Group ownership %	Year[1]	Equity in € million[2]	Net income in € million[3]
Lindustries Limited	Edinburgh, GB		100.00	2022	50.3	-
Lithonplus GmbH & Co. KG[7]	Lingenfeld, DE		60.00	2022	87.3	16.9
Localdouble Limited	Maidenhead, GB		100.00	2022	0.0	-
M E Sub Limited	Maidenhead, GB		100.00	2022	19.9	-
Manchester Waste Recycling Limited	Maidenhead, GB		100.00	2022	6.2	0.1
Mantle & Llay Limited	Maidenhead, GB		100.00	2022	-0.0	-
Marnee Limited	Maidenhead, GB		100.00	2022	0.0	-
Marples Ridgway Limited	Maidenhead, GB		100.00	2022	-4.4	-
Menaf S.a.s.	Guerville, FR		100.00	2022	-20.8	-19.0
Meppeler Betoncentrale B.V.	Meppel, NL		66.67	2022	-1.0	-0.4
Mibau Deutschland GmbH	Cadenberge, DE		60.00	2022	1.4	0.0
Mibau Holding GmbH	Cadenberge, DE		60.00	2022	74.1	20.6
Mibau Nederland B.V.	Venlo, NL		60.00	2022	2.9	1.0
Midland Quarry Products Limited	Maidenhead, GB		100.00	2022	85.7	29.0
Milton Hall (Southend) Brick Company Limited (The)	Maidenhead, GB		100.00	2022	1.5	-
Minster Quarries Limited	Maidenhead, GB		100.00	2022	-1.4	-
Mixconcrete Holdings Limited	Maidenhead, GB		100.00	2022	4.4	-
Mixconcrete Limited	Maidenhead, GB		100.00	2022	-2.0	-
Morebeat Limited	Maidenhead, GB		100.00	2022	0.0	-
Motioneager Limited	Maidenhead, GB		100.00	2022	0.0	-
National Brick Company Limited	Maidenhead, GB		100.00	2022	2.8	-
National Star Brick and Tile Holdings Limited	Maidenhead, GB		100.00	2022	2.4	-
National Star Limited	Maidenhead, GB		100.00	2022	0.1	-
Nuova Sacelit S.r.l.	Bergamo, IT		100.00	2022	3.2	1.5
Paperbefore Limited	Maidenhead, GB		100.00	2022	1,011.6	-
Pencrete Limited	Maidenhead, GB		100.00	2022	0.1	-
Picon Overseas Limited	St. Peter Port, GG		100.00	2022	209.8	0.9
PILC Limited	St. Peter Port, GG		100.00	2022	24.3	0.4
Pimco 2945 Limited	Maidenhead, GB		100.00	2022	4.6	-
Pinden Plant & Processing Co. Limited (The)	Maidenhead, GB		100.00	2022	6.4	-
Pioneer Aggregates (UK) Limited	Maidenhead, GB		100.00	2022	5.2	-
Pioneer Asphalts (U.K.) Limited	Maidenhead, GB		100.00	2022	0.0	-
Pioneer Concrete (U.K.) Limited	Maidenhead, GB		100.00	2022	0.0	-
Pioneer Concrete Holdings Limited	Maidenhead, GB		100.00	2022	131.5	-

Company name	Registered office	Direct ownership %	Group ownership %	Year[1]	Equity in € million[2]	Net income in € million[3]
Pioneer International Group Holdings Limited	Maidenhead, GB		100.00	2022	0.0	-
Pioneer Investments UK Limited	Maidenhead, GB		100.00	2022	0.1	-
Pioneer Overseas Investments Limited	St. Peter Port, GG		100.00	2022	133.9	0.0
Premix Concrete Limited	Maidenhead, GB		100.00	2022	0.0	-
Purfleet Aggregates Limited	Maidenhead, GB		100.00	2022	-0.2	-0.0
Redshow Limited	Maidenhead, GB		100.00	2022	124.2	-
Rezincote (1995) Limited	Maidenhead, GB		100.00	2022	-0.5	-
Roads Reconstruction Limited	Maidenhead, GB		100.00	2022	9.7	-
Rostocker Zementumschlagsgesellschaft mbH	Rostock, DE		60.00	2022	0.1	0.0
Rouennaise de Transformation S.a.s.	Grand-Couronne, FR		100.00	2022	0.9	0.0
RUZ Mineralik GmbH[7]	Heilbronn, DE		100.00	2022	6.2	2.2
RWG I/Schicht Baustoffaufbereitung, Logistik + Entsorgung GmbH[7]	Berlin, DE		100.00	2022	6.2	0.0
RWG I Abbruch und Tiefbau GmbH[7]	Berlin, DE		100.00	2022	1.8	0.0
RWG I Holding GmbH[7]	Berlin, DE		100.00	2022	36.7	2.1
S Sub Limited	Maidenhead, GB		100.00	2022	0.0	-
S Z G – Saarländische Zementgesellschaft mit beschränkter Haftung[4]	Saarbrücken, DE		100.00	2022	1.0	0.0
S.A. Heidelberg Materials Benelux N.V.	Braine-l'Alleud, BE	0.00	100.00	2022	828.0	15.8
Sabine Limited	St. Peter Port, GG		100.00	2022	0.1	-0.0
Sablimaris S.a.s.	Saint-Herblain, FR		100.00	2022	16.4	1.5
Sagrex France S.A.S.	Thourotte, FR		100.00	2022	8.8	1.0
Sailtown Limited	Maidenhead, GB		100.00	2022	1,125.0	25.3
Saint Hubert Investments S.à r.l.[4]	Strassen, LU		100.00	2022	455.0	-0.1
SAMA S.r.l. - in liquidazione[4]	Bergamo, IT		100.00	2022	-0.1	0.0
Samuel Wilkinson & Sons Limited	Maidenhead, GB		100.00	2022	-0.0	-
Sax S.a.s.	Guerville, FR		100.00	2022	2.4	-0.0
Scancem Energy and Recovery Limited	Maidenhead, GB		100.00	2022	19.7	-
Scancem International Limited	Maidenhead, GB		100.00	2022	20.1	-
Scancem Recovery Limited	Maidenhead, GB		100.00	2022	19.6	-0.0
Scancem Supply Limited	Maidenhead, GB		100.00	2022	-2.1	-
Seagoe Concrete Products Limited	Maidenhead, GB		100.00	2022	0.0	-
Second City Properties Limited	Maidenhead, GB		100.00	2022	13.0	-
SER Hoch- und Tiefbau GmbH & Co. KG[7]	Heilbronn, DE		100.00	2022	0.0	0.2
SER Sanierung im Erd- und Rückbau GmbH[7]	Heilbronn, DE		100.00	2022	12.1	1.9
Shapedirect Limited	Maidenhead, GB		100.00	2022	2,009.9	44.9

Company name	Registered office	Direct ownership %	Group ownership %	Year[1]	Equity in € million[2]	Net income in € million[3]
Sinclair General Limited	St. Peter Port, GG		100.00	2022	606.4	312.2
SJP 1 Limited	Maidenhead, GB		100.00	2022	-0.1	-
Slotcount Limited	Maidenhead, GB		100.00	2022	0.0	-
Small Lots (Mix-It) Limited	Maidenhead, GB		100.00	2022	12.2	-
Socli S.a.s.	Izaourt, FR		100.00	2022	12.6	1.6
Sodramaris S.N.C.	Saint-Herblain, FR		100.00	2022	14.7	0.1
Solrec Limited	Maidenhead, GB		100.00	2022	9.4	-
SQ Corporation Limited	Maidenhead, GB		100.00	2022	0.0	-
SQ Finance No 2 Limited	Maidenhead, GB		100.00	2022	48.8	2.0
SSR Schadstoffsanierung Rostock GmbH[7]	Berlin, DE		100.00	2022	0.6	0.0
St Edouard S.à r.l.[4]	Strassen, LU		100.00	2022	0.1	-1,144.2
ST JUDE S.à r.l.[4]	Strassen, LU		100.00	2022	2.0	-2,342.9
ST NICOLAS S.à r.l.	Strassen, LU		100.00	2022	1,325.1	-2.1
Stema Shipping (UK) Limited	Grays, GB		60.00	2022	10.6	2.9
Stema Shipping France S.a.s.	Le Mesnil Esnard, FR		60.00	2022	0.2	-0.1
Stephen Toulson & Sons Limited	Maidenhead, GB		100.00	2022	0.0	-
Stewartby Housing Association Limited	Maidenhead, GB		100.00	2022	0.1	-
Supamix Limited	Maidenhead, GB		100.00	2022	6.4	-
Technodes S.a.s.	Guerville, FR		100.00	2022	-13.9	-1.7
Tercim S.a.s.	Guerville, FR		100.00	2022	0.2	-3.6
The Purfleet Ship to Shore Conveyor Company Limited	Maidenhead, GB		100.00	2022	0.1	-
Thistleton Quarries Limited	Maidenhead, GB		100.00	2022	-1.6	-
Tillotson Commercial Motors Limited	Maidenhead, GB		100.00	2022	-21.1	-0.0
Tillotson Commercial Vehicles Limited	Maidenhead, GB		100.00	2022	0.0	-
Tilmanstone Brick Limited	Maidenhead, GB		100.00	2022	8.0	-
Timesound	Maidenhead, GB		100.00	2022	0.6	-
TLQ Limited	Edinburgh, GB		100.00	2022	0.0	-
TMC Pioneer Aggregates Limited	Maidenhead, GB		100.00	2022	0.0	-
Tratel Affrètement S.a.s.	Courbevoie, FR		100.00	2022	19.4	1.4
Tratel S.a.s.	Courbevoie, FR		100.00	2022	28.3	3.6
Tunnel Cement Limited	Maidenhead, GB		100.00	2022	0.0	-
U.D.S. Holdings B.V.	's-Hertogenbosch, NL		100.00	2022	47.4	0.0
UDS (No 10)	Maidenhead, GB		100.00	2022	2,114.8	64.8
UDS (No 3) Limited	Maidenhead, GB		100.00	2022	6.4	-

Company name	Registered office	Direct ownership %	Group ownership %	Year[1)]	Equity in € million[2)]	Net income in € million[3)]
UDS Corporation Limited	Maidenhead, GB		100.00	2022	0.0	-
UDS Finance Limited	Maidenhead, GB		100.00	2022	46.1	0.0
UDS Group Limited	Maidenhead, GB		100.00	2022	128.7	-
UDS Holdings (1) Limited	Maidenhead, GB		100.00	2022	229.4	-
UGI Group Limited	Maidenhead, GB		100.00	2022	108.8	-
Unibéton S.a.s.	Courbevoie, FR		100.00	2022	23.2	-27.1
United Gas Industries Limited	Maidenhead, GB		100.00	2022	13.1	-
Uniwerbéton S.a.s.	Heillecourt, FR		70.00	2022	0.3	0.0
V.E.A. Limited	St. Peter Port, GG		100.00	2022	181.9	-10.7
Ventore S.L.	Madrid, ES		99.94	2022	-0.0	0.1
Viewgrove Investments Limited	Maidenhead, GB		100.00	2022	0.0	-
Visionfocus Limited	Maidenhead, GB		100.00	2022	19.1	-761.0
Visionrefine Limited	Maidenhead, GB		100.00	2022	-0.3	-
Volt RMC Solutions GmbH[7)]	Heidelberg, DE		100.00	2022	5.0	0.0
Welbecson Group Limited	Maidenhead, GB		100.00	2022	-0.1	-
Wineholm Limited	Maidenhead, GB		100.00	2022	0.0	-
Subsidiaries						
Northern and Eastern Europe-Central Asia						
Betong Sør AS	Kristiansand, NO		100.00	2022	3.1	0.8
BETOTECH, s.r.o.	Beroun, CZ		91.50	2022	0.7	0.0
Björgun ehf	Reykjavík, IS		52.98	2022	5.7	-0.2
BM Valla ehf	Reykjavík, IS		52.98	2022	25.6	9.8
Bukhtarma Cement Company LLP	Oktyabrskiy village, KZ		100.00	2022	36.4	4.9
Calumite s.r.o.	Ostrava-Kunčičky, CZ		51.00	2022	3.7	0.4
CaspiCement Limited Liability Partnership	Shetpe, KZ		100.00	2022	61.1	12.7
Caspinerud Limited Liability Partnership	Shetpe, KZ		100.00	2022	2.7	-0.3
Cementa Fastighets AB	Stockholm, SE		100.00	2022	0.1	0.0
Českomoravský beton, a.s.	Beroun, CZ		100.00	2022	29.8	4.7
Českomoravský cement, a.s.	Mokrá-Horákov, CZ		100.00	2022	105.2	44.4
Českomoravský štěrk, a.s.	Mokrá-Horákov, CZ		100.00	2022	68.5	17.1
DOBET, spol. s r.o.	Ostrožská Nová Ves, CZ		100.00	2022	3.0	0.0
Eignarhaldsfélagið Hornsteinn ehf.	Reykjavík, IS		52.98	2022	42.7	12.2
Fastighets AB Limhamns Kalkbrott	Stockholm, SE		100.00	2022	2.1	0.0
Fastighets AB Lövholmen	Stockholm, SE		100.00	2022	0.5	0.0

Company name	Registered office	Direct ownership %	Group ownership %	Year[1]	Equity in € million[2]	Net income in € million[3]
Górażdże Beton Sp. z o.o.	Chorula, PL		100.00	2022	7.3	-11.2
Górażdże Cement S.A.	Chorula, PL		100.00	2022	526.2	81.9
Górażdże Kruszywa Sp. z o.o.	Chorula, PL		100.00	2022	49.7	3.4
Hanson Iceland EHF	Reykjavík, IS		100.00	2022	1.6	-2,342.7
Heidelberg Materials Ballast Sverige AB	Stockholm, SE		100.00	2022	10.1	0.2
Heidelberg Materials Beton Danmark A/S	Ringsted, DK		100.00	2022	38.8	2.6
Heidelberg Materials Betong Norge AS	Oslo, NO		100.00	2022	97.7	3.6
Heidelberg Materials Betong Sverige AB	Stockholm, SE		100.00	2022	4.0	0.1
Heidelberg Materials Betoon AS	Tallinn, EE		100.00	2022	5.8	-0.3
Heidelberg Materials Cement Danmark A/S	Ringsted, DK		100.00	2022	9.1	-0.8
Heidelberg Materials Cement Sverige AB	Stockholm, SE		100.00	2022	44.4	-0.2
Heidelberg Materials Denmark A/S	Ringsted, DK		100.00	2022	48.0	1.7
Heidelberg Materials Devnya JSC	Devnya, BG		99.94	2022	145.7	11.7
Heidelberg Materials Digital Hub Varna EAD	Devnya, BG		99.94	2022	1.3	0.1
Heidelberg Materials Garkalnes Grants SIA	Riga, LV		100.00	2022	9.1	0.2
Heidelberg Materials Hellas S.A.	Aspropyrgos, GR		99.90	2022	63.7	19.3
Heidelberg Materials Iceland ehf.	Reykjavík, IS		100.00	2022	27.8	6.6
Heidelberg Materials Kazakhstan LLP[9]	Almaty, KZ		100.00	-	-	-
Heidelberg Materials Kunda AS	Kunda, EE		75.00	2022	30.6	0.1
Heidelberg Materials Latvija Betons SIA	Riga, LV		100.00	2022	1.1	0.0
Heidelberg Materials Latvija Cements SIA	Riga, LV		100.00	2022	2.2	-0.3
Heidelberg Materials Latvija SSC SIA	Riga, LV		100.00	2022	0.0	-0.0
Heidelberg Materials Lietuva Betonas UAB	Kaunas, LT		100.00	2022	1.0	0.9
Heidelberg Materials Lietuva Cementas UAB	Klaipėda, LT		100.00	2022	3.7	-0.0
Heidelberg Materials Lietuva SSC UAB	Kaunas, LT		100.00	2022	0.0	0.0
Heidelberg Materials Lyulyaka EAD	Devnya, BG		99.94	2022	1.4	0.1
Heidelberg Materials Miljø AS	Aurskog, NO		100.00	2022	4.6	0.4
Heidelberg Materials Northern Europe AB	Stockholm, SE		100.00	2022	1,193.3	118.6
Heidelberg Materials Norway AS	Oslo, NO		100.00	2022	568.4	22.7
Heidelberg Materials Precast Abetong AB	Växjö, SE		100.00	2022	6.2	0.1
Heidelberg Materials Precast Contiga AB	Norrtälje, SE		100.00	2022	18.8	1.7
Heidelberg Materials Precast Denmark A/S	Tinglev, DK		100.00	2022	3.4	-2.0
Heidelberg Materials Prefab Contiga Holding AS	Oslo, NO		100.00	2022	70.2	5.8
Heidelberg Materials Prefab Norge AS	Moss, NO		100.00	2022	46.8	0.4

Company name	Registered office	Direct ownership %	Group ownership %	Year[1]	Equity in € million[2]	Net income in € million[3]
Heidelberg Materials România S.A.	Bucharest, RO		100.00	2022	225.1	28.0
Heidelberg Materials SBC Latvia SIA	Marupe, LV		100.00	2022	2.6	0.8
Heidelberg Materials Sement Norge AS	Oslo, NO		100.00	2022	44.0	31.6
Heidelberg Materials Sweden AB	Stockholm, SE		100.00	2022	244.3	28.4
Heidelberg Materials Tilslag Norge AS	Sandnes, NO		100.00	2022	4.0	0.9
Heidelberg Materials Volcanic Pozzolana Iceland ehf.	Reykjavík, IS		100.00	2022	3.9	0.1
Heidelberg Materials Vulkan JSC	Dimitrovgrad, BG		98.60	2022	8.3	1.0
HeidelbergCement Africa Holding Kommanditbolag	Stockholm, SE		100.00	2022	21.5	0.0
HeidelbergCement Services – LLP	Almaty, KZ		100.00	2022	-1.0	-0.1
HM Górażdże Prefabrykacja Sp.z.o.o.	Chorula, PL		100.00	2022	4.0	-1.0
HSTN ehf.[9]	Reykjavík, IS		52.98	-	-	-
Italmed Cement Company Ltd.	Limassol, CY		99.90	2022	25.0	2.2
Kamenivo Slovakia a.s.	Žilina, SK		100.00	2022	3.1	1.5
LLC "HeidelbergCement Rus"	Podolsk, RU		100.00	2022	246.0	60.3
LLC "Norcem Kola"	Murmansk, RU		100.00	2022	-0.4	-0.6
LLC KaliningradCement	Kaliningrad, RU		100.00	2022	1.0	-0.3
Magnatool AB	Stockholm, SE		75.00	2022	0.0	0.0
Mibau Polska Sp. z o.o.	Gdansk, PL		60.00	2022	1.9	0.1
Nordic Precast Group AB	Stockholm, SE		100.00	2022	123.2	-1.1
Nordic Precast Kasen Fastighets AB	Uddevalla, SE		100.00	2022	2.4	0.7
Norsk Stein AS	Jelsa, NO		60.00	2022	86.3	-2.4
OJSC "Cesla"	Slantsy, RU		99.98	2022	7.6	-2.6
OJSC Gurovo-Beton	Novogurovsky, RU		100.00	2022	5.5	0.9
PÍSKOVNY MORAVA spol. s r.o.	Němčičky, CZ		100.00	2022	3.1	0.8
Protenna AB	Stockholm, SE		75.00	2022	23.4	0.1
Scancem Central Africa Holding 1 AB	Stockholm, SE		100.00	2022	4.8	-0.0
Scancem Central Africa Holding 2 AB	Stockholm, SE		100.00	2022	0.2	0.0
Scancem Central Africa Holding 3 AB	Stockholm, SE		100.00	2022	0.3	0.0
Scancem Central Africa Holding 4 AB	Stockholm, SE		100.00	2022	0.1	0.0
Scancem Holding AS	Oslo, NO		100.00	2022	19.9	0.0
Scancem International DA	Oslo, NO		100.00	2022	176.4	72.6
Sementsverksmidjan ehf	Akranes, IS		52.98	2022	4.3	2.4
ShymkentCement LLP	Shymkent, KZ		100.00	2022	41.8	12.0

Company name	Registered office	Direct ownership %	Group ownership %	Year[1]	Equity in € million[2]	Net income in € million[3]
SIA SBC Finance	Marupe, LV		100.00	2022	0.1	-0.0
SIA SBC Property[5]	Marupe, LV		49.00	2022	4.0	0.2
Sola Betong AS	Tananger, NO		66.67	2022	0.9	0.1
Splitt Chartering Aps	Aabenraa, DK		60.00	2022	28.1	12.0
Stema Shipping A/S	Aabenraa, DK		60.00	2022	93.2	20.3
TBG BETONMIX a. s.	Brno, CZ		66.00	2022	10.3	2.7
TBG BETONPUMPY MORAVA s.r.o.	Brno, CZ		84.90	2022	1.0	0.3
TBG Slovensko, a. s.	Žilina, SK		100.00	2022	2.6	-1.7
TBG VYSOČINA s.r.o.	Kožichovice, CZ		59.40	2022	2.3	0.3
Subsidiaries						
North America						
Amangani SA	Panama City, PA		100.00	2023	-0.5	-0.0
Amcord, Inc.	Wilmington, US		100.00	2022	-22.0	0.1
Anche Holdings Inc.	Panama City, PA		100.00	2022	0.0	0.0
Asian Carriers Inc.	Panama City, PA		100.00	2022	32.5	0.4
Astravance Corp.	Panama City, PA		100.00	2022	4.9	-
Beazer East, Inc.	Wilmington, US		100.00	2022	-78.8	0.3
Cambridge Aggregates Inc.	Cambridge, CA		60.00	2022	7.8	1.2
Cavenham Forest Industries LLC	Wilmington, US		100.00	2022	-4.7	-13.3
Cindercrete Mining Supplies Ltd.[5]	Regina, CA		50.00	2022	5.0	0.8
Cindercrete Products Limited	Regina, CA		100.00	2022	12.7	0.3
Commercial Aggregates Transportation and Sales, LLC	Wilmington, US		100.00	2022	1.2	0.0
Constar LLC	Wilmington, US		100.00	2022	110.3	13.6
Corliss Resources, LLC	Dover, US		100.00	2022	1.4	7.5
Cowichan Corporation	Panama City, PA		100.00	2022	0.5	-0.0
Essex NA Holdings LLC	Wilmington, US		100.00	2022	49.2	0.0
Essroc Holdings LLC	Wilmington, US		100.00	2022	245.7	0.0
Gypsum Carrier, Inc.	Panama City, PA		100.00	2022	60.3	-0.4
Hanson Aggregates WRP, Inc.	Wilmington, US		100.00	2022	0.0	0.0
Hanson Building Materials America LLC	Wilmington, US		100.00	2022	-20.4	7.1
Hanson Green Limited	Hamilton, BM		100.00	2022	0.1	-
Hanson Micronesia Cement, Inc.	Wilmington, US		100.00	2022	0.2	0.4
Hanson Permanente Cement of Guam, Inc.	Sacramento, US		100.00	2022	0.9	1.8
Hanson Permanente Cement, Inc.	Phoenix, US		100.00	2022	18.8	34.2

Company name	Registered office	Direct ownership %	Group ownership %	Year[1]	Equity in € million[2]	Net income in € million[3]
HBMA Holdings LLC	Wilmington, US		100.00	2022	8,566.3	61.2
Heidelberg Materials Canada Limited	Calgary, CA		100.00	2022	1,434.8	92.1
Heidelberg Materials Midwest Agg, Inc.	Frankfort, US		100.00	2022	506.1	160.4
Heidelberg Materials Northeast LLC	Wilmington, US		100.00	2022	321.2	37.2
Heidelberg Materials Northeast-NY LLC	Albany, US		100.00	2022	216.6	38.8
Heidelberg Materials Southeast Agg LLC	Wilmington, US		100.00	2022	503.3	99.9
Heidelberg Materials Southwest Agg 1 LLC[9]	Austin, US		100.00	-	-	-
Heidelberg Materials Southwest Agg LLC	Austin, US		100.00	2022	385.2	35.8
Heidelberg Materials US Cement LLC	Wilmington, US		100.00	2022	1,396.4	69.6
Heidelberg Materials US, Inc.	Wilmington, US		100.00	2022	8,594.1	-179.7
HM Northwest Cement Company	Tumwater, US		100.00	2022	76.6	10.2
HM Northwest Marine LLC	Wilmington, US		100.00	2022	1.4	0.0
HM Pacific Northwest, Inc.	Tumwater, US		100.00	2022	243.7	-10.5
HM South Texas Concrete LLC	Austin, US		100.00	2022	24.0	-7.0
HM South Texas Concrete Transport LLC[8]	Austin, US		100.00	-	-	-
HM South Texas Stabilized Sand LLC	Austin, US		100.00	2022	2.8	7.2
HM Southeast Cement LLC	Wilmington, US		100.00	2022	253.9	51.4
HM Southeast Concrete LLC	Wilmington, US		100.00	2022	56.2	-2.3
HM Trading Americas, LLC	Coral Gables, US		100.00	2022	3.1	2.3
HM US Receivables LLC	Wilmington, US		100.00	2022	26.3	12.9
HM US Services LLC	Wilmington, US		100.00	2022	-254.6	19.9
HNA Investments	Wilmington, US		100.00	2022	4,763.2	0.0
Kaiser Gypsum Company, Inc.	Raleigh, US		100.00	2022	-0.0	-1.5
KH 1 Inc.	Wilmington, US		100.00	2022	-0.1	-0.0
Lehigh Southwest Cement Company	Sacramento, US		100.00	2022	2.7	-20.0
LHI Duomo Holdings LLC	Wilmington, US		100.00	2022	-0.0	0.0
Mediterranean Carriers, Inc.	Panama City, PA		100.00	2022	0.0	0.0
Permanente Cement Company[8]	Los Angeles, US		100.00	-	-	-
Pioneer International Overseas Corporation	Road Town, VG		100.00	2022	177.5	2.9
Rimarcal Corporation	Panama City, PA		100.00	2022	0.0	-
SEFA Transportation, LLC	Lexington, US		100.00	2022	9.4	5.4
The SEFA Group, LLC	Lexington, US		100.00	2022	57.8	-15.7
Three Rivers Management, Inc.	Wilmington, US		100.00	2022	1.7	0.5

Company name	Registered office	Direct ownership %	Group ownership %	Year[1]	Equity in € million[2]	Net income in € million[3]
Vestur Insurance (Bermuda) Ltd	Hamilton, BM		100.00	2022	-0.0	-0.0
Subsidiaries						
Asia-Pacific						
Alex Fraser Asphalt Holdings Pty Ltd	Sydney, AU		100.00	2022	1.1	-0.0
Alex Fraser Asphalt Pty Ltd	Sydney, AU		100.00	2022	14.7	10.1
Alex Fraser Holdings Pty Ltd	Sydney, AU		100.00	2022	4.2	0.0
Alex Fraser Pty Ltd	Sydney, AU		100.00	2022	4.7	-2.6
Asia Cement Energy Conservation Co., Ltd.[5]	Bangkok, TH		39.53	2022	43.8	7.7
Asia Cement Products Co., Ltd.[5]	Bangkok, TH		39.53	2022	14.7	-3.8
Asia Cement Public Company Limited[5]	Bangkok, TH		39.53	2022	256.2	7.5
Bitumix Granite Sdn Bhd	Kuala Lumpur, MY		100.00	2022	1.2	0.0
Butra HeidelbergCement Sdn Bhd	Muara, BN		70.00	2022	4.0	0.0
Calga Sands Pty Ltd	Sydney, AU		100.00	2022	9.7	-0.1
CBR Cement (Guangzhou) Company Limited	Guangzhou, CN		100.00	2022	2.0	0.1
Cemix Concrete (M) Sdn Bhd	Kuala Lumpur, MY		100.00	2022	2.3	1.5
CGF Pty Limited	Sydney, AU		100.00	2022	159.8	0.0
Christies Stone Quarries Pty Ltd	Sydney, AU		100.00	2022	0.0	0.0
Concrete Materials Laboratory Sdn Bhd[4]	Kuala Lumpur, MY		100.00	2022	0.5	-0.0
Construction Materials Pty Ltd	Sydney, AU		100.00	2022	0.0	0.0
Excel Quarries Pty Limited	Sydney, AU		100.00	2022	0.1	0.0
Galli Quarries Pty Limited	Sydney, AU		100.00	2022	22.7	-0.0
Gerak Harapan Sdn Bhd	Kuala Lumpur, MY		70.00	2022	-0.3	-0.1
Gulbarga Cement Limited	Bangalore, IN		100.00	2023	35.4	-1.2
Hanson Australia (Holdings) Proprietary Limited	Sydney, AU		100.00	2022	901.9	109.8
Hanson Australia Cement (2) Pty Ltd	Sydney, AU		100.00	2022	51.5	27.8
Hanson Australia Cement Pty Limited	Sydney, AU		100.00	2022	53.2	27.8
Hanson Australia Funding Limited	Sydney, AU		100.00	2022	43.9	0.0
Hanson Australia Investments Pty Limited	Sydney, AU		100.00	2022	12.0	2.4
Hanson Australia Pty Limited	Sydney, AU		100.00	2022	858.3	4.0
Hanson Building Materials Cartage Sdn Bhd	Kuala Lumpur, MY		100.00	2022	0.9	0.1
Hanson Building Materials Malaysia Sdn Bhd	Kuala Lumpur, MY		100.00	2022	17.6	-1.4
Hanson Building Materials Manufacturing Sdn Bhd	Kuala Lumpur, MY		100.00	2022	1.9	0.0
Hanson Building Materials Production Sdn Bhd	Kuala Lumpur, MY		100.00	2022	12.6	0.1
Hanson Cement Holdings Pty Ltd	Sydney, AU		100.00	2022	5.9	2.3
Hanson Concrete (M) Sdn Bhd[4]	Kuala Lumpur, MY		100.00	2022	0.0	-0.0

Company name	Registered office	Direct ownership %	Group ownership %	Year[1]	Equity in € million[2]	Net income in € million[3]
Hanson Construction Materials Pty Ltd	Sydney, AU		100.00	2022	15.1	15.2
Hanson Finance Australia Ltd	Sydney, AU		100.00	2022	71.1	4.2
Hanson Holdings (M) Sdn Bhd	Kuala Lumpur, MY		100.00	2022	12.4	0.3
Hanson Holdings Australia Pty Ltd	Sydney, AU		100.00	2022	29.6	-2.4
Hanson Landfill Services Pty Ltd	Sydney, AU		100.00	2022	12.3	10.9
Hanson Pty Limited	Sydney, AU		100.00	2022	2,568.0	0.0
Hanson Quarries Victoria Pty Limited	Sydney, AU		100.00	2022	0.5	0.0
Hanson Quarry Products (Batu Pahat) Sdn Bhd	Kuala Lumpur, MY		100.00	2022	0.1	-0.0
Hanson Quarry Products (EA) Sdn Bhd[4]	Kuala Lumpur, MY		100.00	2022	0.0	0.0
Hanson Quarry Products (Holdings) Sdn Bhd	Kuala Lumpur, MY		100.00	2022	27.6	-35.6
Hanson Quarry Products (Kuantan) Sdn Bhd[4]	Kuala Lumpur, MY		100.00	2022	0.0	-0.0
Hanson Quarry Products (Kulai) Sdn Bhd[4]	Kuala Lumpur, MY		100.00	2022	0.0	-0.0
Hanson Quarry Products (Land) Sdn Bhd	Kuala Lumpur, MY		100.00	2022	0.7	0.2
Hanson Quarry Products (Masai) Sdn Bhd	Kuala Lumpur, MY		100.00	2022	1.4	0.5
Hanson Quarry Products (Pengerang) Sdn Bhd[4]	Kuala Lumpur, MY		100.00	2022	0.0	-0.0
Hanson Quarry Products (Rawang) Sdn Bhd[4]	Kuala Lumpur, MY		100.00	2022	0.1	-0.0
Hanson Quarry Products (Segamat) Sdn Bhd	Kuala Lumpur, MY		100.00	2022	0.8	0.1
Hanson Quarry Products (Tempoyak) Sdn Bhd	Kuala Lumpur, MY		100.00	2022	-1.9	0.0
Hanson Quarry Products (Terengganu) Sdn Bhd	Kuala Lumpur, MY		100.00	2022	0.7	0.0
Hanson Quarry Products Sdn Bhd	Kuala Lumpur, MY		100.00	2022	23.1	-0.4
HC Trading (India) Private Limited	Hyderabad, IN		100.00	2023	0.1	0.0
Heidelberg Materials Asia Pte. Ltd.	Singapore, SG		100.00	2022	4.6	-5.0
HeidelbergCement (Hong Kong) Company Limited	Hong Kong S.A.R., CN		100.00	2022	0.3	0.1
HeidelbergCement Bangladesh Limited	Narayanganj, BD		60.66	2022	28.8	1.3
HeidelbergCement Holding HK Limited	Hong Kong S.A.R., CN		100.00	2022	65.9	39.1
HeidelbergCement India Limited	Gurugram, IN		69.39	2023	163.3	11.4
HeidelbergCement Myanmar Company Limited	Yangon, MM		100.00	2022	0.2	0.0
HM Trading Global (APAC) Pte. Ltd.	Singapore, SG		100.00	2022	3.4	1.6
Hymix Australia Pty Ltd	Sydney, AU		100.00	2022	83.6	21.2
Jalaprathan Cement Public Company Limited[5]	Bangkok, TH		35.12	2022	115.1	-1.5
Jalaprathan Concrete Co., Ltd.[5]	Bangkok, TH		35.12	2022	8.0	0.1
Melbourne Concrete Pty Ltd	Sydney, AU		100.00	2022	0.6	0.2
Naga Property Co., Ltd.[5]	Bangkok, TH		35.12	2022	0.2	-0.0
Pioneer Concrete (Tasmania) Proprietary Limited	Sydney, AU		100.00	2022	5.3	0.0
Pioneer Concrete Services (Malaysia) S/B[4]	Petaling Jaya, MY		100.00	2022	0.0	0.0

Company name	Registered office	Direct ownership %	Group ownership %	Year[1]	Equity in € million[2]	Net income in € million[3]
Pioneer International Holdings Pty Ltd	Sydney, AU		100.00	2022	135.6	0.9
Pioneer North Queensland Pty Ltd	Sydney, AU		100.00	2022	8.6	-0.5
Placecrete Australia Pty Ltd	Sydney, AU		100.00	2022	0.8	0.2
PT Bahana Indonor	Jakarta, ID		54.70	2022	18.7	0.8
PT Bhakti Sari Perkasa Abadi	Bogor Regency, ID		54.70	2022	1.2	0.2
PT Cipta Armada Bersama	Bogor Regency, ID		54.70	2022	7.4	0.8
PT Dian Abadi Perkasa	Jakarta, ID		54.70	2022	79.5	7.2
PT Indocement Tunggal Prakarsa Tbk.	Jakarta, ID	54.72	54.72	2022	1,090.3	143.3
PT Indomix Perkasa	Jakarta, ID		54.72	2022	31.1	0.2
PT Kencana Terang Sejahtera	Jakarta, ID		54.70	2022	0.1	-0.0
PT Lentera Abadi Sejahtera	Jakarta, ID		54.72	2022	0.0	0.0
PT Lintas Bahana Abadi	Jakarta, ID		54.70	2022	6.5	0.6
PT Makmur Abadi Perkasa Mandiri	Jakarta, ID		54.72	2022	0.0	0.0
PT Makmur Lestari Abadi	Jakarta, ID		54.70	2022	0.2	-0.0
PT Makmur Lestari Indonesia	Jakarta, ID		54.70	2022	0.4	-0.0
PT Makmur Lestari Sentosa	Jakarta, ID		54.70	2022	11.1	-0.0
PT Mandiri Sejahtera Sentra	Purwakarta, ID		54.70	2022	40.3	0.3
PT Mineral Industri Sukabumi	Jakarta, ID		54.70	2022	4.8	0.0
PT Multi Bangun Galaxy	Lombok, ID		54.70	2022	12.0	-0.1
PT Pionirbeton Industri	Jakarta, ID		54.72	2022	2.6	0.1
PT Sahabat Muliasakti	Pati, ID		54.70	2022	-0.1	-0.0
PT Sari Bhakti Sejati	Jakarta, ID		54.72	2022	3.3	0.0
PT Semen Grobogan[8]	Semarang, ID		54.72	-	-	-
PT Semesta Perkasa Cipta	Bogor Regency, ID		54.70	2022	1.9	0.0
PT Sinar Sakti Agung	Jakarta, ID		54.70	2022	-0.0	-0.0
PT Tarabatuh Manunggal	Bogor Regency, ID		54.70	2022	26.8	1.8
PT Terang Prakarsa Cipta	Medan, ID		54.72	2022	-0.0	0.0
PT Tigaroda Rumah Sejahtera	Jakarta, ID		54.72	2022	1.6	-0.0
PT Tiro Abadi Perkasa	Jakarta, ID		54.70	2022	0.0	-0.0
Queensland Recycling Holdings Pty Ltd	Sydney, AU		100.00	2022	2.6	0.0
Queensland Recycling Pty Ltd	Sydney, AU		100.00	2022	1.2	0.6
Rajang Perkasa Sdn Bhd	Kuala Lumpur, MY		60.00	2022	0.5	0.3
Realistic Sensation Sdn Bhd	Kuala Lumpur, MY		69.98	2022	1.7	0.1
Recycling Industries Pty Ltd	Sydney, AU		100.00	2022	11.9	3.7

