HEIDELBERGCEMENT GROUP SUSTAINABILITY FINANCE FRAMEWORK

DNV ELIGIBILITY ASSESSMENT

Scope and objectives

HeidelbergCement Group (hereafter referred to as "HeidelbergCement" or "The Group") is an international building materials company specialising in the production and distribution of cement (including ready-mix concrete) and aggregates for the use in residential housing developments, roads, commercial and industrial facilities. The Group works across 3,000 locations in 50 countries, that can be divided into five geographic regions: Western and Southern Europe, Northern and Eastern Europe-Central Asia, North America, Asia-Pacific, and Africa-Eastern Mediterranean Basin. HeidelbergCement takes a leading position in the market in terms of sales volume with a cement capacity of 181mt and 18.9bnt in aggregate resources.

HeidelbergCement has recognised that sustainable business practices are key to the long-term success of the Group, and as such, it has set out its “2030 Sustainability Commitments” to minimise the negative environmental impacts of its activities, while striving to serve the interests of society. As an energy-intensive company, and to demonstrate the Group’s commitment towards climate protection and the low carbon transition, HeidelbergCement has aligned its core sustainability commitments and goals (see Schedule 1a) with: the United Nations (UN) Sustainable Development Goals (SDGs), the EU Taxonomy’s Environmental Objective for Climate Change Mitigation, and the Science-Based Target Initiative (SBTi).

This is part of the Group’s wider commitment to bring transparency to what is, and what is not considered to be, sustainable economic activity in the cement sector.

To position itself as leading the change within the industry in terms of carbon reduction, HeidelbergCement has set a long-term target of achieving carbon neutrality across its portfolio by 2050. The Group also has a validated SBTi target of reducing Scope 1 GHG emissions by 22% per ton of cementitious materials by 2030 from a 2016 base year and a Scope 2 GHG emissions reduction of 65% per ton of cementitious materials within the same timeframe.

To support the delivery of the Group’s Sustainability Strategy and deliver on the low-carbon transition to drive responsible investing, HeidelbergCement has developed a Sustainability-Linked Financing Framework 2022 (the "Framework") under which it can issue "Sustainability-Linked Financing Instruments" that may include bonds (including private placements), commercial paper, loans, promissory notes (Schuldscheindarlehen) and other instruments in various formats and currencies.

DNV Business Assurance Services UK Limited ("DNV") has been commissioned by HeidelbergCement to provide a review of the Framework under which it can issue Sustainability-Linked Financing Instruments, the proceeds of which can be used for general corporate purposes. The objective of our review has been against the International Capital Market Association (“ICMA”) Sustainability-Linked Bond Principles 2021

1 Downstream activities include the production of ready-mix concrete, asphalt, and other building products.
2 Based on the published EU Taxonomy Climate Delegated Acts, and as stated in the Framework, we can confirm that only the cement business line of the Group is taxonomy eligible.
("SLBP"), and the Loan Market Association ("LMA") Sustainability-Linked Loan Principles 2022 ("GLP"). Our methodology to achieve this is described under 'Work Undertaken' below.

DNV was not commissioned to provide independent assurance or other audit activities. No assurance is provided regarding the financial performance of bonds and/or loans issued under the company’s Framework, the value of any investments, or the long-term environmental and/or societal benefits of the associated transactions. Our objective has been to provide an assessment that the Framework has met the criteria established on the basis set out below.

**Responsibilities of the Management of HeidelbergCement and DNV**

The management of HeidelbergCement has provided the information and data used by DNV during the delivery of this review. Our statement represents an independent opinion and is intended to inform HeidelbergCement management and the other interested stakeholders of the Framework, as to whether the established criteria have been met based on the information provided to us. In our work, we have relied on the information and the facts presented to us by HeidelbergCement. DNV is not responsible for any aspect of the nominated assets referred to in this opinion, and cannot be held liable if estimates, findings, opinions, or conclusions are incorrect. Thus, DNV shall not be held liable if any of the information or data provided by HeidelbergCement’s management and used as a basis for this assessment were not correct or complete.

**Basis of DNV’s opinion**

We have adapted our eligibility assessment protocol which incorporates the requirements of the SLBP and the SLLP, to create a "HeidelbergCement-specific Sustainability-Linked Financing Eligibility Assessment Protocol" (henceforth referred to as "Protocol"). Our Protocol includes a set of suitable criteria that can be used to underpin DNV’s opinion.

As per our Protocol, the criteria against which the Framework has been reviewed are grouped under the following Principles, split by type of issuance:

- **Principle One: Selection of Key Performance Indicators (KPIs).** The issuer of a sustainability-linked bond should clearly communicate its overall sustainability objectives, as set out in its sustainability strategy, and how these relate to its proposed Sustainability Performance Targets (SPTs). The KPI should be relevant, core and material to the issuer’s core sustainability and business strategy, measurable or quantifiable on a consistent methodological basis, externally verifiable; and able to be benchmarked externally.

- **Principle Two: Calibration of Sustainability Performance Targets (SPTs).** The SPTs should be ambitious, meaningful, and realistic. The target setting should be done in good faith and based on a sustainability improvement in relation to a predetermined performance target benchmark.

- **Principle Three: Bond Characteristics.** The bond will need to include a financial and/or structural impact depending on whether the selected KPIs reach (or not) the predefined SPTs.
The bond documentation needs to require the definitions of the KPI(s) and SPT(s) and the potential variation of the SLB’s financial and/or structural characteristics. Any fallback mechanisms in case the SPTs cannot be calculated or observed in a satisfactory manner, should be explained.

- **Principle Four: Reporting.** Issuers should publish and keep readily available and easily accessible up to date information on the performance of the selected KPI(s), as well as a verification assurance report outlining the performance against the SPT(s) and the related impact and timing of such impact on the bond’s financial and/or structural characteristics, with such information to be provided to investors participating in the bond at least once per annum.

- **Principle Five: Verification (Post-issuance).** The Issuer should have its performance against its SPTs independently verified by a qualified external reviewer with relevant expertise, such as an auditor, environmental consultant and/or independent ratings agency, at least once a year. The verification of the performance against the SPT(s) should be made publicly available.

**Work undertaken**

Our work constituted of a high-level review of the available information, based on the understanding that this information was provided to us by HeidelbergCement in good faith. We have not performed an audit or other tests to check the veracity of the information provided to us.

