1. Introduction

Global climate change is one of the biggest challenges for society. As an energy-intensive company, Heidelberg Materials recognizes its responsibility to continuously reduce the carbon footprint of our production processes and we are committed to be carbon-neutral by 2050. We support the aim of the Paris Agreement to limit global warming to 1.5ºC. In addition, Heidelberg Material has set itself the sector’s most ambitious CO₂ target for 2030 reducing its carbon footprint by 47% compared to 1990 to 400 kg CO₂ per tonne of cementitious material.

To achieve our goal of net-zero emissions by 2050, Heidelberg Materials cooperates proactively with associations, policy makers, communities, sectoral business partners, and other stakeholders to create the appropriate framework conditions to support the implementation of sustainable solutions for climate change mitigation and adaptation.

On a global level, the cement and concrete sector agreed to net-zero carbon emissions by 2050 as laid out by the Roadmap of the Global Cement and Concrete Association (GCCA) published in June 2021. GCCA members account for 80% of the global cement industry volume outside of China and also include several large Chinese manufacturers. Thus, the GCCA Roadmap serves as a reference for climate advocacy in national trade associations where no such roadmap is yet in place. Being a founding member of this association, Heidelberg Materials supports this roadmap in its climate advocacy.

In June 2021, Heidelberg Materials signed the "Business Ambition for 1.5°C Commitment", a global initiative that confirms our ambition. At the same time, the company also joined the UN "Race to Zero" campaign in the run-up to the 26th UN Climate Change Conference (COP 26) in Glasgow in November 2021, further underlining our leadership role on the road to net-zero in the cement industry. Acknowledging that the demand for low-carbon products is a key enabler for net-zero production processes, Heidelberg Materials also supports buyers-driven initiatives such as the First Movers Coalition. Heidelberg Materials was the first cement company with a 2030 CO₂ reduction target for the 2°C scenario that was verified by the Science-based Target Initiative (SBTi). In 2022, we have also submitted our roadmap and targets for verification under the new SBTi 1.5°C pathway scenario for cement. Heidelberg Materials further engages and shapes discussions on industry decarbonisation with international institutions and initiatives such as UN Industrial Development Organisation (UNIDO) and the International Energy Agency.

This report covers our climate advocacy positions, our memberships in associations, their alignment with the Paris Agreement, and how we engage with those associations that are not yet fully aligned. While there is already a strong support for the Paris Agreement in many of the associations we are a member of, some associations need to take further steps. As Heidelberg Materials, we are committed to leverage our impact to set the cement sector’s associations on track to net-zero emissions.
2. Heidelberg Materials statement on climate policy

Heidelberg Materials aims to continuously reduce CO₂ emissions within our company in line with the Paris agreement to limit global warming to 1.5°C. As one of the world’s largest construction material companies, we aim to lead the transformation of our sector globally. Our company’s commitment to the Paris Agreement is implemented through an internal CO₂ roadmap with country and even plant-specific CO₂ roadmaps. Our remuneration system for local and group management also depends on achieving their assigned CO₂ reduction targets.

We therefore seek and – directly as well as indirectly – advocate for policy frameworks that are aligned with our own climate ambition and targets and that meet the goals of the Paris agreement. Such frameworks must promote innovative low-emission building materials, processes, and business models that foster the transition towards a net-zero society while also strengthening industrial competitiveness. Innovation should also be inclusive towards all promising technologies.

Our commitment to the Paris agreement and our Group climate policy are applicable company-wide and guide all our advocacy activities in the markets we operate in. This includes our direct political engagements as well as broader stakeholder outreach with associations, international and societal organisations, communities, and sectoral business partners.

2.1 Our goals and commitments:

In May 2022, Heidelberg Materials communicated the following climate-related commitments:

- Our goal is to achieve a specific CO₂ emission value of 400 kg per tonne of cementitious material by 2030, the most ambitious scope 1 target in our industry. Compared with the base year 1990, this corresponds to a reduction of almost 50%. By 2050, at the latest, we aim to achieve net-zero carbon emissions.
- The above reduction target is based on calculations according to the GCCA standard. They are also currently being reviewed by the Science-Based Targets initiative (SBTi). We actively supported the development of a 1.5°C roadmap and meaningful criteria for the cement industry by SBTi.
- We also aim to close the carbon and materials loop. Therefore, by 2030, we will double our revenue from low-carbon and circular products and solutions to reach 50% of Group revenue. By the same year, we will also offer circular alternatives for half of our concrete products – aiming for full coverage.
- Concerning our energy use, one of our sub-targets is to increase the proportion of alternative fuels in the fuel mix to 45% by 2030. Finally, Heidelberg Materials has committed to reducing its Scope 2 CO₂ emissions - indirect emissions from purchased energy - by 65% between 2016 and 2030.
2.2 Transparency in our climate-related lobbying activities

Heidelberg Materials recognizes the importance of carrying out political engagements in a fair and transparent manner and pursues a constructive dialogue with political stakeholders.