Company name	Registered office	Direct ownership %	Group ownership %	Year[1]	Equity in € million[2]	Net income in € million[3]
Sofinaz Holdings Sdn Bhd	Kuala Lumpur, MY		100.00	2022	0.3	0.0
South Coast Basalt Pty Ltd	Sydney, AU		100.00	2022	5.1	2.1
Suncoast Asphalt Pty Ltd	Sydney, AU		100.00	2022	0.3	1.4
Tanah Merah Quarry Sdn Bhd	Kuala Lumpur, MY		100.00	2022	-2.0	0.1
Traino Group Australia Pty Ltd	Sydney, AU		70.00	2022	2.3	-1.8
Valscot Pty Limited	Sydney, AU		100.00	2022	0.0	0.0
Vaniyuth Co., Ltd.[5]	Bangkok Metropolis, TH		48.80	2022	61.1	3.0
Waterfall Quarries Pty Limited	Sydney, AU		100.00	2022	0.0	0.0
West Coast Premix Pty Ltd	Sydney, AU		100.00	2022	-1.9	0.4
Western Suburbs Concrete Partnership[5]	Sydney, AU		50.00	2023	4.3	4.8
XL Premix Pty Ltd	Sydney, AU		51.00	2023	-2.9	-0.2
Zuari Cement Ltd.	Bangalore, IN		100.00	2023	170.5	-6.3
Subsidiaries						
Africa-Eastern Mediterranean Basin						
ACH Investments Limited	Ebene, MU		100.00	2022	23.4	1.7
Africim S.A.	Casablanca, MA		51.00	2022	1.4	0.0
ATLANTIC CIMENT	Casablanca, MA		51.00	2022	1.9	-0.1
Austral Cimentos Sofala S.A.	Dondo, MZ		100.00	2022	13.5	3.7
BETOSAHA SA[5]	Laâyoune, MA		26.01	2022	1.2	0.1
Calcim S.A.	Cotonou, BJ		90.00	2022	1.3	0.1
Cimbenin S.A.	Cotonou, BJ		87.95	2022	13.9	-0.7
CimBurkina S.A.	Ouagadougou, BF		80.00	2022	35.8	3.8
Cimenterie de Lukala S.A.	Kinshasa, CD		91.02	2022	40.6	4.3
Ciments du Maroc S.A.	Casablanca, MA		51.00	2022	286.0	94.3
Ciments du Togo SA	Lomé, TG		99.63	2022	42.6	2.5
DECOM Egyptian Co for Development of Building Materials S.A.E.[5]	Cairo, EG		36.03	2022	8.8	1.8
Ghacem Ltd.	Tema, GH		93.10	2022	23.6	24.1
GRANUBENIN SA avec CA[4]	Cotonou, BJ		90.00	-	-	-
Granuburkina SA	Ouagadougou, BF		100.00	2022	0.0	0.0
Hanson (Israel) Ltd	Ramat Gan, IL		99.98	2022	152.3	16.1
Hanson Quarry Products (Israel) Ltd	Ramat Gan, IL		99.98	2022	109.7	9.5
Hanson Yam Limited Partnership	Ramat Gan, IL		99.98	2022	7.6	0.7
HC Trading FZE	Dubai, AE		100.00	2022	0.5	0.1
Heidelberg Materials- Helwan Cement S.A.E.	Helwan/Greater Cairo, EG		68.98	2022	36.6	12.1

Company name	Registered office	Direct ownership %	Group ownership %	Year[1]	Equity in € million[2]	Net income in € million[3]
Heidelberg Materials- Suez Cement S.A.E.	Cairo, EG		69.29	2022	70.2	-42.0
Heidelberg Materials- Tourah Cement S.A.E.	Cairo, EG		65.25	2022	-74.5	-17.6
HeidelbergCement Afrique Service	Lomé, TG		94.43	2022	-0.0	0.0
Industrie Sakia El Hamra "Indusaha" S.A.[5]	Laâyoune, MA		46.41	2022	75.4	13.7
Interbulk Egypt for Export S.A.E.	Cairo, EG		100.00	2022	-0.2	-0.1
La Societe GRANUTOGO SA	Lomé, TG		90.00	2022	2.6	0.3
Liberia Cement Corporation Ltd.	Monrovia, LR		81.67	2022	32.0	12.9
Pioneer Beton Muva Umachzavot Ltd	Ramat Gan, IL		99.98	2022	0.2	0.0
Procimar S.A.	Casablanca, MA		100.00	2022	85.5	14.7
Scantogo Mines SA	Lomé, TG		90.00	2022	40.7	7.4
Suez for Transportation & Trade S.A.E.	Cairo, EG		68.71	2022	0.5	0.0
Tadir Readymix Concrete (1965) Ltd	Ramat Gan, IL		100.00	2022	0.7	0.2
Tanga Cement PLC	Tanga, TZ		68.33	2022	45.8	-8.9
Tanzania Portland Cement Public Limited Company	Dar es Salaam, TZ		69.25	2022	118.0	39.3
Teracem Limited	Accra, GH		100.00	2022	0.4	-0.4
Universal Company for Ready Mix Concrete Production S.A.E.[5]	Cairo, EG		36.03	2022	18.0	2.3
West Africa Quarries Limited	Tema, GH		83.79	2022	2.4	1.5
Joint Operations						
Western and Southern Europe						
Atlantica de Graneles y Moliendas S.A.	Zierbena-Vizcaya, ES		49.97	2022	-21.2	0.1
Joint Operations						
North America						
Terrell Materials LLC	Frisco, US		50.00	2022	12.2	5.8
Joint Operations						
Asia-Pacific						
Lytton Unincorporated Joint Venture	Sydney, AU		50.00	2022	0.0	0.0
Joint Ventures						
Western and Southern Europe						
ABE Deponie GmbH	Damsdorf, DE		50.00	2022	4.0	1.8
Carrières Bresse Bourgogne S.A.	Épervans, FR		33.26	2022	5.7	0.6
CEEM Investment Fund B.V.	's-Hertogenbosch, NL		50.00	2022	54.1	-0.0
Concrete Italia S.r.l.[6]	Brescia, IT		51.00	2022	-0.0	-0.0
Continental Blue Investment SA	Buchs, CH		50.00	2022	32.6	0.4
Cugla B.V.	Breda, NL		50.00	2022	11.0	4.4

Company name	Registered office	Direct ownership %	Group ownership %	Year[1]	Equity in € million[2]	Net income in € million[3]
Donau Kies GmbH & Co. KG[6]	Fürstenzell, DE		75.00	2022	6.2	0.3
DONAU MÖRTEL – GmbH & Co. KG	Neuburg a. Inn, DE		50.00	2022	0.2	0.0
Dragages et Carrières S.A.	Épervans, FR		50.00	2022	4.7	1.1
Drew Group Holdings Limited	New Milton, GB		49.00	2022	0.0	-
Fraimbois Granulats S.à r.l.	Fraimbois, FR		50.00	2022	-0.1	0.1
GENAMO Gesellschaft zur Entwicklung des Naherholungsgebietes Misburg-Ost mbH	Hannover, DE	50.00	50.00	2022	3.2	0.9
Hafenbetriebsgesellschaft mbH & Co KG Stade	Stade, DE		50.00	2022	0.5	0.1
Harri Green Recycling, S.L.[8]	Abanto y Ciérvana, ES		50.00	-	-	-
Heidelberger Beton Donau-Iller GmbH & Co. KG[6]	Elchingen, DE		82.38	2022	0.7	-0.1
Heidelberger Betonpumpen Simonis GmbH & Co. KG[6]	Ubstadt-Weiher, DE		65.29	2022	2.5	0.4
Humber Sand and Gravel Limited	Coventry, GB		50.00	2022	-0.9	-
KANN Beton GmbH & Co KG	Bendorf, DE		50.00	2022	0.9	-0.6
Kieswerk Langsdorf GmbH[6]	Jarmen, DE		62.45	2022	0.9	-0.0
Kieswerke Flemmingen GmbH[6]	Penig, DE		54.00	2022	3.6	0.3
Les Graves de l'Estuaire S.a.s.	Le Havre, FR		50.00	2022	-2.6	-1.8
MERMANS BETON N.V.	Arendonk, BE		50.00	2022	-0.1	-0.3
North Tyne Roadstone Limited	Birmingham, GB		50.00	2022	-1.9	-
Raunheimer Quarzsand GmbH & Co. KG	Raunheim, DE		50.00	2022	1.1	0.9
Sandkorn GmbH & Co. KG	Trappenkamp, DE		25.00	2022	0.6	0.8
SCL S.A.	Heillecourt, FR		50.00	2022	0.2	-0.0
Smiths Concrete Limited	Oxford, GB		49.00	2022	9.3	0.1
SPS S.a.s.	Pont de l'Arche, FR		50.00	2022	3.6	-1.2
TBG Bayerwald Transportbeton GmbH & Co. KG	Fürstenzell, DE		50.00	2022	0.6	-0.0
TBG Ilm-Beton GmbH & Co. KG[6]	Arnstadt, DE		55.00	2022	0.5	0.1
TBG Rott Kies und Transportbeton GmbH	Kelheim, DE		38.85	2022	0.6	0.2
TBG Transportbeton GmbH & Co. KG Naabbeton	Nabburg, DE		50.00	2022	4.5	1.5
TBG Transportbeton Oder-Spree GmbH & Co. KG	Wriezen, DE		50.00	2022	1.5	0.0
TBG Transportbeton Reichenbach GmbH & Co. KG[6]	Reichenbach, DE		70.00	2022	0.5	-0.1
TBG Transportbeton Werner GmbH & Co. KG	Dietfurt a.d. Altmühl, DE		38.85	2022	0.1	0.3
Transportbeton Johann Braun GmbH & Co. KG	Tröstau, DE		50.00	2022	1.0	0.9
Trapobet Transportbeton GmbH Kaiserslautern Kommanditgesellschaft	Kaiserslautern, DE		50.00	2022	1.0	1.4
Joint Ventures						
Northern and Eastern Europe-Central Asia						
AS Betongpumping	Våler i Østfold, NO		50.00	2022	0.8	0.2
Betong Øst AS	Kongsvinger, NO		50.00	2022	11.6	5.4

Company name	Registered office	Direct ownership %	Group ownership %	Year[1]	Equity in € million[2]	Net income in € million[3]
Betong Vest AS	Blomsterdalen, NO		40.00	2022	3.4	0.4
BT Topbeton Sp. z o.o.	Gorzów Wielkopolski, PL		50.00	2022	6.8	1.8
CEMET S.A.	Warszawa, PL		42.91	2022	21.9	4.2
Devnya Limestone AD, Chernevo	Chernevo Village, BG		49.97	2022	13.7	0.6
Duna-Dráva Cement Kft.	Vác, HU		50.00	2022	175.4	9.4
Heidelberg Mobile UAB[8]	Kaunas, LT		45.00	-	-	-
JSC "Mineral Resources Company"	Ishimbay, RU		50.00	2022	14.2	0.7
LOMY MOŘINA spol. s r.o.	Mořina, CZ		48.95	2022	11.8	0.1
Pražské betonpumpy a doprava s.r.o.	Praha, CZ		50.00	2022	3.1	0.3
Tangen Eiendom AS	Brevik, NO		50.00	2022	3.5	0.2
TBG METROSTAV s.r.o.	Praha, CZ		50.00	2022	14.7	1.3
TBG Plzeň Transportbeton s.r.o.[6]	Beroun, CZ		50.10	2022	2.6	0.7
TBG SEVEROZÁPADNÍ ČECHY s.r.o.[6]	Chomutov, CZ		66.00	2022	2.3	0.6
TBG SWIETELSKY s.r.o.[6]	České Budějovice, CZ		51.00	2022	2.0	0.8
TBG Východní Čechy s.r.o.[6]	Mladé Buky, CZ		70.04	2022	1.9	0.5
Joint Ventures						
North America						
American Stone Company	Raleigh, US		50.00	2022	3.7	0.2
BP General Partner Ltd.[8]	Winnipeg, CA		50.00	-	-	-
Building Products & Concrete Supply Limited Partnership	Winnipeg, CA		50.00	2022	12.3	4.5
Bulk Silos LLC	Mendota Heights, US		50.00	2022	0.0	-0.1
China Century Cement Ltd.	Hamilton, BM		50.00	2022	159.2	-0.3
Jack Cewe Construction Ltd.	Coquitlam, CA		50.00	2022	11.8	0.9
Project Potter Parent, L.P.	Grand Cayman, KY		44.00	2023	114.9	-62.9
Red Bluff Sand & Gravel, L.L.C.	Birmingham, US		50.00	2022	7.0	0.5
Sunset Quarry, L.L.C.	Tacoma, US		50.00	2022	0.1	-0.4
Texas Lehigh Cement Company LP	Austin, US		50.00	2022	156.1	57.3
Joint Ventures						
Asia-Pacific						
Alliance Construction Materials Limited	Hong Kong S.A.R., CN		50.00	2022	27.3	1.1
Cement Australia Holdings Pty Ltd	Darra, AU		50.00	2022	171.6	-7.8
Cement Australia Partnership	Darra, AU		50.00	2022	102.2	160.0

Company name	Registered office	Direct ownership %	Group ownership %	Year[1]	Equity in € million[2]	Net income in € million[3]
Cement Australia Pty Limited	Darra, AU		50.00	2022	0.0	0.0
Easy Point Industrial Ltd.	Hong Kong S.A.R., CN		50.00	2022	0.0	-0.5
Jidong Heidelberg (Fufeng) Cement Company Limited	Baoji City, CN		48.11	2022	97.2	30.0
Jidong Heidelberg (Jingyang) Cement Company Limited	Xianyang City, CN		50.00	2022	97.4	35.7
M&H Quarries Partnership	Sydney, AU		50.00	2022	-3.0	-0.2
Metromix Pty Limited	Parramatta, AU		50.00	2022	18.6	4.8
Penrith Lakes Development Corporation Pty Limited	Castlereagh, AU		20.00	2023	-108.5	-0.5
Squareal Cement Ltd	Hong Kong S.A.R., CN		50.00	2022	110.6	-2.9
Joint Ventures						
Africa-Eastern Mediterranean Basin						
Akçansa Çimento Sanayi ve Ticaret A.S.	Ataşehir/Istanbul, TR	39.72	39.72	2022	266.0	20.9
Stone Quarries Hanson Ltd.[9]	Ramat Gan, IL		49.99	-	-	-
Associates						
Western and Southern Europe						
Béton Contrôle des Abers S.a.s.	Lannilis, FR		34.00	2022	7.1	0.7
Betuwe Beton Holding B.V.	Tiel, NL		50.00	2022	8.5	0.2
bihek GmbH	Freiburg im Breisgau, DE		24.00	2022	0.1	0.0
C.V. Projectbureau Grensmaas	Born, NL		8.24	2022	14.2	2.5
Dijon Béton S.A.	Saint-Apollinaire, FR		15.00	2022	8.8	0.5
Ernst Marschall GmbH & Co. KG Kies- und Schotterwerke	Kressbronn, DE		19.96	2022	4.0	3.1
Fertigbeton (FBU) GmbH & Co Kommanditgesellschaft Unterwittbach[6]	Kreuzwertheim, DE		57.14	2022	0.3	0.0
Foundamental GmbH & Co. KG[6]	Berlin, DE		100.00	2022	41.3	-1.4
Foundamental Revolution Fund GmbH & Co. KG[6]	Berlin, DE		59.71	2022	18.4	-2.2
Heidelberger Beton Grenzland GmbH & Co. KG	Marktredwitz, DE		50.00	2022	0.4	1.9
Heidelberger Beton Inntal GmbH & Co. KG[6]	Altötting, DE		68.39	2022	0.6	1.0
ISAR-DONAU MÖRTEL-GmbH & Co. KG	Plattling, DE		33.33	2022	0.9	0.1
Kronimus Aktiengesellschaft	Iffezheim, DE	24.90	24.90	2022	46.7	8.1
Kronimus SAS	Maizières-lès-Metz, FR		43.60	2022	7.0	1.4
Maasgrind B.V.	Maasbracht, NL		16.48	2022	0.8	-0.1
Maasgrind Ontwikkeling B.V.	Maasbracht, NL		16.48	2022	0.1	0.0
Materiaux Traites du Hainaut S.A.	Antoing, BE		50.00	2022	0.5	-0.1
Misburger Hafengesellschaft mit beschränkter Haftung	Hannover, DE	39.66	39.66	2022	1.6	0.3
Münchner Mörtel GmbH & Co. KG	München, DE		20.00	2022	0.1	0.0
Nederlands Cement Transport Cetra B.V.	Oss, NL		50.00	2022	2.6	0.4

Company name	Registered office	Direct ownership %	Group ownership %	Year[1]	Equity in € million[2]	Net income in € million[3]
Panheel (Maatschappij tot Exploitatie van het Ontgrondingsproject Panheel) B.V.	Maasbracht, NL		16.48	2022	0.3	-0.0
Peene Kies GmbH	Jarmen, DE		24.90	2022	3.2	0.1
Raunheimer Sand- und Kiesgewinnung Blasberg GmbH & Co. KG	Raunheim, DE		23.53	2022	0.5	0.0
Recybel S.A.	Flémalle, BE		25.50	2022	0.5	-0.0
Recyfuel S.A.	Braine-l'Alleud, BE		50.00	2022	14.3	1.7
Stinkal S.a.s.	Ferques, FR		35.00	2022	-9.6	-3.6
Südbayerisches Portland-Zementwerk Gebr. Wiesböck & Co. GmbH	Rohrdorf, DE	23.90	23.90	2022	746.5	59.4
TBG Deggendorfer Transportbeton GmbH	Deggendorf, DE		33.33	2022	1.1	0.6
TBG Singen GmbH & Co. KG	Singen, DE		36.90	2022	0.0	-0.1
TBG Transportbeton Caprano GmbH & Co. KG	Heidelberg, DE		50.00	2022	0.3	0.3
TBG Transportbeton Gesellschaft mit beschränkter Haftung & Co. KG. Hohenlohe	Schwäbisch Hall, DE		25.00	2022	0.0	-0.3
TBG Transportbeton GmbH & Co. KG Betonpumpendienst[6]	Nabburg, DE		55.54	2022	0.6	0.8
TBG Transportbeton GmbH & Co.KG Lohr-Beton	Lohr am Main, DE		50.00	2022	0.2	0.3
Transbeton Gesellschaft mit beschränkter Haftung & Co Kommanditgesellschaft	Löhne, DE		27.34	2022	2.8	1.3
Van Zanten Holding B.V.	Leek, NL		25.00	2022	7.7	1.8
Zement- und Kalkwerke Otterbein GmbH & Co. KG	Großenlüder-Müs, DE	38.10	38.10	2022	3.7	0.7
Associates						
Northern and Eastern Europe-Central Asia						
Construction Logistics Sweden AB[9]	Johanneshov, SE		49.00	-	-	-
Ribe Betong AS	Kristiansand, NO		40.00	2022	3.7	1.4
SP Bohemia, k.s.[6]	Králův Dvůr, CZ		75.00	2022	11.6	0.8
Sylteosen Betong AS	Elnesvågen, NO		39.94	2022	2.7	1.9
TBG Louny s.r.o.	Louny, CZ		33.33	2022	1.2	0.6
TBG PKS a.s.	Žďár nad Sázavou, CZ		29.70	2022	4.3	0.5
TBG PODIVÍN s.r.o.	Brno, CZ		33.00	2022	1.1	0.2
Vassiliko Cement Works Ltd.	Nicosia, CY		25.96	2022	248.5	12.9
Associates						
North America						
Cemstone Products Company	Mendota Heights, US		35.32	2022	107.4	13.2
Cemstone Ready-Mix, Inc.	Mendota Heights, US		33.01	2022	13.7	2.2
Giatec Scientific, Inc.	Ottawa, CA		25.10	2023	9.1	0.0
Innocon Inc.	Richmond Hill, CA		45.00	2022	14.5	-2.1

Company name	Registered office	Direct ownership %	Group ownership %	Year[1]	Equity in € million[2]	Net income in € million[3]
Innocon Partnership	Richmond Hill, CA		45.00	2022	-12.4	-4.6
Associates						
Asia-Pacific						
PT Bhakti Sari Perkasa Bersama	Bogor Regency, ID		16.41	2022	1.4	0.3
PT Cibinong Center Industrial Estate	Bogor Regency, ID		27.36	2022	6.4	1.2
PT Jaya Berdikari Cipta	Bogor Regency, ID		27.35	2022	5.4	1.0
PT Pama Indo Mining	Jakarta, ID		21.88	2022	3.8	0.7
PT Tripa Semen Aceh	Jakarta, ID		20.34	2022	-0.5	0.0
Associates						
Africa-Eastern Mediterranean Basin						
Asment Temara S.A.	Témara, MA		37.01	2022	75.5	27.9
CEMZA (PTY) LTD[8]	Midrand, ZA		40.00	-	-	-
Fortia Cement S.A.	Lomé, TG		50.00	2022	4.6	-3.5
Tecno Gravel Egypt S.A.E.	Cairo, EG		31.18	2022	2.2	0.4
The following subsidiaries are accounted for at amortised cost due to their immateriality.						
Immaterial subsidiaries						
Western and Southern Europe						
3G JONICA S.C.A.R.L.	Bergamo, IT		55.00	2022	0.2	0.1
Azienda Agricola Lodoletta S.r.l.	Bergamo, IT		75.00	2022	1.4	0.1
Betotech Baustofflabor GmbH	Heidelberg, DE	100.00	100.00	2022	0.3	-0.1
Betotech GmbH, Baustofftechnisches Labor	Nabburg, DE		72.08	2022	0.2	-0.1
Cava delle Capannelle S.r.l.	Bergamo, IT		76.00	2022	0.5	0.3
CSPS Trustees Limited	Maidenhead, GB		100.00	2022	0.0	-
Entreprise Lorraine d'Agriculture – ELDA S.à r.l.	Heillecourt, FR		100.00	2022	0.1	-0.0
Etablissement F.S. Bivois SARL	Strasbourg, FR		60.00	2022	0.2	-0.1
Gardena Beton S.C.A.R.L.[9]	Bergamo, IT		51.00	-	-	-
Garonne Labo S.à r.l.[5]	St Léger, FR		40.05	2022	0.0	0.0
GIE GM	Guerville, FR		63.00	2022	-0.0	-0.0
Hanson (ER-No 3) Limited[8]	London, GB		100.00	-	-	-
HConnect 2 GmbH	Heidelberg, DE		100.00	2022	0.0	0.0
HConnect GmbH	Heidelberg, DE		100.00	2022	0.0	0.0
Heidelberg Materials Betonelemente DE Verwaltungs-GmbH	Chemnitz, DE		83.00	2022	0.1	0.0
Heidelberg Materials Grundstücksverwaltungsgesellschaft DE mbH	Heidelberg, DE	100.00	100.00	2022	0.1	0.0

Company name	Registered office	Direct ownership %	Group ownership %	Year[1]	Equity in € million[2]	Net income in € million[3]
Heidelberg Materials Personal Service DE GmbH	Heidelberg, DE		100.00	2022	0.1	0.0
Heidelberg Materials Shared Services DE GmbH	Leimen, DE	100.00	100.00	2022	2.4	0.2
Heidelberg Materials, Funk & Kapphan Grundstücksverwaltungsgesellschaft DE mbH	Heidelberg, DE	80.00	80.00	2022	0.0	0.0
Heidelberger Beton Donau-Naab Verwaltungsgesellschaft mbH	Burglengenfeld, DE		77.70	2022	0.0	0.0
Heidelberger Beton Gersdorf GmbH & Co. KG	Gersdorf, DE		65.00	2022	0.1	-0.0
Heidelberger Beton Gersdorf Verwaltungs- und Beteiligungs-GmbH	Gersdorf, DE		65.00	2022	0.0	0.0
Lindustries (D) Limited[8]	London, GB		100.00	-	-	-
Lithonplus Verwaltungs-GmbH	Lingenfeld, DE		60.00	2022	0.0	0.0
Matériaux de Boran S.A.	Tourcoing, FR		99.76	2022	0.0	-0.0
MM MAIN-MÖRTEL GmbH & Co.KG	Kleinostheim, DE		84.19	2022	0.1	0.2
MM MAIN-MÖRTEL Verwaltungsgesellschaft mbH	Aschaffenburg, DE		84.19	2022	0.0	0.0
MS "Wesertrans" Verwaltungsgesellschaft mbH	Elsfleth, DE		75.00	2022	0.0	0.0
MTE Mineralstoff Terminal Emden GmbH	Emden, DE		60.00	2022	0.2	-0.0
NOHA Norddeutsche Hafenumschlagsgesellschaft mbH	Cadenberge, DE		60.00	2022	0.1	0.0
Rederij Cement-Tankvaart B.V.	Terneuzen, NL		66.64	2022	7.9	1.7
RST Ralf Schmidt Tiefbau, Kabel & Kabelrohrverlegung GmbH	Velten, DE		100.00	2022	2.4	-0.4
SBIC Limited	Gibraltar, GI		100.00	2023	2.5	2.5
SCI de Balloy	Avon, FR		100.00	2022	-0.0	-0.0
SCI du Colombier	Rungis, FR		63.00	2022	0.1	0.1
Société Civile Bachant le Grand Bonval	Guerville, FR		80.00	2022	-0.0	-0.0
Société Civile d'Exploitation Agricole de l'Avesnois	Guerville, FR		80.00	2022	-0.0	-0.0
Société d'Extraction et d'Aménagement de la Plaine de Marolles SEAPM S.a.s.	Avon, FR		56.40	2022	0.5	0.1
SPRL Ferme de Wisempierre	Antoing, BE		100.00	2022	1.8	0.1
TBM Transportbeton-Gesellschaft mbH Marienfeld & Co. KG	Harsewinkel, DE		87.50	2022	0.0	-0.1
TBM Transportbeton-Gesellschaft mit beschränkter Haftung Marienfeld	Harsewinkel, DE		87.50	2022	0.0	0.0
Transportbeton Meschede Gesellschaft mit beschränkter Haftung	Meschede, DE		58.06	2022	0.0	0.0
Transportbeton Meschede GmbH & Co. KG	Meschede, DE		58.06	2022	0.1	0.3
WIKING Baustoff- und Transport Gesellschaft mit beschränkter Haftung	Geseke, DE		100.00	2022	0.0	0.0
WIKING Baustoff- und Transport GmbH & Co. Kommanditgesellschaft	Geseke, DE		100.00	2022	0.1	-0.1
Immaterial subsidiaries						
Northern and Eastern Europe-Central Asia						
8 Vershin LLP	Almaty, KZ		100.00	2022	0.1	0.0
Agrowelt Sp. z o.o.	Chorula, PL		100.00	2022	0.7	0.0
Azer-E.S. Limited Liability Company	Baku, AZ	100.00	100.00	2022	-4.2	0.1
Center Cement Plus Limited Liability Partnership	Astana, KZ		100.00	2022	0.8	0.1
Centrum Technologiczne Betotech Sp. z o.o.	Dąbrowa Górnicza, PL		100.00	2022	0.2	-0.1

Company name	Registered office	Direct ownership %	Group ownership %	Year[1]	Equity in € million[2]	Net income in € million[3]
Donau Kies Bohemia Verwaltungs, s.r.o.	Pilsen, CZ		75.00	2022	0.0	0.0
Eurotech Cement S.h.p.k.	Durrës, AL		92.42	2022	0.6	1.7
Fastighets AB Lövholmen 1	Stockholm, SE		100.00	2022	0.0	0.0
Fastighets AB Lövholmen 2	Stockholm, SE		100.00	2022	0.0	0.0
Fastighets AB Lövholmen 3	Stockholm, SE		100.00	2022	0.0	0.0
Fastighets AB Lövholmen 4	Stockholm, SE		100.00	2022	0.0	0.0
Fastighets AB Lövholmen 5	Stockholm, SE		100.00	2022	0.0	0.0
Fastighets AB Lövholmen 6	Stockholm, SE		100.00	2022	0.0	0.0
Fastighets AB Lövholmen 7	Stockholm, SE		100.00	2022	0.0	0.0
Fastighets AB Lövholmen 8	Stockholm, SE		100.00	2022	0.0	0.0
Fastighets AB Lövholmen 9	Stockholm, SE		100.00	2022	0.0	0.0
Fastighets AB Lövholmen 10	Stockholm, SE		100.00	2022	0.0	0.0
Fastighets AB Lövholmen 11	Stockholm, SE		100.00	2022	0.0	0.0
FjordLab AS[8]	Jelsa, NO		60.00	-	-	-
Geo Nieruchomości Sp. z o.o.	Chorula, PL		100.00	2022	0.1	0.0
Heidelberg Materials Digital Hub Brno, s.r.o.	Brno, CZ		100.00	2022	4.0	0.4
Jehander 1 AB[8]	Stockholm, SE		100.00	-	-	-
LLC HC Yug	Podolsk, RU		100.00	2022	-0.5	-0.2
MIBAU STEMA S&G Aabenraa ApS[9]	Aabenraa, DK		60.00	-	-	-
MIXT Sp. z o.o.	Chorula, PL		100.00	2022	0.6	-0.0
Podgrodzie Sp. z o.o.	Raciborowice Górne, PL		100.00	2022	0.4	-0.2
Polgrunt Sp. z o.o.	Chorula, PL		100.00	2022	2.6	0.3
Shqiperia Cement Company Shpk	Tirana, AL		100.00	2022	0.6	0.0
TRANS-SERVIS,spol. s r.o.	Praha, CZ		100.00	2022	1.5	0.2
Immaterial subsidiaries						
North America						
Charleston Koppers FTA Park LLC[8]	Wilmington, US		100.00	-	-	-
Conservation Resources Company, Inc.	Springfield, US		100.00	2022	0.0	0.0
Hanson (ER-No 16) Inc.[8]	Wilmington, US		100.00	-	-	-
Industrial Del Fresno SA[8]	San Miguel de Allende, MX		76.00	-	-	-
Kidde Industries, Inc.[8]	Wilmington, US		100.00	-	-	-
PUSH NA Holdings, Inc.[8]	Wilmington, US		100.00	-	-	-
Seacoast Products, Inc.	Wilmington, US		100.00	2022	0.0	0.0
Total Limited[8]	Wilmington, US		100.00	-	-	-

Company name	Registered office	Direct ownership %	Group ownership %	Year[1]	Equity in € million[2]	Net income in € million[3]
Volt RMC Solutions Canada Ltd.	Montreal, CA		100.00	2022	0.0	0.0
VOLT RMC Solutions, Inc.	Wilmington, US		100.00	2022	0.0	0.0
Immaterial subsidiaries						
Asia-Pacific						
Vesprapat Holding Co., Ltd.[4) 5)]	Bangkok, TH		49.00	-	-	-
Immaterial subsidiaries						
Africa-Eastern Mediterranean Basin						
C.N.A. - Cimentos Nacionais de Angola S.A.[8)]	Luanda, AO		56.00	-	-	-
Cement Distributors (E.A.) Limited	Tanga, TZ		68.33	2022	0.2	0.1
FOUNDATION HEIDELBERGCEMENT TOGO	Lomé, TG		93.21	2022	0.0	0.0
Suez for Import & Export Co S.A.E.	Cairo, EG		68.71	2022	-0.0	-0.0
Terra Cimentos LDA	Dondo, MZ		100.00	2022	0.0	0.0
The following joint arrangements and associates are accounted for at amortised cost due to their immateriality.						
Immaterial joint arrangements and associates						
Western and Southern Europe						
Alzagri NV	Brugge, BE		50.00	2022	1.5	0.4
Asto Holding B.V.	Raamsdonksveer, NL		33.32	2022	1.8	0.6
Asto Investment B.V.	Raamsdonksveer, NL		33.32	2022	0.9	0.2
Auxerre Béton S.à r.l.	Guerville, FR		50.00	2022	0.3	0.2
Baustoff- und Umschlags-GmbH	Mosbach, DE		33.33	2022	0.3	-0.0
Calcaires de la Rive Gauche I SPRL	Nivelles, BE		35.00	2022	3.4	-0.3
Canteras Aldoyar, S.L.	Olazagutia, ES		19.99	2022	1.4	-0.1
Cap2U GmbH[8)]	Triefenstein-Lengfurt, DE	30.00	30.00	-	-	-
Cementi della Lucania S.r.l.	Potenza, IT		30.00	2022	-0.8	-0.2
CI4C GmbH & Co. KG	Heidenheim an der Brenz, DE	25.00	25.00	2022	17.6	0.0
CI4C Verwaltungs GmbH	Heidenheim an der Brenz, DE		25.00	2022	0.0	0.0
Consorzio Stabile San Francesco S.C.A.R.L.	Foligno, IT		42.00	2022	0.1	0.0
Deltapav S.r.l.	Samarate, IT		45.01	2022	0.9	0.0
Donau Kies Verwaltungs GmbH[6)]	Fürstenzell, DE		75.00	2022	0.0	0.0
DONAU MÖRTEL-Verwaltungs und-GmbH	Passau, DE		50.00	2022	0.0	0.0
Eurocalizas S.L.[8)]	Meruelo, ES		33.31	-	-	-
Fertigbeton (FBU) Gesellschaft mit beschränkter Haftung[6)]	Kreuzwertheim, DE		57.14	2022	0.1	0.0