The work undertaken to form our opinion included:

- Creation of a HeidelbergCement-specific Protocol, adapted to the purpose of the Framework, as described above, and in Schedules 1 and 2 of this Assessment.
- Assessment of the documentary evidence provided by HeidelbergCement on the Framework and supplemented by a high-level desktop research. These checks refer to current assessment best practices and standards methodology.
- Discussions with HeidelbergCement’s management as well as a review of the relevant documentation and evidence related to the criteria of the Protocol; and
- Documentation of findings against each element of the criteria.

Our opinion as detailed below is a summary of these findings.
Findings and DNV’s opinion

DNV’s summary findings are listed below, split by type of instrument.

1. Principle One: Selection of Key Performance Indicators (KPIs).

Within the Framework, HeidelbergCement has identified two KPIs that are core and material to the business and address the relevant sustainability challenges and risks posed within the Group’s management control.

- **KPI 1 – Specific Net CO₂ emissions (Scope 1) per tonne of cementitious material**
- **KPI 2 – CO₂ emissions avoided via CCUS**

The KPIs outlined in the Framework (and summarised above) commit the Group to future sustainability improvements within the predefined timelines and will be reviewed by the Group on an annual basis. We can also confirm that HeidelbergCement has aligned the two KPIs to the relevant UN SDGs Goal #9 (Industry, Innovation & Infrastructure) and Goal #13 (Climate Action); industry/market standards; and the EU environmental objective for Climate Change Mitigation.

DNV can confirm that the selected KPIs are relevant and core to HeidelbergCement’s overall business and that of the industry, and they are of strategic significance to the Group’s current and/or future operations. DNV can also confirm both KPIs are deemed material and will fulfill HeidelbergCement’s commitment and long-term, target to achieve carbon-neutral concrete across the portfolio by 2050. KPI 1 is material as the cement industry contributes to around 7 percent of global industrial carbon emissions; as a global leader in cement production, HeidelbergCement plays a key role in addressing the climate crisis. Carbon intensity from cement production is, therefore, core, relevant, and material to the Group. KPI 2 is deemed material as it is aligned with the IEA’s Sustainable Development Scenario to deliver net zero by 2070. In this scenario around 840Mt of CO₂ is stored through CCUS by 2030. KPI 2 will deliver on the Group’s objective to deploy CCUS technologies across its business operations, by 2030. DNV notes that emissions from cement production are among the hardest to abate due to process emissions that result from chemical reactions, and the need for high-temperature heat. As there are no economically viable alternatives existing, reaching net zero in cement manufacturing will require innovative solutions to prevent CO₂ from reaching the atmosphere on a large scale. HeidelbergCement has recognised that carbon capture, utilisation and storage (CCUS) plays a critical role in the sustainable transformation of the industry, and serves as an efficient solution to address the decarbonisation challenge. In recent years, HeidelbergCement has made significant investments in the development of advanced CCUS technologies, demonstrating it has become a global pioneer in this field.

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3 Cementitious material is defined in line with the Cement Sustainability Initiative (CSI)/GCCA definition: Total clinker produced plus mineral components consumed for blending and production of cement substitutes, including clinker sold, excluding clinker bought.
Both KPIs are clearly defined within the Framework with clear calculation methodologies. DNV can confirm the methodologies for KPI 1 and KPI 2 are industry recognised and are sound, robust and verifiable. KPI 1 is calculated in accordance with the Global Cement and Concrete Association (GCCA) monitoring and reporting methodology. HeidelbergCement has also provided three years of historic verified data. KPI 2 uses the calculation tool for avoided emissions from CCUS projects as published by the European Commission (EC), as part of the EU Innovation Fund for the monitoring and reporting methodology. For KPI 2, there is no historical data, as no industrial scale CCUS project in the cement industry has ever been fully operational. HeidelbergCement is leading the industry in the deployment of CCUS technologies and has been running several pilot projects. Given that no industrial-scale application has been established so far, it is not yet possible to peer benchmark the target. HeidelbergCement’s Brevik project, expected to come online in 2024, will be the first-ever fully operational industrial-scale CCUS project in the cement industry.

Based on the work undertaken, DNV can confirm that both KPIs are relevant, core, and material to the Group’s overarching Corporate Sustainability Strategy. The rationale and process for KPI selection, as well as the definition, measurability and verifiability, are also clearly defined and presented within the Framework. DNV can confirm this is in alignment with the requirements as set out by the SLBP and SLLP.

2. **Principle Two: Calibration of Sustainability Performance Targets (SPTs):**

Aligned with the two KPIs as outlined above, HeidelbergCement has set the following SPTs:

**SPT 1: Specific Net CO\(_2\) emissions (Scope 1) per tonnes of cementitious material**

- **Intermediate Target:** KG net CO\(_2\) emitted per ton of cementitious material (kg net CO\(_2\)/t. cem), Scope 1, equal to or lower than 500 kg CO\(_2\), for the financial year 2026 from a 2020 baseline.
- **Long Term:** KG net CO\(_2\) emitted per ton of cementitious material (kg net CO\(_2\)/t. cem), Scope 1, equal to or lower than 400kg CO\(_2\), for the financial year 2030 from a 2020 baseline.

**SPT 2: CO\(_2\) emissions avoided via capture and use/storage (CCUS) technologies:**

- Tons of CO\(_2\) emissions avoided via capture and use/storage (CCU/S) technologies, equal to or higher than a cumulative 10m tons, by end of the financial year 2030 starting from the beginning of the financial year 2020.

DNV can confirm that HeidelbergCement has set out clear calculation methodologies for SPT 1 and SPT 2 and has defined the baseline and target year(s), as summarised above. Both SPTs support the Group’s long-term target to achieve carbon neutrality by 2050.

DNV can confirm the SPT 1 is aligned with science and is consistent with the well below 2°C scenario that was validated by the Science Based Targets Initiative (SBTi) in May 2022. The 2026 target of 500 kg CO\(_2\) (net) is below the 550 kg CO\(_2\) (gross) benchmark set by the SBTi and the 2030 target of 400kg CO\(_2\) (net) is below the 468 kg CO\(_2\) (gross) benchmark set by the SBTi, and the 469kg CO\(_2\) (gross)
benchmark within the EU Taxonomy. HeidelbergCement has confirmed the difference between net and
gross is anticipated to be ca. 50 kg CO$_2$ / ton cementitious material in 2026 and ca. 68 kg CO$_2$ / ton
cementitious material in 2030, demonstrating the overall net targets are beyond a “Business as Usual”
trajectory and are ambitious when compared to the benchmarks and taking into consideration the risks
of achieving the targets. In addition, DNV can confirm that HeidelbergCement’s targets are leading,
have set a benchmark for the industry, and that the level of ambitiousness of the targets outperforms
that of its direct peers.

