

# Foundations

Sustainability Report 2009/2010



**HEIDELBERG**CEMENT

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Schelklingen quarry offers living proof that nature conservation and raw materials extraction are not mutually exclusive. Ecologically appropriate renaturation and recultivation actually contribute to an increase in biodiversity.



## Contents

The publication of this report is an extension of our communication activities regarding sustainability and improves their usefulness. Unlike our approach in previous years, when we provided a printed report and a PDF, this year we are also making the contents of the report and additional, more extensive information available on our website for the first time.

 <http://www.heidelbergcement.com/sr2010>

### A networked report

We want to make it as simple as possible for you, the reader, to find your way around this report.

We have therefore developed a special set of symbols for different kinds of references.

This will enable you to know at a glance where you can obtain further information:

 Additional information is available online. Simply enter the corresponding link.

 You can find further information on this topic either on the corresponding page of this report or in our current Annual Report ("AR 2010").

 You can find explanatory key figures on the specified page of this report.

### GRI Index online

In order to give the GRI Index sufficient space for a complete and easily comprehensible representation, we have decided to provide the Index in the Internet. You can browse it or download it at

 <http://www.heidelbergcement.com/sr2010/GRI>

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## Preface

"Our company's focus on sustainability is not limited to environmental protection and occupational safety. Because of our strong local business operations, social responsibility is also an essential part of our local managers' leadership tasks."

**Dr. Bernd Scheifele**  
Chairman of the Managing Board

"Compliance is one of the most important aspects of a company's sustainability management. By commissioning an external review of the existing cartel rights compliance system, HeidelbergCement has demonstrated its strength in this regard."

**Fritz-Jürgen Heckmann**  
Chairman of the Supervisory Board

Dear readers,

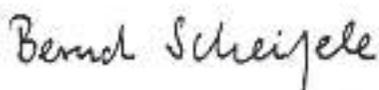
In 2009, we were in a difficult situation with an extremely unfavourable business climate. We drew the necessary consequences and placed our capital and financing structure on a completely new and solid foundation. Our business results for 2010, which have clearly developed in a positive direction, demonstrate that this reorientation was the right course. We regard this decision as another example of our commitment to sustainability. The business decisions we make today must reflect our sense of responsibility for the future if we wish to be successful in the long run.

That's why we regard sustainability as a management task and part of our corporate strategy. We are committed to efficiency, sustainable profitability, a clear focus on customers and profitable growth. This requires a responsible approach not only to the needs and interests of our employees, customers and business partners but also to potential conflicts of interest at our business locations. In line with our corporate philosophy, "Think globally – act locally", such an attitude implies a key task for our local managers: to minimise the effects of our business operations on the local environment and society and to act in our core areas of competence in ways that benefit society and generate business opportunities for our company.

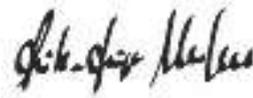
In the past two years we have continually made progress regarding the implementation of our sustainability strategy. Among other things, we've reduced our CO<sub>2</sub> emissions, intensively used alternative fuels and promoted biodiversity in our quarries.

Occupational safety continues to be an equally important priority for our company. Despite the progress we've made in recent years, we unfortunately experienced a total of 19 fatalities in 2010, including five employee deaths. This is unacceptable and explains why occupational safety is a key issue for us in 2011. Our targets for 2012 are clear: to halve the number of accidents compared to 2008 and reduce the number of deaths to zero. We will work hard to reach these goals, and we expect to be judged accordingly.

This is the fourth time in our corporate history that we have submitted a sustainability report for the Group. The purpose of this report is to make our business activities transparent and binding – so that all of our stakeholders can clearly see and understand the way in which we operate. Please feel free to get in touch with us. Your opinions will help us to stay on course as we endeavour to enhance sustainability at our company.



**Dr. Bernd Scheifele**  
Chairman of the Managing Board



**Fritz-Jürgen Heckmann**  
Chairman of the Supervisory Board

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Our modernisation efforts in 2009 were successful. Environmentally friendly technology enabled us to double the production capacity of our cement plant in Tanzania.



## Chronicle

February 2009

### Guidelines for the promotion of biodiversity

HeidelbergCement is the first company in its sector to introduce Group guidelines for improving biodiversity in its quarries, sand pits and gravel pits and protecting the environment.

June 2009

### Tanzania: Green modernisation of a cement plant

The HeidelbergCement subsidiary Tanzania Portland Cement Company (TPCC) reopens its cement plant, which has been modernised with environmentally friendly technology. The production capacity of the plant, which is located near Dar Es Salaam, has been more than doubled, to 1.4 million tonnes.