Company name	Registered office	Direct ownership %	Group ownership %	Year[1]	Equity in € million[2]	Net income in € million[3]
GAM Greifswalder Asphaltmischwerke VerwaltungsGmbH[4]	Greifswald, DE		30.00	2022	0.1	0.0
Generalcave S.r.l. - in liquidazione[4]	Fiumicino, IT		50.00	2022	-0.0	-0.0
GIE des Terres de Mayocq	Le Crotoy, FR		32.49	2022	-0.0	-0.0
GIE Loire Grand Large	Saint-Herblain, FR		26.00	2022	-0.0	0.0
GIE Manche Est	Rouxmesnil-Bouteilles, FR		20.00	2022	-0.0	0.0
GIE Sud Atlantique	La Rochelle, FR		50.00	2022	-0.1	-0.0
Granulats Marins de Normandie GIE	Le Havre, FR		32.50	2022	0.0	0.0
Hafen- und Lagergesellschaft Greifswald mbH	Greifswald, DE		30.00	2022	0.4	0.2
Hafenbetriebs- und Beteiligungs-GmbH, Stade[8]	Stade, DE		50.00	-	-	-
Heidelberger Beton Donau-Iller Verwaltungs-GmbH[6]	Elchingen, DE		82.38	2022	0.1	0.0
Heidelberger Beton Grenzland Verwaltungs-GmbH	Marktredwitz, DE		50.00	2022	0.0	0.0
Heidelberger Beton Inntal Verwaltungs-GmbH[6]	Altötting, DE		68.39	2022	0.0	0.0
Heidelberger Beton Karlsruhe GmbH & Co. KG[4] [6]	Karlsruhe, DE		50.30	2022	0.4	0.0
Heidelberger Beton Karlsruhe Verwaltungs-GmbH[4] [6]	Karlsruhe, DE		50.30	2022	0.0	0.0
Heidelberger Beton Kurpfalz GmbH & Co. KG[4] [6]	Eppelheim, DE		64.73	2022	0.9	-0.0
Heidelberger Beton Kurpfalz Verwaltungs-GmbH[4] [6]	Eppelheim, DE		64.73	-	-	-
Heidelberger Betonpumpen Simonis Verwaltungs-GmbH[6]	Ubstadt-Weiher, DE		65.25	2022	0.0	0.0
Hormigones Olazti S.A[8]	Olazagutia, ES		24.99	-	-	-
Hormigones Txingudi S.A.	San Sebastián, ES		33.31	2022	0.1	-0.0
HTS Heilbronner Truck Service GmbH	Heilbronn, DE		50.00	2022	0.6	-0.3
ISAR-DONAU MÖRTEL-Verwaltungs-GmbH	Plattling, DE		33.33	2022	0.0	0.0
ISIS Management Company Limited	Leeds, GB		30.87	2022	0.0	-
KANN Beton Verwaltungsgesellschaft mbH	Bendorf, DE		50.00	2022	0.1	0.0
KVB Verwaltungs- und Beteiligungs-GmbH[4]	Karlsdorf-Neuthard, DE		24.41	-	-	-
Les Quatre Termes S.a.s.	Salon-de-Provence, FR		50.00	2022	0.1	-0.0
Les Sables de Mezieres S.a.s.	Saint-Pierre-des-Corps, FR		50.00	2022	0.4	0.2
Lippe-Kies GmbH & Co. KG	Delbrück, DE		50.00	2022	0.2	0.1
Lippe-Kies Verwaltungs GmbH	Delbrück, DE		50.00	2022	0.0	0.0
Mantovana Inerti S.r.l.	Castiglione delle Stiviere, IT		50.00	2022	2.2	0.1
Mendip Rail Limited	Markfield, GB		50.00	2022	-4.0	-2.7
MS "Wesertrans" Binnenschiffsreederei GmbH & Co. KG[8]	Elsfleth, DE		50.00	-	-	-
Münchner Mörtel Verwaltungsges. mbH	München, DE		20.00	2022	0.0	0.0
Neuciclaje S.A.	Bilbao, ES		49.97	2022	-0.1	-0.0
Nordhafen Stade-Bützfleth Verwaltungsgesellschaft mbH	Stade, DE		20.00	2022	0.0	-0.0

Company name	Registered office	Direct ownership %	Group ownership %	Year[1]	Equity in € million[2]	Net income in € million[3]
Otterbein Gesellschaft mit beschränkter Haftung	Großenlüder-Müs, DE	20.00	20.00	2022	0.0	0.0
Padyear Limited	Maidenhead, GB		50.00	2022	-0.2	-
Peters Cement Overslagbedrijf B.V.	Raamsdonksveer, NL		33.32	2022	2.1	0.1
Raunheimer Quarzsand Verwaltungsgesellschaft mbH	Raunheim, DE		50.00	2022	0.0	0.0
Rewinn B.V.	Amsterdam, NL		50.00	2022	0.3	-0.4
S.A.F.R.A. S.r.l. - in liquidazione[4]	Bologna, IT		33.33	-	-	-
San Francesco S.c.a.r.l. in liquidazione[4]	Foligno, IT		45.71	-	-	-
Sandkorn Verwaltungs GmbH	Nortorf, DE		25.00	2022	0.1	0.0
SCI de Barbeau	Bray-sur-Seine, FR		49.00	2022	0.0	0.0
SCI des Granets	Cayeux-sur-Mer, FR		33.33	2022	-0.0	-0.0
SCI La Motte au Bois	Harnes, FR		50.00	2022	0.0	0.0
Société Foncière de la Petite Seine S.a.s.	Saint-Sauveur-lès-Bray, FR		42.25	2022	-0.2	-0.1
TBG Bayerwald Verwaltungs-GmbH	Fürstenzell, DE		50.00	2022	0.0	0.0
TBG Ilm-Beton Verwaltungs-GmbH[6]	Arnstadt, DE		55.00	2022	0.0	0.0
TBG Singen Verwaltungs-GmbH	Singen, DE		36.90	2022	0.0	0.0
TBG Transportbeton Caprano Verwaltungs-GmbH	Heidelberg, DE		50.00	2022	0.0	0.0
TBG Transportbeton Gesellschaft mit beschränkter Haftung	Schwäbisch Hall, DE		25.00	2022	0.0	0.0
TBG Transportbeton Lohr Verwaltungsgesellschaft mbH	Lohr am Main, DE		50.00	2022	0.0	0.0
TBG Transportbeton Oder-Spree Verwaltungs-GmbH	Wriezen, DE		50.00	2022	0.0	0.0
TBG Transportbeton Reichenbach Verwaltungs-GmbH[6]	Reichenbach, DE		70.00	2022	0.1	0.0
TBG Transportbeton Verwaltungsgesellschaft mbH	Nabburg, DE		50.00	2022	0.0	0.0
TBG Transportbeton Werner Verwaltungsgesellschaft mbH	Dietfurt a.d. Altmühl, DE		38.85	2022	0.0	0.0
terravas GmbH	Königs Wusterhausen, DE		50.00	2022	2.0	-0.1
Transbeton Gesellschaft mit beschränkter Haftung	Löhne, DE		27.34	2022	0.0	0.0
Transportbeton Johann Braun Geschäftsführungs GmbH	Tröstau, DE		50.00	2022	0.0	0.0
Urzeit Weide GbR	Schelklingen, DE	50.00	50.00	2022	0.1	0.0
Verwaltungsgesellschaft mit beschränkter Haftung TRAPOBET Transportbeton Kaiserslautern	Kaiserslautern, DE		50.00	2022	0.0	-0.0
Immaterial joint arrangements and associates						
Northern and Eastern Europe-Central Asia						
Kalkkaia AS	Verdal, NO		50.00	2022	2.3	-0.1
Velkolom Čertovy schody, akciová společnost	Tmaň, CZ		50.00	2022	7.7	0.2

Company name	Registered office	Direct ownership %	Group ownership %	Year[1]	Equity in € million[2]	Net income in € million[3]
Immaterial joint arrangements and associates						
North America						
KHB Venture LLC[8]	Waltham, US		33.33	-	-	-
Newbury Development Associates, LP[8]	Bridgeville, US		35.00	-	-	-
Newbury Development Management, LLC[8]	Bridgeville, US		35.00	-	-	-
Project Potter Parent GP, LLC[8]	Grand Cayman, KY		49.00	-	-	-
Woodbury Investors, LLC[8]	Atlanta, US		50.00	-	-	-
Immaterial joint arrangements and associates						
Asia-Pacific						
Diversified Function Sdn Bhd	Kuala Lumpur, MY		50.00	2022	-0.1	-0.0
Pornphen Prathan Company Limited[4]	Bangkok, TH		49.70	2022	0.0	0.0
Sanggul Suria Sdn Bhd	Kuala Lumpur, MY		45.00	2022	-0.0	-0.0
Immaterial joint arrangements and associates						
Africa-Eastern Mediterranean Basin						
Ceval GIE	Casablanca, MA		29.34	2022	-0.0	0.0
Italcementi for Cement Manufacturing – Libyan J.S.C.[8]	Tripoli, LY		50.00	-	-	-
Suez Lime S.A.E.[4]	Cairo, EG		34.60	-	-	-

1) Last fiscal year for which financial statements are available.
2) Translated with the closing rate of the fiscal year for which financial statements are available.
3) Translated with the average rate of the fiscal year for which financial statements are available.
4) In liquidation
5) Controlling influence through contractual arrangements and/or legal regulations.
6) Absence of controlling influence through contractual arrangements and/or legal regulations
7) The company makes use of the exemption from disclosure obligations in accordance with section 264(3) or with section 264b of the German Commercial Code (HGB).
8) Information on equity and earnings is omitted pursuant to section 313(3) or to section 286(3), sentence 1, no. 1 of the German Commercial Code (HGB) if such information is of minor relevance for a fair presentation of the assets, financial, and earnings position of Heidelberg Materials AG.
9) Company founded last year. Therefore, no annual financial statement available yet.

Heidelberg, 20 March 2024

Heidelberg Materials AG

The Managing Board

Independent auditor's report

To Heidelberg Materials AG, Heidelberg

Report on the audit of the consolidated financial statements and of the combined management report

Audit Opinions

We have audited the consolidated financial statements of Heidelberg Materials AG (formerly: HeidelbergCement AG), Heidelberg, and its subsidiaries (the Group), which comprise consolidated balance sheet as at 31 December 2023, and the consolidated income statement, consolidated statement of comprehensive income, consolidated statement of cash flows and consolidated statement of changes in equity for the financial year from 1 January to 31 December 2023, and notes to the consolidated financial statements, including material accounting policy information. In addition, we have audited the group management report of Heidelberg Materials AG, which is combined with the Company's management report, for the financial year from 1 January to 31 December 2023. In accordance with the German legal requirements, we have not audited the content of those parts of the group management report listed in the "Other Information" section of our auditor's report.

In our opinion, on the basis of the knowledge obtained in the audit,

- the accompanying consolidated financial statements comply, in all material respects, with the IFRSs as adopted by the EU and the additional requirements of German commercial law pursuant to § [Article] 315e Abs. [paragraph] 1 HGB [Handelsgesetzbuch: German Commercial Code] and, in compliance with these requirements, give a true and fair view of the assets, liabilities, and financial position of the Group as at 31 December 2023, and of its financial performance for the financial year from 1 January to 31 December 2023, and

- the accompanying group management report as a whole provides an appropriate view of the Group's position. In all material respects, this group management report is consistent with the consolidated financial statements, complies with German legal requirements and appropriately presents the opportunities and risks of future development. Our audit opinion on the group management report does not cover the content of those parts of the group management report listed in the "Other Information" section of our auditor's report.

Pursuant to § 322 Abs. 3 Satz [sentence] 1 HGB, we declare that our audit has not led to any reservations relating to the legal compliance of the consolidated financial statements and of the group management report.

Basis for the Audit Opinions

We conducted our audit of the consolidated financial statements and of the group management report in accordance with § 317 HGB and the EU Audit Regulation (No. 537/2014, referred to subsequently as "EU Audit Regulation") in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer [Institute of Public Auditors in Germany] (IDW). Our responsibilities under those requirements and principles are further described in the "Auditor's Responsibilities for the Audit of the Consolidated Financial Statements and of the Group Management Report" section of our auditor's report. We are independent of the group entities in accordance with the requirements of European law and German commercial and professional law, and we have fulfilled our other German professional responsibilities in accordance with these requirements. In addition, in accordance with Article 10 (2) point (f) of the EU Audit Regulation, we declare that we have not provided non-audit services prohibited under Article 5 (1) of the EU Audit Regulation. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions on the consolidated financial statements and on the group management report.

Key Audit Matters in the Audit of the Consolidated Financial Statements

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the financial year from 1 January to 31 December 2023. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our audit opinion thereon; we do not provide a separate audit opinion on these matters.

In our view, the matters of most significance in our audit were as follows:

1 Recoverability of goodwill

2 Accounting treatment of deferred taxes

3 Obligations arising from tax matters

Our presentation of these key audit matters has been structured in each case as follows:

a) Matter and issue

b) Audit approach and findings

c) Reference to further information

Hereinafter we present the key audit matters:

1 Recoverability of goodwill

a) In the Company's consolidated financial statements goodwill amounting in total to EUR 8,341.7 million (23.5% of total assets or 45.4% of equity) is reported under the "Intangible assets" balance sheet item. Goodwill is tested for impairment by the Company once a year or when there are indications of impairment to determine any possible need for write-downs. The impairment test is carried out at the level of the groups of cash-generating units to which the relevant goodwill is allocated. The carrying amount of the relevant cash-generating units, including goodwill, is compared with the corresponding recoverable amount in the context of the impairment test. The recoverable amount is generally determined using the value in use. The present value of the future cash flows from the respective group of cash-generating units normally serves as the basis of valuation. Present values are calculated using discounted cash flow models. For this purpose, the adopted medium-term business plan of the Group forms the starting point which is extrapolated based on assumptions about long-term rates of growth. Expectations relating to future market developments and assumptions about the development of macroeconomic factors as well as the expected effects on the Group's business activities of the corporate strategy geared towards carbon neutrality are also taken into account. The discount rate used is the weighted average cost of capital for the respective group of cash-generating units. The impairment test determined that no write-downs were necessary.

The outcome of this valuation is dependent to a large extent on the estimates made by the executive directors with respect to the future cash flows from the respective group of cash-generating units, the discount rate used, the rate of growth and other assumptions, and is therefore subject to considerable uncertainty. Against this background and due to the complex nature of the valuation, this matter was of particular significance in the context of our audit.

b) As part of our audit, we assessed the methodology used for the purposes of performing the impairment test, among other things. After matching the future cash flows used for the calculation against the adopted medium-term business plan of the Group, we assessed the appropriateness of the calculation, in particular by reconciling it with general and sector-specific market expectations. In this context, we also evaluated the assessment of the executive directors regarding the effects of the corporate strategy geared towards carbon neutrality on the Group's business activities, and examined how this was taken into consideration in determining the future cash flows. In the knowledge that even relatively small changes in the discount rate applied can have a material impact on the value of the entity calculated in this way, we also assessed the parameters used to determine the discount rate applied, and evaluated the measurement model. In order to reflect the uncertainty inherent in the projections, we evaluated the sensitivity analyses performed by the Company in order to estimate any potential impairment risk related to key assumptions of the measurement. We verified that the necessary disclosures were made in the and notes to the consolidated financial statements relating to groups of cash-generating units for which a reasonably possible change in an assumption would result in the recoverable amount falling below the carrying amount of the cash-generating units including the allocated goodwill.

   Overall, the valuation parameters and assumptions used by the executive directors are in line with our expectations and are also within the ranges considered by us to be reasonable.

c) The Company's disclosures on the "goodwill" balance sheet item are contained in section "9.1 Intangible assets" of the and notes to the consolidated financial statements.

2 Accounting treatment of deferred taxes

a) In the consolidated financial statements of the Company deferred tax assets amounting to EUR 295.5 million after netting are reported. Deferred tax assets amounting to EUR 1,173.3 million are recognized before netting with matching deferred tax liabilities. The deferred tax assets were recognized to the extent that the executive directors consider it probable that taxable profit will be available in the foreseeable future which will enable the deductible temporary differences and unused tax losses as well as interest carryforwards to be utilized. For this purpose, insofar as sufficient deferred tax liabilities are not available, future taxable profits are projected on the basis of the adopted business plan. No deferred tax assets were recognized in respect of deductible temporary differences (EUR 71.7 million), tax loss carryforwards (EUR 2,532.9 million) or interest carryforwards (EUR 326.2 million), since it is not probable that they will be utilized for tax purposes by means of offset against taxable profits.

   From our point of view, the accounting treatment of deferred taxes was of particular significance in the context of our audit, as it depends to a large extent on the estimates and assumptions made by the executive directors and is therefore subject to uncertainties.

b) As part of our audit, we assessed, among other things, the internal processes and controls for recording tax matters as well as the methodology used for the determination, accounting treatment and measurement of deferred taxes. We also assessed the recoverability of the deferred tax assets relating to deductible temporary differences and unused tax losses and interest carryforwards on the basis of the Company's internal forecasts of its future earnings situation, and the appropriateness of the underlying estimates and assumptions.

   Based on our audit procedures, we were able to satisfy ourselves that the estimates and assumptions made by the executive directors are substantiated and sufficiently documented.

c) The Company's disclosures relating to deferred taxes are contained in section "7.10 Income taxes" of the and notes to the consolidated financial statements.

3 Obligations arising from tax matters

a) As an international building materials group, Heidelberg Materials AG is subject to various local tax regulations and the requirements of the competent tax authorities in the respective countries in which it operates due to its extensive portfolio of equity investments and cross-border service relationships with affiliated companies. The recognition and measurement of current and non-current income tax obligations as well as the determination and disclosure of contingent liabilities are based to a large extent on estimates and assumptions made by the executive directors. Against this background and due to the amount of these material items, these matters were of particular significance in the context of our audit.

b) As part of our audit, we assessed, among other things, the internal processes and controls for recording and assessing tax matters and the presentation of obligations arising from tax matters in the financial statements. In the knowledge that estimated values result in an increased risk of accounting misstatements and that the estimates and assumptions made by the executive directors have a direct and significant impact on consolidated net profit/loss for the year, we assessed the appropriateness of the determination of the obligations and the presentation of tax matters in the financial statements. We also involved our internal specialists from the Tax department in the audit team. With regard to the recognition and measurement of obligations, we in particular inspected the Company's correspondence with the respective tax authorities, critically examined the Company's risk assessments of ongoing tax audits and individual tax matters, and assessed expert opinions obtained from third parties. Furthermore, we also held meetings with the Company's tax department in order to receive updates on current developments with regard to the material tax matters and the reasons for the corresponding estimates. As of the balance sheet date, we also obtained confirmations from external tax advisors that support the executive directors' estimates.

Based on our audit procedures, we were able to satisfy ourselves that the estimates and assumptions made by the executive directors are substantiated and sufficiently documented.

c) The Company's disclosures relating to current and non-current income tax liabilities are contained in section "7.10 Income taxes" of the and notes to the consolidated financial statements and the disclosures on contingent liabilities in section 11.2 of the and notes to the consolidated financial statements, as well as in the paragraph on "Tax risks" in the "Risk and opportunity report" section of the group management report.

Other Information

The executive directors are responsible for the other information. The other information comprises the following non-audited parts of the group management report:

- the statement on corporate governance pursuant to § 289f HGB and § 315d HGB included in section "Corporate Governance" of the group management report

- the non-financial statement to comply with §§ 289b to 289e HGB and with §§ 315b to 315c HGB included in section "Non-Financial Statement" of the group management report

The other information comprises further

- the remuneration report pursuant to § 162 AktG [Aktiengesetz: German Stock Corporation Act], for which the supervisory board is also responsible

- all remaining parts of the Annual and Sustainability Report – excluding cross-references to external information – with the exception of the audited consolidated financial statements, the audited group management report and our auditor's report.

Our audit opinions on the consolidated financial statements and on the group management report do not cover the other information, and consequently we do not express an audit opinion or any other form of assurance conclusion thereon.

In connection with our audit, our responsibility is to read the other information mentioned above and, in so doing, to consider whether the other information

- is materially inconsistent with the consolidated financial statements, with the group management report disclosures audited in terms of content or with our knowledge obtained in the audit, or
- otherwise appears to be materially misstated.

Responsibilities of the Executive Directors and the Supervisory Board for the Consolidated Financial Statements and the Group Management Report

The executive directors are responsible for the preparation of the consolidated financial statements that comply, in all material respects, with IFRSs as adopted by the EU and the additional requirements of German commercial law pursuant to § 315e Abs. 1 HGB and that the consolidated financial statements, in compliance with these requirements, give a true and fair view of the assets, liabilities, financial position, and financial performance of the Group. In addition, the executive directors are responsible for such internal control as they have determined necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud (i.e., fraudulent financial reporting and misappropriation of assets) or error.

In preparing the consolidated financial statements, the executive directors are responsible for assessing the Group's ability to continue as a going concern. They also have the responsibility for disclosing, as applicable, matters related to going concern. In addition, they are responsible for financial reporting based on the going concern basis of accounting unless there is an intention to liquidate the Group or to cease operations, or there is no realistic alternative but to do so.

Furthermore, the executive directors are responsible for the preparation of the group management report that, as a whole, provides an appropriate view of the Group's position and is, in all material respects, consistent with the consolidated financial statements, complies with German legal requirements, and appropriately presents the opportunities and risks of future development. In addition, the executive directors are responsible for such arrangements and measures (systems) as they have considered necessary to enable the preparation of a group management report that is in accordance with the applicable German legal requirements, and to be able to provide sufficient appropriate evidence for the assertions in the group management report.

The supervisory board is responsible for overseeing the Group's financial reporting process for the preparation of the consolidated financial statements and of the group management report.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements and of the Group Management Report

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and whether the group management report as a whole provides an appropriate view of the Group's position and, in all material respects, is consistent with the consolidated financial statements and the knowledge obtained in the audit, complies with the German legal requirements and appropriately presents the opportunities and risks of future development, as well as to issue an auditor's report that includes our audit opinions on the consolidated financial statements and on the group management report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with § 317 HGB and the EU Audit Regulation and in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer (IDW) will always detect a material misstatement. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements and this group management report.

We exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements and of the group management report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our audit opinions. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls.

- Obtain an understanding of internal control relevant to the audit of the consolidated financial statements and of arrangements and measures (systems) relevant to the audit of the group management report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an audit opinion on the effectiveness of these systems.

- Evaluate the appropriateness of accounting policies used by the executive directors and the reasonableness of estimates made by the executive directors and related disclosures.

- Conclude on the appropriateness of the executive directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in the auditor's report to the related disclosures in the consolidated financial statements and in the group management report or, if such disclosures are inadequate, to modify our respective audit opinions. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to be able to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements present the underlying transactions and events in a manner that the consolidated financial statements give a true and fair view of the assets, liabilities, financial position and financial performance of the Group in compliance with IFRSs as adopted by the EU and the additional requirements of German commercial law pursuant to § 315e Abs. 1 HGB.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express audit opinions on the consolidated financial statements and on the group management report. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinions.

- Evaluate the consistency of the group management report with the consolidated financial statements, its conformity with German law, and the view of the Group's position it provides.

- Perform audit procedures on the prospective information presented by the executive directors in the group management report. On the basis of sufficient appropriate audit evidence we evaluate, in particular, the significant assumptions used by the executive directors as a basis for the prospective information, and evaluate the proper derivation of the prospective information from these assumptions. We do not express a separate audit opinion on the prospective information and on the assumptions used as a basis. There is a substantial unavoidable risk that future events will differ materially from the prospective information.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with the relevant independence requirements, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter.

Other legal and regulatory requirements

Report on the Assurance on the Electronic Rendering of the Consolidated Financial Statements and the Group Management Report Prepared for Publication Purposes in Accordance with § 317 Abs. 3a HGB

Assurance Opinion

We have performed assurance work in accordance with § 317 Abs. 3a HGB to obtain reasonable assurance as to whether the rendering of the consolidated financial statements and the group management report (hereinafter the "ESEF documents") contained in the electronic file Heidelberg_Materials_AG_KA_ZLB_ESEF-2023-12-31.zip and prepared for publication purposes complies in all material respects with the requirements of § 328 Abs. 1 HGB for the electronic reporting format ("ESEF format"). In accordance with German legal requirements, this assurance work extends only to the conversion of the information contained in the consolidated financial statements and the group management report into the ESEF format and therefore relates neither to the information contained within these renderings nor to any other information contained in the electronic file identified above.

In our opinion, the rendering of the consolidated financial statements and the group management report contained in the electronic file identified above and prepared for publication purposes complies in all material respects with the requirements of § 328 Abs. 1 HGB for the electronic reporting format. Beyond this assurance opinion and our audit opinion on the accompanying consolidated financial statements and the accompanying group management report for the financial year from 1 January to 31 December 2023 contained in the "Report on the Audit of the Consolidated Financial Statements and on the Group Management Report" above, we do not express any assurance opinion on the information contained within these renderings or on the other information contained in the electronic file identified above.

Basis for the Assurance Opinion

We conducted our assurance work on the rendering of the consolidated financial statements and the group management report contained in the electronic file identified above in accordance with § 317 Abs. 3a HGB and the IDW Assurance Standard: Assurance Work on the Electronic Rendering, of Financial Statements and Management Reports, Prepared for Publication Purposes in Accordance with § 317 Abs. 3a HGB (IDW AsS 410 (06.2022)) and the International Standard on Assurance Engagements 3000 (Revised). Our responsibility in accordance therewith is further described in the "Group Auditor's Responsibilities for the Assurance Work on the ESEF Documents" section. Our audit firm applies the IDW Standard on Quality Management: Requirements for Quality Management in the Audit Firm (IDW QMS 1 (09.2022)).

Responsibilities of the Executive Directors and the Supervisory Board for the ESEF Documents

The executive directors of the Company are responsible for the preparation of the ESEF documents including the electronic rendering of the consolidated financial statements and the group management report in accordance with § 328 Abs. 1 Satz 4 Nr. [number] 1 HGB and for the tagging of the consolidated financial statements in accordance with § 328 Abs. 1 Satz 4 Nr. 2 HGB.

In addition, the executive directors of the Company are responsible for such internal control as they have considered necessary to enable the preparation of ESEF documents that are free from material non-compliance with the requirements of § 328 Abs. 1 HGB for the electronic reporting format, whether due to fraud or error.

The supervisory board is responsible for overseeing the process for preparing the ESEF documents as part of the financial reporting process.

Group Auditor's Responsibilities for the Assurance Work on the ESEF Documents

Our objective is to obtain reasonable assurance about whether the ESEF documents are free from material non-compliance with the requirements of § 328 Abs. 1 HGB, whether due to fraud or error. We exercise professional judgment and maintain professional skepticism throughout the assurance work. We also:

- Identify and assess the risks of material non-compliance with the requirements of § 328 Abs. 1 HGB, whether due to fraud or error, design and perform assurance procedures responsive to those risks, and obtain assurance evidence that is sufficient and appropriate to provide a basis for our assurance opinion.

- Obtain an understanding of internal control relevant to the assurance work on the ESEF documents in order to design assurance procedures that are appropriate in the circumstances, but not for the purpose of expressing an assurance opinion on the effectiveness of these controls.

- Evaluate the technical validity of the ESEF documents, i.e., whether the electronic file containing the ESEF documents meets the requirements of the Delegated Regulation (EU) 2019/815 in the version in force at the date of the consolidated financial statements on the technical specification for this electronic file.

- Evaluate whether the ESEF documents provide an XHTML rendering with content equivalent to the audited consolidated financial statements and to the audited group management report.

- Evaluate whether the tagging of the ESEF documents with Inline XBRL technology (iXBRL) in accordance with the requirements of Articles 4 and 6 of the Delegated Regulation (EU) 2019/815, in the version in force at the date of the consolidated financial statements, enables an appropriate and complete machine-readable XBRL copy of the XHTML rendering.

Further Information pursuant to Article 10 of the EU Audit Regulation

We were elected as group auditor by the annual general meeting on 11 May 2023. We were engaged by the supervisory board on 19 June 2023. We have been the group auditor of the Heidelberg Materials AG, Heidelberg, without interruption since the financial year 2020.

We declare that the audit opinions expressed in this auditor's report are consistent with the additional report to the audit committee pursuant to Article 11 of the EU Audit Regulation (long-form audit report).

Reference to an other matter – use of the auditor's report

Our auditor's report must always be read together with the audited consolidated financial statements and the audited group management report as well as the assured ESEF documents. The consolidated financial statements and the group management report converted to the ESEF format – including the versions to be filed in the company register – are merely electronic renderings of the audited consolidated financial statements and the audited group management report and do not take their place. In particular, the "Report on the Assurance on the Electronic Rendering of the Consolidated Financial Statements and the Group Management Report Prepared for Publication Purposes in Accordance with § 317 Abs. 3a HGB" and our assurance opinion contained therein are to be used solely together with the assured ESEF documents made available in electronic form.

German public auditor responsible for the engagement

The German Public Auditor responsible for the engagement is Thomas Tilgner.

Frankfurt am Main, March 20, 2024

PricewaterhouseCoopers GmbH
Wirtschaftsprüfungsgesellschaft

(sgd. Dr. Ulrich Störk)	(sgd. Thomas Tilgner)
Wirtschaftsprüfer	Wirtschaftsprüfer
(German Public Auditor)	(German Public Auditor)

Responsibility statement

To the best of our knowledge, and in accordance with the applicable reporting principles, the consolidated financial statements give a true and fair view of the assets, liabilities, financial position, and profit or loss of the Group, and the Group management report, which has been combined with the management report of Heidelberg Materials AG, includes a fair review of the development and performance of the business and the position of the Group, together with a description of the principal opportunities and risks associated with the expected development of the Group.

Heidelberg, 20 March 2024

Heidelberg Materials AG

The Managing Board

Dr Dominik von Achten   René Aldach   Roberto Callieri

Axel Conrads   Hakan Gurdal   Dr Nicola Kimm

Dennis Lentz   Jon Morrish   Chris Ward

Remuneration report

Remuneration report for the 2023 financial year

Introduction

The remuneration report sets out the principles and structure of the remuneration of the Managing Board and the Supervisory Board of Heidelberg Materials AG. The remuneration report contains the remuneration granted and owed in the 2023 financial year to the members of the Managing Board and Supervisory Board in office in the 2023 financial year and to former members. The remuneration granted includes the remuneration components whose underlying (single or multi-year) service or performance period was fully completed in the financial year. The remuneration report was jointly prepared by the Managing Board and the Supervisory Board in accordance with the provisions of section 162 of the German Stock Corporation Act (Aktiengesetz, AktG). In addition, it takes into account the recommendations and suggestions of the German Corporate Governance Code (GCGC) in its version of 28 April 2022.

The remuneration report was also audited with reasonable assurance by PricewaterhouseCoopers GmbH Wirtschaftsprüfungsgesellschaft beyond the requirements of section 162(3) of the AktG. The report on the audit of the remuneration report can be found at the end of the remuneration report.

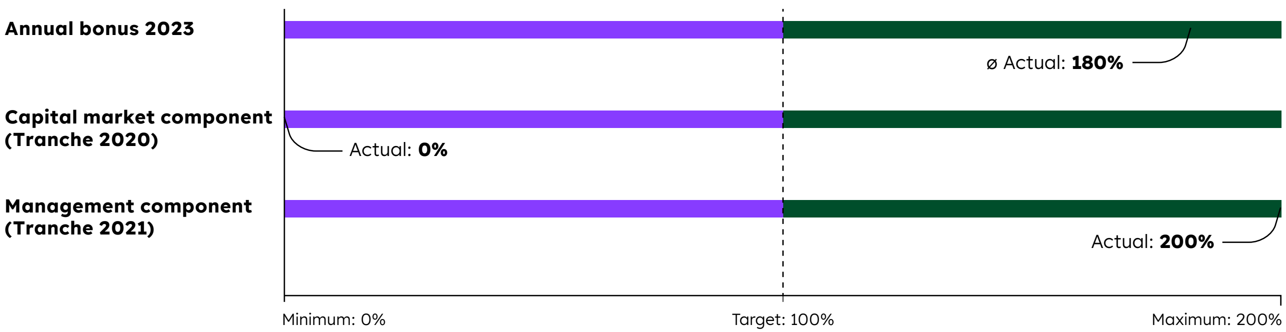
Review of the 2023 financial year

Business development and target achievement in the 2023 financial year

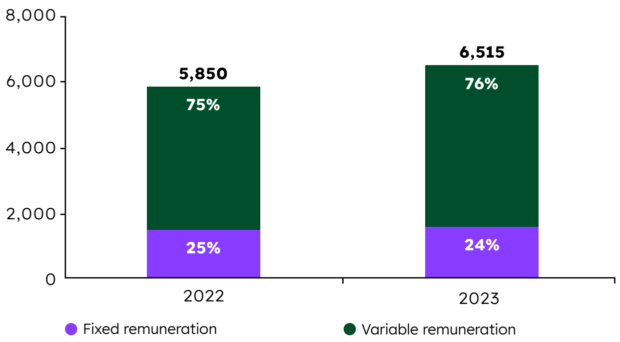
The excellent business development of Heidelberg Materials in the financial year 2023 is also reflected in the target achievement of the variable elements of the remuneration of the Managing Board. The record result in the profit for the financial year attributable to the shareholders of Heidelberg Materials AG adjusted for special effects and the reduction in CO_2 emissions contributed to the achievement of the objectives for the annual bonus. In addition, initiatives were implemented that served as a basis of the individual target agreements for the members of the Managing Board within the framework of the company strategy.

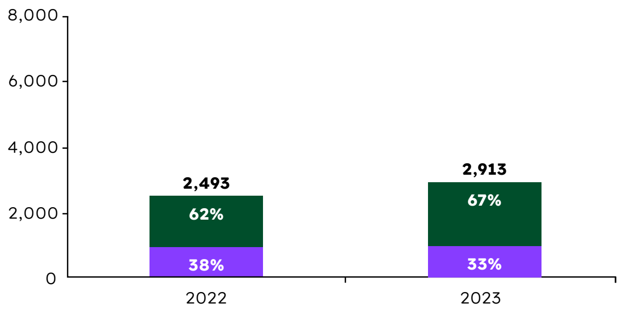
For the management component of the long-term bonus 2021-2023/2024, a strong performance of EBIT and ROIC, adjusted for special effects, led to a target achievement of 200 %. However, the total shareholder return (TSR) of the Heidelberg Materials share after the end of the performance period from 2020 to 2023 was below that of the TSRs of the DAX and the MSCI World Construction Materials Index. Consequently, and despite the positive development of the Heidelberg Materials share in 2023, there is no payment from the capital market component of the long-term bonus. This result can be explained, among other things, by the fact that the target achievement is measured by the change in TSR based on a four-year reference period prior to the start of the plan (degressive smoothing).

Target achievement 2023



Granted and owed remuneration in the 2023 financial year





1) Excluding the Chairman of the Managing Board

Changes in the composition of the Managing Board

Long-standing member of the Managing Board Ernest Jelito retired with effect from 31 December 2023. Following the termination of his Managing Board mandate, it was agreed with Mr Jelito that he will remain available to Heidelberg Materials as an advisor until 31 December 2024. The fee to be paid to Mr Jelito for this activity will be calculated on the basis of the number of hours of consultancy provided. In addition, long-standing member of the Managing Board Kevin Gluskie stepped down from the Managing Board at the end of his term with effect from 31 January 2024.

On 1 January 2024, Roberto Callieri was appointed to the Managing Board and assumed responsibility for the Asia Group area. Chief Financial Officer René Aldach assumed additional responsibility for Australia with effect from January 2024. Axel Conrads was appointed to the Managing Board and made Chief Technical Officer as of 1 February 2024. In addition, as of 1 January 2024, the Western and Southern Europe Group areas and the majority of Northern and Eastern Europe-Central Asia were combined to form the new Europe Group area under the responsibility of Jon Morrish. Since January 2024, Hakan Gurdal has taken on responsibility for Kazakhstan and Russia in addition to his existing responsibility for the Africa-Eastern Mediterranean Basin Group area. Since then, the Group area has been called Africa and Mediterranean-Western Asia .

2022 remuneration report

In accordance with the requirements of the German Act Implementing the Second Shareholder Rights Directive (Gesetz zur Umsetzung der zweiten Aktionärsrechterichtlinie, ARUG II), the 2022 remuneration report was submitted to the 2023 Annual General Meeting as part of a consultative vote for approval pursuant to section 120a(4) of the AktG and approved with an acceptance rate of 91.06%. In view of the consistently high acceptance rates for our remuneration report at the Annual General Meeting in recent years, we have retained the basic structure and transparency and have only made selective adjustments to further improve the report. The 2022 remuneration report is available via the following link: **https://www.heidelbergmaterials.com/en/corporate-governance**.

Further development of the remuneration system

The Supervisory Board is committed to continuously improving the remuneration system for the members of the Managing Board in the interests of the shareholders of Heidelberg Materials AG.

In the 2023 financial year, the Supervisory Board carried out a comprehensive review of the remuneration system, taking into account investor expectations and Heidelberg Materials' strategic objectives. The remuneration system further developed on the basis of the review (2024+ Remuneration System) will be submitted to the 2024 Annual General Meeting for approval and will then apply retroactively from 1 January 2024. The main features of the revised remuneration system are described in more detail at the end of this remuneration report.

Remuneration of the Managing Board in the 2023 financial year

Principles of the remuneration of the Managing Board

The remuneration system of the Managing Board is aligned with the Group strategy. By selecting appropriate performance criteria for the variable remuneration, incentives are given to implement the Group strategy and to promote the long-term and sustainable development of Heidelberg Materials. Both financial and non-financial performance criteria are used to represent the company's success as a whole. The consideration of ESG targets in the variable remuneration underlines the desire for excellent business performance as well as environmentally and socially responsible conduct.