HeidelbergCement has confirmed that SPT 1 will be further assessed in line with the upcoming SBTi
sectoral guidance for a 1.5 °C scenario. DNV has reviewed the draft modelling data provided by
HeidelbergCement which demonstrates that the 2030 target is aligned with a 1.5°C scenario. DNV also
notes SBTi will launch the specific cement guidelines in September 2022 for 1.5°C pathway,
HeidelbergCement has confirmed its corresponding application will follow. To support the Cement
sector in its decarbonization journey, HeidelbergCement also participates in the Expert Advisory Group
for a 1.5 °C scenario evidencing its ambition to align the industry and its targets with science.

SPT 2 supports HeidelbergCement’s strategic objective to be industry leading in CCUS across the
Group’s operations by 2030. While it was not possible to make comparisons to peers or industry
standards for SPT 2, DNV notes that based on the information provided the target is ambitious and
meaningful, industry leading, and goes beyond a “Business as Usual” trajectory. To deliver the IEA’s
Sustainable Development Scenario (which delivers net zero in 2070), some 840Mt of CO2 stored
through CCUS is required in 2030. Of this, 258Mt is anticipated from the cement industry. Today all
operational CCUS facilities globally are capturing and storing 40 million tonnes CO2 annually. Initial
projects identified by HeidelbergCement represent 3.78Mt CO$_2$ stored annually, almost 10% of today’s
global operational capacity.

DNV can confirm that the baseline dates set for all KPIs may be recalculated by HeidelbergCement if
there are structural changes that would significantly impact the organisation’s base year figures, or for
instance, changes in the CCUS, GCCA methodologies. HeidelbergCement has also outlined within the
Framework, factors that support the achievement of both SPTs, including a high-level road map and
the potential risks to achievement.

Based on the work undertaken and the information provided to DNV, we can confirm that the SPTs
represent a material improvement in the respective KPIs and are beyond a “Business as Usual”
trajectory, both are set on a predefined timeline, are consistent with HeidelbergCement’s overall
Corporate Sustainability Strategy, and refer to science in line with the SLBP and SLLP.

3. Principle Three: Financial Characteristics:

DNV confirms that HeidelbergCement can use one or all of the SPTs for each relevant Sustainability-
Linked Instrument issued under the Framework. Based on the Framework, and having reviewed the
supporting evidence, we can confirm that the failure to satisfy the SPT(s) on a set Target Observation
Date, as per the annual reporting, will trigger a “financial penalty” payable by the Group.
Given that the financial characteristics of the Sustainability-Linked Finance Instruments may vary, depending on whether or not the selected KPI(s) reach the predefined SPT(s), HeidelbergCement has reported this will be captured in each Sustainability-Linked Finance Instruments ‘Relevant Documentation Final Terms’. The financial penalty may include a coupon step-up(s) and/or a higher repayment amount.

In the Relevant Documentation for each SPT, we can also confirm the Group may state if the SPT(s) is subject to a recalculation based on specific circumstances, such as changes in the calculation methodology or major events having a material impact on the Group’s structure.

DNV understands there appears to be little risk of HeidelbergCement not being able to calculate or observe each SPT stated in the Framework in a non-satisfactory manner. In the unlikely instances where the performance level cannot be calculated or observed in a satisfactory manner⁴, or HeidelbergCement does not publish the relevant SPT in the stated timeframe as prescribed in the Framework, then the financial penalty will be applied.

DNV confirms that HeidelbergCement’s commitment to the linked bond and loan characteristics are in line with the requirements of the SLBP and SLLP.

4. **Principle Four: Reporting:**

HeidelbergCement has committed to reporting on its progress against the selected KPIs as part of its ‘Annual Reporting’ and its ‘Sustainability Performance Reporting’. We can confirm that the Group has committed to having its data verified externally by an independent third party. In addition, we can also confirm that the associated verification assurance certificate will be made available on HeidelbergCement’s website, the latest, 135 days after the end of the relevant financial year.

HeidelbergCement’s annual reporting may include:

- The performance of the selected KPIs, including the baseline where relevant.
- Following a target observation date, a verification assurance certificate relative to the KPIs outlining the performance against the SPTs; and
- Any other relevant information that will enable investors to monitor the progress of the KPIs and the ambition of the SPTs, including any updates to HeidelbergCement’s sustainability strategy and/or ESG governance.

Information provided as part of its Annual Reporting/ Sustainability Performance Reporting may also include, when feasible and possible, the following:

- Illustration of the positive sustainability impacts of the performance improvements.

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⁴ Note: non-satisfactory is defined by the Group in the Framework as when a verification assurance certificate cannot be provided by an independent auditor.
• Any re-assessments of KPIs and/or restatement of the SPTs, and/or pro forma adjustments of baselines or KPIs scope, if relevant; and

• Public disclosure of HeidelbergCement’s environmental and climate-related data through the CDP Climate Disclosure questionnaire.

DNV can confirm HeidelbergCement’s commitment to annual reporting and this is in line with the requirements as set out by the SLBP and SLLP.

5. Principle Five: Verification (Post-issuance):

HeidelbergCement commits to reporting on KPI 1 and KPI 2 in their annual report, noting that data will only be reported and assured for KPI 2 once the first projects are fully operational. This will be verified by an external auditor annually and will be made available on HeidelbergCement’s website. A ‘Verification Assurance Certificate’ confirming whether the performance of KPI 1 and KPI 2 meets the relevant SPTs will also be published on the Group’s website, following the target observation date being met.

We can also confirm that HeidelbergCement has committed to reviewing the Framework on a regular basis to ensure that it remains in line with the SLBP/SLLP and the applicable market standards. Where material changes to the perimeter, methodology/ data accessibility, and specifically changes to the KPIs, baselines and the SPT calibration take place as a result of a change in the Group, then revisions and updates to the Framework will also take place accordingly. In which case, the consistency of the proposed revision with HeidelbergCement’s sustainability strategy and the initial level of ambition of the SPT(s) will be confirmed by an external verifier, as a requirement to such recalculation.