### Sustainability Ambitions 2020

The Managing Board passes the Sustainability Ambitions 2020 for the HeidelbergCement Group, which defines the company's long-term goals in six key areas of sustainability activities as well as the means of monitoring and controlling these activities over the long term.

September 2009

### United Kingdom: Highly efficient brickyard

A state-of-the-art brickyard officially begins production operations in Measham, Leicestershire. Sustainability was one of the considerations governing the design and construction of the plant. The fully auto-

ated facility is significantly more energy-efficient than its predecessors and generates less waste.

### Hungary: Municipal waste as fuel

The cement plant in Beremend has been modernised, and after a two-year construction period it resumes production. One focus of the investments was the improvement of environmental protection and energy efficiency through the greatly increased use of alternative fuels such as municipal waste.

October 2009

### Indonesia: Award for environmental protection

The Citeurop plant of the HeidelbergCement subsidiary Indocement in Indonesia achieves first place in the "PROPER Programme" for its outstanding environmental protection activities. The programme, which was instituted and implemented by the Indonesian Ministry of the Environment, encourages firms to improve their environmental management.

### Georgia: Development partnership for biodiversity

HeidelbergCement and the German development aid organisation GIZ sign a contract to form a pub-



lic-private partnership in Georgia. The aim of the partnership is to promote biodiversity in the company's quarries in the country.

November 2009

### Sweden: Ultramodern dust filter system at the Slite plant

The installation of a high-powered fabric filter at the cement plant in Slite, Sweden, drastically reduces dust emissions. This is the largest filter ever installed at a facility of the Group.

January 2010

**Heidelberg Technology Center**

The Heidelberg Technology Center Global (HTC Global) is opened in Heidelberg. It is an internationally oriented centre of expertise with four focus areas: Research & Development, Engineering, Geology and Training & Benchmarking.

February 2010

**Ukraine: Outstanding environmental management**

HeidelbergCement plants in Ukraine receive an award from the country's Ministry of Environmental Protection for their outstanding environmental management. The award honours environmentally friendly technologies, ultramodern renaturation methods and the reduction of CO<sub>2</sub> emissions at companies.

May 2010

**Africa: IFC agreement**

HeidelbergCement signs an agreement with the International Finance Corporation (IFC) on the expansion of infrastructure in countries in sub-Saharan Africa. The local cement production capacity is also to be increased. Another goal is to improve environmental standards at the company's locations.

**UEPG sustainability award**

The European Aggregates Association (UEPG) presents two HeidelbergCement subsidiaries, Hanson



UK and NorStone AS, with an award for exemplary biodiversity management. In addition, Hanson UK receives the first prize for social commitment as a result of its occupational safety management.

June 2010

**Belgium: Sustainable waste management**

A new, ultramodern Recyfuel plant is commissioned in Belgium. At this facility, waste is processed under



supervision to produce alternative fuels that exhibit a high calorific value and can be used by the cement industry.

October 2010

**Tanzania: Tree nursery promotes sustainable development**

In a public-private partnership with GIZ, a German organisation that promotes development abroad, a tree nursery is planted in the disused quarry of our subsidiary TPCC near Dar es Salaam. The tree nursery will create jobs and help to reforest areas at risk over the long term.

November 2010

**"Manifesto for Energy Efficiency in Buildings"**

HeidelbergCement signs the "Manifesto for Energy Efficiency in Buildings" of the World Business Council for Sustainable Development. In doing so, it commits itself to improve the energy efficiency in its office buildings.

December 2010

**Germany: The Wetzlar plant is closed down**

Low use of capacity and a growing need for investment and repairs lead to the decision to close down the plant in Wetzlar, Germany. In the future, other HeidelbergCement plants will supply the market with cement.

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HeidelbergCement is one of the world's biggest producers of building materials. We currently operate in more than 40 countries. Our core business encompasses the production and distribution of cement and aggregates, the two essential raw materials for concrete production.



## Company portrait

### Organisational structure and business activities

HeidelbergCement is one of the world's biggest producers of building materials. The company's core activities encompass the production and distribution of cement and aggregates, the two essential raw materials for concrete production. We supplement our product range with downstream activities such as the production of ready-mixed concrete, concrete products and concrete elements, as well as other related products and services. Cement and aggregates form the basis of our dual raw materials and growth strategy.

Our focus in relation to cement production activities is on growing markets, whereas in well-established markets we concentrate on expanding vertical integration and securing raw materials for aggregates. HeidelbergCement relies on an integrated management approach. Its success is based on a balance between local business responsibility, Group-wide standards and global leadership. HeidelbergCement revamped its organisational structure at the start of the 2010 business year. The key components of the organisation are now the five main geographic Group areas: Western and Northern Europe, Eastern

Europe-Central Asia, North America, Asia-Pacific, and Africa-Mediterranean Basin. These in turn are subdivided into three or four business lines in accordance with existing product and service units. We also have a sixth Group area — Group Services — in which our global trading activities are consolidated.