The remuneration of the company's Managing Board is based on the principle that members of the Managing Board should be remunerated appropriately according to their performance. With the high proportion of variable and thus performance-based remuneration components, the Supervisory Board pursues a strict pay-for-performance approach.

The following overview summarises the most important principles of remuneration of the Managing Board. Together, they provide incentives to promote the long-term and sustainable development of Heidelberg Materials.

Principles of the remuneration of the Managing Board

- Strong **pay for performance orientation** due to large performance-related share of total remuneration
- Alignment of performance-related remuneration and performance criteria with the long-term **Group strategy**
- **Sustainability** as an important component of the performance criteria for the variable remuneration
- **Alignment with shareholder interests** through share-based remuneration and share ownership obligation
- Use of **relative performance assessment** and **avoidance of retroactive adjustments** to target values or performance criteria during the year
- **Capping of total remuneration** through contractually **fixed payouts**
- **Malus and clawback rules** for the overall variable remuneration

Procedure for determining and implementing the remuneration system and the amount of Managing Board remuneration

The remuneration system for the members of the Managing Board is determined by the Supervisory Board pursuant to section 87a of the AktG following a recommendation by the Personnel Committee and is then submitted to the Annual General Meeting for approval.

As a result of the German Act Implementing the Second Shareholder Rights Directive (ARUG II) entering into force on 1 January 2020, the remuneration system of the Managing Board was submitted to the Annual General Meeting in 2021 after a resolution by the Supervisory Board and was approved by the Annual General Meeting with an acceptance rate of 92.21%. It has been applicable to all members of the Managing Board since 1 January 2021 and is available via the following link: **https://www.heidelbergmaterials.com/en/corporate-governance**.

Following a recommendation by the Personnel Committee, the Supervisory Board resolved to submit a revised remuneration system for members of the Managing Board to the Annual General Meeting in 2024 for approval. Following approval by the shareholders of Heidelberg Materials AG, the revised remuneration system shall apply retroactively to all members of the Managing Board with effect from 1 January 2024 and is available via the following link: **https://www.heidelbergmaterials.com/en/corporate-governance**.

As long as no significant changes are made to the remuneration system, it will be submitted to the Annual General Meeting for approval at least every four years in accordance with the legal requirements. In the event of significant changes to the remuneration system, the adjusted remuneration system will be submitted to the Annual General Meeting for approval in the year of its change.

The remuneration of the Managing Board is determined by the Supervisory Board following a recommendation by the Personnel Committee. The Supervisory Board takes into account the responsibility and tasks of the individual members of the Managing Board, their individual performance, the economic situation, as well as the success and future prospects of Heidelberg Materials.

Review of the appropriate remuneration of the Managing Board

The Supervisory Board regularly reviews the appropriateness of the remuneration of the Managing Board with the support of the Personnel Committee. This includes an external, horizontal comparison with the remuneration of managing boards of comparable companies as well as an internal, vertical comparison of remuneration within Heidelberg Materials. For the horizontal comparison, the selection of companies is based on the size and international activity of Heidelberg Materials, the economic and financial situation, and future prospects.

The companies of the DAX are used for the horizontal comparison. The horizontal comparison serves to verify that the remuneration of the Managing Board is market common.

For the vertical comparison, the remuneration of the Managing Board is compared with the remuneration of top and senior management (upper management) and the remuneration of the total workforce of Heidelberg Materials AG, both overall and in terms of development over time.

The following overview shows the development of the target direct remuneration (fixed annual salary, target value of the annual bonus, and – if the corresponding employee groups are eligible – the target value of the long-term bonus) in the internal comparison in the period from 2019 to 2023. The vertical comparison of the target remuneration is used when reviewing the appropriateness of the remuneration of the Managing Board pursuant to section 87a of the AktG. The comparative statement pursuant to section 162(1)(2) of the AktG can be found in the **Comparative presentation of the development in remuneration and earnings section**.

In the 2023 financial year, the ratio of the average remuneration of the Managing Board (including the Chairman of the Managing Board) to the average remuneration of top and senior management was 1:10 (previous year: 1:11), and the ratio to the total workforce of Heidelberg Materials AG was 1:39 (previous year: 1:41).

Development of the average target direct remuneration[1] of the Managing Board and total workforce of Heidelberg Materials AG

€'000s	2019	Change 2020/2019	2020	Change 2021/2020	2021	Change 2022/2021	2022	Change 2023/2022	2023
Managing Board[2]	2,866.8	0.1%	2,868.7	-9.1%	2,607.8	-0.7%	2,590.5	0.8%	2,610.6
Top and senior management[3]	217.2	5.9%	230.0	2.7%	236.3	-1.0%	233.9	8.0%	252.6
Total workforce of Heidelberg Materials AG[4]	62.6	1.2%	63.4	1.4%	64.3	-2.2%	62.9	6.0%	66.6

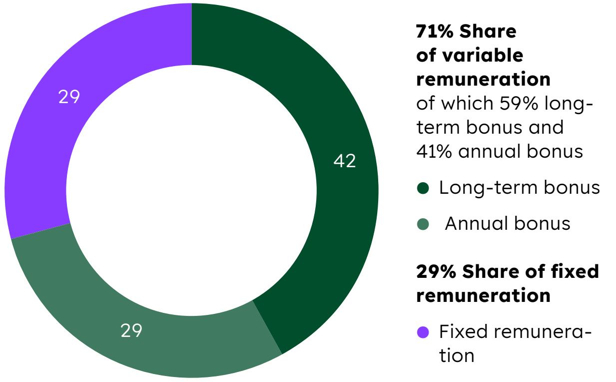
1) Fixed salary (incl. 13th monthly salary, vacation pay), annual bonus (target 100%) and long-term bonus (target 100%) on a full-time basis.
2) The decrease of 9.1% in the average target direct remuneration of the Managing Board from 2020 to 2021 is mainly due to the new appointment of three Managing Board members, whose target direct remuneration was lower than the average remuneration of the other Managing Board members.
3) Top- and Senior-Management of Heidelberg Materials AG excluding the Managing Board. Top Management comprises positions with management responsibility for global and area functions as well as for large- and medium-sized countries. Senior management comprises mostly positions with management responsibility that are not included in Top Management.
4) Including top and senior management, excluding Managing Board.

Remuneration structure

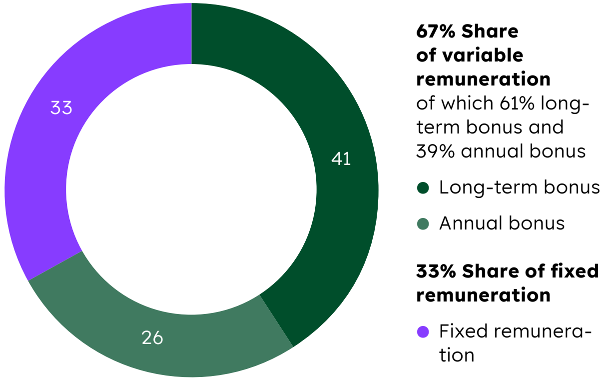
Pay for performance and the focus on the sustainable and long-term development of the company are central principles of the remuneration of its Managing Board. With these principles in mind, 71% of the target direct remuneration for the Chairman of the Managing Board and around 67% for the members of the Managing Board consists of variable remuneration components. The fixed annual salary thus accounts for 29% of the target direct remuneration for the Chairman of the Managing Board and around 33% for the members of the Managing Board.

To ensure the long-term focus of the remuneration of the Managing Board, the share of the long-term bonus exceeds that of the annual bonus within the variable remuneration components.

Remuneration components of the Chairman of the Managing Board in %



Remuneration components of the members of the Managing Board[1] in %



1) Excluding the Chairman of the Managing Board

Determining the target remuneration

Each member of the Managing Board is contractually promised a target remuneration that lies within the specified remuneration structure. The amount of the target remuneration depends on the responsibilities as well as the relevant experience of and tasks carried out by the individual member of the Managing Board.

The target remuneration of the members of the Managing Board who were active in the 2023 financial year is as follows for the 2023 financial year:

Target remuneration

	Dr Dominik von Achten Chairman of the Managing Boar		**René Aldach** Chief Financial Officer	
€'000s	2022	**2023**	2022	**2023**
Fixed annual salary	**1,469**	**1,525**	**600**	**600**
Fringe benefits	11	9	13	15
Contribution to private pension (cash allowance)	–	–	–	–
One-year variable compensation	**1,469**	**1,525**	**480**	**480**
Annual bonus 2022	1,469	–	480	–
Annual bonus 2023	–	1,525	–	480
Multi-year variable compensation	**2,263**	**2,288**	**750**	**750**
Long-term bonus plan 2022–2024/2025	2,263	–	750	–
Management component tranche 2022–2024	1,130	–	375	–
Capital market component tranche 2022–2025	1,133	–	375	–
Long-term bonus plan 2023–2025/2026	–	2,288	–	750
Management component tranche 2023–2025	–	1,144	–	375
Capital market component tranche 2023–2026	–	1,144	–	375
Others	–	–	–	–
Service costs	414	359	254	164
Total compensation	**5,626**	**5,706**	**2,097**	**2,010**

Target remuneration

€'000s	**Kevin Gluskie** Member of the Managing Board[1] 2022	**Kevin Gluskie** Member of the Managing Board[1] **2023**	**Hakan Gurdal** Member of the Managing Board 2022	**Hakan Gurdal** Member of the Managing Board **2023**	**Ernest Jelito** Member of the Managing Board 2022	**Ernest Jelito** Member of the Managing Board **2023**	**Dr Nicola Kimm** Member of the Managing Board 2022	**Dr Nicola Kimm** Member of the Managing Board **2023**
Fixed annual salary	**960**	**894**	**770**	**770**	**719**	**728**	**600**	**600**
Fringe benefits	502	536	79	87	80	40	83	52
Contribution to private pension (cash allowance)	–	–	–	–	–	–	–	–
One-year variable compensation	**768**	**715**	**616**	**616**	**575**	**582**	**480**	**480**
Annual bonus 2022	768	–	616	–	575	–	480	–
Annual bonus 2023	–	715	–	616	–	582	–	480
Multi-year variable compensation	**1,164**	**1,158**	**963**	**963**	**907**		**750**	**750**
Long-term bonus plan 2022–2024/2025	1,164	–	963	–	907	–	750	–
Management component tranche 2022–2024	582	–	481	–	453	–	375	–
Capital market component tranche 2022–2025	582	–	481	–	454	–	375	–
Long-term bonus plan 2023–2025/2026	–	1,158	–	963	–	910	–	750
Management component tranche 2023–2025	–	579	–	481	–	455	–	375
Capital market component tranche 2023–2026	–	579	–	481	–	455	–	375
Others	–	–	–	–	–	–	–	–
Service costs	821	525	638	383	462	454	272	214
Total compensation	**4,215**	**3,828**	**3,065**	**2,818**	**2,742**	**2,715**	**2,185**	**2,096**

1) 90% of Kevin Gluskie's fixed annual salary, annual bonus and long-term bonus are paid by Heidelberg Materials Asia Pte. Ltd. The remaining 10% are paid by Heidelberg Materials AG. Kevin Gluskie receives his remuneration in Australian dollars in accordance with his employment contract. The average exchange rates for 2022 (1.5169 AUD/EUR) and 2023 (1.6290 AUD/EUR) were used for conversion into euros. The closing rates before the start of the performance period (31 December, 2021: 1.5647 AUD/EUR, 31 December, 2022: 1.5717 AUD/EUR) were used to convert the long-term bonus into euros.

Target remuneration

€'000s	Dennis Lentz Member of the Managing Board[2]		Jon Morrish Member of the Managing Board		Chris Ward Member of the Managing Board[3]	
	2022	**2023**	2022	**2023**	2022	**2023**
Fixed annual salary	**600**	**600**	**903**	**903**	**819**	**829**
Fringe benefits	326	412	97	82	60	58
Contribution to private pension (cash allowance)	–	–	–	–	401	392
One-year variable compensation	**480**	**480**	**722**	**722**	**655**	**663**
Annual bonus 2022	480	–	722	–	655	–
Annual bonus 2023	–	480	–	722	–	663
Multi-year variable compensation	**750**	**750**	**1,129**	**1,129**	**957**	**1,086**
Long-term bonus plan 2022–2024/2025	750	–	1,129	–	957	–
Management component tranche 2022–2024	375	–	564	–	478	–
Capital market component tranche 2022–2025	375	–	564	–	479	–
Long-term bonus plan 2023–2025/2026	–	750	–	1,129	–	1,086
Management component tranche 2023–2025	–	375	–	564	–	542
Capital market component tranche 2023–2026	–	375	–	564	–	544
Others	–	–	–	–	–	–
Service costs	237	145	572	324	–	18
Total compensation	**2,393**	**2,388**	**2,701**	**3,160**	**2,892**	**3,047**

2) 70% of Mr. Dennis Lentz's fixed annual salary, annual bonus, and long-term bonus are borne by Heidelberg Materials US, Inc. (Lehigh Hanson until 1 January 2023). The remaining 30% is borne by Heidelberg Materials AG.
3) 90% of Chris Ward's fixed annual salary, annual bonus, and long-term bonus are paid by Heidelberg Materials US, Inc. The remaining 10% are paid by Heidelberg Materials AG. Chris Ward receives his remuneration in US dollars in accordance with his employment contract. The average exchange rates for 2022 (1.0536 USD/EUR) and 2022 (1.0816 USD/EUR) were used for conversion into euros. The closing rates before the start of the performance period (31 December, 2021: 1.1370 USD/EUR, 31 December, 2022: 1.0705 USD/EUR) were used to convert the long-term bonus into euros.

Compliance with the maximum remuneration under the previous remuneration system

The maximum remuneration (without taking into account fringe benefits and annual service costs of pension commitments) equals the fixed annual salary plus the sum of the individual variable remuneration components (annual bonus and long-term bonus), which are each limited to twice the target value, plus the discretionary adjustment of a maximum of 15% or, for old contracts of two members of the Managing Board, a maximum of 25%. The maximum remuneration for Ernest Jelito, Jon Morrish, and Chris Ward corresponds to up to 177% of the target direct remuneration, the maximum remuneration for Kevin Gluskie and Hakan Gurdal 184% of the target direct remuneration.

Absolute upper limits (excluding fringe benefits and annual service costs of pension commitments) are defined in the Managing Board agreements concluded since the 2020 financial year. A maximum remuneration of €3,245,000 applies for René Aldach, Dr Nicola Kimm, and Dennis Lentz. For the current Chairman of the Managing Board, the maximum remuneration is limited to €8,400,000 based on individual contractual provisions. This corresponds to 157% of the target direct remuneration for the Chairman of the Managing Board and 177% of the target direct remuneration for René Aldach, Dr Nicola Kimm, and Dennis Lentz.

The maximum remuneration of the Chairman of the Managing Board or the upper limits of the Managing Board agreements concluded since the 2020 financial year limit all payouts resulting from the commitment for a financial year, regardless of when they are received. A compliance report on the maximum remuneration for the 2023 financial year will therefore be prepared after the tranche of the long-term bonus promised in 2023 has been paid out. Compliance with the maximum remuneration will be reported in the remuneration report for the 2026 financial year after the end of the performance period of the capital market component of the 2023 tranche. If the payout from the long-term bonus results in the maximum remuneration being exceeded, the payout amount will be reduced accordingly to ensure compliance with the maximum remuneration.

At the end of the 2023 financial year, all remuneration components allocated in the 2020 financial year have been granted and are owed. The following table shows compliance with the maximum remuneration on an individualised basis for the members of the Managing Board in office in the 2020 financial year with the maximum remuneration levels applicable for the 2020 financial year:

Remuneration paid for the 2020 financial year

	Dr Bernd Scheifele Chairman of the Managing Board (until 31 Jan. 2020)	**Dr Dominik von Achten** Chairman of the Managing Board (since 1 Feb. 2020)	**Dr Lorenz Näger** Member of the Managing Board	**Kevin Gluskie** Member of the Managing Board	**Hakan Gurdal** Member of the Managing Board	**Ernest Jelito** Member of the Managing Board	**Jon Morrish** Member of the Managing Board	**Chris Ward** Member of the Managing Board
€'000s/share in %	2020–2023	2020–2023	2020–2023	2020–2023	2020–2023	2020–2023	2020–2023	2020–2023
Fixed annual salary 2020[1)]	**135**	**1,348**	**1,024**	**803**	**665**	**665**	**817**	**699**
One-year variable compensation	271	2,655	1,646	1,188	1,008	1,047	1,287	1,022
Annual bonus 2020	271	2,655	1,646	1,188	1,008	1,047	1,287	1,022
Multi-year variable compensation	203	1,976	1,255	1,096	875	875	1,075	936
Long-term bonus 2020–2022/2023								
Management component tranche 2020–2022	203	1,976	1,255	1,096	875	875	1,075	936
Capital market component tranche 2020–2023	0	0	0	0	0	0	0	0
Total payments for the 2020 financial year	**609**	**5,980**	**3,925**	**3,087**	**2,548**	**2,587**	**3,179**	**2,658**
Target direct remuneration 2020	473	4,783	3,143	2,575	2,100	2,100	2,580	2,224
Total payments for 2020 as % of target remuneration	129%	125%	125%	120%	121%	123%	123%	120%
Maximum remuneration as % of target remuneration	184%	158%	184%	184%	184%	184%	184%	184%
Fixed maximum remuneration for 2020	**871**	**7,556**	**5,783**	**4,738**	**3,864**	**3,864**	**4,747**	**4,092**
Maximum remuneration complied with	**yes**	**yes**	**yes**	**yes**	**yes**	**yes**	**yes**	**yes**

1) Including a pay-cut of 20% of the monthly base salary in Q2 2020 of the active Managing Board Members

Application of the remuneration system in the 2023 financial year

The remuneration system of the Managing Board consists of fixed and variable remuneration components.

The fixed components consist of the fixed annual salary, the fringe benefits, and – if contractually agreed – a so-called cash allowance for private pension contributions. The performance-related components include the annual bonus and the long-term bonus.

The following is an overview of the arrangement of the remuneration components and their time horizon:

Remuneration components and time frame, application 2023

Fixed remuneration components	
Fixed annual salary **2023** 2024 2025 2026	**Designed as:** Fixed cash payment relating to the financial year, paid on a monthly basis, cash allowance (only Chris Ward) **Share of target direct remuneration:** Chairman of the Managing Board 29%, members of the Managing Board 33%
Fringe benefits **2023** 2024 2025 2026	**Arrangement:** Especially company cars, driving services, school fees, flight costs, tax consultancy costs, insurance benefits, individually agreed membership fees and secondment-related non-cash benefits
Variable remuneration components	
Annual bonus **2023** 2024 2025 2026	**Designed as:** Target bonus **Performance criteria:** 2/3 Profit/loss for the financial year attributable to Heidelberg Materials AG shareholders and CO_2 component, 1/3 individual targets **Target achievement:** 0–200% target achievement **Cap:** 200% of target value **Share of target direct remuneration:** Chairman of the Managing Board 29%, members of the Managing Board 26%
Long-term bonus	**Cap of long-term bonus:** (sum of management component and capital market component) 200% **Share of target direct remuneration:** Chairman of the Managing Board 42%, members of the Managing Board 41%
Management component **2023 2024 2025** 2026	**Designed as:** 50% performance cash plan **Performance period:** Three years **Performance criteria:** 50% EBIT, 50% ROIC **Target achievement:** 0–200% target achievement **Cap:** 200% of target value
Capital market component **2023 2024 2025 2026**	**Designed as:** 50% performance cash plan **Performance period:** Four years **Performance criteria:** 50% relative TSR vs. DAX, 50% relative TSR vs. MSCI World Construction Materials Index **Target achievement:** 0–200% target achievement **Cap:** 400% of target value

In addition to the remuneration components shown, pension commitments are in place for the members of the Managing Board within the framework of the company pension scheme. Another central element of the Managing Board remuneration system is the mandatory share ownership, which obliges the members of the Managing Board to build up a contractually defined portfolio of Heidelberg Materials AG shares during their appointment and to hold them until the end of their appointment.

Fixed remuneration components

Fixed annual salary

The fixed annual salary is a set cash payment relating to the financial year, which is based on each Managing Board member's area of responsibility and paid in 12 monthly instalments.

The employment contracts of the members of the Heidelberg Materials Managing Board provide for periodic reviews of the fixed annual salary. In the past financial year, the fixed annual salary of Chris Ward was reviewed and adjusted. In connection with his re-appointment, Chris Ward's fixed annual salary was increased by 8% with effect from 1 September 2023. Taking into account the most recent adjustment to the fixed annual salary in May 2022, this corresponds to an annual rate of increase of 2.9% since his appointment to the Managing Board in the year 2019. In comparison, the average annual rate of increase for the total workforce of Heidelberg Materials AG over the years 2020 to 2023 was over 2.9% as well. In line with the procedure described in section 1.3, the appropriateness of the remuneration of the Managing Board members concerned was also reviewed in the course of these adjustments.

Fringe benefits

In the 2023 financial year, the taxable fringe benefits of the members of the Managing Board consisted of the provision of company cars and driving services, costs for flights home, tax consulting costs, housing and school benefits, as well as insurance benefits, individually agreed membership fees, and secondment-related benefits. The secondment-related benefits included foreign health insurance as well as relocation and cost-of-living expenses.

No further fringe benefits were granted to the members of the Managing Board in the 2023 financial year.

The members of the Managing Board are covered in the company's existing D&O liability insurance. The agreed deductible corresponds to the minimum deductible pursuant to section 93(2)(3) of the AktG in the respective version.

Variable remuneration components

The variable remuneration components include the annual bonus and the long-term bonus. While the annual bonus relates to a financial year, the long-term bonus has a duration (performance period) of three years (management component) or four years (capital market component).

For the overall consideration of the company's success, different performance criteria are used within the variable remuneration components to measure the target achievement. The performance criteria are derived from the Group strategy and are both financial and non-financial. The following table shows the link between performance criteria and Group strategy:

Performance criteria and Group strategy

	Growth and trans-formation	Sustain-ability	Digitali-sation	People and organi-sation	Corporate portfolio	Capital allocation	Value creation
Annual bonus							
Profit for the financial year attributable to Heidelberg Materials AG shareholders	●					●	●
CO_2 component	●	●		●	●	●	●
Individual targets	●	●	●	●	●	●	●
Long-term bonus							
EBIT	●					●	●
ROIC	●					●	●
Relative TSR	●					●	●

For the variable remuneration, the Supervisory Board generally has the option of discretionary adjustment of the annual and the long-term bonus in order to account for exceptional circumstances (administrative discretion). For new appointments and reappointments as of 2019, this margin of discretion has been reduced to ±15% of the target value of the variable remuneration components. For Managing Board agreements concluded before 2019, it is ±25% of the respective target value. In the 2023 reporting year, this still applies to Managing Board members Kevin Gluskie and Hakan Gurdal. As in previous years, the Supervisory Board did not make use of the option of discretionary adjustment to the remuneration of the Managing Board in the 2023 financial year.

Annual bonus

Fundamentals of the annual bonus

The annual bonus is a variable remuneration component that provides incentives to implement the operational targets in the financial year. At a target achievement rate of 100%, the annual bonus amounts to 100% of the fixed annual salary for the Chairman of the Managing Board and 80% for the members of the Managing Board. The share of the annual bonus in the target direct remuneration amounts to around 29% for the Chairman of the Managing Board and 26% for the members of the Managing Board. The payout amount depends on the overall target achievement, which can range between 0% and 200%.

The annual bonus is paid in cash after the Annual General Meeting of the following year.

Annual bonus

If the term of office of the Managing Board member begins during the year, the target value will be reduced pro rata temporis.

Performance criteria of the annual bonus

Two thirds of the overall target achievement for the annual bonus is measured by corporate targets (profit for the financial year attributable to the shareholders of Heidelberg Materials AG and CO_2 component) and one third by individual targets. The achievement of the corporate targets is calculated by multiplying the target achievement of the performance criterion profit for the financial year attributable to the shareholders of Heidelberg Materials AG by the multiplier of the CO_2 component.

At the beginning of the financial year, the Supervisory Board sets the target and threshold values for the individual performance criteria or, in the case of individual targets, the specific targets for the financial year. The Supervisory Board makes sure that these targets are challenging and ambitious. At the end of the financial year, the Supervisory Board determines the extent to which the individual performance criteria have been reached.

Profit/loss for the financial year attributable to Heidelberg Materials AG shareholders

The profit for the financial year attributable to the shareholders of Heidelberg Materials AG, adjusted for special items, is the basis for the first performance criterion. Special items are only taken into account above a value of €20 million.

The profit for the financial year attributable to the shareholders of Heidelberg Materials AG reflects Heidelberg Materials' profitability as a basic parameter. Increasing the value of the Group through sustainable and result-oriented growth is intended to guarantee a lasting entrepreneurial capacity to act. In line with its financial strategy, Heidelberg Materials strives to offer an attractive investment opportunity for its shareholders and to pursue a progressive dividend policy. The profit for the financial year attributable to the shareholders of Heidelberg Materials AG provides the basis for dividend payments. As a component of the annual bonus, this key figure is therefore intended to provide incentives for profitable management.

In order to calculate the target achievement of the performance criterion profit for the financial year attributable to the shareholders of Heidelberg Materials AG, the Supervisory Board determines a target corridor and the thresholds (floor and cap) at the beginning of the respective financial year. The target achievement can range from 0% to 200%. For the 2023 financial year, the Supervisory Board set a target corridor of €1,268 million to €1,288 million. The target achievement rate is 100% if the actual value of the profit for the financial year attributable to the shareholders of Heidelberg Materials AG is within the target corridor. The floor was set at €1,068 million and the cap at €1,413 million.

In the 2023 financial year, the actual value of the profit for the financial year attributable to the shareholders of Heidelberg Materials AG, including adjustments for special items relevant to remuneration, amounted to €1,865 million. This results in a target achievement of 200%.

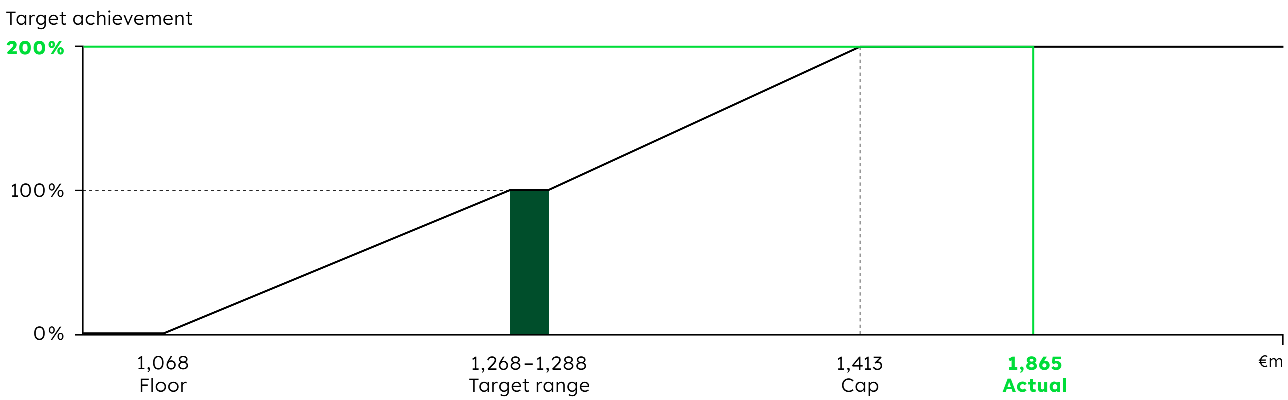
The following adjustments were made:

- Profits in the amount of €33 million from the sale of the Chaney group in North America were subtracted
- Impairment of the participation in the joint venture Duna Dráva Kft. in Hungary in the amount of €23 million due to the introduction of new taxes was added
- Reversal of impairment of the participation in the joint venture Akçansa Çimento Sanayi ve Ticaret A.Ş. in the amount of €57 million as a result of an increased stock market value and improved business plan was subtracted
- €29 million positive effect related to deferred taxes and tax provision were subtracted
- Expenses of €61 million recognised in connection with a claim for damages were added
- €50 million related to planned restructuring were subtracted

For the calculation of the profit for the financial year attributable to the shareholders of Heidelberg Materials AG, the mentioned adjustments are corrected for the respective tax effects.

The following graph presents the target achievement of the performance criterion profit for the financial year attributable to the shareholders of Heidelberg Materials AG:

Profit / loss for the financial year attributable to Heidelberg Materials AG shareholders



CO_2 component

The CO_2 component in the annual bonus is intended to provide a significant incentive to achieve the CO_2 reduction targets set as part of the Group strategy. At the same time, the aim is to promote the long-term and sustainable development of Heidelberg Materials by orienting the business model towards resource-efficient production.

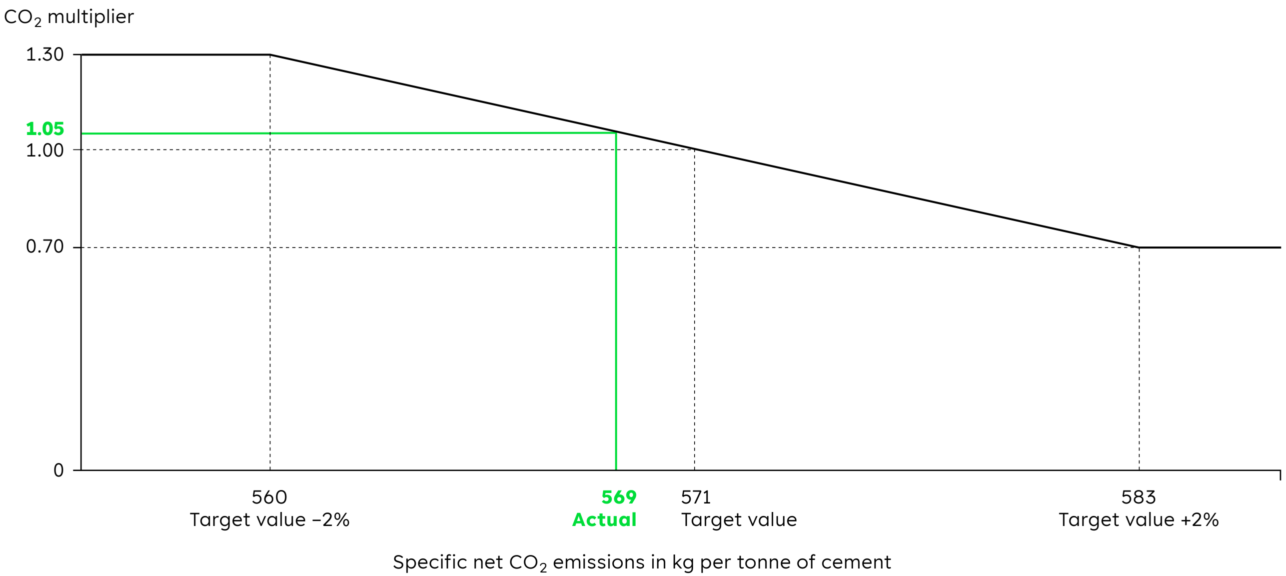
The methodology for calculating the CO_2 component is based on an internal definition for the specific CO_2 emissions per tonne of cement. The internal definition takes into account the CO_2 emissions of the main process steps in cement manufacture. These include the consumption of raw materials and fuel, clinker production, and clinker grinding. The CO_2 emissions of purchased clinker are also factored in. In line with the EU ETS accounting methodology, the biomass content of the alternative fuels used is considered carbon-neutral.

To ensure comparability with relevant competitors, Heidelberg Materials reports on CO_2 emissions in accordance with the GCCA standard (specific net CO_2 emissions per tonne of cementitious material) in the **Non-financial statement chapter**. Compared with the internal definition, the net CO_2 emissions calculation considers alternative fuels in their entirety as carbon-neutral rather than just their biogenic content. As a result, the CO_2 emissions according to the internal definition are higher than those calculated in line with the GCCA standard.

The CO_2 component is set up as a multiplier, which can range between 0.7 and 1.3 (CO_2 multiplier). To determine the CO_2 multiplier, the Supervisory Board defines a target for the specific CO_2 emissions per tonne of cement at the beginning of the respective financial year. That target is derived from Heidelberg Materials' long-term CO_2 roadmap and the Group's current CO_2 performance. For the 2023 financial year, the Supervisory Board set a target value of 571 kg of CO_2 per tonne of cement. Overachievement or underachievement of the target value by up to –2% or +2% leads to a linear increase or decrease of the target achievement. This results in a CO_2 multiplier between 1.3 (at –2%: cap) and 0.7 (at +2%: floor).

In the 2023 financial year, the actual value of CO_2 emissions was 569 kg of CO_2 per tonne of cement. This results in a CO_2 multiplier of 1.05. The following graph shows the target achievement of the CO_2 component:

CO_2 component



Individual targets

The individual targets have a weighting of one third within the annual bonus and may be both financial and non-financial. At the beginning of the financial year, the Supervisory Board defines the targets for each member of the Managing Board. The target achievement can range from 0% to 200%.

Individual targets were agreed for each member of the Managing Board in 2023 depending on their respective area of responsibility. These targets are based on the objectives of the Group strategy: growth and transformation, sustainability, digital transformation, people and organisation, corporate portfolio, capital allocation, and added value. Strategic growth targets were implemented in the areas of growth and transformation as well as corporate portfolio, particularly for recycling and digital partnerships. In order to achieve Heidelberg Materials' sustainability goals, targets were agreed to increase revenue from sustainable products, reduce the global carbon footprint, further improve sustainability reporting, and increase occupational safety. As for digital transformation, targets were set to commercialise digital products, enable efficiency gains in production and administration (HProduce), and further strengthen the digital customer base (HConnect). In order to improve capital allocation and added value, targets were set to increase free cash flow, cash conversion rate, and RCOBD margin as well as to reduce fixed costs.

For 2023, the achievement rate of individual targets for Managing Board members was between 128% and 152%. In many areas, the Managing Board not only achieved the targets, but even exceeded them. In the area of sustainability, we increased revenue of sustainable products and launched initiatives to further reduce our carbon footprint. In the area of digitalization, the digital customer base was increased (HConnect), the growth of investments (e.g. Giatec) was accelerated and measures to further improve cyber security were implemented. The acquisition of various companies and targeted disposals further expanded our presence in strategically important markets and advanced the optimization of our company portfolio. In terms of capital allocation and value creation, our excellent performance was reflected in the increase in free cash flow and the cash conversion rate (ratio of free cash flow to EBITDA) as well as the significant recovery in our profit margins (RCOBD margin). At the same time, fixed cost reduction targets were missed due to the persistently high inflation rates worldwide.

The following table provides an overview of the targets and their achievement per Managing Board member for 2023.