DNV can confirm HeidelbergCement’s commitment to verification is in line with the requirements within the SLBP and SLLP.
On the basis of the information provided by The Group, and the work undertaken, it is DNV’s opinion that the HeidelbergCement Group’s Sustainability-Linked Financing Framework meets the criteria established in the Protocol, and that this is aligned with the stated definitions of Sustainability-Linked Bonds within the Sustainability Linked Bond Principles (SLB) 2021, which is to “incentivise the issuer’s achievement of material, quantitative, pre-determined, ambitious, regularly monitored and externally verified sustainability (ESG) objectives through KPIs and SPTs”, thereby providing “an investment opportunity with transparent sustainability credentials”. In addition, we can confirm this is aligned with the stated definition of Sustainability-Linked Loans within the Sustainability-Linked Loan (SLL) Principles 2022, which is to “facilitate and support environmentally and socially sustainable economic activity and growth”, thereby “promoting sustainable development more generally”.

for DNV Business Assurance Services UK Limited

London, 15th September 2022

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About DNV

Driven by our purpose of safeguarding life, property and the environment, DNV enables organisations to advance the safety and sustainability of their business. Combining leading technical and operational expertise, risk methodology and in-depth industry knowledge, we empower our customers’ decisions and actions with trust and confidence. We continuously invest in research and collaborative innovation to provide customers and society with operational and technological foresight. With our origins stretching back to 1864, our reach today is global. Operating in more than 100 countries, our 12,000 professionals are dedicated to helping customers make the world safer, smarter and greener.
**SCHEDULE 1: DESCRIPTION OF THE KEY PERFORMANCE INDICATOR (KPI) AND SUSTAINABILITY PERFORMANCE TARGET (SPT) FOR SUSTAINABILITY LINKED BONDS AND LOANS**

<table>
<thead>
<tr>
<th>Key performance indicator (KPI)</th>
<th>Sustainability performance target (SPT)</th>
<th>Industry /market alignment, or EU Environmental Objectives</th>
<th>SDG alignment</th>
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</thead>
</table>
| **KPI 1: Specific Net CO₂ emissions per tonnes of cementitious material (Scope 1)** | Kg Net CO₂ emitted per ton of cementitious material (kg net CO₂/t. cem)  
- **Intermediate Target:** kg net CO₂ emitted per ton of cementitious material equal to or lower than 500kg CO₂ by the for the financial year 2026 from a 2020 baseline.  
- **Long Term Target:** kg net CO₂ emitted per ton of cementitious material equal to or lower than 400kg net CO₂ per tonne, for the financial year 2030 from a 2020 baseline.  
  *Note: in 2020, kg net CO₂/t.cem was 576.0.* | Science-based Target Initiative (SBTi) validated and aligned to a 2-degree pathway.  
Climate Change Mitigation. | ![SDG 9](image) ![SDG 13](image) |
| **KPI 2: CO₂ emissions avoided via CCUS** | CO₂ emissions avoided via capture and use/storage (CCUS) technologies:  
- Tons of CO₂ emissions captured via capture and use/storage (CCUS) technologies, equal to or higher than 10 million tons, by the end of the year 2030 from a 2020 baseline.  
  *Note: in 2020, the total tonnes of CO₂ avoided via CCUS was 0.* | No industrial-scale application has been established yet.  
Therefore, it is not yet possible to peer benchmark the target.  
Climate Change Mitigation. | ![SDG 9](image) ![SDG 13](image) |
## SCHEDULE 2: SUSTAINABILITY-LINKED BOND ELIGIBILITY ASSESSMENT PROTOCOL

### 1. Selection of Key Performance Indicators (KPIs)

<table>
<thead>
<tr>
<th>Ref.</th>
<th>Criteria</th>
<th>Requirements</th>
<th>Work Undertaken</th>
<th>DNV Findings</th>
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<tbody>
<tr>
<td>1a</td>
<td>KPI – material to core sustainability and business strategy</td>
<td>The issuer’s sustainability performance is measured using sustainability KPIs that can be external or internal. The KPIs should be material to the issuer’s core sustainability and business strategy, and address relevant environmental, social and/or governance challenges of the industry sector and be under management’s control. The KPI should be of high strategic significance to the issuer’s current and/or future operations. It is recommended that issuers communicate clearly to investors the rationale and process according to which the KPI(s) have been selected and how the KPI(s) fit into their sustainability strategy.</td>
<td>In addition to reviewing the evidence below, we had several detailed discussions with HeidelbergCement. Evidence reviewed: • HeidelbergCement Group Sustainability-Linked Financing Framework • HC – CDP 2021 • HeidelbergCement Annual Report 2020 • HeidelbergCement Sustainability Report 2020: Taking responsibility. Securing opportunities. • Sustainability Commitments 2030 • Mazars Independent Limited Assurance Report on Selected Indicators Regarding Carbon Emissions • Press release: Quarterly statement January to September 2021 • Q3 2021 Trading Update</td>
<td>It is in our opinion that the two KPIs selected are core and material to the Group, address the relevant sustainability challenges and risks posed within the Group’s management control, and align with HeidelbergCement’s’ overall ambition to achieve carbon-neutral concrete across the portfolio by 2050. The two KPIs set are, as follows: • <strong>KPI 1:</strong> Specific Net CO\textsubscript{2} emissions (Scope 1) per tonne of cementitious material. • <strong>KPI 2:</strong> CO\textsubscript{2} emissions avoided via CCUS. We can confirm that the KPIs outlined above are aligned with the Group’s wider commitment to deliver environmental responsibility within the cement industry, commit the Group to future sustainability improvements within the predefined timelines, and will be reviewed by the Group on an annual basis. HeidelbergCement has also aligned the two KPIs to the relevant UN SDGs Goal #9 (Industry, Innovation &amp; Infrastructure) and Goal #13 (Climate Action); industry/market standards; the EU environmental objective for Climate Change Mitigation; and HeidelbergCement’s’ corporate commitments and goals – specifically: • Driving economic strength and innovation. • Reducing our environmental footprint. • Ensuring compliances and creating transparency. The selected KPIs reviewed are relevant and core to HeidelbergCement’s overall business and that of the industry and will fulfil HeidelbergCement’s commitment, and long-term target to achieve carbon-neutral concrete across the portfolio, by 2050. We can also confirm they are of strategic significance to the Group’s current and/or future operations.</td>
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<td><strong>KPI 1</strong> is material as the cement industry contributes to around 7 percent of global industrial carbon emissions (in year 2021); as a global leader in cement production, HeidelbergCement plays a key role in addressing the climate crisis. KPI 1 also mirrors HeidelbergCement’s 2030 target of reducing specific net CO₂ emissions by at least 47% compared to 1990 levels. Additionally, reducing specific net CO₂ emissions of cementitious material is the sole indicator used to fulfil HeidelbergCement’s commitment to offer a carbon-neutral concrete across its portfolio by 2050. Carbon intensity from cement production is, therefore, core, relevant, and material to the Group.</td>
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<td>1b</td>
<td>KPI - Measurability</td>
<td>KPIs should be measurable or quantifiable on a consistent methodological basis; externally verifiable; and able to be benchmarked, i.e. as much as possible using an external reference</td>
<td>In addition to reviewing the evidence below, we had several detailed discussions with HeidelbergCement. Evidence reviewed:</td>
<td>It is in our opinion that the KPIs chosen by HeidelbergCement are measurable, quantifiable, and where possible, have been benchmarked against industry standards and/or peers operating in the same sector. We can also confirm that the KPIs summarised below, are either in alignment with the UN SDGs, industry standards, or EU environmental objectives:</td>
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**KPI 2** is deemed material as it supports the IEA’s Sustainable Development Scenario to deliver net zero in 2070, of which around 840Mt of CO₂ stored through CCUS by 2030 and will deliver on the Group’s objective to deploy CCUS technologies across its business operations, by 2030. DNV notes that emissions from cement production are among the hardest to abate due to process emissions that result from chemical or physical reactions and the need for high-temperature heat. As there are no economically viable alternatives existing, reaching net zero in cement manufacturing will require innovative solutions to prevent CO₂ from reaching the atmosphere on a large scale. HeidelbergCement has recognised that carbon capture, utilisation and storage (CCUS) plays a critical role in the sustainable transformation of the industry and serves as an efficient solution to address the decarbonisation challenge.