### Strategic partnerships and equity participations

Our dual growth strategy focuses on micro-markets that stand out through rates of growth that are higher than those recorded in surrounding regions. In order to reduce risks and ensure better market access, our growth strategy also relies on strategic partnerships with local manufacturers in our target markets. We contribute our technical expertise to these partnerships and seek to acquire a majority interest in return. In those instances where HeidelbergCement obtains a majority participation and management control, it defines all standards and measures, including those related to sustainability management.

 [Detailed overview of our holdings: AR 2010, p. 207 ff.](#)

### Ownership structure

For HeidelbergCement, business year 2009 was

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**HeidelbergCement organisational structure of Group areas and business lines**


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Western and Northern Europe	Eastern Europe-Central Asia	North America	Asia-Pacific	Africa-Mediterranean Basin	Group Services
<ul style="list-style-type: none"> <li>– Belgium</li> <li>– Denmark</li> <li>– Estonia</li> <li>– Germany<sup>1)</sup></li> <li>– Latvia</li> <li>– Lithuania</li> <li>– Netherlands</li> <li>– Norway</li> <li>– Sweden</li> <li>– Switzerland</li> <li>– United Kingdom</li> </ul>	<ul style="list-style-type: none"> <li>– Bosnia and Herzegovina</li> <li>– Croatia</li> <li>– Czech Republic<sup>1)</sup></li> <li>– Georgia</li> <li>– Hungary</li> <li>– Kazakhstan</li> <li>– Poland</li> <li>– Romania</li> <li>– Russia</li> <li>– Slovak Republic</li> <li>– Ukraine</li> </ul>	<ul style="list-style-type: none"> <li>– USA</li> <li>– Canada</li> </ul>	<ul style="list-style-type: none"> <li>– Bangladesh</li> <li>– Brunei</li> <li>– China</li> <li>– India</li> <li>– Indonesia</li> <li>– Malaysia</li> <li>– Singapore</li>   <li>– Australia</li> </ul>	<ul style="list-style-type: none"> <li>– Benin</li> <li>– DR Congo</li> <li>– Gabon</li> <li>– Ghana</li> <li>– Liberia</li> <li>– Sierra Leone</li> <li>– Tanzania</li> <li>– Togo</li>   <li>– Israel</li> <li>– Spain</li> <li>– Turkey</li> </ul>	
<ul style="list-style-type: none"> <li>– Cement</li> <li>– Aggregates</li> <li>– Building products</li> <li>– Concrete-service-other</li> </ul>	<ul style="list-style-type: none"> <li>– Cement</li> <li>– Aggregates</li> <li>– Concrete-service-other</li> </ul>	<ul style="list-style-type: none"> <li>– Cement</li> <li>– Aggregates</li> <li>– Building products</li> <li>– Concrete-service-other</li> </ul>	<ul style="list-style-type: none"> <li>– Cement</li> <li>– Aggregates</li> <li>– Building products</li> <li>– Concrete-service-other</li> </ul>	<ul style="list-style-type: none"> <li>– Cement</li> <li>– Aggregates</li> <li>– Concrete-service-other</li> </ul>	

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<sup>1)</sup> Germany, as a mature market, is reported on as part of the Western and Northern Europe Group area. For management reasons, however, the country belongs to the area of responsibility of the same Managing Board member who is in charge of Eastern Europe-Central Asia.

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largely marked by the global economic crisis and the reorganisation of our financing structure following the Hanson acquisition in 2007. To this end, we successfully implemented a capital increase in autumn 2009, while simultaneously selling off old shares from the former majority shareholder, the Merckle group. This transaction attracted renowned international institutional investors that have now become HeidelbergCement shareholders. The level of free float has increased to just under 75%, which together with the higher trading volume resulted in HeidelbergCement being incorporated into the German DAX index of leading companies in June 2010.

 [Our shareholder structure: AR 2010, p. 37](#)

### Business trend

Our Group turnover declined in 2009 by 21.6% to EUR 11.1 billion (2008: 14.2 billion) due to the effects of the global economic crisis, especially in the industrialised countries of North America and Europe. The crisis then bottomed out for the Group in 2010, when turnover rose once again in a manner that reflected the ongoing positive developments in

our growth markets such as Asia and Africa, as well as the onset of a recovery in North America and parts of Europe. Total Group turnover increased by 5.8% in 2010 to EUR 11.8 billion.

Our earnings situation also improved in 2010. Along with favourable market developments, this positive result was due to the appreciation of key currencies against the euro, as well as successful Group-wide initiatives to reduce costs and enhance efficiency.