Individual target achievement of Managing Board members

	Individual target	2023
Dr Dominik von Achten	– Growth targets and portfolio optimisation for Heidelberg Materials – Acceleration of sustainability transformation (focus on sustainable products, improvement of ratings, and occupational safety) – Growth in digital partnerships and IT security – Improvement of free cash flow and cash conversion rate – Transformation of the Managing Board	152%
René Aldach	– Improvement of free cash flow and cash conversion rate – Optimisation of finance structure – Audit of sustainable revenues with reasonable assurance – Increased efficiency through centralisation of internal services and reduction of fixed costs	152%
Kevin Gluskie	– Alignment of Asia-Pacific (APAC) portfolio focus with Group strategy – APAC financial targets (free cash flow, cash conversion rate, fixed costs, RCOBD margin) – Increase of sustainable revenues, occupational safety, and reduction of the carbon footprint in APAC – Strengthening the digital customer and partner base in APAC – Operational targets for ready-mixed concrete	138%
Hakan Gurdal	– Alignment of Africa-Eastern Mediterranean Basin (AEM) portfolio focus with Group strategy – Financial targets for AEM and Heidelberg Materials Trading (free cash flow, cash conversion rate, fixed costs, RCOBD margin) – Increase of sustainable revenues, occupational safety, and reduction of the carbon footprint in AEM – Digital transformation in AEM – Increased use of alternative fuels	140%
Ernest Jelito	– Alignment of Northern and Eatern Europe-Central Asia (NEECA) portfolio focus with Group strategy – NEECA financial targets (free cash flow, cash conversion rate, fixed costs) – Increase of sustainable revenues, occupational safety, and reduction of the carbon footprint in NEECA – CCU/S project goals – Strengthening the digital customer and partner base and process optimisation through digital transformation in NEECA	142%
Dr Nicola Kimm	– Reduction of the carbon footprint through increase of sustainable revenues, development of new products, and update of the CO_2 roadmap – Volume scale-up of innovative products (3D printing, ultra-high-performance concrete, low-carbon concrete) – Sustainability reporting and improvement of ratings	140%
Dennis Lentz	– Strengthening the digital customer base – IT security and optimisation of digitised administrative processes – Process optimisation through digital transformation – Growth targets for Command Alkon, Giatec, C60	135%

Individual target achievement of Managing Board members

	Individual target	2023
Jon Morrish	– Growth of the recycling platform – Western Europe (WSE) financial targets (free cash flow, cash conversion rate, fixed costs, RCOBD margin) – Increase of sustainable revenues, occupational safety, and reduction of the carbon footprint in WSE – Strengthening the digital customer base and commercialisation of digital products in WSE – Global roll-out of the new Heidelberg Materials brand	147%
Chris Ward	– Strategic growth and sustainability targets for North America (NAM) – NAM financial targets (free cash flow, cash conversion rate, fixed costs, RCOBD margin) – Increase of sustainable revenues, occupational safety, and reduction of the carbon footprint in NAM – Strengthening the digital customer and partner base and commercialisation of digital products in NAM – Reduction of aggregates inventories	128%

Annual bonus 2023 – overall target achievement and payouts

The following table shows the overall target achievement and the resulting payout amount per member of the Managing Board for the annual bonus 2023:

Overall target achievement Annual bonus 2023

		Target achievement					
		targets (2/3)			Individual targets (1/3)		
€'000s	Target value	Profit/ loss for the financial year attributable to Heidelberg Materials AG shareholders	CO_2 multiplier	Total		**Total**	**Payout**
Dr Dominik von Achten	1,525				152%	184%	2,806
René Aldach	480				152%	184%	883
Kevin Gluskie	715				138%	179%	1,282
Hakan Gurdal	616				140%	180%	1,109
Ernest Jelito	582	200%	1.05	200%	142%	181%	1,052
Dr Nicola Kimm	480				140%	180%	864
Dennis Lentz	480				135%	178%	856
Jon Morrish	722				147%	182%	1,317
Chris Ward	663				128%	176%	1,168
Total	**6,264**						**11,337**

In the event that a Managing Board membership begins or terminates during the year, the target achievement is applied to the target value reduced pro rata temporis in order to calculate the payout amount (this does not apply to any Managing Board member for the 2023 financial year). The 2023 annual bonus will be paid after the Annual General Meeting in 2024.

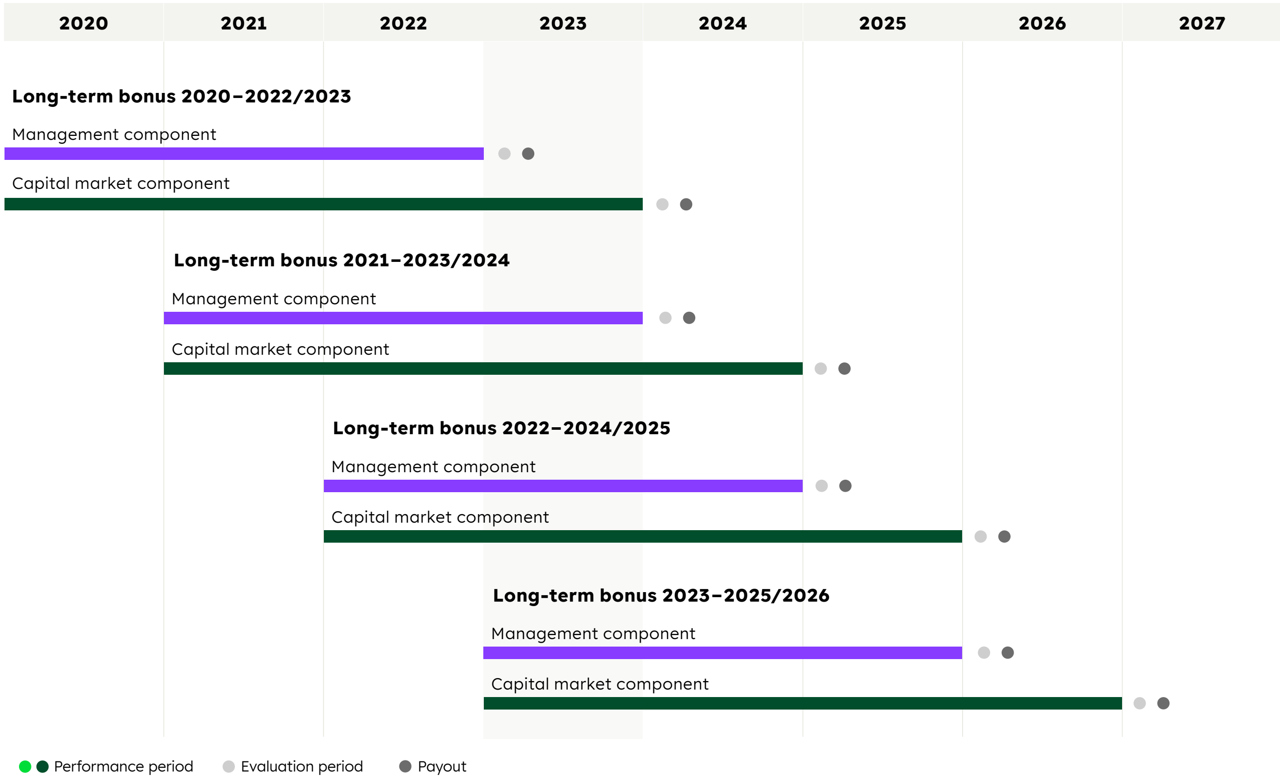
Long-term bonus

The long-term bonus is a variable remuneration component based on the company's long-term performance and is allocated in annual tranches. If 100% of the target is achieved, it amounts to 150% of the fixed annual salary for the Chairman of the Managing Board and 125% of the fixed annual salary for the members of the Managing Board.

At the beginning of the 2023 financial year, the long-term bonus 2023–2025/2026 was allocated. The first allocation was made in the 2011 financial year.

The following illustration gives an overview of the payout scheme of the long-term bonus tranches in relation to the 2023 financial year and the still outstanding tranches:

Payment system for the long-term bonus



The long-term bonus consists of two components.

Management component

The management component is structured as a performance cash plan. It has a three-year performance period and considers internal added value as measured by the equally weighted performance criteria earnings before interest and taxes (EBIT) and return on invested capital (ROIC). The target value for the management component is 50% of the total target value for the long-term bonus. At the end of the performance period, the Supervisory Board determines the target achievement for the management component. The overall target achievement can range between 0% and 200%.

Capital market component

The capital market component is structured as a performance share plan. It is based on virtual shares, so-called performance share units (PSUs), thus establishing a direct link to the development of the Heidelberg Materials share price and strengthening the alignment between the interests of the Managing Board and the shareholders. The capital market component has a four-year performance period and considers the external added value as measured by the performance criterion TSR compared with the relevant capital market indices. For the capital market component, the first step is to determine the number of PSUs to be provisionally allocated. The number of PSUs is calculated on the basis of 50% of the overall target value for the long-term bonus divided by the reference price of the Heidelberg Materials share at the start of the performance period (allocation price). The allocation price is the average of the daily closing prices of the Heidelberg Materials share on the Frankfurt Stock Exchange Xetra trading system in the three months prior to the start of the performance period.

The allocation price for the long-term bonus 2023–2025/2026 and the 2023 tranche of the capital market component is €48.74.

At the end of the four-year performance period, the target achievement is determined for the performance criterion of the capital market component. The target achievement can range between 0% and 200%. The final number of PSUs is calculated by multiplying the provisionally allocated number of PSUs with the target achievement. The resulting number of PSUs is then multiplied by the current reference price of the Heidelberg Materials share at the end of the performance period (closing price), adjusted for the notionally reinvested dividend payments and for changes in capital. The closing price is the average of the daily closing prices of the Heidelberg Materials share on the Frankfurt Stock Exchange Xetra trading system in the three months prior to the start of the performance period. The increase in value per PSU is limited to 250% of the allocation price.

The following table summarises the individual target values per Managing Board member, the allocation price, the number of provisionally allocated PSUs, and the maximum possible number of PSUs at the end of the performance period for the long-term bonus 2023–2025/2026:

Allocation long-term bonus 2023–2025/2026

	Management component	Capital market component				
€'000s	Target value	Target value	Allocation price in €	Number of provisionally allocated PSUs	Maximum possible number of PSUs	**Overall target value**
Dr Dominik von Achten	1,144	1,144		23,466	46,933	2,288
René Aldach	375	375		7,694	15,388	750
Kevin Gluskie	579	579		11,879	23,758	1,158
Hakan Gurdal	481	481		9,874	19,748	963
Ernest Jelito	455	455	48.74	9,335	18,670	910
Dr Nicola Kimm	375	375		7,694	15,388	750
Dennis Lentz	375	375		7,694	15,388	750
Jon Morrish	564	564		11,579	23,159	1,129
Chris Ward [1)]	542	544		11,162	22,324	1,086
Total	**4,890**	**4,892**		**100,377**	**200,755**	**9,783**

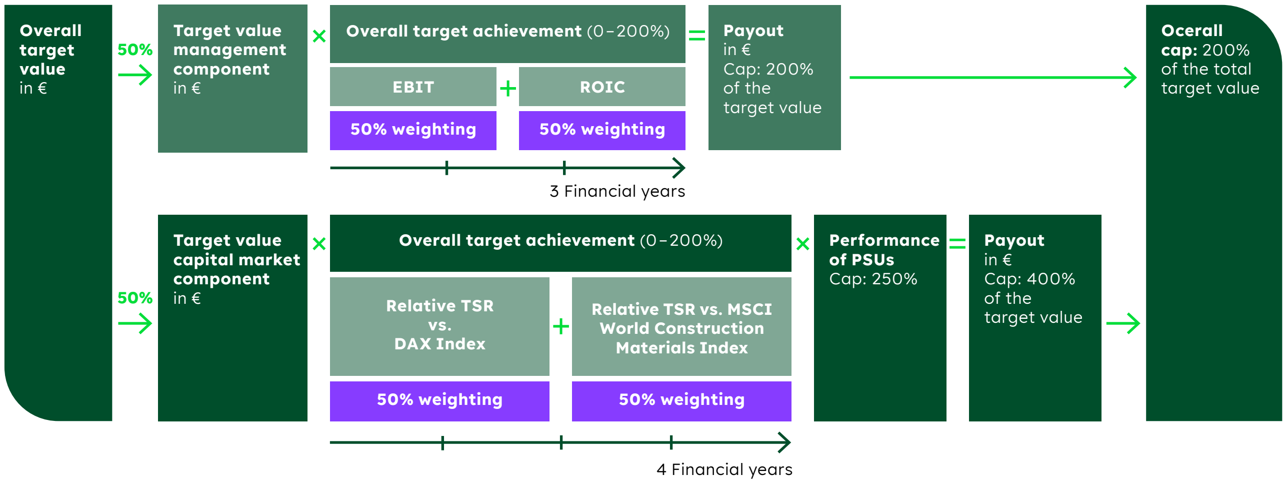
1) Calculation basis: daily pro rata calculation from 1 January 2023 to 31 August 2023 and from 1 September 2023 due to a salary change over the term of 3 and 4 years, respectively.

If the term of office of a Managing Board member begins or ends during the year, the target value for both the management component and the capital market component will be calculated to the day pro rata temporis based on the period from the date of appointment to the end of the respective performance period or from the beginning of the performance period to the respective exit date in relation to the total duration of the performance period.

The management component is paid in cash after the Annual General Meeting of the year following the three-year performance period and is limited to 200% of the target value. The capital market component is paid in cash after the Annual General Meeting of the year after the four-year performance period and is limited to 400% of the target value.

Payouts from the overall long-term bonus are capped at a maximum of 200% of the contractually agreed target value, where the amount of the capital market component can offset the amount of the management component payout.

Long-term bonus



Performance criteria of the management component

The overall target achievement for the management component is determined on the basis of the equally weighted performance criteria adjusted EBIT and ROIC.

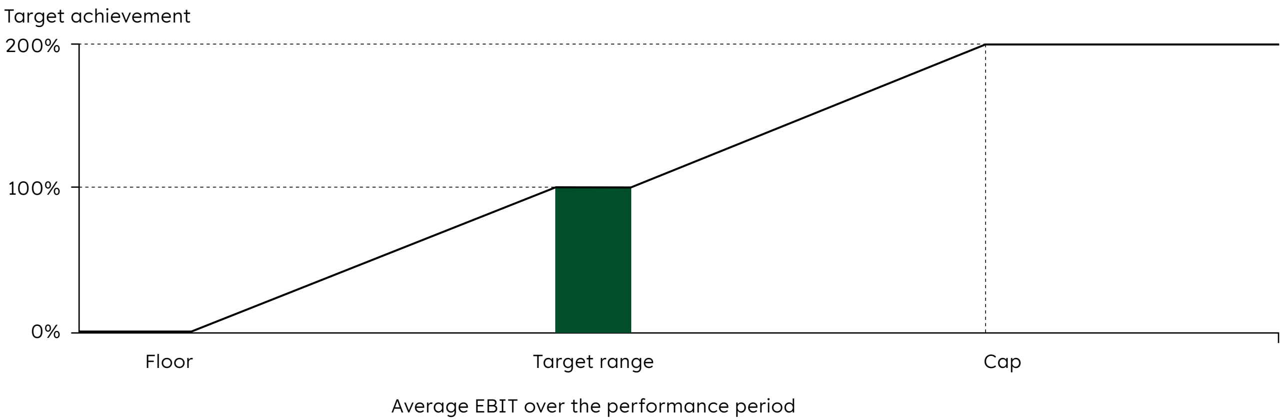
EBIT

The basis for the performance criterion is the EBIT, which is adjusted for one-time special effects that could not be foreseen at the time when the operating plan and the targets were set. As for the calculation of the profit for the financial year attributable to the shareholders of Heidelberg Materials AG, only special items above a threshold of €20 million are taken into account.

EBIT is a measure of profitability and reflects the economic strength of Heidelberg Materials. Combined with the consideration of the profit for the financial year attributable to the shareholders of Heidelberg Materials AG in the annual bonus, incentives for profitable growth are thus provided in both the short-term and long-term variable remuneration components.

At the beginning of each tranche, the Supervisory Board determines a target corridor, which is derived from the Group's three-year operational plan, as well as the thresholds (floor and cap). The calculation of the target achievement at the end of the performance period is based on the comparison of the average EBIT over the three-year performance period with the specified target corridor. The target achievement can range from 0% to 200%.

Performance criterion EBIT



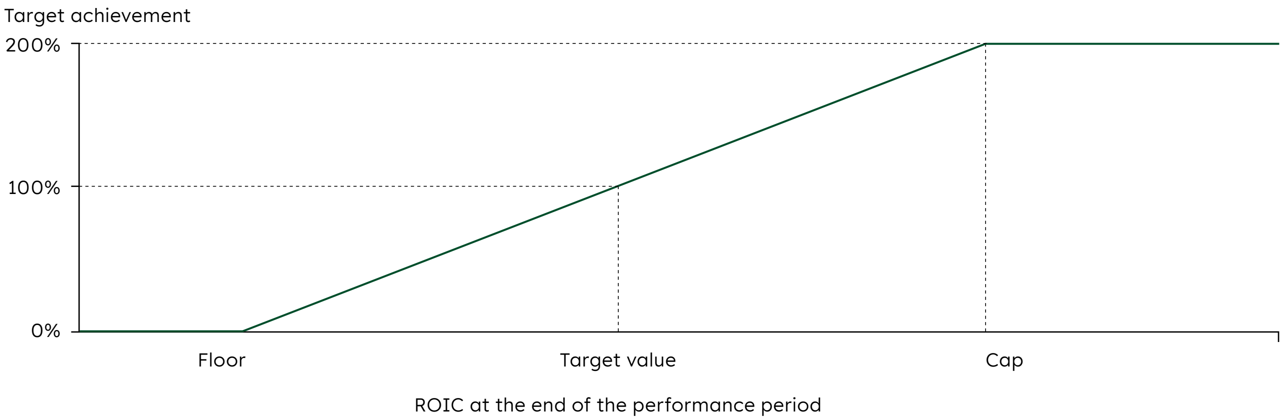
For the performance criterion EBIT, the defined target corridor, the thresholds (cap and floor), as well as the resulting target achievement and the adjustments made for the calculation of target achievement are disclosed in the remuneration report after the performance period has ended.

ROIC

The performance criterion is based on ROIC. Starting with the 2023 tranche of the long-term bonus, adjusted ROIC is calculated as EBIT adjusted for exchange rate effects less standard taxes and divided by invested capital. EBIT is adjusted solely for exchange rate differences compared with the assumptions made in the operational plan in the first year of the performance period. The standard tax rate is calculated by dividing the current tax expense (non-deferred) for the current year by the profit before tax adjusted for impairments. For tranches of the long-term bonus that were awarded before 2023, a different calculation methodology applies, which is described in the **Completed tranches at the end of the 2023 financial year section**. ROIC is one of Heidelberg Materials' most important financial performance indicators. The inclusion of ROIC as a performance criterion in the long-term bonus therefore provides further incentives to increase capital efficiency in line with the Group strategy.

The ROIC target achievement is measured by comparing the target value set at the beginning of the respective tranche with the actual value at the end of the performance period. The lower and upper limits of the target achievement curve are defined depending on the target value. The target value set by the Supervisory Board is derived from the company's relevant three-year operational plan. The target achievement can range from 0% to 200%.

Performance criterion ROIC



For the performance criterion ROIC, the defined target value, the thresholds (cap and floor), as well as the resulting target achievement and the adjustments made for the calculation of target achievement are disclosed in the remuneration report after the respective the performance period has ended.

Performance criterion of the capital market component

For the capital market component, the target achievement is measured using the performance criterion relative TSR.

Relative TSR

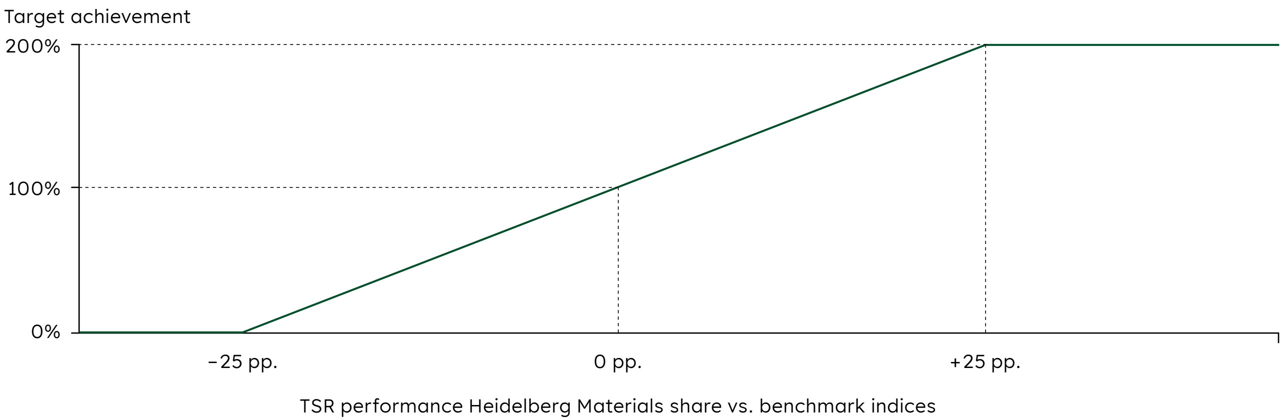
The TSR performance is determined by comparing the performance of the Heidelberg Materials share (calculated as percentage increase in share value taking into account reinvested dividend payments and adjustments for capital measures) with the performance of the two capital market indices DAX and MSCI World Construction Materials Index.

Relative TSR represents a capital market-oriented performance criterion that provides an incentive for the sustainable and long-term outperformance of the peer groups and is thus in line with Heidelberg Materials' target of offering shareholders an attractive investment opportunity. Furthermore, the relative TSR adds a relative performance metric to the long-term bonus.

The target achievement range for determining the final number of PSUs at the end of the performance period is 0% to 200%. Target achievement is measured by the change in TSR based on a four-year reference period prior to the start of the plan (degressive smoothing). The development of the TSR of the Heidelberg Materials share is determined and compared with the respective development of the benchmark indices. Target achievement is then calculated on the basis of the average relative TSR.

The target achievement curve for the relative TSR is as follows:

Relative TSR



Completed tranches at the end of the 2023 financial year

At the end of the 2023 financial year, the 2021 tranche of the management component (long-term bonus 2021–2023/2024) and the 2020 tranche of the capital market component (long-term bonus 20202022/2023) were completed. The structure of the two completed tranches largely corresponds to the tranches of the long-term bonus allocated in the 2023 financial year.

2021 tranche of the management component

The target achievement for the 2021 tranche of the management component was determined on the basis of the equally weighted performance criteria EBIT and ROIC. Deviating from the calculation methodology applied since the 2023 tranche and described in the previous section, ROIC is calculated as the ratio between the adjusted EBIT minus standard taxes and invested capital.

Invested capital is calculated as equity plus net financial liabilities less “loans,” “financial investments,” and current “interest-bearing receivables” at the end of the performance period. Invested capital is calculated as the average of the opening balance sheet and the closing balance sheet of the last year of the management component performance period.

Before the start of the tranche, a target corridor of €2,295 million to €2,395 million corresponding to a target achievement of 100% was set for EBIT. The actual EBIT value, which is calculated as the average of the EBIT over the three years of the performance period, was €2,647 million (2021: €2,565 million, 2022: €2,419 million, 2023: €2,957 million). The individual annual figures are adjusted for the special items relevant to remuneration that were also taken into account when determining the profit for the financial year attributable to the shareholders of Heidelberg Materials AG for the purposes of the annual bonus, insofar as they have an impact on EBIT. In previous years, these were primarily restructuring expenses, impairments, and gains on disposals. For 2023 these are listed in the **Annual bonus section** and include the gains from the sale of the Chaney group in North America, impairments of the participation in the joint venture Duna Dráva Kft. in Hungary, reversal of impairment of the participation in the joint venture Akçansa Çimento Şanayi ve Ticaret A.S. This results in a target achievement for EBIT of 200%.

Before the start of the tranche, a target value of 8.70% was set for ROIC, for which a target achievement of 100% could be reached. The lower threshold (floor) for ROIC, where the target achievement is 0%, is 8.00%, while the upper threshold (cap) for ROIC, which must be reached for a target achievement of 200%, is 9.40%. The actual ROIC value at the end of the performance period was 10,1%, corresponding to a target achievement of 200%.

Based on the target achievements in the two performance criteria, the overall target achievement for the 2021 tranche of the management component is 200%.

The table summarises the target values, thresholds (cap and floor), as well as actual values and target achievements per performance criterion:

Target achievement in management component of long-term bonus 2021–2023/2024

		Target achievement curve				
	Weighting	Floor	Target corridor	Cap	Actual value	Target achievement
EBIT	50%	€m 2,195	€m 2,295–2,395	€m 2,495	€m 2,647	200%
ROIC	50%	8.00%	8.70%	9.40%	10.09%	200%
Total	**100%**					**200%**

The following table shows the payout amount per member of the Managing Board resulting from the overall target achievement for the 2021 tranche of the management component:

Summary of the management component of long-term bonus 2021–2023/2024

		Target achievement			
€ '000s	Target value	EBIT	ROIC	Total	**Payout**
Dr Dominik von Achten	1,088				2,175
René Aldach	292				584
Kevin Gluskie	571				1,142
Hakan Gurdal	480				960
Ernest Jelito	438	200%	200%	200%	875
Dr Nicola Kimm	292				584
Dennis Lentz	292				584
Jon Morrish	564				1,127
Chris Ward	430				860
Total	**4,447**				**8,891**

The payout from the 2021 tranche of the management component will be made following the Annual General Meeting in 2024.

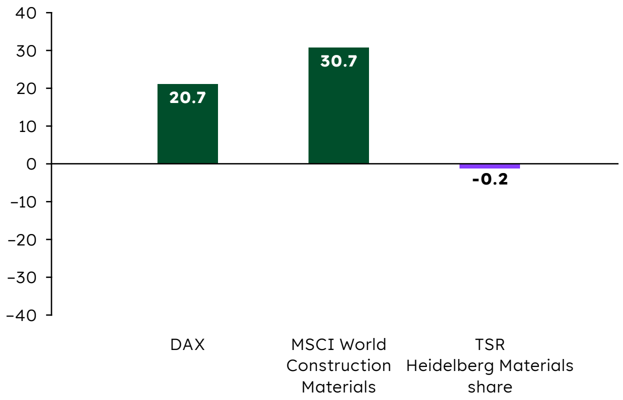
2020 tranche of the capital market component

The target achievement for the 2020 tranche of the capital market component was measured analogously to the tranche allocated in the 2023 financial year on the basis of the performance criterion relative TSR.

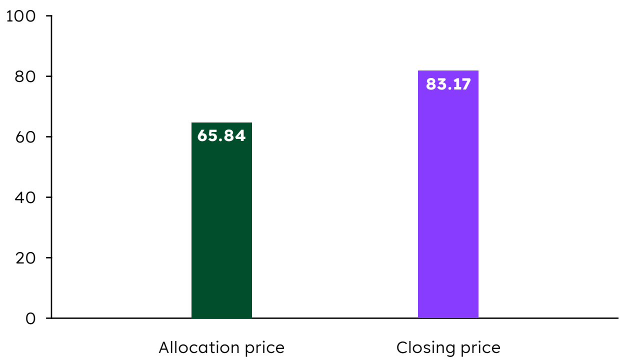
While the DAX recorded an increase of 20.7% over the four-year performance period compared with the reference period and the MSCI World Construction Materials Index an increase of 30.7%, the TSR of the Heidelberg Materials share was −0.2% at the end of the performance period. This results in a difference of −20.9 percentage points compared with the DAX and a difference of −31.0 percentage points compared with the MSCI World Construction Materials Index. The average difference amounts to −26.0 percentage points. The overall target achievement rate for the relative TSR is therefore 0% for the 2020 tranche of the capital market component.

The allocation price for determining the number of provisionally allocated PSUs at the start of the tranche was €65.84. The closing price, including notionally reinvested dividends and adjusted for changes in capital, was €83.17 at the end of the performance period. This corresponds to a development of 26.3% over the performance period.

Performance of the benchmark indices and the TSR of the Heidelberg Materials share in %



Development of the Heidelberg Materials share in €



The following table describes the main elements of the 2020 tranche of the capital market component per member of the Managing Board:

Summary of the capital market component of the long-term bonus 2020–2022/2023

€'000s	Target value	Allocation price in €	Number of provisionally allocated PSUs	Target achievement relative TSR	Final number of PSUs	Closing price in €	Payout
Dr Dominik von Achten	990	65.84	15,041	0.00%	0	83.17	0
Kevin Gluskie	548		8,321		0		0
Hakan Gurdal	438		6,645		0		0
Ernest Jelito	438		6,645		0		0
Jon Morrish	538		8,164		0		0
Chris Ward	468		7,111		0		0
Total	**3,420**		**51,927**		**0**		**0**

Pension commitment

Defined contribution commitment

Members of the Managing Board who have been newly appointed or reappointed since 2019 are granted a defined contribution commitment, based on which the company will pay the member an annual pension contribution. The amount of this contribution is reviewed on a regular basis. In the framework of a capital market-oriented model, these contributions are used to acquire fund shares that are credited to a pension account. The Managing Board member is entitled to a one-off capital payment in the amount of the value of the pension account at the time of benefit commencement. Alternatively, the Managing Board member can choose to receive an annuity based on the accumulated pension capital. The pension contributions accumulated over the duration of the commitment are guaranteed. If the member of the Managing Board dies, the pension entitlement shall pass to the widow or widower or to the children of the Managing Board member. Dr Dominik von Achten, René Aldach, Ernest Jelito, Dr Nicola Kimm, and Dennis Lentz each had a defined contribution commitment in the 2023 financial year.

In lieu of a pension commitment, an annual cash allowance is made available to Chris Ward, which can be used to finance a private pension plan.

Defined benefit commitment prior to 2019 (old commitment)

In addition to his defined contribution commitment, Dr Dominik von Achten has a defined benefit commitment in the form of an annual retirement pension for the defined benefit entitlements earned until his reappointment in 2020.

The retirement agreements of the members of the Managing Board appointed between 2016 and 2018 contain the commitment to an annual retirement pension in the form of a percentage of the pensionable income. Kevin Gluskie, Hakan Gurdal, and Jon Morrish still had such a defined benefit commitment in the 2023 financial year. The percentage can equal up to 4% per commenced year of service; the maximum percentage accumulated is 40% of the pensionable income. The pensionable income is agreed individually for each member of the Managing Board.

Upon reappointment, existing defined benefit commitments are continued with the value of the pension benefit at the reappointment date. If the Supervisory Board agrees additional retirement benefit commitments, these will be covered by a defined contribution commitment. The Supervisory Board reserves the right to agree an adjustment of the retirement benefit, including within the existing system, in the event of a contract extension when an employee is close to retirement age.

In addition to the defined benefit commitment and defined contribution commitment, a transitional allowance equal to a monthly salary will be paid for a period of six months upon termination of the contract and benefit commencement.

Pension payments

The payment of the pension commitment is made monthly either:

- After leaving the company upon reaching retirement age (pension benefit paid on an individual basis between the 62nd and 63rd year of age) or

- In the event of premature termination of contract for reasons for which the Managing Board member is not responsible, provided that they have reached the age of 60 at the time of termination of contract, or

- Due to permanent disability owing to illness

Survivor pension benefit

The retirement agreements include a survivor pension benefit. If a member of the Managing Board dies, their widow or widower and their dependent children receive a widow's, widower's, or orphan's pension. In the case of defined benefit commitments, the widow/widower's pension is 60% and the orphan's pension 10% of the deceased's pension benefit as long as a widow/widower's pension is being paid at the same time. If a widow/widower's pension is not being paid at the same time, the orphan's pension is 20% of the deceased's pension benefit. In the case of defined contribution commitments, the full entitlement to the value of the pension account shall pass to the widow or widower and the surviving children.

Service costs and present values of defined benefit entitlements

The service costs and present values of the existing defined benefit entitlements as at 31 December 2023 are presented in the following table in consolidated form per member of the Managing Board:

Pension commitments (IAS 19)

	Service costs		Present value of the pension obligations	
€'000s	2022	**2023**	2022	**2023**
Dr Dominik von Achten	414	359	9,357	11,464
René Aldach	254	164	306	613
Kevin Gluskie	821	525	3,709	4,623
Hakan Gurdal	638	383	2,697	2,818
Ernest Jelito	462	454	1,609	2,155
Dr Nicola Kimm	272	214	313	605
Dennis Lentz	237	145	306	613
Jon Morrish	572	324	2,280	3,134
Chris Ward[1)]		18	59	88
Total	**3,668**	**2,587**	**20,635**	**26,114**

1) Service cost for Chris Ward's pension commitment was incurred for the first time in 2023.

In addition to the amount of the agreed benefit and the agreed contribution, both the service costs and the present values of the defined benefit entitlements depend in a substantial way on various actuarial parameters, such as the age of the individual member of the Managing Board and the currently prevailing interest rate level. The sharp rise in interest rates over the past year led to a smaller increase in the present values of defined benefit entitlements than in previous years and, as can be seen in the table, even to a decrease in individual cases. The increase in the present value of pension obligations between 2022 and 2023 is due to expense booked in the 2023 financial year as well as a lower interest rate.

The amount of the service cost is determined at the beginning of the respective financial year in accordance with IFRS. Accordingly, the comparison of the service cost between 2023 and 2022 still shows the effects of the increased interest rate level spike at that time. However, the amount of contributions under the defined contribution plans granted remained constant in the reporting year.

Share ownership

To further harmonise the interests of the Managing Board and the shareholders, the Supervisory Board has adopted guidelines for share ownership. The members of the Managing Board are obliged to acquire a contractually defined number of Heidelberg Materials AG shares and to hold them for the duration of their appointment as a member of the Managing Board.

The share ownership is a key element in creating a strong link between the interests of the Managing Board and the shareholders and at the same time aligning the remuneration of the Managing Board even further with the long-term success of Heidelberg Materials. The number of Heidelberg Materials shares to be held equals 30,000 for the Chairman of the Managing Board and 15,000 for each of the members of the Managing Board. Before 2019, the obligation for members of the Managing Board equalled 10,000 Heidelberg Materials shares, which is why agreements concluded prior to this date stipulate an obligation in this amount. In the event of a reappointment, the required number of 15,000 shares also applies to these members of the Managing Board. In order to fulfil the share ownership, provided that the investment target has not yet been achieved at the relevant payout date, half of the payout amounts from the long-term bonus must be used to acquire shares of the company until the complete share ownership requirement has been met. Accumulating the share ownership can therefore take several years. Company shares that are already held by members of the Managing Board are taken into account when calculating share ownership. The members of the Managing Board have confirmed to the Supervisory Board that sufficient shares were acquired in accordance with the respective obligation.

The following table provides an overview of the share ownership status per member of the Managing Board:

Share ownership as at 31 December 2023 of current members of the Managing Board

Piece	Target	Status	Shares held as of 31 December 2023	in % of target
Dr Dominik von Achten	30,000	Investment target fully achieved	35,300	118%
René Aldach[1]	15,000	In accumulation phase	5,000	33%
Kevin Gluskie	10,000	Investment target fully achieved	15,000	150%
Hakan Gurdal	10,000	Investment target fully achieved	10,000	100%
Ernest Jelito	15,000	Investment target fully achieved	15,000	100%
Dr Nicola Kimm[1]	15,000	In accumulation phase	722	5%
Dennis Lentz[1]	15,000	In accumulation phase	3,200	21%
Jon Morrish	15,000	Investment target fully achieved	15,004	100%
Chris Ward	15,000	Investment target fully achieved	15,000	100%

1) Currently, no payments have been made from a long-term bonus granted during Managing Board membership. According to the Managing Board contract, there has therefore been no obligation to purchase shares to date.

Malus and clawback rules

The variable remuneration components include malus and clawback rules. These give the Supervisory Board the option to reduce part or all of the variable remuneration components that have not yet been paid out (malus) or to reclaim variable remuneration components that have already been paid out (clawback) in the event of breaches of essential duties of diligence. The malus and clawback rules apply to both the annual bonus and the long-term bonus.

In the 2023 financial year, the Supervisory Board did not see any reason to apply malus and clawback rules, which is why the Supervisory Board did not reduce or reclaim variable remuneration.

Disclosure of benefits in the event of departure

Exit conditions

In the event of the early termination of a Managing Board membership without serious cause, the payout from the annual bonus and the long-term bonus shall be made in accordance with the contractually stipulated due dates and conditions. There shall be no accelerated settlement or payout. The annual bonus and long-term bonus shall be reduced pro rata temporis in case of a departure during the financial year in which the annual bonus or long-term bonus is allocated.

In the event of the early termination of a Managing Board membership for good cause before the end of the performance period, entitlements to the annual bonus and long-term bonus shall be forfeited.

Severance pay cap

In the event of an early termination of a Managing Board membership without serious cause, care is taken in accordance with the recommendations of the GCGC when concluding new Managing Board agreements or extending existing Managing Board agreements to ensure that payments to a Managing Board member, including fringe benefits, do not exceed the value of two annual remunerations and do not compensate more than the remaining term of the employment contract (severance pay cap). The severance pay cap is calculated based on the amount of the total remuneration for the past financial year and, where applicable, on the amount of the expected total remuneration for the current financial year. A severance pay cap has been agreed with all members of the Managing Board in office in the 2023 financial year.