Based on the work undertaken, DNV can confirm that the KPI’s are relevant, core and material to the Group’s overarching corporate strategy. The rationale and process for KPI selection, as well as the definition, measurability, and verifiability. In conclusion, the KPIs set out by HeidelbergCement in the Framework are consistent with the SLBP and SLLP.
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<td>or definitions to facilitate the assessment of the SPTs level of ambition.</td>
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<td>Issuers are encouraged, when possible, to select KPI(s) that they have already included in their previous annual reports, sustainability reports or other non-financial reporting disclosures to allow investors to evaluate the historical performance of the KPIs selected.</td>
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<td>In situations where the KPIs have not been previously disclosed, issuers should, to the extent possible, provide historical externally verified KPI values covering at least the previous 3 years.</td>
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<td>• HeidelbergCement Independent Assurance Report on Carbon Emissions (Scope 1, 2 and 3) 2021</td>
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**KPI 1 – Specific Net CO₂ emissions (Scope 1) per tonne of cementitious material:**
- Baseline year: 2020
- Externally verifiable against the applicable international or national reporting standards and frameworks (e.g., GHG Protocol and the SBTi guides; UN SDGs (Goal #9 (Industry, Innovation and Infrastructure) and Goal #13 (Climate Action)). Three years of historical data has been provided (year-2018 to 2021).

**KPI 2 – CO₂ Emissions avoided via capture and use/storage (CCUS) technologies**
- Baseline year: 2020. The KPI is verifiable against the issuer’s sustainability ambitions and in line with industry developments, and thus, measurable and quantifiable on a consistent basis.
- It is not currently possible to benchmark against other cement manufacturers, as CCUS has not yet been deployed in the cement industry; specific targets for CCUS deployment have not yet been outlined by similar companies. Benchmarking may become possible over time, as a number of cement manufacturers have indicated general plans to use CCU and CCS in their decarbonisation strategies.
- HeidelbergCement methodology for KPI 2 has proposed to adopt the calculation tool for avoided emissions published as part of the EU Innovation Fund. This provides a clear framework for measurement aligned with accepted standards and takes into account CO₂ emissions throughout the process to determine the net amount of CO2 stored geologically (emissions avoided).
- DNV notes that there is no historical data for this KPI, as no CCUS project in the cement industry has ever been fully operational. HeidelbergCement is, however, leading the industry in the deployment of CCUS technologies and has been running several pilot projects. Given that no industrial-scale application has been established so far, it is not yet possible to peer benchmark the target.
- HeidelbergCement’s Brevik project, that will come online in 2024, will be the first-ever fully operational industrial-scale CCUS project in the cement industry.
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| 1c   | KPI – Clear definition | A clear definition of the KPI(s) should be provided and include the applicable scope or perimeter, as well as the calculation methodology. | In addition to reviewing the evidence below, we had several detailed discussions with HeidelbergCement. Evidence reviewed:  
  - HeidelbergCement Group Sustainability-Linked Financing Framework  
  - HeidelbergCement Independent Assurance Report on Carbon Emissions (Scope 1, 2 and 3) 2018  
  - HeidelbergCement Independent Assurance Report on Carbon Emissions (Scope 1, 2 and 3) 2019  
  - HeidelbergCement Independent Assurance Report on Carbon Emissions (Scope 1, 2 and 3) 2020  
  - HeidelbergCement Independent Assurance Report on Carbon Emissions (Scope 1, 2 and 3) 2021 | It is DNV’s opinion that HeidelbergCement has provided the relevant detail on the applicable scope, parameters and calculation methodology for both KPI 1 and KPI 2. We can also confirm the methodologies for KPI 1 and KPI 2 are industry recognised and are sound, robust, and verifiable. |
|      |          |              |                 | Each year, DNV can confirm that HeidelbergCement will assure the data by a third party and will release a statement available on its website in the form of a report (e.g. annual or Sustainability report), to verify this has taken place. DNV also confirms that the measurability, and verifiability of the two KPIs are clearly defined and presented within the Framework, and that they meet the requirements set out by the SLBP and SLLP. |

**KPI 1 – Specific Net CO₂ emissions (Scope 1) per tonnes of cementitious material:**
- Baseline year: 2020.
- Calculated in accordance with the Global Cement and Concrete Association (GCCA) monitoring and reporting methodology for CO₂ emissions from cement manufacturing.