To foster transparency, we report on our activities and publish the names of our representatives in applicable transparency registers and support the implementation of such registers in jurisdictions which have not yet done so. The registers also provide further information, a.o. about meetings conducted and input to public consultations.

- EU Transparency Register (europa.eu) / Identification number in the register: 81970148701-15
- Registereintrag "HeidelbergCement AG" - Lobbyregister beim Deutschen Bundestag

We conduct any political engagement in compliance with our own code of business conduct and other company policies, such as our climate policy, data protection policy, compliance policy as well as our competition law and anticorruption guidelines. All documents, including our policy positions, can be found under: ESG Documents and Policies | Heidelberg Materials.

Representatives of Heidelberg Materials will always identify themselves by name and affiliation when acting on behalf of the company. Our representatives will always provide facts-based and accurate information during political engagements.
3. Our engagement in trade associations

Heidelberg Materials engages in most countries where we have operations with national trade associations and is member of these with only few exceptions. We pursue strong and broad engagement within these associations and thus are represented at the level of presidents/chairmen, board members, working group chairs and working group members. We also actively participate in ad-hoc working groups. Our contribution ranges from clearly advocating for working priorities of these associations to supporting position papers and proactively engaging in discussions.

Based on our climate commitments and Group climate policy, we seek alignment of associations with two of our main advocacy principles:

- Full support for the Paris Agreement and its targets
- Policies that support meeting our CO₂ reduction target for 2030 and that enable a transition to net-zero by 2050 at the latest

Heidelberg Materials supports and advocates these principles in our trade associations based on two pillars:

1. Review the association’s policy statements and positions and ensure those are aligned with the Paris agreement as included in our Group climate policy.
2. Review policy priorities and work of associations to ensure that positive and pro-active positions are taken which support a net-zero transition. As the current political framework needs to be adapted to enable the industry’s transition toward net-zero, it is in the interest of our company that trade associations advocate in line with the goals of the Paris Agreement.
3. Continuously highlight and reinforce the need for an ambitious climate policy and commitment to achieve the goals of the Paris Agreement at all levels of engagement with the association and at main gatherings and public events. Heidelberg Materials CEO and members of the Managing Board continuously reinforce our ambition and commitment to achieve the goals of the Paris Agreement at high-level occasions, such as the Annual Meeting of the Global Cement & Concrete Association in June 2022 or at the COP27 in November 2022. This serves as a guidance to all our employees and thus also to those who represent Heidelberg Materials in trade associations.
4. Heidelberg Materials’ representatives within the associations are asked to clearly communicate expectations, take the appropriate measures if these are not being met, and report any major misconduct. All representatives are encouraged to take an active position within the association in support of our policy asks.

3.1 Association Management

As a company, we have established governance structures that assign responsibility for sustainability and climate protection, including target achievement, to a member of the Managing Board. We set up a clear roadmap for all our operations how to reduce CO₂ emissions. The progress is tracked and overseen by the Senior Management and Board Members. Operational responsibility for implementing the sustainability and climate protection goals of Heidelberg Materials lies with the respective country management teams.
Heidelberg Materials strengthened its association management with a global function to provide continuous oversight over industry association advocacy, confirm alignment with our positions and help ensure our commitment to responsible and constructive advocacy is shared by the associations of which we are a member. A regular exchange with company representatives in trade associations has been established to ensure the associations’ lobbying is in line with the goals of the Paris Agreement. The alignment of trade associations with goals of the Paris Agreement is quarterly reviewed with the Chief Sustainability Officer (CSO) and the board member responsible for associations.

In 2022, Heidelberg Materials financially contributed to the selected cement trade associations with an estimated amount of €10.5 million globally. Thereof these associations used around €2.3 million for lobbying activities. The largest financial contributions in 2022 were made to the German, French & U.S. Cement Trade Association (i.e. VDZ, SFIC & PCA). Heidelberg Materials does not financially contribute to political parties, campaigns, or referendums.

3.2 Methodology of Association Review

We reviewed our membership in national trade associations in those countries which meet the following criteria:

a. which cumulatively generate more than 80% of our global revenue,

b. where we are producing clinker, i.e., the most CO₂ intensive product in our value chain and,

c. where there is an association established.