 [Further information on business developments: AR 2010, p. 46 ff.](#)

### Capacity development

Declining sales in 2009 led us to adjust capacity utilisation at all of our business lines worldwide. Such adjustments were particularly necessary in the USA, the UK and Spain, which were hard hit by the crisis on real estate markets. Despite the cost-cutting measures introduced during the economic crisis, we nonetheless continued to invest in cement production capacity in attractive growth markets in 2010, especially in Indonesia, the Democratic Republic of the Congo and Russia.

 [Locations, sell-offs and acquisitions: AR 2010, p. 51 ff.](#)

 [Development of workforce numbers: p. 39](#)

Free float:

**74.89%**

Number of Group locations worldwide:

**approx.  
2,500**

## PRACTICAL EXAMPLE

### Modernisation of the Beremend plant

The cement plant operated by our Duna Dráva Cement Ltd. (DDC) subsidiary in the southern Hungarian city of Beremend has over 200 employees, making it one of the major employers in the region. Modernisation of the plant was completed in summer 2009 after about two years of work. The upgrades promote environmental protection and offer competitive advantages, thus benefiting residents of the region. The plant is now fully equipped to face the future, which means it can safeguard jobs there over the long term. Investment has focused mainly on increasing capacity and efficiency. Among other things, a new kiln line with a capacity of some 3,450 tonnes of cement per day has now replaced two older kilns that utilised a larger amount of energy to burn much less cement clinker. New storage areas and dosage facilities allow more waste materials to be used as alternative fuels without any loss of quality, thus conserving natural resources. The facility also reduced CO<sub>2</sub> emissions per tonne of clinker by 3% to 768 kg between 2009 and 2010. This means the plant has almost reached the benchmark target of 766 kg CO<sub>2</sub> per tonne of clinker that is required by Phase III of the EU Emissions Trading System, which will begin in 2013. Moreover, Beremend is also making a visible contribution to the EU's goal of reducing the amount of municipal waste held in landfills. When the cement plant operates at full capacity, it can utilise the high-calorific-value municipal waste of around one million people.

Number of people whose municipal waste with high calorific values can be used as fuel by our cement plant in Beremend when it operates at full capacity:

1 million

## Business lines and product groups

Our operations have been divided into four business lines in accordance with our most important products and product groups.

### Cement

The cement business line manufactures and sells cement. The raw materials that are needed for pro-

ducing cement (limestone and marl) are extracted from nearby quarries, where they are crushed before being transported to cement plants. The cement facilities then dry them, add aggregates and grind the mixture into raw meal. The cement clinker burned out of this is ground together with other additives into cement.

Cement is used as a binder for the production of concrete and mortar. Different types of cement with specific compositions are used in line with the application in question. Properties can also be varied through the use of additives.

HeidelbergCement manufactures and supplies all of the common types of cement: normal and special cements, binders for specific civil engineering applications, and cement for the construction chemicals industry. We also consider it important to continually improve the CO<sub>2</sub> balance of the cement and concrete we sell. Lowering clinker proportions is the most effective way to minimise energy consumption and CO<sub>2</sub> emissions and conserve natural resources. That's why composite cement with lower clinker content is becoming an increasingly important product group for us.

Cement is generally transported in bulk on trucks, rail vehicles or ships and transferred in terminals between shipping segments. A small proportion of cement is shipped to customers in bags.

### Aggregates

The aggregates business line handles the quarrying, refinement and sale of aggregates.

Aggregates can be divided into two categories — crushed stone and grit, and sand and gravel. The stone material for crushed stone and grit is extracted in quarries by means of drilling and blasting, after which it is mechanically crushed to different particle sizes in crushers. The material for sand and gravel is found in currently existing or Ice Age river beds and is obtained through wet or dry mining processes. After being sieved and cleaned, the material is sorted in accordance with its particle size, after which it can be sold.

Whereas crushed stone and grit is used for road construction and maintenance, sand and gravel are used to make concrete. Aggregates are transported by truck, rail or ship. Because aggregates are used around the world but many of them cannot be found everywhere, they are also traded on international markets.



"Our global business activities are grounded in our close ties to each of our locations. Our success is largely based on good local business relationships, utilisation of local know-how, and extensive and neighbourly dialogue. This approach proved to be very effective during the economic crisis as well."