**KPI 2 – Emissions avoided via capture and use/storage (CCUS) technologies:**
- Baseline year: 2020.
- Applies the calculation tool for avoided emissions from CCUS projects, as published by the European Commission (EC), as part of the EU Innovation Fund for the monitoring and reporting methodology.

DNV can confirm that the scope, parameters, and calculation methodology for the two KPI’s have been clearly defined within the Framework and meet the criteria set out by the SLBP and SLLP.
### 2. Calibration of Sustainability Performance Targets (SPTs)

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| 2a   | Target Setting - Meaningful | The SPTs should be ambitious, realistic, and meaningful to the issuer’s business and be consistent with the issuers’ overall strategic sustainability/ESG strategy | In addition to reviewing the evidence below, we had several detailed discussions with HeidelbergCement. Evidence reviewed:  
- HeidelbergCement Group Sustainability-Linked Financing Framework  
- HC – CDP 2021  
- HeidelbergCement Annual Report 2020  
- Sustainability Commitments 2030  
- Mazars Independent Limited Assurance Report on Selected Indicators Regarding Carbon Emissions  
- Press release: Quarterly statement January to September 2021  
- Q3 2021 Trading Update | After reviewing the evidence provided and the Framework, DNV can confirm that the selected KPI’s as outlined in 1a, are aligned with the following two SPT’s set out below. We can also confirm that they are meaningful, i.e., they help HeidelbergCement address the Group’s key environmental challenges of concern to their stakeholders and of the cement sector more widely:  
**SPT 1: Specific Net CO2 emissions (Scope 1) per tonnes of cementitious material:**  
- Intermediate Target: KG net CO2 emitted per ton of cementitious material (kg net CO2/t. cem), Scope 1, equal to or lower than 500 kg CO\(_2\), for the financial year 2026 from a 2020 baseline.  
- Long Term: KG net CO2 emitted per ton of cementitious material (kg net CO2/t. cem), Scope 1, equal to or lower than 400kg CO2, for the financial year 2030 from a 2020 baseline.  
**SPT 2: CO2 emissions avoided via capture and use/storage (CCUS) technologies:**  
- Tons of CO2 emissions avoided via capture and use/storage (CCUS) technologies, equal to or higher than a cumulative 10m tons financial year 2030 starting from the beginning of the financial year 2020.  
DNV can confirm that HeidelbergCement has set out clear calculation methodologies for SPT 1 and SPT 2 and has defined the baseline and target year(s), as summarised above. Both SPT’s support the Group’s long-term target to achieve carbon neutrality by 2050.  
We also note that HeidelbergCement has an internal governance process in place, as outlined in 4a, to help manage sustainability risks (social and environmental), align with future regulation, and foresee potential opportunities. Both SPT 1 and 2 are consistent with HeidelbergCement’s overall Corporate Sustainability Strategy. |
| 2b   | Target Setting - Meaningful | SPTs should represent a material improvement in the respective KPIs and be beyond a “Business as Usual” trajectory; where possible be compared | In addition to reviewing the evidence below, we had several detailed discussions with HeidelbergCement. | Having reviewed the evidence provided, DNV can confirm that both SPTs represent a material improvement in the respective KPIs and are... |
to a benchmark or an external reference and be determined on a predefined timeline, set before (or concurrently with) the issuance of the bond.

### Evidence reviewed:
- HeidelbergCement Group Sustainability-Linked Financing Framework
- HC – CDP 2021
- HeidelbergCement Annual Report 2020
- Sustainability Commitments 2030
- Mazars Independent Limited Assurance Report on Selected Indicators Regarding Carbon Emissions
- Press release: Quarterly statement January to September 2021
- Q3 2021 Trading Update

### Beyond a “Business as Usual” trajectory, set on a predefined timeline, and they are in line with the SLBP and SLLP.

**SPT 1: Specific Net CO2 emissions (Scope 1) per tonnes of cementitious material:**
- Aligned with science and consistent with a well below 2°C scenario that was validated by the Science Based Targets Initiative (SBTi) in May 2022.
- The 2026 target of 500 kg CO2 (net) is below the 550 kg CO2 (gross) benchmark set by the SBTi and the 2030 target of 400kg CO2 (net) is below the 468 kg CO2 (gross) benchmark set by the SBTi and the 469kg CO2 (gross) benchmark within the EU Taxonomy.
- HeidelbergCement has confirmed the difference between net and gross is anticipated to be ca. 50 kg CO2 / ton cementitious material in 2026 and ca. 68 kg CO2 / ton cementitious material in 2030.
- HeidelbergCement has confirmed that SPT 1 will be assessed in line with the upcoming SBTi sectoral guidance for a 1.5 °C scenario. DNV has reviewed the draft modelling data provided by HeidelbergCement which demonstrates that the 2030 target is aligned with a 1.5°C scenario. DNV also notes that HeidelbergCement has scheduled the official verification with SBTi once the cement sector guidance has been released (due September 2022). To support the Cement sector in its decarbonization journey, HeidelbergCement also participates in the Expert Advisory Group for a 1.5 °C scenario evidencing their ambition to align the industry and its targets with science.
- DNV can confirm that these targets are leading when compared to peers.

**SPT 2: CO2 emissions avoided via capture and use/storage (CCUS) technologies:**
- DNV notes that it is not possible to make comparisons to peers or industry standards for SPT 2, but based on the information provided, we can confirm that the target is ambitious and meaningful and beyond a “Business as Usual” trajectory.
- To deliver the IEA’s Sustainable Development Scenario, 840mt of CO2 stored through CCUS is required in 2030. Of this total, 258Mt is anticipated from the cement industry. Today all operational CCUS facilities globally are capturing and storing 40 million tonnes of CO2 annually. The initial
projects identified by HeidelbergCement represent a further 3.78Mt CO2 stored annually, when at full capacity.
- From these projections, we can conclude that SPT 2 is meaningful and goes beyond the 'business as usual' trajectory.

We can confirm that each SPT is aligned as best as possible to known industry standards and science-based targets, where relevant.

DNV concludes that HeidelbergCement has set out a clear calculation methodology for both SPTs, has provided historic data where possible, and is in line with the bond and loan characteristics of the SLBP and SLLP.