Additionally, the review includes a global and a European association, each related to cement production.

For this review, a set of criteria were defined that reflect whether a trade association’s lobbying is aligned with the goals of the Paris Agreement or not. Based on internal desk top research, a pre-assessment of the fulfilment of the criteria was conducted. Representatives of Heidelberg Materials in the national trade associations were consulted to confirm, substantiate or further elaborate and revise the initial assessment. This information was again cross-checked through the Group Association Management. In case of uncertainties, the country representatives were consulted in a second and third review round. Government Affairs, Group Communications, and Investor Relations managed the process. The Chief Sustainability Officer and responsible Board Member for Associations supervised the progress and approved the outcome.

The associations were assessed based on six main questions:

1. Do the associations publicly support the Paris Agreement?
   To fulfil this criterion there needs to be a public reference that the association acknowledges the Paris Agreement. This reference could be prominently placed on the association’s website or in another key document such as an annual report or the CO₂ roadmap.
2. **Do the associations publish a CO₂ roadmap that is aligned with the Paris Agreement or are they planning to publish such a roadmap within the next six months?**
   This criterion is met, when there is a published CO₂ roadmap that is aligned with the Paris Agreement or trustful information that the roadmap will be published within the next six months.

3. **Do the association advocate for (the introduction of) carbon pricing?**
   This criterion is fulfilled when the associations are calling for carbon pricing through position papers, statements, or other publications or through their lobbying.

4. **Do the association advocate for the introduction/support of advanced technologies, e.g., carbon capture, utilisation & storage (CCUS)?**
   This criterion is fulfilled when the associations are advocating for the support or introduction of advanced CO₂ mitigation technologies through position papers, statements, or other publications or through their lobbying.

5. **Does the association advocate for the introduction/support of low-carbon products (and/or demand side/green procurement measures)?** This criterion is fulfilled when the associations are advocating for the support or introduction of low-carbon products through position papers, statements, or other publications or through their lobbying.

6. **Do the associations advocate for the support of renewable energies?**
   This criterion is fulfilled when the associations are advocating for the support or renewable energies through position papers, statements, or other publication or through their lobbying.

Associations’ alignment was then categorised based on the outcome of the assessment of the six main criteria:

- **Fully aligned:** The Association meets all 6 defined criteria.
- **Partially misaligned:** The Association meets between 1 to 5 of the defined criteria.
- **Misaligned:** The Association does not meet any of the 6 defined criteria.

### 3.3 Findings of the Association Review

It is encouraging to see that out of the 22 reviewed associations, 13 are fully aligned with the goals of the Paris Agreement according to our methodology. Seven associations are partially misaligned, and 2 associations are misaligned with the goals of the Paris Agreement.
### Table 1 Review of trade associations and their lobbying activities in alignment with the goals of the Paris Agreement.

<table>
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<tr>
<th>Country / Region Name</th>
<th>Publicly support the Paris Agreement?</th>
<th>Publish a CO2 Roadmap that is aligned with the Paris Agreement or are they planning to publish such a Roadmap within the next six months?</th>
<th>Advocate for (the introduction of) carbon pricing?</th>
<th>Advocate for the introduction/support of advanced technologies, e.g. Carbon Capture, Utilisation &amp; Storage (CCUS)?</th>
<th>Advocate for the introduction/support of low-carbon products (and/or demand side/green procurement measures)?</th>
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### 3.4 Actions taken to align national associations with the Paris Agreement

Several actions have been taken in 2022 due to previous misalignment of those associations with the goals of the Paris Agreement.

Heidelberg Materials strongly supports the establishment of national CO₂ roadmaps aligned with the Paris Agreement which set out pathways to achieve net-zero emissions and which outline the necessary framework conditions to achieve this. We encouraged the Global Cement and Concrete Association (GCCA), of which we are a founding member, to roll out their Net Zero Accelerator Programme in Thailand, Egypt, Morocco, and India. The GCCA Net Zero Accelerator supports national trade associations to translate the GCCA Global CO₂ Roadmap for the cement and concrete sector into national CO₂ roadmaps. The GCCA CO₂ Roadmap, published in 2021, sets out the pathway for the global cement and concrete sector to reach net-zero emissions by 2050.
As a result, the Thai Cement Roadmap was launched at the COP27 in November 2022. Heidelberg Materials initiated discussions on whether Indonesia and Ghana should become part of this programme. This is foreseen for the coming one to two years.

Heidelberg Materials also joined the Africa Net Zero Cement Leadership Group led by the UN High Level Climate Champions with its Ghanaian subsidiary in 2022 to support that climate action steps up the agenda.