**Andreas Schaller**

Director Group Communication & Investor Relations,  
HeidelbergCement

## KEY FIGURES

### Group profit and loss accounts (short form)

	2008	2009	2010
	EURm	EURm	EURm
Turnover	14,187	11,117	<b>11,762</b>
Operating income before depreciation	2,946	2,102	<b>2,239</b>
Amortisation and depreciation of intangible assets and tangible fixed assets	-799	-785	<b>-809</b>
Operating income	2,147	1,317	<b>1,430</b>
Additional ordinary result	-371	-495	<b>-102</b>
Result from participations	51	38	<b>6</b>
Earnings before interest and taxes (EBIT)	1,827	860	<b>1,334</b>
Financial result	-829	-875	<b>-735</b>
Profit/loss before tax from continuing operations	998	-14	<b>599</b>
Taxes on income	-327	190	<b>-60</b>
Net income from continuing operations	671	176	<b>539</b>
Net loss from discontinued operations	1,249	-8	<b>-28</b>
Profit for the financial year	1,920	168	<b>511</b>
Group share of profit	1,808	43	<b>343</b>

### Group sales

	2004	2005	2006	2007	2008	2009	2010
Cement and clinker (million tonnes)	65.2	68.4	79.7	87.9	89.0	79.3	<b>78.4</b>
Aggregates (million tonnes)	69.5	77.2	85.8	179.6	299.5	239.5	<b>239.7</b>
Asphalt (million tonnes)				4.8	12.1	10.0	<b>9.1</b>
Ready-mixed concrete (million cubic metres)	19.5	21.8	24.9	32.7	44.4	35.0	<b>35.0</b>

### Concrete and asphalt

Our ready-mixed concrete and asphalt business activities are a key focus of our concrete-service-other business line.

Concrete is made up of a mixture of cement, gravel, sand and water. In this sense it is the finished product based on HeidelbergCement's core activities: the production of cement and aggregates. Concrete is a very versatile building material. Its properties can be changed by altering the composition of the mixture used to make it, which means that it can fulfil the requirements posed by many different areas of application. Because it is a time-critical material, concrete is only transported across short

distances directly to building sites, using ready-mix trucks. Asphalt is a mixture of aggregates and a binder that contains bitumen. Among other things, it is used to fortify road surfaces, as well as for hydraulic engineering applications. Asphalt is mixed in a hot state, transported to the location where it is needed at an optimal temperature and immediately processed on site.

### Building products

Our building products include bricks and light blocks for use in residential construction. This business line also manufactures concrete pipes, precast concrete parts and concrete pavement tiles.

Occupational safety is always a top priority for a manufacturing company like HeidelbergCement. Everyone — from Managing Board members to executives and employees — must contribute to a safe working environment.



## Challenges and strategy

### Challenges

The cement and aggregates industries are marked by certain special characteristics. For one thing, by their very nature both sectors are bound to the locations where they operate — in other words, their facilities need to be very close to raw material deposits. Both of them are also raw-material intensive industries — which is why resource conservation plays such a key role in their business operations. Other characteristic features include a high level of capital and the high energy consumption associated with cement manufacturing.

The enhancement of our energy efficiency is therefore crucial from both an economical and an ecological perspective. Occupational safety is also a top priority as far as we are concerned. In fact, it is a daily challenge for the entire management team, particularly given the fact that we operate at so many international locations.

As one of the world's leading building materials manufacturers, HeidelbergCement thus faces a series of global sustainability challenges.

#### Securing raw materials

Our business operations are based on having long-

term local access to mineral-based raw materials. Such resources are finite, and their exploitation often leads to conflicts of interest that sometimes extend beyond the local level. We therefore view the proper securing of raw materials as a central strategic task, and we place great value on long-term planning, sustainable quarrying and subsequent utilisation of extraction sites and the use of alternative raw materials. We seek to achieve continual efficiency improvements along the entire production process chain as a means of offsetting the sharp increases in the prices of fuels — such as coal and gas — electricity, raw materials, transportation, spare parts and machines.

#### Nature conservation and species protection

Our raw material extraction and quarrying activities temporarily disrupt the surrounding landscapes. Although we are unable to fully compensate in the short term for many of these encroachments, which affect water supplies, land, flora and fauna, we can outweigh them over the medium and long term. We consider it important to make sure that the subsequent use of our quarries is in line with nature conservation principles and has been planned in consultation with local stakeholders.

**Energy efficiency and climate protection**

Cement production is a very energy-intensive process that results by its very nature in a high level of CO<sub>2</sub> emissions. We have succeeded in lowering our CO<sub>2</sub> emissions continually and will continue to implement the measures necessary for ensuring further progress in this area. For this reason, we support international targets and initiatives aimed at reducing CO<sub>2</sub> emissions and combating global warming – as long as they create a level playing field for all building material producers and do not lead to carbon leakage.

**Occupational safety**

Occupational health and safety is a top priority at HeidelbergCement — not just in relation to our employees but also for visitors and staff from outside companies. Most of the accidents at our business locations and throughout the industry are caused by inattentiveness or incorrect behaviour. Our goal is thus to clarify the most frequent causes of accidents and maximise employee awareness regarding hazards in the workplace.