Change of control clause

Managing Board employment contracts concluded before the publication of the version of the GCGC of 16 December 2019 are governed by the version of 7 February 2017, according to which a commitment to benefits in the event of the early termination of the Managing Board membership as a result of a change of control should not exceed 150% of the severance pay cap.

Managing Board agreements concluded since the 2020 financial year are governed by the proposal of the GCGC in force since 2019, according to which change of control clauses are no longer to be part of Managing Board agreements. The agreements of René Aldach, Dr Nicola Kimm, and Dennis Lentz therefore do not contain change of control clauses.

Post-contractual non-compete clause

A post-contractual non-compete clause applies to the members of the Managing Board, according to which they are prohibited for a period of two years after the termination of their employment contract from working for a company that is in direct or indirect competition with Heidelberg Materials or another Heidelberg Materials company, either independently or in an employed capacity or in any other way. Moreover, the members of the Managing Board are prohibited from establishing, acquiring, or directly or indirectly participating in such a competing company for the duration of the post-contractual non-compete clause. For the duration of the post-contractual non-compete clause, the member of the Managing Board receives their last fixed annual salary in equal monthly instalments (waiting allowance). The waiting allowance shall be reduced to the extent that the member of the Managing Board receives benefits from their pension agreement after leaving the company. Heidelberg Materials AG may waive the post-contractual non-compete clause before the termination of the employment contract.

In 2023, a waiting allowance of €450,000 was paid to Dr Lorenz Näger. Dr Lorenz Näger received the last payment from his waiting allowance in August 2023.

Disclosure of benefits from third parties

For the 2023 financial year, the members of the Managing Board have not received any benefits from third parties in connection with their Managing Board activities. For the avoidance of doubt, the costs of the remuneration of Dennis Lentz in the context of his secondment to the USA and of Chris Ward due to his role as CEO of Heidelberg Materials US, Inc., were shared between Heidelberg Materials AG and Heidelberg Materials US, Inc., by way of a cost split. The cost of Mr Gluskie's remuneration was split between Heidelberg Materials AG and Heidelberg Materials Asia Pte. Ltd. due to his role as CEO of Heidelberg Materials Asia Pte. Ltd.

Remuneration granted and owed in the 2023 financial year

Remuneration of active members of the Managing Board in the 2023 financial year

The remuneration granted and owed to the individual members of the Managing Board in the 2023 financial year pursuant to section 162 of the AktG is presented in the following.

The remuneration granted includes the remuneration components whose underlying (single or multi-year) service or performance period was fully completed in the financial year, even if payout does not take place until the following financial year. With the exception of the lack of including the service costs of the pension commitments, this reporting logic corresponds to the previous remuneration reporting of Heidelberg Materials AG in the table Allocations according to GCGC in the version of the GCGC of 7 February 2017.

The remuneration granted and owed in the 2023 financial year pursuant to section 162 of the AktG consists of the following remuneration components:

- The fixed annual salary paid in the 2023 financial year
- The fringe benefits accrued in the 2023 financial year
- The cash allowance paid for the 2023 financial year in the case of Chris Ward
- The annual bonus determined for the 2023 financial year (annual bonus 2023), which is paid in the 2024 financial year
- The 2021 tranche of the management component, which was completed at the end of the 2023 financial year and is paid in the 2024 financial year
- The 2020 tranche of the capital market component, which was completed at the end of the 2023 financial year and is paid in the 2024 financial year

Furthermore, the service costs of the pension commitments in accordance with IAS 19 for the 2023 financial year is shown in the tables as part of the Managing Board remuneration.

In addition to the absolute remuneration amounts, the tables also contain the relative proportion of the individual remuneration components within the total remuneration granted and owed.

Granted and owed remuneration pursuant to section 162 of the AktG

€'000s/share of granted and owed remuneration pursuant to section 162 of the AktG in %	**Dr Dominik von Achten** Chairman of the Managing Board			**René Aldach** Member of the Board		
	2022	**2023**		2022	**2023**	
Fixed annual salary	**1,469**	**1,525**	**23%**	**600**	**600**	**29%**
Fringe benefits	11	9	1%	13	15	1%
Contribution to private pension (cash allowance)	-	-		-	-	
One-year variable compensation	**2,394**	**2,806**	**43%**	**782**	**883**	**42%**
Annual bonus 2022	2,394	-		782	-	
Annual bonus 2023	-	2,806		-	883	
Multi-year variable compensation	**1,976**	**2,175**	**33%**		**584**	**28%**
Long-term bonus 2019–2021/2022						
Capital market component tranche 2019–2022	0	-		-	-	
Long-term bonus 2020–2022/2023						
Management component tranche 2020–2022	1,976	-		-	-	
Capital market component tranche 2020–2023	-	0		-	-	
Long-term bonus 2021–2023/2024						
Management component tranche 2021–2023	-	2,175		-	584	
Others	-	-	0%	-	-	0%
Granted and owed remuneration pursuant to section 162 of the AktG	**5,850**	**6,515**	**100%**	**1,395**	**2,083**	**100%**
Service costs	414	359	-	254	164	-
Total compensation	**6,264**	**6,874**	**-**	**1,649**	**2,247**	**-**

Granted and owed remuneration pursuant to section 162 of the AktG

€'000s/share of granted and owed remuneration pursuant to section 162 of the AktG in %	**Kevin Gluskie** Member of the Managing Board[1]			**Hakan Gurdal** Member of the Managing Board			**Ernest Jelito** Member of the Managing Board[2]			**Dr Nicola Kimm** Member of the Managing Board		
	2022	**2023**		2022	**2023**		2022	**2023**		2022	**2023**	
Fixed annual salary	**960**	**894**	**23%**	**770**	**770**	**26%**	**719**	**728**	**23%**	**600**	**600**	**29%**
Fringe benefits	502	536	14%	79	87	3%	80	40	1%	83	52	2%
Contribution to private pension (cash allowance)	-	-		-	-		-	-		-	-	
One-year variable compensation	**1,170**	**1,282**	**33%**	**973**	**1,109**	**38%**	**901**	**1,052**	**34%**	**749**	**864**	**41%**
Annual bonus 2022	1,170	-		973	-		901	-		749	-	
Annual bonus 2023	-	1,282		-	1,109		-	1,052		-	864	
Multi-year variable compensation	**1,096**	**1,142**	**30%**	**875**	**960**	**33%**	**875**	**875**	**28%**		**584**	**28%**
Long-term bonus 2019–2021/2022												
Capital market component tranche 2019–2022	0	-		0	-		-	-		-	-	
Long-term bonus 2020–2022/2023												
Management component tranche 2020–2022	1,096	-		875	-		875	-		-	-	
Capital market component tranche 2020–2023	-	0		-	0		-	0		-	0	
Long-term bonus 2021–2023/2024												
Management component tranche 2021–2023	-	1,142		-	960		-	875		-	584	
Others	-	-	0%	-	-	0%	-	455	14%	-	-	0%
Granted and owed remuneration pursuant to section 162 of the AktG	**3,728**	**3,854**	**100%**	**2,697**	**2,925**	**100%**	**2,575**	**3,150**	**100%**	**1,432**	**2,100**	**100%**
Service costs	821	525	-	638	383	-	462	454	-	272	214	-
Total compensation	**4,549**	**4,379**	**-**	**3,335**	**3,308**	**-**	**3,037**	**3,604**	**-**	**1,704**	**2,314**	**-**

1) 90% of the fixed annual salary, the annual bonus and the long-term bonus of Kevin Gluskie are paid by Heidelberg Materials Asia Pte. Ltd. The remaining 10% was paid by Heidelberg Materials AG. The fringe benefits of Kevin Gluskie include, in addition to the assumption of costs for a company car, group accident insurance and flights home, as well as a travel allowance and the assumption of costs for a company flat. Under the terms of his employment contract, Kevin Gluskie receives his remuneration in Australian dollars. The average exchange rates for 2021 (AUD/EUR 1.5751) and 2022 (AUD/EUR 1.5169) were used for translation into euros. The closing rates prior to the start of the performance period (31 December, 2018: AUD/EUR 1.62681, 31 December, 2019: AUD/EUR 1.5971) were used to convert its long-term bonus into euros.

2) With his departure from the Managing Board on December 31, 2023, Mr. Jelito received a contractual advance payment in the amount of the target value of the management component of the long-term bonus 2023–2025/26. The advance payment does not represent a guaranteed payment and will be offset against the final target achievement at the end of the performance period.

Granted and owed remuneration pursuant to section 162 of the AktG

€'000s/share of granted and owed remuneration pursuant to section 162 of the AktG in %	Dennis Lentz Member of the Managing Board[1]			Jon Morrish Member of the Managing Board			Chris Ward Member of the Managing Board[2]		
	2022	**2023**		2022	**2023**		2022	**2023**	
Fixed annual salary	**600**	**600**	**24%**	**903**	**903**	**26%**	**819**	**829**	**25%**
Fringe benefits	326	412	17%	97	82	2%	60	58	2%
Contribution to private pension (cash allowance)	-	-		-	-		401	392	12%
One-year variable compensation	**765**	**856**	**35%**	**1,134**	**1,317**	**38%**	**1,000**	**1,168**	**35%**
Annual bonus 2022	765	-		1,134	-		1,000	-	
Annual bonus 2023	-	856		-	1,317		-	1,168	
Multi-year variable compensation		**584**	**24%**	**1,075**	**1,127**	**34%**	**936**	**860**	**26%**
Long-term bonus 2019–2021/2022									
Capital market component tranche 2019–2022	-	-		0	-		0	-	
Long-term bonus 2020–2022/2023									
Management component tranche 2020–2022	-	-		1,075	-		936	-	
Capital market component tranche 2020–2023	-	-		-	0		-	0	
Long-term bonus 2021–2023/2024									
Management component tranche 2021–2023	-	584		-	1,127		-	860	
Others	-	-	0%	-	-	0%	-	-	0%
Granted and owed remuneration pursuant to section 162 of the AktG	**1,691**	**2,452**	**100%**	**3,209**	**3,429**	**100%**	**3,216**	**3,307**	**100%**
Service costs	237	145	-	572	324	-	-	18	-
Total compensation	**1,928**	**2,598**	**-**	**3,781**	**3,753**	**-**	**3,216**	**3,325**	**-**

1) 70% of Dennis Lentz's fixed annual salary, the annual bonus and the long-term bonus were paid by Heidelberg Materials US, Inc. (Lehigh Hanson until 1 January 2023). The remaining 30% are paid by Heidelberg Materials AG. The fringe benefits of Dennis Lentz include, in addition to the assumption of costs for a company car, group accident insurance and flights home, especially secondment-related benefits such as foreign health insurance, relocation, housing, school and living costs.

2) 90% of the fixed annual salary, the annual bonus, and the long-term bonus of Chris Ward are borne by Heidelberg Materials US, Inc. (Lehigh Hanson until 1 January 2023). The remaining 10% is borne by Heidelberg Materials AG. Chris Ward receives his remuneration in US dollars in accordance with his employment contract. The average exchange rates for the years 2021 (1.1830 USD/EUR) and 2022 (1.0536 USD/EUR) were used for conversion into euros. The closing rates before the start of the performance period (31 December, 2018: 1.1467 USD/EUR, 31 December, 2019: 1.1213 USD/EUR) were used to convert his long-term bonus into euros.

Remuneration of former members of the Managing Board

The remuneration granted and owed pursuant to section 162 of the AktG to former members of the Managing Board consists in particular of payouts of the long-term bonus and of retirement and transitional payments.

Former members of the Managing Board are entitled to payouts from the 2021 tranche of the management component, which was completed at the end of the 2023 financial year, and from the 2020 tranche of the capital market component, which was also completed at the end of the 2023 financial year.

The following table summarises the main elements of the tranches:

Summary of management component of long-term bonus 2021–2023/2024 for former members of the Managing Board

		Target achievement			
€'000s	Target value	EBIT	ROIC	Total	**Payout**
Dr Lorenz Näger [1)]	458	200%	200%	200%	916

1) For Dr Lorenz Näger, the value for 2023 includes a crediting of a prepayment for the long-term bonus 2021 –2023/2024 in the amount of €458 thousand.

Summary of capital market component of long-term bonus 2020–2022/2023 for former members of the Managing Board

€'000s	Target value	Allocation price in €	Number of provisionally allocated PSUs	Target achievement relative TSR	Final number of PSUs	Closing price in €	**Payout**
Dr Lorenz Näger	628	65.84	9,540	0.00%	0	83.17	0
Dr Bernd Scheifele	102		1,543		0		0

The payout of the tranches will be made following the Annual General Meeting in 2024.

Further information on the 2021 tranche of the management component and the 2020 tranche of the capital market component can be found in the **Completed tranches at the end of the 2023 financial year section**.

The following tables show the remuneration granted and owed to the former members of the Managing Board in the 2023 financial year pursuant to section 162 of the AktG:

Granted and owed remuneration pursuant to section 162 of the AktG

	Dr Lorenz Näger Deputy Chairman of the Managing Board (until 31 Aug. 2021)[1]		Dr Bernd Scheifele Chairman of the Managing Board (until 31 Jan. 2020)		Andreas Kern Member of the Managing Board (until 30 June 2016)	
€'000s/share of granted and owed remuneration pursuant to section 162 of the AktG in %		2023		2023		2023
Multi-year variable compensation	**917**	**51%**	**0**	**0%**	**0**	**0%**
Long-term bonus 2020–2022/2023						
Capital market component tranche 2020–2023	0		0		-	0%
Long-term bonus 2021–2023/2024						
Management component tranche 2021–2023	917		-		-	
Others[2]	450	25%		0%		0%
Total	**1,367**		**0**			
Retirement and transitional payments	425	24%	1,023	100%	199	100%
Granted and owed remuneration pursuant to section 162 of the AktG	**1,792**	**100%**	**1,023**	**100%**	**199**	**100%**

1) In the case of Dr Lorenz Näger, the value for 2023 includes an amount of €458 thousand, which was already paid out as part of an advance payment for the long-term bonus 2021–2023/2024 in 2021.
2) Includes the payment of a waiting allowance to Dr Näger.

Further development of the remuneration system

The Supervisory Board is committed to continuously improving the remuneration system for the members of the Managing Board in the interests of the shareholders of Heidelberg Materials AG. This is done by maintaining ongoing dialogue with our investors and by regularly analysing current market practice.

In the 2023 financial year, the Supervisory Board carried out a comprehensive review of the remuneration system, taking into account investor expectations and Heidelberg Materials' strategic objectives. The remuneration system further developed on the basis of the review (2024+ Remuneration System) will be submitted to the 2024 Annual General Meeting for approval and will be effective as of 1 January 2024 for all members of the Managing Board whose employment contracts are newly concluded or extended after the date on which the Annual General Meeting approves the 2024+ Remuneration System. The 2024+ Remuneration System will also be effective as of 1 January 2024 with respect to members of the Managing Board already appointed as at the date on which the Annual General Meeting approves the remuneration system.

Key changes in the new remuneration system:

- **Long-term bonus**: 100 share-based award, uniform duration of four years and introduction of an ESG target
- **Annual bonus**: Definition of uniform performance criteria for every Managing Board member (including health and safety, free cash flow and sustainable revenue) with the aim of reducing complexity and increasing transparency

- Uniform **maximum remuneration** amounts
- Definition of **personal investment** requirements as a percentage of base salary
- Elimination of the **transitional allowance** and extension of the **clawback rule**

The revision of the remuneration system includes, in particular, adjustments to the variable, performance-related remuneration components. In future, the two target categories, Group Performance and Sustainable Strategy Targets, will have equal weighting in the annual bonus. While the profit for the financial year and the CO_2 component continue to be taken into account as part of Group Performance, four performance criteria (free cash flow, health and safety, sustainable revenue in the cement business line, and an individual target) are embedded in the Sustainable Strategy Targets, which are linked to Heidelberg Materials' strategic principles. By reducing the individual targets from up to six targets in the previous remuneration system to one target, complexity is significantly reduced and the harmonisation and comparability of objectives within the Managing Board is increased.

In future, the long-term bonus will be allocated entirely equity-based in the form of performance share units (PSUs). By dispensing with the previous separation into a management and a capital market component, the intention is to significantly reduce the complexity of the long-term bonus. In addition, the duration of the long-term bonus will be harmonised to four years, strengthening the long-term focus of variable remuneration. To incentivise the achievement of Heidelberg Materials' ambitious sustainability targets, a strategy-derived and measurable ESG target will also be anchored in the long-term bonus. In future, target achievement for the long-term bonus will be determined on the basis of the equally weighted performance criteria EBIT, ROIC, relative TSR, and ESG targets. The relative TSR will no longer be measured against the DAX and MSCI World Construction Materials Index, but against a peer group of competitors:

Peer group used from 2024 onwards

Global	Europe	North America	Asia	Australia
Cemex S.A.B.	ACS, S.A.	Eagle Materials Inc.	PT Semen Indonesia Tbk	Boral Limited
CRH plc	Bouygues SA	Martin Marietta Materials Inc.		
Holcim Ltd	Breedon Group plc	Summit Materials, Inc.		
	Buzzi S.p.A	Vulcan Materials Co.		
	Skanska AB			
	Titan Cement Int. S.A.			
	Vicat SA			

Furthermore, the defined maximum remuneration is concretised in accordance with section 87a(1)(2)(1) of the AktG. In future, the maximum remuneration for the Chairman of the Managing Board will be €11 million, and that of the regular members of the Managing Board will be €6 million. For regular members of the Managing Board whose remuneration is defined in US dollars, the maximum remuneration to avoid risks arising from exchange rate fluctuations is US$6.5 million.

In addition, as part of the share ownership aspect of the 2024+ Remuneration System, the members of the Managing Board will in future be obliged to invest a fixed amount in euros in Heidelberg Materials shares corresponding to a fixed percentage of their respective fixed annual salary. The move away from the previous rule requiring a fixed number of shares to be held serves the purpose of increasing the comparability of share ownership. The future share ownership figure has been determined in accordance with German market practice and will amount to 180% of fixed annual salary for the Chairman of the Managing Board and 100% for regular members of the Managing Board.

To further increase consistency with current market practice, the option of granting a transitional allowance in the event of a member of the Managing Board leaving the company's service will be removed. In addition, the existing clawback rule will be extended to include the option of reclaiming variable remuneration components in the event of materially incorrect consolidated annual financial statements (performance clawback).

Remuneration of the Supervisory Board in the 2023 financial year

Principles of the remuneration of the Supervisory Board

By resolution of 22 March 2023, the Supervisory Board adjusted the remuneration system for the members of the Supervisory Board of Heidelberg Materials AG by taking into account the new Sustainability and Innovation Committee in the remuneration. The adjusted remuneration system of the Supervisory Board of Heidelberg Materials AG was approved by the Annual General Meeting in 2023.

The remuneration of the Supervisory Board is set out in section 12 of the Articles of Association of Heidelberg Materials AG. It consists of fixed amounts and attendance fees. Each member receives a fixed remuneration of €80,000, the Chairman receives two and a half times and his deputy one and a half times the amount. The members of the Audit Committee additionally receive a fixed remuneration of €25,000 and the members of the Personnel Committee €20,000. The chairperson of the committees receives twice these respective amounts.

In addition, an attendance fee of €2,000 is paid for each personal participation in a meeting of the Supervisory Board and its committees, irrespective of the form in which it is carried out. For multiple meetings that take place on the same day or on subsequent days, the attendance fee is paid only once.

Remuneration granted and owed to the members of the Supervisory Board

The following table lists the remuneration granted and owed to the members of the Supervisory Board in the 2023 financial year pursuant to section 162 of the AktG:

Remuneration granted and owed to the members of the Supervisory Board in the 2023 financial year

	Fixed remuneration			Remuneration for committee membership			Attendance fees			Total remuneration	
€'000s/share of total remuneration in %	2022	**2023**		2022	**2023**		2022	**2023**		2022	**2023**
Dr Bernd Scheifele (Chairman since 12.05.2022)	128	200	75%	29	45	17%	10	20	8%	167	265
Fritz-Jürgen Heckmann (Chairman until 11.05.2022)	72	-		16	-		16	-		105	-
Heinz Schmitt (Deputy Chairman)	120	120	64%	45	45	24%	18	22	12%	183	187
Barbara Breuninger	80	80	64%	25	25	20%	18	20	16%	123	125
Birgit Jochens	80	80	68%	20	20	17%	12	18	15%	112	118
Ludwig Merckle	80	80	42%	65	85	45%	24	26	14%	169	191
Tobias Merckle[1] (Member until 11.05.2022)	29	-		0			6	-		35	-
Luka Mucic	80	80	47%	70	70	41%	18	22	13%	168	172
Dr Ines Ploss	80	80	58%	20	40	29%	12	18	13%	112	138
Peter Riedel	80	80	55%	25	45	31%	18	20	14%	123	145
Werner Schraeder	80	80	48%	45	65	39%	18	22	13%	143	167
Margret Suckale	80	80	53%	45	45	30%	24	26	17%	149	151
Dr Sopna Sury[1] (Member since 12.05.2022)	51	80	70%	0	20	18%	6	14	12%	57	114
Prof. Dr Marion Weissenberger-Eibl[1]	80	80	58%	0	40	29%	12	18	13%	92	138
Total	**1,121**	**1,120**	**59%**	**405**	**545**	**28%**	**212**	**246**	**13%**	**1,738**	**1,911**

1) No committee work

Comparative presentation of the development in remuneration and earnings

In accordance with the provisions of section 162(1)(2)(2) of the AktG, the following table shows the remuneration development of the members of the Managing Board who were active in the 2023 financial year as well as former members of the Managing Board on the basis of the remuneration granted and owed pursuant to section 162 of the AktG, the members of the Supervisory Board, and the employees in comparison with the company's development in earnings. For the employees, the total workforce of Heidelberg Materials AG excluding the Managing Board was taken into account.

Development of the direct remuneration of the Managing Board, the Supervisory Board, and the average direct remuneration of the workforce of Heidelberg Materials AG

€'000s	2019	Change	2020	Change	2021	Change	2022	Change	2023
Development of earnings									
Result from current operations before depreciation and amortisation in €m	3,580	4%	3,707	5%	3,875	-4%	3,739	14%	4,258
Profit/loss for the financial year attributable to Heidelberg Materials AG shareholders in €m	1,091	(-296%) 1)	-2,139	(-182%) 1)	1,759	-9%	1,597	21%	1,929
Net profit/net loss of Heidelberg Materials AG pursuant to the HGB in €m	35	(-346%) 1)	-86	(-556%) 1)	392	-34%	257	214%	806
Employees 2)									
Average	72	-1%	71	4%	74	-3%	72	7%	77
Active members of the Managing Board in the financial year									
Dr Dominik von Achten (Chairman) 3)	3,611	41%	5,104	10%	5,606	4%	5,850	11%	6,515
René Aldach 4)	-		-	-	502	178%	1,395	49%	2,083
Kevin Gluskie	3,287	0%	3,277	15%	3,766	-1%	3,728	3%	3,854
Hakan Gurdal	2,286	6%	2,430	18%	2,856	-6%	2,697	8%	2,925
Ernest Jelito 5)	809	115%	1,736	44%	2,502	3%	2,575	22%	3,150
Dr Nicola Kimm 4)	-		-	-	565	153%	1,432	47%	2,100
Dennis Lentz 4)	-		-	-	528	220%	1,691	45%	2,452
Jon Morrish	2,806	11%	3,109	10%	3,415	-6%	3,209	7%	3,429
Chris Ward 6)	780	176%	2,152	32%	2,850	13%	3,216	3%	3,307

Development of the direct remuneration of the Managing Board, the Supervisory Board, and the average direct remuneration of the workforce of Heidelberg Materials AG

€'000s	2019	Change	2020	Change	2021	Change	2022	Change	2023
Former members of the Managing Board									
Dr Lorenz Näger[7)]	2,878	23%	3,544	81%	6,407	-63%	2,355	-24%	1,792
Dr Bernd Scheifele[8)]	6,433	-62%	2,439	67%	4,063	-71%	1,163	-12%	1,023
Dr Albert Scheuer[9)]	2,179	-66%	743	17%	873	-68%	280	-100%	0
Andreas Kern									199
Members of the Supervisory Board[10)]									
Fritz-Jürgen Heckmann (Chairman)[11)]	257	-2%	251	9%	273	-62%	105	-100%	0
Dr Bernd Scheifele (Chairman)[12)]	-		-		-		167	59%	265
Heinz Schmitt (Deputy Chairman)	177	-1%	175	9%	191	-4%	183	2%	187
Barbara Breuninger	106	10%	117	9%	127	-3%	123	2%	125
Birgit Jochens	71	58%	112	9%	122	-8%	112	5%	118
Ludwig Merckle	166	-5%	157	10%	173	-2%	169	13%	191
Tobias Merckle	90	0%	90	9%	98	-64%	35	-100%	0
Dr Sopna Sury	-		-		-		57	100%	114
Luka Mucic	101	58%	160	10%	176	-5%	168	2%	172
Dr Ines Ploss	71	58%	112	9%	122	-8%	112	23%	138
Peter Riedel	74	58%	117	9%	127	-3%	123	18%	145
Werner Schraeder	130	5%	137	10%	151	-5%	143	17%	167
Margret Suckale	128	5%	135	13%	153	-3%	149	1%	151
Prof. Dr Marion Weissenberger-Eibl	90	-2%	88	14%	100	-8%	92	50%	138

1) Mathematically determined change; limited interpretability due to change of algebraic sign within the reference values.
2) Total workforce of Heidelberg Materials AG incl. top and senior management, excluding Managing Board (full-time equivalents)
3) Chairman of the Managing Board since 1 February 2020
4) Member of the Managing Board since 1 September 2021
5) Member of the Managing Board since 1 July 2019
6) Member of the Managing Board since 1 September 2019
7) Deputy Chairman of the Managing Board until 31 August 2021
8) Chairman of the Managing Board until 31 January 2020
9) Member of the Managing Board until 5 August 2019
10) Individual amounts may fluctuate due to entries and exits during the year as well as changing committee activities.
11) Chairman of the Supervisory Board until 12 May 2022
12) Chairman of the Supervisory Board since 12 May 2022

Auditor's Report

To Heidelberg Materials AG, Heidelberg

We have audited the remuneration report of Heidelberg Materials AG (formally: HeidelbergCement AG), Heidelberg, for the financial year from January 1 to December 31, 2023 including the related disclosures, which was prepared to comply with § [Article] 162 AktG [Aktiengesetz: German Stock Corporation Act].

Responsibilities of the Executive Directors and the Supervisory Board

The executive directors and the supervisory board of Heidelberg Materials AG are responsible for the preparation of the remuneration report, including the related disclosures, that complies with the requirements of § 162 AktG. The executive directors and the supervisory board are also responsible for such internal control as they determine is necessary to enable the preparation of a remuneration report, including the related disclosures, that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibilities

Our responsibility is to express an opinion on this remuneration report, including the related disclosures, based on our audit. We conducted our audit in accordance with German generally accepted standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer (Institute of Public Auditors in Germany) (IDW). Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the remuneration report, including the related disclosures, is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts including the related disclosures stated in the remuneration report. The procedures selected depend on the auditor's judgment. This includes the assessment of the risks of material misstatement of the remuneration report including the related disclosures, whether due to fraud or error.

In making those risk assessments, the auditor considers internal control relevant to the preparation of the remuneration report including the related disclosures. The objective of this is to plan and perform audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the executive directors and the supervisory board, as well as evaluating the overall presentation of the remuneration report including the related disclosures.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Audit Opinion

In our opinion, based on the findings of our audit, the remuneration report for the financial year from January 1 to December 31, 2023, including the related disclosures, complies in all material respects with the accounting provisions of § 162 AktG.

Reference to an Other Matter – Formal Audit of the Remuneration Report according to § 162 AktG

The audit of the content of the remuneration report described in this auditor's report includes the formal audit of the remuneration report required by § 162 Abs. [paragraph] 3 AktG, including the issuance of a report on this audit. As we express an unqualified audit opinion on the content of the remuneration report, this audit opinion includes that the information required by § 162 Abs. 1 and 2 AktG has been disclosed in all material respects in the remuneration report.

Restriction on use

We issue this auditor’s report on the basis of the engagement agreed with Heidelberg Materials AG. The audit has been performed only for purposes of the company and the auditor‘s report is solely intended to inform the company as to the results of the audit. Our responsibility for the audit and for our auditor’s report is only towards the company in accordance with this engagement. The auditor’s report is not intended for any third parties to base any (financial) decisions thereon. We do not assume any responsibility, duty of care or liability towards third parties; no third parties are included in the scope of protection of the underlying engagement. § 334 BGB [Bürgerliches Gesetzbuch: German Civil Code], according to which objections arising from a contract may also be raised against third parties, is not waived.

Frankfurt am Main, March 20, 2024

PricewaterhouseCoopers GmbH
Wirtschaftsprüfungsgesellschaft

[sgnd. Thomas Tilgner]	[sgnd. ppa. Olav Krützfeldt]
Wirtschaftsprüfer	Wirtschaftsprüfer
(German Public Auditor)	(German Public Auditor)

Additional information

Heidelberg Materials at a glance

Figures in €m	2019	2020	2021	2022	**2023**
Income statement					
Revenue	18,851	17,606	18,720	21,095	21,178
Result from current operations before depreciation and amortisation (RCOBD)	3,580	3,707	3,875	3,739	4,258
Result from current operations (RCO)	2,186	2,363	2,614	2,476	3,022
Additional ordinary result	-178	-3,678	481	-193	1
Financial result	-375	-287	-201	-65	-174
Profit/loss for the financial year	1,242	-2,009	1,902	1,723	2,087
Profit/loss attributable to Heidelberg Materials AG shareholders	1,091	-2,139	1,759	1,597	1,929
Earnings per share in € [1)]	5.50	-10.78	8.91	8.45	10.43
Dividend per share in €	0.60	2.20	2.40	2.60	3,00*
Investments					
Investments in intangible assets and PP&E less state subsidies	1,183	969	1,419	1,260	1,235
Investments in financial assets	131	98	180	551	614
Total investments	1,314	1,067	1,599	1,811	1,850
Cash flow					
Cash flow from operating activities	2,664	3,027	2,396	2,420	3,205
Free cash flow	1,702	2,172	1,187	1,341	2,163
Balance sheet					
Equity (incl. non-controlling interests)	18,504	14,548	16,659	17,624	18,375
Balance sheet total	38,589	32,335	33,711	33,256	35,471
Net debt	8,410	6,893	4,999	5,532	5,294
Ratios					
RCOBD margin in %	19.0	21.1	20.7	17.7	20.1
Return on invested capital (ROIC) in %	6.5	7.9	9.3	9.1	10.3
Leverage ratio	2,35x	1,86x	1,29x	1,48x	1,24x

1) Attributable to Heidelberg Materials AG shareholders.
* The Managing Board and Supervisory Board will propose to the Annual General Meeting on 16 May 2024 the distribution of a cash dividend of €3.00.

Revenue and results by business lines

€m	Cement 2022	Cement 2023	Aggregates 2022	Aggregates 2023	Ready-mixed concrete-asphalt 2022	Ready-mixed concrete-asphalt 2023	Service-joint ventures-other 2022	Service-joint ventures-other 2023	Reconciliation[2] 2022	Reconciliation[2] 2023	Total Group 2022	Total Group 2023
External revenue	9,519	9,643	3,634	3,810	5,890	5,814	2,052	1,911	0	0	21,095	21,178
Inter-business lines revenue	1,487	1,568	1,093	1,069	68	81	1,135	759	-3,783	-3,476	0	0
Revenue	11,006	11,211	4,727	4,879	5,958	5,895	3,187	2,670	-3,783	-3,476	21,095	21,178
– of which Western and Southern Europe	3,385	3,432	1,383	1,398	2,376	2,372	406	490	-1,241	-1,255	6,308	6,437
– of which Northern and Eastern Europe-Central Asia	1,933	2,058	644	679	715	684	554	476	-245	-279	3,600	3,617
– of which North America	1,974	2,196	1,987	2,098	1,161	1,141	331	336	-545	-552	4,907	5,219
– of which Asia Pacific	1,961	1,978	665	661	1,298	1,338	59	65	-349	-337	3,633	3,705
– of which Africa-Eastern Mediterranean Basin	1,755	1,548	92	87	409	360	49	36	-196	-175	2,108	1,856
– of which Group Services	0	0	0	0	0	0	1,783	1,260	0	0	1,783	1,260
– of which corporate, reconciliation and other[1]	-2	-1	-43	-44	0	0	6	8	-1,206	-879	-1,245	-916
Result from current operations before depreciation and amortisation (RCOBD)	2,205	2,728	1,123	1,175	75	113	344	285	-7	-44	3,739	4,258
– of which Western and Southern Europe	599	865	235	263	10	26	64	58	0	0	908	1,212
– of which Northern and Eastern Europe-Central Asia	510	568	133	150	40	33	46	35	0	0	730	787
– of which North America	424	577	574	592	-3	6	34	7	0	0	1,028	1,181
– of which Asia Pacific	279	315	157	154	21	40	141	135	0	0	598	643
– of which Africa-Eastern Mediterranean Basin	392	406	25	16	8	11	40	41	0	0	464	474
– of which Group Services	-0	-0	0	0	0	0	35	31	0	0	35	31
– of which corporate, reconciliation and other[1]	1	-2	0	-0	-1	-2	-15	-23	-7	-44	-22	-71
Result from current operations	1,541	2,077	778	840	-99	-54	288	229	-32	-69	2,476	3,022
– of which Western and Southern Europe	420	703	135	162	-53	-39	49	38	-0	0	550	865
– of which Northern and Eastern Europe-Central Asia	413	473	72	90	15	11	34	25	0	0	534	599
– of which North America	276	423	448	471	-39	-27	15	-11	0	0	700	856
– of which Asia Pacific	128	162	109	108	-21	-1	133	129	-0	0	350	399
– of which Africa-Eastern Mediterranean Basin	303	319	15	8	-1	3	38	40	0	-0	355	370
– of which Group Services	-0	-0	0	0	0	0	34	31	0	0	34	31
– of which corporate, reconciliation and other[1]	1	-2	0	0	-1	-2	-15	-23	-32	-69	-47	-96

1) Reconciliation includes:
a. intra-Group revenues = eliminations of intra-Group relationships between the areas
b. corporate functions (column "Reconciliation") & other (column "Service-joint ventures-other")

2) Reconciliation includes:
a. intra-Group revenues = eliminations of intra-Group relationships between the segments
b. corporate functions

Cement capacities[1)]

	Million tonnes
Europe	
Belgium	3.9
Bulgaria	2.2
Germany	10.1
Estonia	1.0
France	7.0
Greece	0.9
United Kingdom	6.2
Italy	9.6
Netherlands	2.3
Norway	1.8
Poland	5.1
Romania	6.1
Sweden	2.7
Spain	1.3
Czechia	2.6
	62.9
North America	
Canada	3.8
USA	12.3
	16.1
Asia-Pacific	
Bangladesh	3.7
Brunei	0.5
India	12.5
Indonesia	30.9
Thailand	5.9
	53.5

Cement capacities[1)]

	Million tonnes
Africa-Mediterranean-Western Asia	
Egypt	9.3
Benin	0.6
Burkina Faso	1.4
DR Congo	0.8
Ghana	4.3
Liberia	0.7
Morocco	5.9
Mozambique	0.3
Tanzania	3.5
Togo	1.6
Kazakhstan	4.1
Russia	4.7
	37.1
Total Heidelberg Materials	**169.6**

1) Operational capacities based on 80% calendar time utilisation.

Cement capacities of joint ventures[2)]

	Million tonnes
Australia	2.4
Bosnia-Herzegovina	0.4
China	8.6
South Africa	0.3
Turkey	2.9
Hungary	1.5
USA (Texas)	0.5
Total joint ventures	**16.6**
Heidelberg Materials incl. joint ventures	**186.2**

2) Cement capacities according to our ownership.