To show the cement sector’s and our company’s commitment, Heidelberg Materials was present at the COP27 in Egypt in November. By our presence, we showcased our global climate activities and our ambition to further progress on the implementation of the Paris Agreement and Glasgow Climate Agreement.

### 3.5 Ensuring alignment

Heidelberg Materials will continue to act on findings raised in this association review.

If an association’s position on a strategically important issue differs ours, we will increase our engagement in the association committees and signal our dissent to improve the alignment or to demand the association not take a position.

If the association repeatedly pursues policies and actions that are contrary to Heidelberg Materials’ positions or if reasonable measures to advance the goals of the Paris Agreement are repeatedly opposed, we will publicly state our disagreement, assess the association’s performance and its membership value, and finally review if exiting the association is appropriate. We believe exiting an association is only appropriate as a last resort since aligning positions as a sector or industry across companies and associations is a precondition for achieving a net-zero economy.

Given the climate ambition of Heidelberg Materials to reach net-zero by 2050 and as laid out by its sector leading 2030 CO₂ reduction target, Heidelberg Materials further engages with associations to align their lobbying activities with the goals of the Paris Agreement.
ANNEX – Climate Policy positions

Carbon pricing
The transformation towards net-zero will require significant investments along the entire value chain sustainable construction value chain. When designed in the right way, carbon pricing can be an effective instrument to incentivize emission reductions, as it internalizes external carbon cost and incentivizes investment in emission reduction.

- Price signals need to be reliable and allow carbon-neutral production to become a business case. Speculation in the market and high price volatility needs to be avoided.
- Cost-effective carbon pricing systems should consider sectoral starting points and abatement costs to ensure emissions will fall below predetermined emissions targets.
- A global framework is the best option to ensure a global level playing field. In absence of a global carbon price, national or regional carbon pricing schemes can also be effective but need to be combined with carbon leakage protection to negative competitive effects. The EU proposal for a carbon-border adjustment mechanism is an example.
- In addition, these instruments must be accompanied by demand side measures to ensure the update of low-emission and carbon-neutral products.

Carbon capture, utilisation, and storage (CCUS)
Two thirds of direct emissions in cement production are unavoidable process emissions from calcining limestone during the clinker production process. Carbon capture utilisation and storage technologies are one of the main solutions to deal with unavoidable process emissions and must therefore be industrialised and deployed at large scale.

- The fast development of national and international CO₂ transport infrastructures (ships, railway, pipelines) connecting emission sources with storage sites is a necessary precondition for CCUS. Infrastructure planning should therefore be a priority for political decision makers.
- Public financial support for scaling necessary CCUS technologies to market readiness needs to be ensured. This must include support for capital investments as well as increased operational costs, through instruments such as Carbon Contracts for Difference.
- Recognition of CCUS technologies in carbon accounting. Acknowledging emissions avoidance resulting from CCU and BECCS/BECCU in carbon pricing schemes should be implemented to incentivise their application. In addition, the capture and storage of biogenic carbon emissions enables negative emission capabilities to offset residual emissions that should also be recognised, e.g. through issuing tradeable negative emissions certificates in carbon pricing schemes. To optimize the impact of negative emissions and leverage synergies resulting in reduced cost, alternative fuels with high biomass-content should be routed towards industrial high temperature processes.

Lead markets for low carbon & circular products
Already today, Heidelberg Materials can offer low-carbon construction products with a reduced CO₂ emission footprint of up to 70% or a high content of recycled materials. To become more than a niche and rather a specialty product, stimulating demand measures will need to be put in place to ensure the uptake of more sustainable construction materials.
• Collaboration is necessary to overcome sector-specific limitations to create and make use of synergies, e.g., to get access to concrete demolition waste.
• Furthermore, users need to be made aware of circular products and their possible applications.
• Revised product and construction norms as well as building codes are needed.
• Implementing fiscal incentives for users or adapt green public procurement schemes considering the full life cycle, recyclability, and performance of products besides the price.

**Renewable energy**

The transformation process will require the rapid phase out of fossil fuels while, at the same time, climate mitigation technologies, require additional use of renewable energy capacity.

• Policies must be developed that ensure access to sufficient renewable and low-carbon energy at competitive cost. This must include generation capacity as well as appropriate networks.
• Co-processing must be recognised as a sustainable alternative to produce cement allowing the effective substitution of fossil fuels and primary raw materials with non-recyclable residual and biomass waste.
• Policies should also adopt a coherent biomass and alternative fuel strategy to ensure sustainability criteria are respected while increasing access to waste-based resources. Landfilling should be banned or heavily taxed.