**Our values**

Long-term business success can only be achieved through adherence to sustainability principles and responsible behaviour toward customers, business partners and employees at all of our locations. We are a globally operating company with a presence in more than 40 countries around the world. Despite the global scope of our operations, we firmly believe that "all business is local business". First of all, our operations are strongly impacted by developments on local markets. In addition, we realise that the only way for us to gain social acceptance for our business activities is to make sure we never lose sight of the long-term welfare of the people and natural environments at our sites. We therefore seek to be a good neighbour and we feel obligated to maintain an open dialogue with local communities in order to help improve the quality of life wherever we do business. Our employees base their actions on the common values and principles that are laid out and communicated in our Group Guidelines. HeidelbergCement considers respect for, and compliance with, the laws and regulations of the countries where we operate to be the legal basis of our

**HeidelbergCement Guidelines**

Leadership Principles	Basis for standardised management culture
Code of Business Conduct	Binding rules of conduct for all employees
Corporate Occupational Health and Safety Policy	Guidelines for reducing the risk of employee accidents, injuries and occupational illnesses
Sustainability Ambitions 2020	Measures and goals for the six most important areas of our sustainability strategy
Corporate Citizenship Guideline	Binding aspects of our commitment to society
Purchasing Guidelines; Supplier Code of Conduct	Binding sustainability guidelines for purchasing and supplier management

business activities. As an internationally operating company, we are also obligated to adhere to global values and standards. We are therefore committed to the ILO core labour standards and the OECD guidelines for multinational enterprises. We expect our employees and business associates worldwide to comply with these essential guidelines and recommendations, and we adhere to the guidelines formulated by the Cement Sustainability Initiative.

 **Cement Sustainability Initiative: p. 14 f.**

**Principles and guidelines**

In 2009 we replaced our own Corporate Governance Principles with a general reference to the recommendations contained in the German Corporate Governance Code, which we comply with. Our Group Leadership Principles form the foundation of our shared management culture. At the same time, our endeavours to achieve outstanding business performance and attain a high standing in our sector make it imperative that our behaviour strictly complies with all legal and ethical standards. For this reason, we have a binding Code of Business Conduct that specifies the ethical and legal standards for all business activities — from strategic planning to daily operations. We have also developed Group-wide guidelines and policies that explain how our obligations regarding health and occupational safety, environmental protection, sustainable supplier management and social responsibility are to be put into practice on a daily basis. Together, these guide-

lines and codes form a Group-wide framework for responsible business operations.

## Partnerships and stakeholder dialogue

We know that we can only be successful as a company if we maintain cordial and cooperative relationships with the various stakeholders in society who are affected by our business operations at the local, national and international levels. In order to ensure that these relationships are based on a firm foundation of trust, we work to achieve frank communication and a constructive dialogue that does not shy away from addressing important problems and issues.

Most of our plants and quarries are situated in the direct vicinity of communities, which is why constant dialogue with local governments, authorities and NGOs is an indispensable factor for ensuring a stable business environment. This is true not only in those instances where we need to make a case for our own interests or launch new projects, but also in situations in which communities approach us to pose questions or discuss critical issues. We take the criticism of our stakeholders seriously and consider the points they bring up. This has enabled us to adopt new approaches in many places that reconcile the objectives of the company with those of the community.

Dialogue with capital market professionals is also becoming more important, as an increasing number of financial analysts and rating agencies are expressing interest in specific aspects of our sustainability activities and thus require detailed information.

### Dialogue at the national level

HeidelbergCement is a member of both general and industry-specific associations that represent their members' interests through a continual dialogue with the worlds of politics and business as well as the general public. Many of the associated cooperative partnerships focus on challenges that are specific to individual countries and to industrial policy with regard to raw material security, environmental protection, energy conservation and health and occupational safety. As a Group that has its headquarters in Germany, we are active in the "econsense —

Forum for Sustainable Development of German Business", for example. This network consists of approximately 30 companies from various sectors that work together to make politicians more aware of the importance of establishing a reliable legislative framework that promotes the development of sustainable innovations. *econsense* utilises open and constructive dialogue to present the industry's stance on sustainability and related concerns in order to help actively shape the corresponding political and social decision-making process.

[www.econsense.de](http://www.econsense.de)

HeidelbergCement and its subsidiaries are working with Green Building Councils in several countries on the development of certification systems for sustainable construction, as well as on efforts to make the design, construction and operation of buildings more sustainable. In 2010 HeidelbergCement joined the Green Building Councils in Romania, Sweden and Poland and co-founded the Green Building Council in Norway.