Aggregates reserves and resources[3)]

Billion tonnes	Reserves	Resources	Total
Europe	1.7	2.7	4.4
North America	4.5	7.4	11.9
Asia-Pacific	1.1	1.8	2.9
Africa-Mediterranean-Western Asia	0.02	0.07	0.09
Heidelberg Materials total	**7.3**	**12.0**	**19.3**

3) Defined in the PERC Reporting Standard for mineral reserves and resources, see page 157 in the Risk and opportunity report.

ESG indicators

	1990	2021	2022	**2023**	Unit	**Assurance 2023**
CO_2 emissions						
Cement business line						
Absolute gross CO_2 emissions (Scope 1)	82.6	69.0	65.4	61.2	million t	○ ●
Absolute net CO_2 emissions (Scope 1)	81.0	64.6	61.2	57.1	million t	○ ●
Specific gross CO_2 emissions per tonne of cementitious material (Scope 1)	759.6	598.7	586	569	kg CO_2/t	○ ●
Specific net CO_2 emissions per tonne of cementitious material (Scope 1)	751.8	565	551	534	kg CO_2/t	● ●
Absolute CO_2 emissions from external electrical power and thermal energy production (Scope 2) – market based approach[1)]				4.5	million t	○
Absolute CO_2 emissions from external electrical power and thermal energy production (Scope 2) – location based approach	6.6	4.8	4.5	4.4	million t	○ ●
Specific CO_2 emissions from external electrical power and thermal energy production per tonne of cementitious material (Scope 2) - market based approach[1)]	–			42	kg CO_2/t	○
Specific CO_2 emissions from external electrical power and thermal energy production per tonne of cementitious material (Scope 2) - location based approach	–	42	41	41	kg CO_2/t	○ ●
Share of Scope 1 emissions covered by the ETS or other climate regulation	–			41	%	
Aggregates business line						
Absolute CO_2 emissions from fuels (Scope 1)	–	0.49	0.51	0.58	million t	○
Specific CO_2 emissions from fuels (Scope 1)	–	1.62	1.79	2.14	kg CO_2/t	○
Absolute CO_2 emissions from external electrical power and thermal energy production (Scope 2) – market based approach[1)]	–			0.25	million t	○
Absolute CO_2 emissions from external electrical power and thermal energy production (Scope 2) – location based approach	–			0.25	million t	○
Specific CO_2 emissions from external electrical power and thermal energy production (Scope 2) – market based approach[1)]	–			0.93	kg CO_2/t	○
Specific CO_2 emissions from external electrical power and thermal energy production (Scope 2) – location based approach	–			0.94	kg CO_2/t	○
All business lines						
CO_2 emissions from offsite transport (Scope 1)[2)]				1.5	million t	○
CO_2 emissions from purchased materials (Scope 3)[3)]	–	12.0	9.7	7.9	million t	○
CO_2 emissions from purchased fuels (Scope 3)[4)]	–	3.7	3.4	3.7	million t	○
CO_2 emissions from upstream and downstream transportation and distribution (Scope 3)[5)]	–	8.2	7.6	3.5	million t	○
CO_2 emissions from processing of sold products (Scope 3)	–			0.2	million t	
CO_2 emissions from investments (Scope 3)	–			7.5	million t	
Specific CO_2 emissions per Group revenue[6)]	–			3.9	kt CO_2/€m	○
Energy/raw materials						
Absolute energy consumption						
– Cement	450,860	353,640	337,186	318,671	TJ	○ ●
– Thereof clinker production[7)]	385,973	319,656	309,153	291,023	TJ	○ ●
– Aggregates	n.a.	9,586	9,900	11,104	TJ	○

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ESG indicators

	1990	2021	2022	**2023**	Unit	**Assurance 2023**
Consumption of renewable energy	–	9.1	10.7	12.3	%	
Specific energy consumption						
– Cement	4,186	3,093	3,037	2,981	MJ/t	○ ●
– Thereof clinker production	4,359	3,859	3,880	3,864	MJ/t	○ ●
– Aggregates	n.a.	31.6	34.8	41.0	MJ/t	○
Fuel mix for clinker production						
– Hard coal	52.5	41.7	37.3	34.5	%	○ ●
– Lignite	0.0	1.9	1.9	1.4	%	○ ●
– Petroleum coke	8.6	18.9	20.9	20.9	%	○ ●
– Natural gas	17.1	10.6	10.8	12.9	%	○ ●
– Light fuel oil	0.6	0.2	0.2	0.1	%	○ ●
– Heavy fuel oil	16.0	0.2	0.3	0.2	%	○ ●
– Other fossil fuels	2.2	0.0	0.0	0.0	%	○ ●
– Alternative fossil fuels	2.8	15.4	16.1	16.7	%	○ ●
– Biomass	0.2	11.2	12.6	13.2	%	○ ●
– Proportion of biomass in mix of alternative fuels	6.3	42.0	43.8	44.1	%	○ ●
Alternative fuel mix for clinker production						
– RDF	1.6	26.1	26.0	26.9	%	○ ●
– Waste oil	29.0	2.6	1.9	2.1	%	○ ●
– Used tyres	17.1	9.8	8.9	7.4	%	○ ●
– Solvents	30.8	6.8	6.0	5.0	%	○ ●
– Dried sewage sludge	0.0	1.7	1.6	1.5	%	○ ●
– Meat and bone meal	0.0	3.2	3.3	3.1	%	○ ●
– Agricultural waste and waste wood	0.0	9.3	10.4	11.9	%	○ ●
– Other biomass	6.3	27.8	28.5	27.7	%	○ ●
– Other alternative fuels	15.1	12.8	13.3	14.5	%	○ ●
Alternative fuel rate (incl. biomass)	3.0	26.4	28.7	29.9	%	● ●
Clinker content in cementitious material	82.0	72.9	71.6	70.2	%	● ●
Proportion of alternative raw materials						
– Clinker	n.a.	3.8	4.0	4.1	%	○ ●
– Cement	n.a.	9.8	10.6	11.0	%	○ ●

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ESG indicators

	2008	2021	2022	**2023**	Unit	**Assurance 2023**
Emissions						
Absolute NO_x emissions	84,571	102,203	98,758	90.784	t	○ ●
Specific NO_x emissions	1,585	1,235	1,249	1,205	g/t clinker	○ ●
Absolute SO_x emissions	27,007	27,543	27,636	24.589	t	○ ●
Specific SO_x emissions	506	333	349	326	g/t clinker	○ ●
Absolute dust emissions	17,043	3,250	2,236	2.725	t	○ ●
Specific dust emissions	319	39	28	36	g/t clinker	○ ●
Proportion of clinker produced in kilns with continuous or discontinuous measurement of all emissions	49	67	77	74	%	○
Proportion of clinker produced in kilns with continuous measurement of dust, NO_x, and SO_x emissions	63	86	90	87	%	○
Mercury						
– Specific emissions	n.a.	0.018	0.015	0.018	g/t clinker	○ ●
– Number of kilns reported	n.a.	94	94	80	number	
Dioxins and furans						
– Specific emissions	n.a.	0.042	0.073	0.057	µg TEQ/t clinker	○ ●
– Number of kilns reported	n.a.	85	89	76	number	

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ESG indicators

	2021	2022	2023	Unit	Assurance 2023
Biodiversity[8)]					
Proportion of quarries sites located near an area of high biodiversity value with biodiversity management plan[9)]	43	51	61	%	○ ●
Proportion of quarries with a restoration plan	87	92	76	%	○ ●
Sustainable products and solutions					
Share of revenue from sustainable products[10) 11) 12) 13)]	31	34	35	%	○
Share of revenue from sustainable procucts of cement business line[11) 13)]	33	37	39	%	●
Number of memberships in Green Building Councils and Sustainable Infrastructure Councils	15	15	14	number	
Circularity					
Production volume of recycled aggregates (100% recycled content)	3.3	3.8	4.8	million t	
Share of recycled aggregates in total aggregates production	1.1	1.3	1.7	%	
Share of alternative raw materials contained in other building materials such as asphalt	9.8	12.1	12.7	%	
EU Taxonomy Regulation					
Taxonomy-eligible revenue	51.2	52.4	53.3	%	○
– Thereof taxonomy-aligned revenue[14)]	–	0.6	0.6	%	○
Taxonomy-eligible investments	57.0	62.8	68.0	%	○
– Thereof taxonomy-aligned investments	–	23.3	14.2	%	○
Taxonomy-eligible operating expenses	55.9	56.1	55.5	%	○
– Thereof taxonomy-aligned operating expenses	–	2.9	2.6	%	○
Waste[15)]					
Total waste generated	1,276.7	953.1	476.5	kt	
– Thereof non-hazardous waste	93.0	98.0	94.0	%	
– Thereof hazardous waste	7.0	2.0	6.0	%	
Total waste disposed					
– Share of waste sent to incineration	n.a.	n.a.	5.8	%	
– Share of waste sent to reuse, recycling, recovery	66.0	73.0	39.3	%	
– Share of waste sent to landfill	n.a.	n.a.	47.2	%	
– Share of waste sent to other disposal operations	34.0	27.0	6.1	%	
Water					
Cement business line					
Total water withdrawal	60.3	60.7	58.2	million m^3	○ ●
– Thereof in areas with water scarcity	16.7	15.6	14.8	million m^3	

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ESG indicators

	2021	2022	**2023**	Unit	**Assurance 2023**
By source					
– Surface water	28.6	26.3	25.0	million m^3	○ ●
– Groundwater	8.9	9.9	7.8	million m^3	○ ●
– Seawater	3.5	3.5	3.5	million m^3	○ ●
– Municipal/potable water	5.1	4.6	4.4	million m^3	○ ●
– External waste water	0.0	0.2	1.3	million m^3	○ ●
– Quarry water used	11.5	14.3	13.7	million m^3	○ ●
– Harvested rain water used in processes	2.5	2.0	2.4	million m^3	○ ●
Total water discharge	29.5	28.9	28.6	million m^3	○ ●
– Thereof in areas with water scarcity	6.7	6.0	7.2	million m^3	
By place of discharge					
– Surface water	23.9	23.3	22.7	million m^3	○ ●
– Groundwater	0.1	0.1	0.1	million m^3	○ ●
– Seawater	3.9	3.9	3.9	million m^3	○ ●
– Off-site water treatment facility	1.1	1.0	1.1	million m^3	○ ●
Discharge to beneficial third party/other	0.5	0.6	0.7	million m^3	○ ●
Total water consumption (water withdrawal minus wastewater discharge)	30.8	31.8	29.7	million m^3	○ ●
– Thereof in areas with water scarcity	10.0	9.6	7.5	million m^3	
Quarry water not used	69.5	51.3	76.9	million m^3	
Specific water withdrawal for clinker	727.9	762.6	772.8	l /t	○ ●
Specific water withdrawal for cement	520.3	549.7	549.9	l /t	○ ●
Specific water discharge for clinker	355.9	363.5	379.1	l /t	○ ●
Specific water discharge for cement	254.4	262.0	269.7	l /t	○ ●
Specific water consumption for clinker	372.0	399.1	393.7	l /t	○ ●
Specific water consumption for cement	265.9	287.7	280.1	l /t	○ ●
Aggregates business line[16]					
Total water withdrawal	243.8	212.5	203.7	million m^3	
Total water discharge	201.7	177.2	158.4	million m^3	
Total water consumption	42.1	35.3	45.3	million m^3	
Specific water consumption for aggregates	139.9	125.4	167.3	l /t	
Ready-mixed concrete business line[16]					
Total water withdrawal	11.6	12.84	12.05	million m^3	
Total water discharge	6.1	6.39	6.29	million m^3	
Total water consumption	5.5	6.45	5.76	million m^3	
Specific water consumption for ready-mixed concrete	184	178	175	l /m^3	

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ESG indicators

	2021	2022	**2023**	Unit	**Assurance 2023**
Employees, diversity, equity, and inclusion					
Total number of Group employees as at 31 December	51,209	50,780	50,997	Full-time equivalent	●
– Western and Southern Europe	15,040	14,883	15,052	Full-time equivalent	●
– Northern and Eastern Europe-Central Asia	11,101	10,869	10,590	Full-time equivalent	●
– North America	7,637	7,933	8,247	Full-time equivalent	●
– Asia-Pacific	12,460	12,139	12,218	Full-time equivalent	●
– Africa-Eastern Mediterranean Basin	4,886	4,858	4,790	Full-time equivalent	●
– Group Services	85	99	100	Full-time equivalent	●
Employee turnover [17)]					
– Western and Southern Europe	12	8	17	%	
– Northern and Eastern Europe-Central Asia	12	14	15	%	
– North America	36	28	26	%	
– Asia-Pacific	10	14	19	%	
– Africa-Eastern Mediterranean Basin	16	10	12	%	
– Total	15	14	21	%	
Voluntary fluctuation rate [17)]	12	11	17	%	
Total number of hires [17)]	10,511	10,165	10,275	Full-time equivalent	
Internal hire rate [17)]	32	23	28	%	
Proportion of part-time employees (Group) [17)]	2.5	2.5	3,1	%	
Proportion of part-time employees (Heidelberg Materials AG) [17)]	9.9	10.1	10,3	%	
Age structure (Group) [17)]					
– Younger than 30	11.2	11.2	11,6	%	
– 30–49	51.8	51.4	48,4	%	
– 50 and older	37.0	37.5	40,0	%	

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ESG indicators

	2021	2022	**2023**	Unit	**Assurance 2023**
Share of female employees (Group)[17]	14	14	15	%	
Share of female employees N-1 & N-2 with leadership responsibility (Group)[18]	14	14	18	%	○
Share of female employees in programmes for the advancement of future executives (Group)	15	19	23	%	
Share of female employees (Germany)[16]	15.9	16.9	18.3	%	○
Share of female employees N-1 & N-2 with leadership responsibility (Germany)[18]	18	22	21	%	○
Share of female employees N-1 with leadership responsibility (Germany)[18]	17	16	13	%	○
Share of female employees N-2 with leadership responsibility (Germany)[18]	19	25	24	%	○
Share of female employees in all management positions independent of leadership responsibility (Germany)[17]	22	23	27	%	
Share of female employees in programmes for the advancement of future executives (Germany)	31	31	30	%	○
Share of female employees in revenue-generating functions[17]	11	11	12	%	
Share of local managers in senior management positions (Group)[18]	81	82	79	%	○
Proportion of disabled employees					
– Germany	4.1	3.9	4.1	%	
– Heidelberg Materials AG	3.9	3.9	3.8	%	
Number of employees in Germany as at 31 December[19]	4,500	5,092	4,622	persons	
Employees in programmes for the advancement of future executives	1,117	1,281	2,307	persons	
Training hours per employee	24.98	27.58	28.88	hours	
Structure of training hours					
– Management training	3.9	3.9	3.4	%	
– Soft skills training	4.9	3.7	3.8	%	
– Specialist training	31.7	30.6	30.5	%	
– Occupational safety training	52.4	54.8	55.4	%	○
– Language courses	2.3	1.8	1.8	%	
– Other	4.9	5.2	5.2	%	
Percentage of trainees in Germany	3.7	3.0	2.8	%	
Percentage of trainees retained as permanent employees in Germany	70.5	85.0	68.0	%	
Occupational health and safety					
Lost time injury frequency rate (LTIFR)[20]	1.6	1.7	1.7		○ ●
Lost time injury frequency rate (LTIFR), cement business line	1.2	1.0	0.8		○ ●
Lost time injury frequency rate (LTIFR) for contractors, cement business line	1.8	1.9	1.3		○ ●
Lost time injury severity rate[21]	95	79	80		○ ●
Lost time injury severity rate, cement business line	48	50	40		○ ●

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ESG indicators

	2021	2022	**2023**	Unit	**Assurance 2023**
Fatality rate[22]	0.0	0.2	0.2		○ ●
Fatality rate, cement business line	0.0	0.0	0.4		○ ●
Number of fatalities					
– Group employees	0	1	1	persons	○ ●
– Contractor employees	1	4	4	persons	○ ●
Lost time injury frequency rate (LTIFR) by region					
– Western and Southern Europe	3.4	3.2	3.4		○ ●
– Northern and Eastern Europe-Central Asia	1.6	1.7	1.7		○ ●
– North America	1.0	1.5	1.1		○ ●
– Asia-Pacific	0.7	0.7	1.0		○ ●
– Africa-Eastern Mediterranean Basin	0.9	0.6	0.3		○ ●
Occupational illness rate[23]	0.28	0.84	0.94		
Illness rate[24]	1.30	1.66	1.71		
Proportion of employees represented by H&S committees	97.7	97.2	97.8	%	
Proportion of employees represented by H&S committees with trade union representation	92.6	93.6	93.5	%	
Management systems					
Share of integrated cement plants with an environmental management system (ISO 14001 or similar)[14]	96.5	96.3	95.0	%	○
Share of active aggregates production facilities with an environmental management system (ISO 14001 or similar)	41.4	40.0	47.9	%	
Share of integrated cement plants with an energy management system (ISO 50001 or similar)[14]	41.9	40.7	38.8	%	○
Share of operational sites with an occupational health and safety management system (ISO 45001 or similar)	98	99	99	%	○
Compliance					
Number of reported incidents	238	233	283	number	○
– Thereof on the topic of employee relations	40	36	39	%	○
– Thereof on the topic of health and safety	15	9	8	%	○
– Thereof on the topic of fraud, theft, or embezzlement	8	9	8	%	○
– Thereof on the topic of corruption or conflicts of interest	9	18	10	%	○
– Thereof on the topic of discrimination and harassment	2	5	5	%	○
– Thereof on other topics	26	23	30	%	○
– Thereof share of substantiated incidents	35	28	36	%	○
Completion rate e-learning programmes[25]					
– Thereof on the topic of Code of Business Conduct	94	94	93	%	○
– Thereof on the topic of anti-corruption	95	95	91	%	○
– Thereof on the topic of antitrust law	92	93	93	%	○
– Thereof on the topic of human rights	–	–	87	%	○

● Reasonable assurance ○ Limited assurance ● Preparation according to GCCA Guidelines

ESG indicators

	2021	2022	**2023**	Unit	**Assurance 2023**
Corporate Citizenship					
CSR spend[26)]	–	7.9	8.6	million €	○
Financial contributions to trade associations[27)]	–	10.5	15.5	million €	
– Thereof from associations used for lobbying activities	–	2.3	3.3	million €	
Responsible procurement					
ESG Supplier Sustainability Perfomance Rate[28)]	–	–	53	%	○

1) In 2023 we distinguished market and location based Scope 2 emissions for the first time. Data for prior years is not available.
2) The emissions associated with the own transport fleet have in the past been included in the Scope 3 up- and downstream categories. As they are treated differently from the fuel and process-related emissions and audited only with limited assurance they are reported separately.
3) The calculation methodology was adjusted in 2023 and relates only to the cement and ready-mixed concrete business lines. For the cement business, externally purchased mineral components, cement, and clinker are considered, for ready-mixed concrete the emissions contained in the purchased cement. The additives in ready-mixed concrete previously recorded are excluded. Previous years data was adjusted retroactively. Due to the change in the baseline for emissions from purchased clinker and cement, we will have our SBTi target reviewed.
4) Includes the consumption of the cement and aggregates business lines. Compared to previous years the supply chain emissions (Well-to-tank) for electricity as well as the associated transmission & distribution losses have been included. Moreover, the fuel-related transport emissions have been included in 2023 for the first time and had been included in the overall up- and downstream transport emissions in the prior year. A recalculation of the previous years figures is not possible.
5) Reporting adjusted in 2023, fuel-related transport is now included in the "purchased fuels" category, transport with own vehicles is separately reported as Scope 1 from own vehicles.
6) We calculate the specific total CO_2 emissions per revenue based on the absolute (gross) Scope 1 and 2 categories for our cement and aggregates business lines as well as the audited Scope 3 categories divided by the Group's total revenue.
7) Values for 2021 and 2022 were retroactively adjusted for electricity consumption in connection with clinker production.
8) Until 2022 including joint ventures.
9) The change in the values for 2023 compared to 2022 results from the revision of the survey method.
10) Refers to the cement (cementitious material), aggregates (in North America, Australia, and Great Britain), ready-mixed concrete and asphalt business lines.
11) Revenue that we allocate to our sustainable products are not aligned with the definitions of the EU Taxonomy Regulation.
12) The system does not yet record all relevant revenue for this figure at product level. We are working on continuously improving data collection over the next few years. The revenue shares shown here therefore only refer to the revenue that has already been measured (about 80% of total revenue).
13) The underlying survey method of the specific gross emissions of the individual cement types was slightly adjusted in 2022 compared with previous years. However, this has only a negligible impact on the reported sustainable revenue in 2022.
14) Value 2022 adjusted.
15) Waste figures include cement and aggregates business lines. Values are partially based on estimates or calculations. We are in the progress of setting up a comprehensive waste recording and reporting system at Group level and expect data quality to improve in the next years.
16) Values are partially based on estimates or calculations. We are in the progress of setting up a comprehensive water recording and reporting system at Group level and expect data quality to improve in the next years.
17) Since 2023, we have been calculating the values via Workday. Value 2023 excluding joint ventures.
18) Since 2023, we have been calculating the values via Workday on the basis of full-time equivalents (until 2022: HR Globe and on the basis of headcount) and the definition of management positions has also been adjusted. Value 2023 excluding joint ventures.
19) Nationality Split: German 4,178 employees (85%)/Romanian 83 employees (2%)/Turkish 78 employees (2%)/Italian 64 employees (1%), Indian 62 employees (1%), Other 459 employees (all below 1% threshold, total: 9%)
20) Number of accidents (with at least one lost working day) suffered by Group employees per 1,000,000 working hours.
21) Number of lost working days resulting from accidents suffered by Group employees per 1,000,000 working hours.
22) Number of fatalities of Group employees per 10,000 Group employees.
23) Number of offcially recognised occupational illnesses suffered by Group employees per 1,000,000 working hours.
24) Proportion of lost working hours due to illness in relation to the total number of working hours (excluding Egypt, Morocco, and North America, as the general illness hours are not recorded there).
25) Since 2022, the training status of the persons to be trained at the end of the financial year has been reported over the two-year training repetition period. The e-learning programme on the topic of human rights was completed as mandatory training for the first time in 2023.
26) Data has been collected systematically in 2022 for the first time.
27) Contributions include Heidelberg Materials' memberships in cement, aggregates and ready-mixed concrete associations.
28) Data has been collected systematically in 2023 for the first time. A supplier can only receive a green ESG rating if it offers full transparency in answering ESG questions and if the assessment by IntegrityNext does not reveal any significant risks.

● Reasonable assurance ○ Limited assurance ● Preparation according to GCCA Guidelines

Independent Practitioner's Report on a Limited Assurance Engagement on Non-financial Reporting and Sustainability Information[1]

To Heidelberg Materials AG, Heidelberg

We have performed a limited assurance engagement on the combined non-financial statement included in the section "Non-financial Statement" of the combined management report (hereinafter the "Combined Non-financial Statement") and on the ESG indicators denoted with "○" and "○ ●" in the section "Additional information" (hereinafter the "selected ESG indicators") in the Annual and Sustainability report of Heidelberg Materials AG (formerly: HeidelbergCement AG), Heidelberg, (hereinafter the "Company") for the period from 1 January to 31 December 2023 (hereinafter the "Annual Report"). Our engagement in context to the selected ESG indicators relates solely to the disclosures denoted with the symbols "○" and "○ ●".

Not subject to our assurance engagement are the external sources of documentation or expert opinions mentioned in the Combined Non-financial Statement, which are marked as unassured and the disclosures denoted with "●" and "● ●".

Responsibility of the Executive Directors

The executive directors of the Company are responsible for the preparation of the Combined Non-financial Statement in accordance with §§ (Articles) 315c in conjunction with 289c to 289e HGB ("Handelsgesetzbuch": "German Commercial Code") and Article 8 of REGULATION (EU) 2020/852 OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL of 18. June 2020 on establishing a framework to facilitate sustainable investment and amending Regulation (EU) 2019/2088 (hereinafter the "EU Taxonomy Regulation") and the Delegated Acts adopted thereunder, as well as for making their own interpretation of the wording and terms contained in the EU Taxonomy Regulation and the Delegated Acts adopted thereunder, as set out in section "Information according to the EU-Taxonomy Regulation" of the Combined Non-financial Statement. In addition, the executive directors of the Company are responsible for the preparation of the selected ESG indicators denoted with "○" in accordance with the relevant principles stated in the Sustainability Reporting Standards of the Global Reporting Initiative (hereinafter the "GRI-Criteria") and the selected ESG indicators denoted with "○ ●" in accordance with the relevant GRI-Criteria and the relevant Global Cement and Concrete Association Sustainability Standards (hereinafter the "GCCA-Criteria"), and for the selection of the selected ESG indicators to be evaluated.

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

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

Audit Firm's Independence and Quality Management

We have complied with the German professional provisions regarding independence as well as other ethical requirements.

Our audit firm applies the national legal requirements and professional standards – in particular the Professional Code for German Public Auditors and German Chartered Auditors ("Berufssatzung für Wirtschaftsprüfer und vereidigte Buchprüfer": "BS WP/vBP") as well as the Standard on Quality Management 1 published by the Institut der Wirtschaftsprüfer (Institute of Public Auditors in Germany; IDW): Requirements to quality management for audit firms (IDW Qualitätsmanagementstandard 1: Anforderungen an das Qualitätsmanagement in der Wirtschaftsprüferpraxis - IDW QMS 1 (09.2022)), which requires the audit firm to design, implement and operate a system of quality management that complies with the applicable legal requirements and professional standards.

1) PricewaterhouseCoopers GmbH has performed a limited assurance engagement on the German version of the Annual report and issued an independent practitioner's report in German language, which is authoritative. The following text is a translation of the independent practitioner's report.

Responsibility of the Assurance Practitioner

Our responsibility is to express a conclusion with limited assurance on the Combined Non-financial Statement included in the section “Non-financial statement” of the combined management report and the selected ESG indicators denoted with “○” and “○ ●” iin section “Additional information” in the Annual report based on our assurance engagement.

We conducted our assurance engagement in accordance with International Standard on Assurance Engagements (ISAE) 3000 (Revised): Assurance Engagements other than Audits or Reviews of Historical Financial Information, issued by the IAASB. This Standard requires that we plan and perform the assurance engagement to obtain limited assurance about whether any matters have come to our attention that cause us to believe that

- the Combined Non-financial Statement of the Company included in the section “Non-financial statement” of the combined management report in the Annual report, other than the external sources of documentation or expert opinions mentioned in the Combined Non-financial Statement, are not prepared, in all material respects, in accordance with §§ 315c in conjunction with 289c to 289e HGB and the EU Taxonomy Regulation and the Delegated Acts issued thereunder as well as the interpretation by the executive directors disclosed in section “Information according to the EU-Taxonomy Regulation” of the Combined Non-financial Statement, or
- the selected ESG indicators denoted with “○” in the “Additonal Information” section of the Company's Annual report are not prepared, in all material respects, in accordance with the GRI-Criteria, or
- the selected ESG indicators denoted with “○ ●” in the “Additional Information” section of the Company's Annual report are not prepared, in all material respects, in accordance with the relevant GRI-Criteria or the relevant GCCA-Criteria.

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

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

- Gain an understanding of the structure of the Group’s sustainability organisation and stakeholder engagement
- Inquiries of the executive directors and relevant employees involved in the preparation of the Combined Non-financial Statement as well as the selected ESG indicators about the preparation process, about the internal control system relating to this process and about disclosures in the Combined Non-financial Statement and the selected ESG indicators
- Identification of likely risks of material misstatement in the Combined Non-financial Statement and the selected ESG indicators
- Analytical procedures on selected disclosures in the Combined Non-financial Statement and the selected ESG indicators
- Reconciliation of selected disclosures with the corresponding data in the Group Financial Statements and Combined Management Report
- Evaluation of the presentation of the Combined Non-financial Statement and the selected ESG indicators
- Evaluation of the process to identify taxonomy-eligible and taxonomy-aligned economic activities and the corresponding disclosures in the Combined Non-financial Statement
- Inquiries on the relevance of climate-risks

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

Assurance Opinion

Based on the assurance procedures performed and evidence obtained, nothing has come to our attention that causes us to believe that

- the Combined Non-financial Statement for the period from 1 January to 31 December 2023 of the Company included in the section "Non-financial statement" of the combined management report in the Annual report is not prepared, in all material respects, in accordance with §§ 315c in conjunction with 289c to 289e HGB and the EU Taxonomy Regulation and the Delegated Acts issued thereunder as well as the interpretation by the executive directors disclosed in section "Information according to the EU-Taxonomy Regulation" of the Combined Non-financial Statement,

  or

- the selected ESG indicators denoted with "○" in the "Additional Information" section of the Company's Annual report for the period from 1 January to 31 December 2023 is not prepared, in all material respects, in accordance with the relevant GRI-Criteria,

  or

- the selected ESG indicators of the Company denoted with "○ ●" in the "Additional Information" section of the Company's Annual report from 1 January to 31 December 2023 is not prepared, in all material respects, in accordance with the relevant GRI-Criteria or the relevant GCCA-Criteria.

We do not express an assurance opinion on the external sources of documentation or expert opinions mentioned in the Combined Non-financial Statement or the disclosures denoted with "●" and "● ●".

Restriction of Use

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

Frankfurt am Main, 20 March 2024

PricewaterhouseCoopers GmbH
Wirtschaftsprüfungsgesellschaft

(sgd. Nicolette Behncke) (sgd. Annette Fink)
Wirtschaftsprüfer
[German public auditor]

About our sustainability reporting

This report has been prepared according to the GRI Standards on the basis of the concepts of “impact”, “material topics”, “due diligence”, and “stakeholder”. The topics relevant for GRI reporting can be found in the **presentation on materiality**.

Heidelberg Materials endorses the Recommendations of the **Task Force on Climate-related Financial Disclosures (TCFD)**, and has been listed as an official supporter of TCFD-aligned disclosures since 2020.

This report also contains an index in accordance with the **Sustainability Accounting Standards Board (SASB)** framework. We have used the recommendations of the SASB Construction Materials Standard (Version 2023-06) regarding the most important sustainability topics.

Reporting methodology

Heidelberg Materials publishes an Annual and Sustainability Report every year. This Annual and Sustainability Report refers to the financial year 2023. The consolidation of the **ESG indicators** is based on the international accounting standards and the scope of consolidation used for the financial figures. Exceptions are marked accordingly. Where corrections or restatements of ESG information from previous periods were made in the reporting period, this is disclosed accordingly.

The specific net CO_2 emissions per tonne of cementitious material as the non-financial key performance indicator as well as the alternative fuel rate and clinker ratio have been audited with reasonable assurance since the 2022 financial year. In 2023, the cement business line’s share of revenue from sustainable products was audited with reasonable assurance for the first time.

As part of its sustainability strategy, Heidelberg Materials has set itself comprehensive targets for 2030. The corresponding reference values will not be adjusted as a result of acquisitions or disposals.

The ESG indicators that have been subjected to an independent limited assurance engagement by the auditor are marked accordingly in the **ESG indicators** table. The corresponding **Independent Practitioner’s Report** is available.

Data collection & calculation methodologies

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 in which 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.

Energy & CO_2 reporting

Heidelberg Materials applies the GCCA’s “Sustainability Guidelines for the monitoring and reporting of CO_2 emissions from cement manufacturing” (Oct. 2019) as the basis of the energy and CO_2 reporting. The guideline is based on the CEN Standard EN 19694-3.

For direct CO_2 emissions **(Scope 1)** for the cement business line, process emissions as well as fuel-related emissions are considered. In accordance with the GCCA guidelines, all alternative fuels are considered carbon-neutral. For our aggregates business line we report our Scope 1 emissions based on the fuel consumptions on site and apply appropriate emission factors to derive the associated CO_2 emissions. We report separately the emissions generated by transporting raw materials and products in our own vehicles.

To calculate indirect emissions related to the purchase of energy and electricity **(Scope 2)** for our cement and aggregates business lines we apply the Greenhouse Gas Protocol Scope 2 Guidance (2015) and report location-based emissions by making use of emission factors provided by the International Energy Agency (IEA). For the 2023 financial year, we also report the emissions resulting from the electricity mix actually purchased using the market-based method for the first time, drawing on 59% primary and 41% secondary data for the cement business line.

For the other indirect emissions **(Scope 3)** we report in alignment with the recommendations of the GCCA and Cement Sector Scope 3 GHG Accounting and Reporting Guidance about the four most material categories (purchased materials, fuels, up- and downstream transportation, and distribution). Emissions of purchased materials are based on the volumes of main raw materials we procure externally and cover our cement and aggregates business lines. We apply emission factors from the GCCA EPD tool (based on

EcoInvent). Emissions of purchased fuels are reported for the cement and aggregates business lines and are calculated with the latest DEFRA well-to-tank factors (UK Government GHG Conversion Factors for Company Reporting 2023). Upstream and downstream transport and distribution information is collected annually for all of our activities. We derive the overall CO_2 emissions by using transported volumes and – if necessary – estimations of distances travelled as well as emission factors from the GCCA EPD tool.

We want to further increase transparency with regard to the various Scope 3 categories. For this reason, we report on Scope 3 Category 10 (Processing of sold products) for the first time for the 2023 financial year. The methodology used is based on default values in accordance with Greenhouse Gas Protocol guidelines. We take into account the non-final end products sold and apply the standard emission factor to determine the total emissions for further processing. Also for the first time, we report on Scope 3 Category 15 (Investments). Here we disclose the Scope 1 and 2 emissions of our joint ventures in the cement business line. We use the GCCA CO_2 protocol for this and take into account Heidelberg Materials' share of investments.

Alternative raw materials and fuels

We apply the "GCCA Sustainability Guidelines for co-processing fuels and raw materials in cement manufacturing" (Oct. 2019) to calculate the required performance indicators on alternative raw materials and fuels used in the production of cement and clinker.

Air pollutants

Our reporting of air pollutants is based on the "GCCA Sustainability Guidelines for the monitoring and reporting of emissions from cement manufacturing" (Oct. 2019). As outlined in the figures on measurement of emissions, most data is based on actual measurements. Only if no measurements are available, we use estimates, for example from past analysis.

Water

Water reporting for our cement business line is based on the "GCCA Sustainability Guidelines for the monitoring and reporting of water in cement manufacturing" (Oct. 2019), which is also aligned with the GRI requirements for reporting on water withdrawal (GRI 303-3) and water discharge (GRI 303-4). The same method is applied for our aggregates business line. Specific water consumption per revenue is €3.67 per litre.

The majority of water discharged is subject to primary treatment. This is because water extracted for quarry dewatering and extraction purposes generally does not require subsequent treatment as it only contains natural mineral components. The water used to wash and clean the aggregates is often reused in closed loops, recycled, or added to the final concrete product. Wastewater generated during production processes is initially treated on site, so that regular water sampling can be used to demonstrate that primary treatment is sufficient.

Waste

In accordance with the requirements of GRI Standard 306, we report on generated waste and secondary materials used for the cement and aggregates business lines. Waste is any material or object that the owner discards, intends to discard, or is required to discard. In the case of "generated waste", a distinction is made between hazardous and non-hazardous waste, with further categorisation according to the type of disposal or recycling. Secondary materials and by-products are production residues that are not waste. Consideration is given to materials produced in-house and received from external suppliers for backfilling, reuse, or use as an alternative fuel or raw material.

Biodiversity

We report on the proportion of our quarries located near an area of high biodiversity value with a biodiversity management plan as well as those with an after-use plan. The reporting is based on the "GCCA Sustainability Guidelines for Quarry Rehabilitation and Biodiversity Management" (May 2020).

Sustainable revenue

We have developed our own definition to determine the sustainable share of revenue.

Cement: CO_2 reduction of at least 30% compared with the Global Cement and Concrete Association (GCCA) global reference value for CEM I from 2020. This translates into a gross threshold of ≤552 kg CO_2/t for cementitious material.

Ready-mixed concrete: CO_2 reduction of at least 30% compared with the Global Cement and Concrete Association (GCCA) global reference value for CEM I from 2020. This translates into a gross threshold value of ≤5.5 kg CO_2/m^3/MPa for ready-mixed concrete.

Aggregates and asphalt: Products with a recycled aggregates content of at least 30%.