### 2c Target Setting - benchmarks

The target setting exercise should be based on a combination of benchmarking approaches:

1. The issuer’s own performance over time for which a minimum of 3 years, where feasible, of measurement track record on the selected KPI(s) is recommended and when possible forward-looking guidance on the KPI
2. The SPTs relative positioning versus the issuer’s peers where comparable or available, or versus industry or sector standards
3. Systematic reference to science-based scenarios, or absolute levels (e.g. carbon budgets) or official country/regional/international targets or to recognised Best-Available-Technologies or other proxies

In addition to reviewing the evidence below, we had several detailed discussions with HeidelbergCement.

**Evidence reviewed:**
- HeidelbergCement Group Sustainability-Linked Financing Framework
- HeidelbergCement Independent Assurance Report on Carbon Emissions (Scope 1, 2 and 3) 2018
- HeidelbergCement Independent Assurance Report on Carbon Emissions (Scope 1, 2 and 3) 2019
- HeidelbergCement Independent Assurance Report on Carbon Emissions (Scope 1, 2 and 3) 2020
- HeidelbergCement Independent Assurance Report on Carbon Emissions (Scope 1, 2 and 3) 2021

DNV can confirm HeidelbergCement has demonstrated evidence of 3 years of historic performance data for SPT 1. For SPT 2, DNV notes that it is not possible to make comparisons to peers or industry standards.

Based on the peer and industry analysis provided, we can conclude that SPT 1 is ambitious and leading ahead of its peers. SPT 2 is meaningful, but DNV notes it is not yet possible to make comparisons to peers or cement manufacturers; CCUS technologies have not been deployed in the cement industry, and specific targets for CCUS deployment have yet to be outlined by similar companies.

SPT 1 is aligned with science, and we can confirm that HeidelbergCement has an SBTi validated target (May 2022) that is consistent with a well below 2°C scenario. We also note this is aligned with HeidelbergCement’s short term target of looking to reduce their net CO2 emissions by at least 47% when compared to 1990 levels. A long-term target to achieve carbon neutrality by 2050, and to reduce its own operational carbon emissions in line with science, is also in place.

For SPT 2, we can confirm that this is aligned with the IEA’s Sustainable Development Scenario which delivers net zero in 2070, aligning with HeidelbergCement’s long term goal. To deliver the IEA’s Sustainable Development Scenario, CO2 stored through CCUS from the cement industry is required. We also note the Company has yet to deploy CCUS at scale at any of its facilities.

### 2d Target setting - disclosures

Disclosures on target setting should make clear reference to:

In addition to reviewing the evidence below, we had several detailed discussions with HeidelbergCement.

DNV can confirm that the relevant disclosures for target setting have been described within the Framework, and that HeidelbergCement has
|   | 1. The timelines of target achievement, the trigger event(s), and the frequency of SPTs | Evidence reviewed:  
- HeidelbergCement Group Sustainability-Linked Financing Framework  
- HeidelbergCement Independent Assurance Report on Carbon Emissions (Scope 1, 2 and 3) 2018  
- HeidelbergCement Independent Assurance Report on Carbon Emissions (Scope 1, 2 and 3) 2019  
- HeidelbergCement Independent Assurance Report on Carbon Emissions (Scope 1, 2 and 3) 2020  
- HeidelbergCement Independent Assurance Report on Carbon Emissions (Scope 1, 2 and 3) 2021  
- Sustainability Report 2021 | Clearly referenced the timelines in which it intends on achieving each target.  
HeidelbergCement has outlined external factors in the framework which can negatively impact their ambitions:  
- Organisational transformation, such as merger and acquisitions, and divestments.  
- Physical climate risks, negatively impacting operations and supply chains.  
- Shift in consumer preferences and substitution towards other building materials, resulting in a loss of market share and profitability.  
- Economic disruption and recessions could lead to a reduced growth of construction and thus impacting their business outlook.  
Additionally, HeidelbergCement have summarised risks specific for CCUS:  
- Dependence on industrial partnerships, specifically for the transport and use of CO2.  
- Changes to the regulatory environment which facilitate CCUS deployment.  
- Market demand needs to require higher cost, lower carbon cement and concrete.  
In the Framework, HeidelbergCement has set the following target observation dates for SPT 1 and SPT 2:  
- **SPT 1**: The target observation dates are 31 December 2026 (500kg CO2) and 31 December 2030 (400kg CO2).  
- **SPT 2**: The target observation date is 31 December 2030 (10m tons).  
If the SPT(s) have not been reached by the target observation date, as per the annual reporting published following the target observation date, a financial penalty will be payable by HeidelbergCement.  
DNV can confirm that both SPT’s will be measured and reported against the baseline year of 2020. |
|   | 2. Where relevant, the verified baseline or reference point selected for the improvement of the KPIs as well as the rationale for that baseline or reference point to be used |   |   |
|   | 3. Where relevant, in what situations recalculations or pro-forma adjustments of baselines will take place |   |   |
|   | 4. Where possible and taking into account competition and confidentiality considerations, how the issuers intend to reach such SPTs |   |   |
### 3. Financial Characteristics

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<tr>
<td>3a</td>
<td>Bond or Loan Characteristics – SPT Financial/structural impact</td>
<td>The SLB/SLL will need to include a financial and/or structural impact involving trigger event(s) based on whether the KPI(s) reach the predefined SPT(s).</td>
<td>Evidence reviewed: • HeidelbergCement Group Sustainability-Linked Financing Framework</td>
<td>DNV can confirm that HeidelbergCement can use one, or all of the SPT’s, for each relevant Sustainability-Linked Instruments that are issued under the Framework. If HeidelbergCement fails to satisfy the SPT(s) on a set Target Observation Date as per the annual reporting, then this will trigger a financial penalty payable by the Group. We can confirm that HeidelbergCement has stated within the Framework that the financial characteristics of the Sustainability-Linked Finance Instruments may vary, depending on whether or not the selected KPI(s) reaches the predefined SPT(s). This will be captured in the Relevant Documentation final terms for each Sustainability-Linked Finance Instrument and may include coupon step-up(s) and/or a higher repayment amount. We can also confirm that HeidelbergCement has stated in the Relevant Documentation for each SPT, the Group might state if the SPTs are subject to recalculation based on specific circumstances, such as changes in the calculation methodology or major events having a material impact on the Group’s structure. DNV understands there appears to be little risk of HeidelbergCement not being able to calculate or observe each SPT stated in the Framework in a non-satisfactory manner. In the unlikely instances where the performance level cannot be calculated or observed in a satisfactory manner, or HeidelbergCement does not publish the relevant SPT in the stated timeframe as prescribed in the Framework, then the financial penalty will be applied. We can confirm HeidelbergCement’s commitment to the linked bond and loan characteristics, and that this in line with the requirements of the SLBP and SLLP.</td>
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<tr>
<td>3b</td>
<td>Bond or Loan Characteristics – Fallback mechanism</td>
<td>Any fallback mechanisms in case the SPTs cannot be calculated or observed in a satisfactory manner should be explained. Issuers may also consider including, where needed, language in the bond/loan</td>
<td>Evidence reviewed: • HeidelbergCement Group Sustainability-Linked Financing Framework</td>
<td>DNV confirms there appears to be little risk of HeidelbergCement not being able to calculate or observe its SPTs in a non-satisfactory manner, e.g. change in scope of market/industry standards, a non-satisfactory audit review, or the maturity of the SBTi requirements. In instances where the performance level cannot be calculated or observed in a satisfactory manner (note: non-satisfactory as defined in...</td>
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documentation to take into consideration potential exceptional events.