[www.worldgbc.org](http://www.worldgbc.org)

### Participation in the Cement Sustainability Initiative

On the international level, HeidelbergCement is a member of the Cement Sustainability Initiative (CSI), affiliated to the World Business Council for Sustainable Development (WBCSD). Within the framework of the initiative, we have teamed up with other cement manufacturers to develop guidelines and performance indicators for the following areas: climate protection, raw materials and fuels, health and occupational safety, and emissions and environmental impact. All CSI members must imple-

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#### Binding CSI guidelines

CSI Charter

Health and Safety in the Cement Industry: Guidelines for Measuring and Reporting

Guidelines for the Selection and Use of Fuels and Raw Materials in the Cement Manufacturing Process

Guidelines for Emissions Monitoring and Reporting in the Cement Industry

Environmental and Social Impact Assessment (ESIA) Guidelines

CO<sub>2</sub> Accounting and Reporting Standard for the Cement Industry

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The number of major cement manufacturers that have joined together in the Cement Sustainability Initiative:

23



"Our co-operation with HeidelbergCement in Georgia has enabled us to increase the acceptance and knowledge of modern recultivation methods among institutions and the public through an exchange of ideas and opinions. This, in turn, is helping to preserve our shared natural environment. I would encourage HeidelbergCement to make the knowledge it has gained from this development partnership available to other companies."

**Monica Jäger-Klenk**  
 Project Manager, Development Partnerships with the Economies Europe and the Caucasus, GIZ GmbH  
[www.giz.de](http://www.giz.de)

ment and comply with the associated regulations and voluntary commitments. The CSI also provides an appropriate platform for cooperation with external stakeholders at international and sector levels. One way it does so is by staging the annual CSI Forum, which brings together politicians, NGOs, industrial and business associations, and research institutes for a discussion with CSI members on key issues related to sustainability in the cement industry.

Detailed information on the initiative is available at [www.wbcscement.org](http://www.wbcscement.org)

**Political dialogue in Europe**

European Union directives are increasingly affecting daily business operations in the cement industry and will also determine the sector's future course regarding sustainability. HeidelbergCement therefore operates an EU Public Affairs department whose main task is to represent our interests in the European Cement Association (CEMBUREAU), an organisation that speaks for European cement manufacturers in discussions and negotiations with the EU and its institutions. The key issues addressed by CEMBUREAU include the use of alternative raw materials and fuels, climate change, emissions, biodiversity and occupational health and safety. As a member of the EU Aggregates Association (UEPG), HeidelbergCement is also now involved in advocacy activities related to aggregates. Our interests regarding concrete are represented by the European Ready-Mixed Concrete Organization (ERMCO) and the EU Concrete Platform.

**HeidelbergCement Group memberships**

- Business and Biodiversity Initiative
- .....
- econsense — Forum for Sustainable Development of German Business
- .....
- CEMBUREAU (The European Cement Association)
- .....
- UEPG (European Aggregates Association)
- .....
- ERMCO (European Ready Mixed Concrete Organization)
- .....
- EUCOPRO (European Association for Co-processing)
- .....
- WBCSD CSI (Cement Sustainability Initiative of the World Business Council for Sustainable Development)
- .....
- ECRA (European Cement Research Academy)
- .....
- CEPS (Centre for European Policy Studies)
- .....
- Nanocem
- .....

Memberships of our subsidiaries:  
[www.heidelbergcement.com/sr2010/memberships](http://www.heidelbergcement.com/sr2010/memberships)

**Sustainability strategy and activities**

HeidelbergCement's corporate strategy is geared toward holistic efficiency, sustained profitability, a sharp focus on our customers' interests and profitable growth. Such an approach necessitates cost-consciousness and discipline, highly efficient structures, speedy processes and rigorous implementation of pertinent measures. However, our long-term business success also depends on responsible behaviour toward our customers, business partners and employees at all of our locations. Sustainability is therefore a key pillar of our corporate strategy. We seek to act in a socially and ecologically responsible manner, and we feel a particular obligation to minimise the negative impact our business activities have on the environment and society. This approach also involves taking precautions against risks. Our goal is to apply our core areas of expertise in a manner that benefits society while also generating business opportunities for our company.

**Taking stakeholder expectations into account**

We focused on several areas when we defined the key components of our sustainability strategy and our communication measures. One of these areas involves the expectations of our external and internal stakeholders, which we identify through systematic analyses and subsequently incorporate into our strategy. The following key issues were defined by the CSI after close consultation with numerous stakeholder groups and experts: climate protection, raw material and fuel consumption, emissions, biodiversity, sustainable construction and health and occupational safety. These issues are largely in line with the sector criteria of the IÖW/future Ranking of Sustainability Reports. A survey of our executives also revealed strong agreement with the sustainability objectives and activities we have defined for ourselves.