We continuously work on further developing our sustainable products. Products that we categorise as sustainable do not necessarily meet the definitions of the EU taxonomy.

Health and safety

Our disclosed information on occupational health and safety (H&S) is based on the "GCCA Sustainability Guidelines for the monitoring and reporting of safety in cement and concrete manufacturing" (Feb. 2020). Accident data is collected using a commercial H&S management software from Intelex. Each accident is recorded and analysed by the designated safety investigators and approvers following the mandatory workflow defined in the software. Statistical accident data is extracted by the software based on raw data and linked with working hours reported by controllers.

Compliance

E-learning completion rates are calculated using data retrieved from the global Learning Management System. The system contains information for the different e-learning programmes about the people to whom the courses were assigned, when they completed these courses or if they are still due for completion or already overdue, and if completion happened within the set deadline. Administrators of the Learning Management System can use reports to follow up on the numbers and calculate ratios.

Compliance incident statistics are based on data from our Case Management System where all reported compliance cases are documented on a global basis. This includes cases reported via our SpeakUp whistleblower system and incidents reported through other channels such as e.g. emails, phone calls, or letters. The case managers ensure that each case is documented, including data that can be used for statistical analysis. Such statistical data includes the date of reporting, the country of origin, the incident type, the outcome of the investigation (substantiated or unsubstantiated), and information on whether sanctions and/or preventive measures were implemented. The Case Management System enables generating reports to analyse the statistical data.

Employees

The total employees represent the number of full-time equivalent (FTE) employees on the payroll at the end of the reporting period. People who work part-time are counted partly with the respective percentage. All permanent positions plus temporary positions are included and both white-collar and blue-collar employees.

Associations, initiatives, and networks

The following is a selection of our activities. We have singled out memberships and engagements that we consider to be of central strategic importance for the company as a whole, since they address current and future transformation activities in a significant way.

BirdLife International: Since 2011, we have been working together with the largest international nature conservation organisation, BirdLife International. The interaction with BirdLife International and our cooperation with its national partner organisations help us to minimise our environmental impact and promote biodiversity in our quarries and the surrounding areas.
www.birdlife.org

German Building Materials Association (bbs): As the umbrella organisation of the German building materials industry, the bbs represents the interests of the various sub-sectors and formulates policy and expert positions for this purpose. It is a member of the Federation of German Industries (BDI).
www.baustoffindustrie.de

CEMBUREAU: Through our memberships in national associations, we support the work of the European Cement Association (CEMBUREAU), which puts forward the industry's concerns in discussions and negotiations with the European Union and its institutions.
www.cembureau.eu

Concrete Sustainability Council (CSC): As a founding member of the Concrete Sustainability Council (CSC), we are involved in the ongoing development of a certification system for sustainably produced concrete. The goal of the CSC is to further increase the transparency of sustainable activities within the cement and concrete industry.
www.csc.eco

econsense – Forum for Sustainable Development of German Business: econsense, as a network and flagship initiative of global German companies, aims to promote sustainable development in business and to assume social responsibility collectively.
www.econsense.de/en

GCCA Global Cement and Concrete Association (GCCA): As a founding member of the GCCA, we aim to further strengthen innovation and sustainability at a global level. The GCCA published the first global net-zero roadmap in the industrial sector, thus helping to limit global warming to 1.5°C.
www.gccassociation.org

Global CCS Institute: The mission of the Global CCS Institute (GCCSI) is to facilitate and accelerate the deployment of CCS worldwide. The GCCSI shares expertise and offers advice and support to help this important technology play its part in reducing greenhouse gas emissions. Heidelberg Materials benefits from the GCCSI's expertise in regulatory and policy matters.
www.globalccsinstitute.com

Associations, initiatives, and networks

Mission Possible Partnership – Concrete Action for Climate: Concrete Action for Climate (CAC) is a collaborative platform that aims to pave the industry's path to net-zero concrete by 2050. The initiative focuses on areas that require cross-industry collaboration, such as the demand for carbon-reduced products. The CAC is co-led by the World Economic Forum and the GCCA.
www.missionpossiblepartnership.org

Race to Zero: Heidelberg Materials is a signatory to Business Ambition for 1.5°C, a global initiative committed to reducing CO_2 emissions to net zero by 2050 at the latest. The company is therefore also part of the global, UN-backed Race to Zero campaign, which aims to create positive momentum for the transition to a low-carbon economy.
climatechampions.unfccc.int

Science Based Targets Network (SBTN): As a member of the corporate engagement programme of the Science Based Targets Network (SBTN), we are contributing to the development of science-based targets for nature through feedback in particular in the water and land hub work areas.
www.sciencebasedtargetsnetwork.org

Society for Ecological Restoration (SER): As a business member of the global Society for Ecological Restoration (SER) a non-profit network dedicated to biodiversity conservation, climate change resilience, and ecological restoration, we contribute to the development of emerging standards on restoration in mining sites and share best practice and restoration success on our sites.
www.ser.org

Stiftung KlimaWirtschaft: The companies supporting the Stiftung KlimaWirtschaft (climate economy foundation) form a business network advocating progressive climate policy at Managing Board level. As a member of this network, we develop cross-sectoral approaches and policy concepts for a successful industrial transformation towards climate neutrality.
www.klimawirtschaft.org/english

UEPG: As an indirect member of the European Aggregates Association (UEPG), which represents the interests of the European aggregates industry in Brussels, we present our positions on aggregates to political decision makers.
www.uepg.eu

World Green Building Council: We are involved in the global umbrella organisation of the Green Building Councils, the World Green Building Council. The goal here is to jointly develop certification systems for sustainable construction and to make the design, construction, and operation of buildings more sustainable.
www.worldgbc.org

Recommendations of the Task Force on Climate-related Financial Disclosures (TCFD)

Governance

Disclosure focus area: Disclose the organisation's governance around climate-related risks and opportunities

Heidelberg Materials' strategy for reducing its carbon emissions as a contribution to the fight against climate change is based on a structured and comprehensive master plan that involves all relevant stakeholders and resources of the company. We want to achieve specific net CO_2 emissions of 400 kg per tonne of cementitious material by 2030 and net-zero emissions by 2050 at the latest. Overall responsibility for achieving this target lies with the Managing Board and in particular with the Chief Sustainability Officer.

Describe the board's oversight of climate-related risks and opportunities
↗ **CDP Questionnaire** (C1.1.a, C1.1b)
Pages 12–18, 117, 147–151, 172–174

Describe management's role in assessing and managing climate-related risks and opportunities
↗ **CDP Questionnaire** (C1.2)
Pages 12–13, 24, 117, 147–151

Strategy

Disclosure focus area: Disclose the actual and potential impacts of climate-related risks and opportunities on the organisation's businesses, strategy, and financial planning where such information is material.

We give careful consideration to the risks and opportunities of climate change for our industry. We see a key role for the cement industry in the transition to a low-carbon, climate-resilient global economy: our building materials enable the construction of robust infrastructure protected against the physical effects of climate change. The urbanisation trend and growing world population are also likely to increase the demand for cement and concrete. We therefore expect greater demand for sustainable products and are reviewing our entire product portfolio accordingly.

Heidelberg Materials' target is to achieve net-zero emissions by 2050 at the latest. By 2030, half of the Group revenue is to be generated with sustainable products. We also consider it our responsibility to actively convince customers of the quality of CO_2-reduced products.

Weather-related dependencies, the design of regulatory frameworks with regard to carbon pricing, and market risks arising from shifting consumer preferences are some of the risks we see as relevant to our company.

Describe the climate-related risks and opportunities the organisation has identified over the short, medium, and long-term

Regarding climate risks, we have defined the following time horizons:
- **Short term (current to 2025):** Short term relates to regular business and financial planning routines as well as existing and readily foreseeable regulatory requirements.
- **Medium term (to 2030):** The medium term is defined as the time horizon that goes beyond that of regular strategic planning, but for which a strategic roadmap exists.
- **Long term (from 2040):** Long term refers to the time horizons that extend beyond the next ten years. In the climate scenarios, we look in particular at the 2040 and 2050 time horizons.

↗ **CDP Questionnaire** (C2.1a, C2.2a)
Pages 161–166

Describe the impact of climate-related risks and opportunities on the organisation's businesses, strategy, and financial planning
↗ **CDP Questionnaire** (C2.3a, C2.4a, C3.1, C3.3, C3.4)
Pages 35, 78–86, 88, 114, 161–166

Describe the resilience of the organisation's strategy, taking into consideration different climate-related scenarios, including a 2°C or lower scenario

Heidelberg Materials switched from Representative Concentration Pathways (RCP) scenarios to Shared Socioeconomic Pathways (SSP) scenarios in 2023.
↗ **CDP Questionnaire** (C3.2a, C3.2b)
Pages 38, 40–45, 47–51, 114, 161–166

Recommendations of the Task Force on Climate-related Financial Disclosures (TCFD)

Risk management

Disclosure focus area: Disclose how the organisation identifies, assesses, and manages climate-related risks

Analysis of climate change risks is part of Heidelberg Materials' overall risk management approach. Several potential risks have thus been identified that might significantly impact the company in the medium and long term. These include physical as well as transition risks. The process of identifying risks is performed annually across the Group and combines bottom-up reporting at country level with a top-down global analysis of our physical risk exposure. At both levels, risks are assessed qualitatively and, wherever possible, supplemented with quantitative appraisals. As part of the regular risk management process, identified risks are monitored and possible risk avoidance and reduction measures are evaluated.

Describe the organisation's processes for identifying and assessing climate-related risks
↗ **CDP Questionnaire** (C2.2)
Pages 147–151, 161–166

Describe the organisation's processes for managing climate-related risks
↗ **CDP Questionnaire** (C2.2)
Pages 118, 147–151, 161–166

Describe how processes for identifying, assessing, and managing climate-related risks are integrated into the organisation's overall risk management
↗ **CDP Questionnaire** (C2.2)
Pages 118, 147–151, 161–166

Metrics and targets

Disclosure focus area: Disclose the metrics and targets used to assess and manage relevant climate-related risks and opportunities where such information is material.

All relevant information on CO_2 emissions is recorded in an integrated reporting system on a monthly basis. We have established control mechanisms to verify that we are achieving our reduction targets for CO_2 emissions. In our **Sustainability Commitments 2030**, climate protection is laid down as a crucial element of Heidelberg Materials' sustainability strategy. The Science Based Targets initiative (SBTi) has validated Heidelberg Materials' 2030 carbon reduction targets under its 1.5°C framework.

Disclose the metrics used by the organisation to assess climate-related risks and opportunities in line with its strategy and risk management process
↗ **CDP Questionnaire** (C7, C8, C9)
Pages 38–40, 46, 82, 119, 356–357, 321, 323–326

Disclose Scope 1, Scope 2, and, if appropriate, Scope 3 greenhouse gas (GHG) emissions, and the related risks
↗ **CDP Questionnaire** (C5.2, C6.1, C6.3, C6.5, C6.10)
Pages 46, 356

Describe the targets used by the organisation to manage climate-related risks and opportunities and performance against targets
↗ **CDP Questionnaire** (C4.1a, C4.1b, C4.2a, C4.2b, C4.2c)
Pages 38–40, 42, 81–82, 106, 117

Sustainability Accounting Standards Board (SASB) index

	2021	2022	**2023**	References and comments
Greenhouse gas emissions				
EM-CM-110a.1				
Gross global Scope 1 emissions (million metric tonnes CO_2-e)	69.5	65.9	63.3	Gross global Scope 1 emissions include the cement and aggregates business lines as well as emissions from offsite transport using our own vehicles. Page 356
Percentage covered under emissions-limiting regulations	47 %	38 %	41%	
EM-CM-110a.2				
Discussion of long-term and short-term strategy or plan to manage Scope 1 emissions, emissions reduction targets, and an analysis of performance against those targets				Pages 38–41, 80, 82–86, 106–107, 117–119
Air quality				
EM-CM-120a.1				
Air emissions of the pollutants: NO_x (excluding N_2O), SO_x, particulate matter (PM10) (metric tonnes)				Pages 119–120, 358
Dioxins / furans (miligramme)	3,380	4,933	4,013	
Volatile organic compounds (VOCs) (metric tonnes)	3,695	3,520	2,950	
Polycyclic aromatic hydrocarbons (PAHs) (metric tonnes)				We are currently not collecting data on PAHs globally.
Heavy metals (mercury) (kilogramme)	1,458	1,129	1,226	
Energy management				
EM-CM-130a.1				
Total energy consumed (terajoules)	363,226	347,068	329,775	Total energy consumed includes the business lines cement and aggregates. Definitions and consolidation for the business line cement are in accordance with the guidelines of the Global Cement and Concrete Association (GCCA). Volumes for Power Purchase Agreements (PPA) are below the materiality threshold and thus not included. Definition of renewables corresponds to the GCCA definition for biomass.
Percentage grid electricity	12.2 %	12.5 %	12.5%	
Percentage alternative	21.7 %	23.7 %	24.4%	
Percentage renewable	9.1 %	10.4 %	12.3%	
Water management				
EM-CM-140a.1				
Total water withdrawn (million cubic metres)	316	286	274	Cement, aggregates, and ready-mixed concrete business lines Pages 359–360
Total water consumed (million cubic metres)	78	74	81	Cement, aggregates, and ready-mixed concrete business lines Pages 359–360
Percentage of water withdrawn in regions with High or Extremely High Baseline Water Stress				Cement business line Page 359
Percentage of water consumed in regions with High or Extremely High Baseline Water Stress				Cement business line Page 360

Sustainability Accounting Standards Board (SASB) index

	2021	2022	2023	References and comments
Waste management				
EM-CM-150a.1				
Amount of waste generated, percentage hazardous and percentage recycled				Page 359
Biodiversity impacts				
EM-CM-160a.1				
Description of environmental management policies and practices for active sites				Heidelberg Materials' biodiversity and responsible land use policies, biodiversity commitments and regional biodiversity handbooks support the development and operation of the sites in line with the objectives set out within IFC performance standard 6 - biodiversity conservation and sustainable management of living natural resources. Specifically, the application of the mitigation hierarchy during the planning of new and extended quarries, the engagement with communities and other stakeholders, conducting of regular proximity analysis of quarries in relation to areas of high biodiversity value (including KBAs, IUCN Red Listing, RAMSAR and UNESCO World Heritage) which is done every 3 years in collaboration with the NGO, BirdLife International using IBAT, and control of invasive alien plant species. Furthermore, the company's policies ensure no adverse impact on local water resources and seek through the reclamation process to increase the provision of ecosystem services to the benefit of surrounding stakeholders. Pages 70–71, 120–122, 369
EM-CM-160a.2				
Terrestrial land area disturbed, percentage of impacted area restored (ha)				Extraction of resources as well as the restoration of quarries are dynamic processes. Currently we are not able to track the annual changes in disturbed and restored areas.
Workforce health & safety				
EM-CM-320a.1				
Total recordable incident rate (direct employees and contract employees)	1.16	1.05	1.08	Total recordable incident rate displayed per 200,000 hours worked (TCI FR).
Near miss frequency rate (direct employees and contract employees)	214	226	229	Heidelberg Materials defines a near miss or near hit as an event or situation that could have resulted in an injury, damage or loss but did not do so due to chance, corrective action and / or timely intervention. By analysing reported near hits we can recognise and address weaknesses before accident with injuries may happen (per 200,000 hours worked).

Sustainability Accounting Standards Board (SASB) index

	2021	2022	**2023**	References and comments
EM-CM-320a.2				
Number of reported cases of silicosis	1	1	0	We are using the International Classification of Diseases (ICD) to track occupational diseases. The provided numbers are for respiratory diseases including but not limited to silicosis.
Product innovation				
EM-CM-410a.1				
Percentage of products that qualify for credits in sustainable building design and construction certifications certifications				Quantitative data not yet reported. Our products qualify for credits in sustainable building design and construction certifications in different ways. Credits in sustainable construction schemes such as LEED, DGNB, and BREEAM can be achieved by products (cement, concrete, and aggregates) having an Environmental Product Declaration (EPD). We have such EPDs for selected products in many of our core markets such as Sweden, Germany, Italy, or the United States. Moreover, concrete certified according to a Responsible Sourcing Scheme such as BES 6001 or the Concrete Sustainability Council (CSC) may also be used for recognised credits. Such products are on offer in the Netherlands, the UK, Germany, Turkey, Belgium, the United States, Poland, Sweden, and Lithuania. Given the wide range of our product portfolio, we are currently not able to quantify the exact percentage of the eligible products. At the same time, we see sustainable products as a core strategic focus and aim to achieve a share of 50 % of our Group revenue coming from sustainable products. Across our business lines, we currently achieve 35 % of our revenue from sustainable products. Pages 52, 56–58, 123–124
EM-CM-410a.2				
Total addressable market and share of market for products that reduce energy, water or material impacts during usage or production				Quantitative data is not yet reported.
Pricing integrity & transparency				
EM-CM-520a.1				
Total amount of monetary losses as a result of legal proceedings associated with cartel activities, price fixing, and antitrust activities				Pages 160–161, 247–250
Production by major product line				
EM-CM-000.A				
Cement and clinker, aggregates, ready-mixed concrete, asphalt				Quantitative data in metric tonnes is not reported. Pages 2, 88

GRI content index

Heidelberg Materials AG has reported in accordance with the GRI Standards for the period 01 January 2023 to 31 December 2023. For the Content Index – Essentials Service, GRI Services reviewed that the GRI content index has been presented in a way consistent with the requirements for reporting in accordance with the GRI Standards, and that the information in the index is clearly presented and accessible to the stakeholders.

GRI 1 used
GRI 1: Foundation 2021

Applicable GRI Sector Standard(s)
None

GRI CONTENT INDEX ESSENTIALS SERVICE 2024

GRI Standard	Disclosure	Location	Omission (Requirement(s) omitted (Req), Reason (Reas), Explanation (E))
General disclosures			
The organization and its reporting practices			
GRI 2: General Disclosures 2021	2-1 Organizational details	21, 75–78, 388	
	2-2 Entities included in the organization's sustainability reporting	368	
	2-3 Reporting period, frequency and contact point	368, 378, 387–388	
	2-4 Restatements of information	368	
	2-5 External assurance	18–19, 75, 113, 356–368	
Activities and workers			
GRI 2: General Disclosures 2021	2-6 Activities, value chain and other business relationships	25, 75–78	
	2-7 Employees	134, 194, 215, 361–362, 370	Req: Disclosures on employees are not broken down by employment status (temporary/permanent) Reas: Information not available/incomplete E: We are currently rolling out a global system as the basis for future data collection and reporting, and plan to start reporting the data most likely from financial year 2024.
	2-8 Workers who are not employees	64, 136–139	

GRI content index

GRI Standard	Disclosure	Location	Omission (Requirement(s) omitted (Req), Reason (Reas), Explanation (E))
Governance			
GRI 2: General Disclosures 2021	2-9 Governance structure and composition	171–185	
	2-10 Nomination and selection of the highest governance body	172–175	
	2-11 Chair of the highest governance body	17–18, 173, 183	
	2-12 Role of the highest governance body in overseeing the management of impacts	12–19, 174	
	2-13 Delegation of responsibility for managing impacts	14–16, 24, 174	
	2-14 Role of the highest governance body in sustainability reporting	14–16, 18 –19, 173–174	
	2-15 Conflicts of interest	16, 139–143, 161, 173, 176	
	2-16 Communication of critical concerns	140–142, 147–148, 150	
	2-17 Collective knowledge of the highest governance body	15–19, 173–176	
	2-18 Evaluation of the performance of the highest governance body	174 – 175	
	2-19 Remuneration policies	117, 264–265, 311, 317–318, 323–326, 339–342, 346–347	
	2-20 Process to determine remuneration	18, 311–312, 346–347	
	2-21 Annual total compensation ratio	312–313, 348–349	
Strategy, policies and practices			
GRI 2: General Disclosures 2021	2-22 Statement on sustainable development strategy	5–8, 12	
	2-23 Policy commitments	68, 114–115, 140–141, 170–171	
	2-24 Embedding policy commitments	68, 114–115, 139–143, 169–171	
	2-25 Processes to remediate negative impacts	115–116, 142–143, 248	
	2-26 Mechanisms for seeking advice and raising concerns	32–34, 68, 115, 141–143	
	2-27 Compliance with laws and regulations	160, 248	
	2-28 Membership associations	32–34, 123, 371–372	
Stakeholder engagement			
GRI 2: General Disclosures 2021	2-29 Approach to stakeholder engagement	32–34, 65–66	
	2-30 Collective bargaining agreements	62, 134–135	

GRI content index

GRI Standard	Disclosure	Location	Omission (Requirement(s) omitted (Req), Reason (Reas), Explanation (E))
Material Topics			
GRI 3: Material Topics 2021	3-1 Process to determine material topics	35–36, 113–114	
	3-2 List of material topics	35, 368	
Biodiversity			
GRI 3: Material Topics 2021	3-3 Management of material topics	69–71, 120–122	
GRI 304: Biodiversity 2016	304-1 Operational sites owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas	69, 122, 359, 369	Req: Details for each extraction site Reas: Not applicable E: This is not possible due to the large number of extraction sites.
	304-2 Significant impacts of activities, products, and services on biodiversity	70–71, 119–121	
	304-3 Habitats protected or restored	69–70, 120–122	Req: Details of each protected or restored habitat Reas: Not applicable E: This is not possible due to the large number of habitats.
Business excellence			
GRI 3: Material Topics 2021	3-3 Management of material topics	79–83	
GRI 201: Economic Performance 2016	201-1 Direct economic value generated and distributed	89–99, 187, 194	
	201-3 Defined benefit plan obligations and other retirement plans	244–247	
	201-4 Financial assistance received from government	189, 198, 233	
Circularity and resource management			
GRI 3: Material Topics 2021	3-3 Management of material topics	52–55, 124–126	
GRI 301: Materials 2016	301-1 Materials used by weight or volume	25, 359	Req: Information on materials used by weight or volume Reas: Restrictions due to a non-disclosure obligation E: This information is relevant to competition and is subject to confidentiality.
	301-2 Recycled input materials used	359	
GRI 306: Waste 2020	306-1 Waste generation and significant waste-related impacts	55	
	306-2 Management of significant waste-related impacts	53–55, 84–85, 117, 122, 124–125	
	306-3 Waste generated	359, 369	

GRI content index

GRI Standard	Disclosure	Location	Omission (Requirement(s) omitted (Req), Reason (Reas), Explanation (E))
Climate change resilience and adaptation			
GRI 3: Material Topics 2021	3-3 Management of material topics	40–51, 116–120, 161–166, 373–374	
GRI 201: Economic Performance 2016	201-2 Financial implications and other risks and opportunities due to climate change	161–166, 373–374	
Community engagement			
GRI 3: Material Topics 2021	3-3 Management of material topics	65–66	
GRI 203: Indirect Economic Impacts 2016	203-2: Significant indirect economic impacts	6–8, 78, 364	
GRI 413: Local Communities 2016	413-1 Operations with local community engagement, impact assessments, and development programs	32, 59, 65, 363–364	
CO_2 emissions			
GRI 3: Material Topics 2021	3-3 Management of material topics	40–45, 56–58, 84–86, 116–120	
GRI 305: Emissions 2016	305-1 Direct (Scope 1) GHG emissions	46, 356, 368	
	305-2 Energy indirect (Scope 2) GHG emissions	46, 356, 368	
	305-3 Other indirect (Scope 3) GHG emissions	46, 356, 368 –369	
	305-4 GHG emissions intensity	119, 356	
	305-5 Reduction of GHG emissions	39, 117, 119, 356	
Customer satisfaction and engagement			
GRI 3: Material Topics 2021	3-3 Management of material topics	58	
GRI 416: Customer Health and Safety 2016	416-1 Assessment of the health and safety impacts of product and service categories	58	
Digital transformation			
GRI 3: Material Topics 2021	3-3 Management of material topics	63, 80, 84, 155, 164–165	
Diversity, equality and inclusion			
GRI 3: Material Topics 2021	3-3 Management of material topics	59–60, 134–136	
GRI 202: Market Presence 2016	202-2 Proportion of senior management hired from the local community	134, 362	
GRI 405: Diversity and Equal Opportunity 2016	405-1 Diversity of governance bodies and employees	134–136, 171–176, 361–362	
	405-2 Ratio of basic salary and remuneration of women to men	61	Req: Information on the ratio of basic salary and remuneration of women to men Reas: Information not available/incomplete E: We are currently working on the implementation of a new global HR system and a global job architecture to enable analyses of compensation data.
GRI 406: Non-discrimination 2016	406-1 Incidents of discrimination and corrective actions taken	143, 370	

GRI content index

GRI Standard	Disclosure	Location	Omission (Requirement(s) omitted (Req), Reason (Reas), Explanation (E))
Emissions (SO_X, NO_X, dust, noise)			
GRI 3: Material Topics 2021	3-3 Management of material topics	116–120	
GRI 305: Emissions 2016	305-7 Nitrogen oxides (NO_X), sulfur oxides (SO_X), and other significant air emissions	119–120, 358, 369	
Energy and fuels management			
GRI 3: Material Topics 2021	3-3 Management of material topics	84, 116–120	
GRI 302: Energy 2016	302-1 Energy consumption within the organization	356–357, 368–369	
	302-3 Energy intensity	357	
	302-5 Reductions in energy requirements of products and services	356–357	
Ethical business conduct			
GRI 3: Material Topics 2021	3-3 Management of material topics	139–143, 168–177	
GRI 205: Anti-corruption 2016	205-1 Operations assessed for risks related to corruption	139–143	
	205-2 Communication and training about anti-corruption policies and procedures	143, 363, 370	Req: Information on trained employees is not broken down by region and employee category Reas: Information not available/incomplete E: We do not consider a further breakdown to be relevant.
	205-3 Confirmed incidents of corruption and actions taken	143, 363, 370	
GRI 206: Anti-competitive Behavior 2016	206-1 Legal actions for anti-competitive behavior, anti-trust, and monopoly practices	139–140, 160, 248	
Human capital			
GRI 3: Material Topics 2021	3-3 Management of material topics	60–63, 134–136	
GRI 401: Employment 2016	401-1 New employee hires and employee turnover	134, 361	Req: Information on new employee hires and employee turnover by gender and age group Reas: Information not available/incomplete E: We are currently rolling out a global system as the basis for future data collection and reporting, and plan to start reporting the data most likely from financial year 2024.
GRI 402: Labor/Management Relations 2016	402-1 Minimum notice periods regarding operational changes	62, 134	

GRI content index

GRI Standard	Disclosure	Location	Omission (Requirement(s) omitted (Req), Reason (Reas), Explanation (E))
GRI 404: Training and Education 2016	404-1 Average hours of training per year per employee	63, 362	Req: Information on average hours of training by gender and employee category Reas: Information not available/incomplete E: We are currently rolling out a global system as the basis for future data collection and reporting, and plan to start reporting the data most likely from financial year 2024.
	404-2 Programs for upgrading employee skills and transition assistance programs	62–63, 134, 362	
	404-3 Percentage of employees receiving regular performance and career development reviews	62–63, 135	
Human rights			
GRI 3: Material Topics 2021	3-3 Management of material topics	116, 139–143	
GRI 407: Freedom of Association and Collective Bargaining 2016	407-1 Operations and suppliers in which the right to freedom of association and collective bargaining may be at risk	116, 142–143	
GRI 408: Child Labor 2016	408-1 Operations and suppliers at significant risk for incidents of child labor	116, 142–143	
GRI 409: Forced or Compulsory Labor 2016	409-1 Operations and suppliers at significant risk for incidents of forced or compulsory labor	116, 142–143	
Innovation and technology			
GRI 3: Material Topics 2021	3-3 Management of material topics	41–45, 83–86	
Occupational health and safety			
GRI 3: Material Topics 2021	3-3 Management of material topics	64, 136–139	
GRI 403: Occupational Health and Safety 2018	403-1 Occupational health and safety management system	137–138	
	403-2 Hazard identification, risk assessment, and incident investigation	136–139	
	403-3 Occupational health services	61, 137–138	
	403-4 Worker participation, consultation, and communication on occupational health and safety	61–62, 64, 137–139, 362–363	
	403-5 Worker training on occupational health and safety	137–139, 362, 370	
	403-6 Promotion of worker health	61, 64, 136–139	
	403-7 Prevention and mitigation of occupational health and safety impacts directly linked by business relationships	64	
	403-8 Workers covered by an occupational health and safety management system	64, 363	
	403-9 Work-related injuries	139, 362–363, 370, 376	

GRI content index

GRI Standard	Disclosure	Location	Omission (Requirement(s) omitted (Req), Reason (Reas), Explanation (E))
Responsible sourcing			
GRI 3: Material Topics 2021	3-3 Management of material topics	59, 67–68, 114–116, 139–140, 142–143	
GRI 204: Procurement Practices 2016	204-1 Proportion of spending on local suppliers	67, 114	
GRI 308: Supplier Environmental Assessment 2016	308-2 Negative environmental impacts in the supply chain and actions taken	68, 115–116	
GRI 414: Supplier Social Assessment 2016	414-2 Negative social impacts in the supply chain and actions taken	68, 115–116, 139–140, 142–143	
Responsible water use			
GRI 3: Material Topics 2021	3-3 Management of material topics	69, 72–73, 156	
GRI 303: Water and Effluents 2018	303-1 Interactions with water as a shared resource	72–73, 156	
	303-2 Management of water discharge-related impacts	72–73	
	303-3 Water withdrawal	359–360, 369	
	303-4 Water discharge	359–360, 369	
	303-5 Water consumption	359–360, 369	
Sustainable products and solutions			
GRI 3: Material Topics 2021	3-3 Management of material topics	52, 56–58, 122–124	

Glossary

Aggregates
Aggregates in the form of sand, gravel and crushed rock are used principally for concrete manufacturing or for road construction and maintenance.

Alternative fuel rate
Proportion of alternative fuels in the fuel mix.

Alternative fuels
Combustible substances and materials used in place of fossil fuels in the clinker-burning process, such as used tyres, biomass or household waste.

Alternative raw materials
By-products or waste from other industries, whose chemical components make them suitable substitutes for natural raw materials. Alternative raw materials are used both in the production of clinker, the most important intermediate product in cement production, and as additives in cement grinding, in order to conserve natural raw material resources and reduce the proportion of energy-intensive clinker in cement, the end product.

Amine technology
With amine technology for carbon capture, sulphur and nitrogen oxides are filtered out of the flue gas at the end of the conventional combustion process. The CO_2 is then separated from the remaining exhaust gas via a washing system using liquid amine. After separation, the CO_2 with a purity of about 99% percent can be used as a raw material or stored.

Asphalt
Asphalt is manufactured from a mixture of graded aggregates, sand, filler and bitumen. It is used primarily for road construction and maintenance.

Biodiversity
Biodiversity or biological diversity is the genetic diversity within species, diversity between species, and diversity of ecosystems.

Blast furnace slag
Finely ground, glassy by-product from steel production. Additive for cement.

Calcined clay
Secondary cementitious material with great potential for reducing CO_2 in cement production. For its production, raw clay minerals are heated to between 650°C and 950°C.

Cement
Cement is a hydraulic binder, i.e. a finely ground inorganic material that sets and hardens by chemical interaction with water and that is capable of doing so also under water. Cement is mainly used to produce concrete. It binds the sand and gravel into a solid mass.

Cementitious materials
Heidelberg Materials reports specific net CO_2 emissions in kg per tonne of cementitious material. In addition to cement, this includes materials with cement-like properties. Heidelberg Materials uses predominantly ground granulated blast furnace slag (by-product of the steel industry) as alternative raw material to replace clinker as far as possible.

Cement mill
Cement grinding is the final stage of the cement manufacturing process. In cement mills, the clinker is ground into cement, with the addition of gypsum and anhydrite, as well as other additives, such as limestone, blast furnace slag or fly ash, depending on the type of cement.

Circular economy
A circular economy is a model of production and consumption designed to preserve and regenerate. It is based on three principles: Prevention of waste and pollution, recycling of products and materials (at the level of their highest value) and regeneration of natural resources.

Circularity
Circularity is the compatibility of a material flow (e.g. materials or products) with the principle of circular economy.

Clinker (cement clinker)
Intermediate product in the cement production process that is made by heating a finely-ground raw material mixture to around 1,450 °C in the cement kiln. For the manufacture of cement, the greyish-black clinker nodules are extremely finely ground. Clinker is the main ingredient in most cement types.

Clinker ratio
Proportion of clinker in cement.

Commercial Paper
Bearer notes issued by companies within the framework of a Commercial Paper Programme (CP Programme) to meet short-term financing needs.

Composite cement
In composite cements, a proportion of the clinker is replaced with alternative raw materials, usually by-products from other industries, such as blast furnace slag or fly ash. Decreasing the proportion of energy-intensive clinker in cement is of critical importance for reducing energy consumption and CO_2 emissions as well as for preserving natural raw materials.

Concrete
Building material that is manufactured by mixing cement, aggregates (gravel, sand or crushed stone) and water.

CCUS
CCUS stands for the capture, utilisation, and storage of CO_2.

Direct separation
Direct separation technology is supposed to enable the capture of process-related CO_2 without additional use of heat or any other commodity. A special reactor replaces the conventional calciner of the kiln system to separate the CO_2 already during calcination.

EMTN programme
An EMTN (Euro Medium Term Note) programme represents a framework agreement made between the company and the banks appointed to be dealers. Heidelberg Materials has the option of issuing debenture bonds up to a total volume of €10 billion under its EMTN programme.

European Union Emissions Trading Scheme (EU ETS)
The European Union Emissions Trading Scheme (EU ETS) obliges companies or operators of emission-intensive industrial facilities to participate in European emissions trading. These companies must purchase allowances for their CO_2 emissions.

Fly ash
Solid, particulate combustion residue from coal-fired power plants. Additive for cement.

Full-time equivalents (FTE)
Number of hours worked by all full-time and part-time employees divided by the working hours of a full-time employee.

Grinding plant
A grinding plant is a cement production facility without clinker-burning process. Delivered clinker and selected additives, depending on the type of cement, are ground into cement. Grinding plants are particularly operated at locations where suitable raw material deposits for cement production are not available.

Leverage ratio
Ratio of net debt to result from current operations before depreciation and amortisation (RCOBD).

Net debt
The sum of all non-current and current financial liabilities minus cash and cash equivalents and short-term derivatives.

Net-zero emissions
Reduction of our CO_2 emissions across the value chain in line with **SBTi's** 1.5°C pathway, while neutralising residual emissions.

OxyCal technology
Clinker-burning technique in which only the static part of the kiln process is operated in Oxyfuel mode. OxyCal is often combined with amine technology to also capture the CO_2 from the rotary kiln. In this way, up to 97% of the CO_2 can be captured with a purity of 99%.

Oxyfuel technology
Clinker-burning technique in which pure oxygen is introduced into the kiln instead of air. This leads to a CO_2 content of up to 90% in the exhaust gases, which can be further upgraded to 99%. The aim is to capture the CO_2 in a more energy-efficient way than by post-combustion capture, as no additional heat is required.

Ready-mixed concrete
Concrete that is manufactured in a ready-mixed concrete facility and transported to the building site using ready-mix trucks.

RCOBD/RCO
Result from current operations before depreciation and amortisation/result from current operations.

RCOBD margin
Ratio of result from current operations before depreciation and amortisation (RCOBD) to revenue.

ROIC
Return on Invested Capital.

Financial calendar 2024

7 May	**Quarterly Statement January to March 2024**
16 May	**Annual General Meeting 2024**
30 Jul	**Half-Year Financial Report 2024**
7 Nov	**Quarterly Statement January to September 2024**

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BirdLife International, page 71
Aleksej Keksel, page 73

The Company has its registered office in Heidelberg, Germany. It is registered with the Commercial Register at the Local Court of Mannheim (Amtsgericht Mannheim) under HRB 330082.

This report – in German and English – is only available electronically on the Internet: **www.heidelbergmaterials.com**.

There, you will also find the 2023 financial statements of Heidelberg Materials AG and further information about Heidelberg Materials.

Translation of the Annual and Sustainability Report 2023. The German version is binding.

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Due to rounding, numbers presented in the report may not add up precisely to the totals provided.