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4. Reporting commitments

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| 4a   | Reporting| Issuers of SLB/SLLs should publish, and keep readily available and easily accessible:               | In addition to reviewing the evidence below, we had several detailed discussions with HeidelbergCement. | DNV can confirm that HeidelbergCement has committed to reporting its annual progress against the KPIs as part of its 'Sustainability Performance Reporting' and its 'Annual Reporting', which will be verified externally by a third party, and made available on the investor section of the Group’s website. The reporting may include:  
  - The performance of the selected KPIs, including the recalculation statements, where relevant, covered by an assurance statement.  
  - Following meeting the target observation date set, a verification assurance certificate relative to the KPIs outlining the performance against the SPTs will be issued, the latest, 135 days after the end of the relevant financial year.  
  - Any relevant information enabling investors to monitor the progress of the KPIs and the ambition of the SPTs set, including any updates to HeidelbergCement’s sustainability strategy and/or ESG governance. Information may also include, when feasible: |
|      |          | 1. Up-to-date information on the performance of the selected KPI(s), including baselines where relevant | Evidence reviewed:                                                                                     |                                                                                                                                                                                                                                                                                                                                       |
|      |          | 2. A verification assurance report relative to the SPT outlining the performance against the SPTs and the related impact, and timing of such impact, on the bond’s financial and/or structural characteristics | • HeidelbergCement Group Sustainability-Linked Financing Framework  
• HC – CDP 2021  
• HeidelbergCement Annual Report 2020  
• HeidelbergCement Sustainability Report 2020: Taking responsibility, Securing opportunities  
• Sustainability Commitments 2030  
• Mazars Independent Limited Assurance Report on Selected Indicators Regarding Carbon Emissions |
<p>|      |          | 3. Any information enabling investors to monitor the level of ambition of the SPTs                   |                                                                                                       |                                                                                                                                                                                                                                                                                                                                       |
|      |          |                                                                                                    | This reporting should be published regularly, at least annually, and in any case for any date/period relevant for |                                                                                                                                                                                                                                                                                                                                       |</p>
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|      |                               | assessing the SPT performance leading to a potential adjustment of the SLB and/or SLL’s financial and/or structural characteristics. | • Press release: Quarterly statement January to September 2021  
• Q3 2021 Trading Update  
• HeidelbergCement Independent Assurance Report on Carbon Emissions (Scope 1, 2 and 3) 2018  
• HeidelbergCement Independent Assurance Report on Carbon Emissions (Scope 1, 2 and 3) 2019  
• HeidelbergCement Independent Assurance Report on Carbon Emissions (Scope 1, 2 and 3) 2020  
• HeidelbergCement Independent Assurance Report on Carbon Emissions (Scope 1, 2 and 3) 2021 | • Illustration of the positive sustainability impact of the performance improvement.  
• Any re-assessments of KPIs and/or restatement of the SPT, and/or pro forma adjustments of baselines or KPI scope, if relevant.  
• Public disclosure on an annual basis, of HeidelbergCement’s environmental and climate-related data through the CDP Climate Disclosure questionnaire.  
It is in DNV’s opinion that HeidelbergCement has appropriately committed to reporting in line with the requirements of the SLBP and SLLP. |
| 4b   | Second Party Opinion          | Publication of any pre-issuance external review, such as a second party opinion, or if relevant a verification of baselines. | Evidence reviewed:  
• HeidelbergCement Group Sustainability-Linked Financing Framework | HeidelbergCement has committed to conducting a Second Party Opinion (SPO) on the Framework meeting the ICMA and LMA criteria. This includes an assessment of the KPIs selected, baselines, SPTs selected, and the credibility of the strategy set out to achieve them.  
DNV can confirm the pre-issuance of any publication is in line with the requirements of the SLBP and SLLP. |
## 5. Verification (Post-issuance)

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<td>5a</td>
<td>External Verification</td>
<td>Issuers should have their performance against each SPT for each KPI independently verified by a qualified external reviewer with relevant expertise, at least once a year, and for each SPT trigger event.</td>
<td>Evidence reviewed:</td>
<td>HeidelbergCement commits to reporting on both KPIs on an annual basis, as part of the Groups’ Annual Reporting. DNV understands that data will only be reported and assured for KPI 2 once the first projects are fully operational and not before that point. This will be verified by an external auditor and will be made available on HeidelbergCement’s website. A ‘Verification Assurance Certificate’ confirming whether the performance of KPI 1 and KPI 2 meet the relevant SPTs, will also be published on HeidelbergCement’s website following the observation date being met, as reported in the Framework. DNV can confirm that HeidelbergCement has committed to reviewing the framework on a regular basis to ensure that it remains in line with the SLBP/SLLP and the applicable market standards. Where material changes to the perimeter, methodology/ data accessibility, and specifically changes to the KPIs, baselines and the SPT calibration take place, or a result of a change in the Group, then any revisions and updates to the Framework will take place accordingly. Where material changes to the perimeter, methodology or data accessibility occur, DNV can also confirm that HeidelbergCement has committed to reviewing and updating the Framework in accordance with the latest market practices/ standards and Principles. DNV can confirm that HeidelbergCement’s commitment to verification is in line with the requirements of the SLBP and SLLP.</td>
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