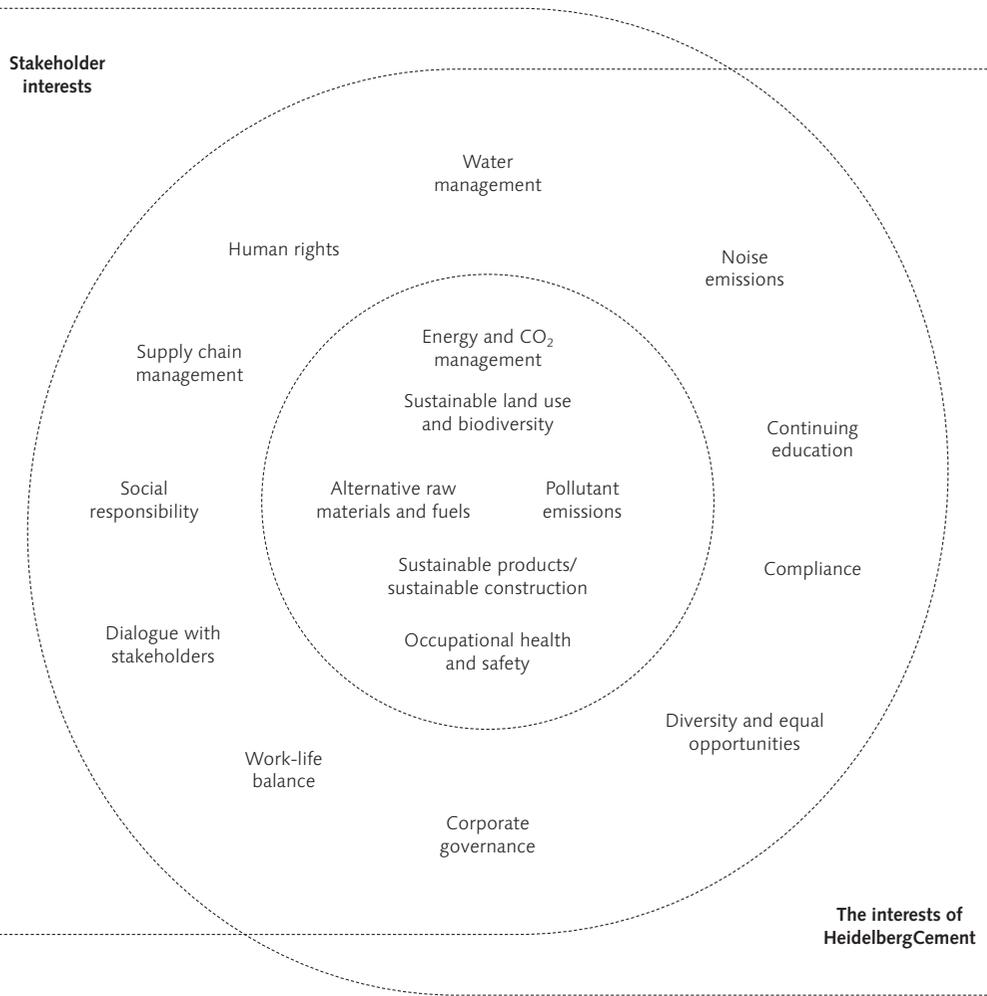
Other issues areas can be derived from the structure of the cement market. For one thing, many regions have only a small number of cement suppliers, which is why our objectives in these and other locations include transparency and fair competition.



"Continual dialogue with our stakeholders enables us to determine their expectations regarding our sustainability strategy and our management system. This dialogue also helps us focus more strongly on key issues as we work to improve our sustainability performance."

**Bernard Mathieu**  
Director Global Environmental Sustainability, HeidelbergCement

## Materiality: What is most important?



Furthermore, our international presence compels us to respect cultural diversity and to take regional economic development into account in all of our quarrying projects. Two questions are of the utmost importance whenever we need to decide where to focus our business activities. In every case, we have to ask ourselves:

Where do we see potential for making improvements, and which issues are viewed by society as being particularly critical? By taking this approach, we have been able to set priorities for our business activities in terms of the contribution they can make to sustainability.

[See the Materiality chart: What is most important?](#)

The HeidelbergCement Sustainability Ambitions 2020 describe our most important activities for promoting sustainability. The programme defines the core components of our sustainability strategy, but it does not exclude the incorporation of additional measures into our efforts to improve our sustainability performance.

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**Our most important activities: Sustainability Ambitions 2020**

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Activity	Obligation	Measures
<b>Occupational health and safety</b> Occupational health and safety is a top priority.	Our most important obligation as an employer is to safeguard the health of the employees at our plants and quarries. Our objective here is to implement our high standards of safety at all of our locations worldwide. Occupational safety is therefore a top priority of our sustainability strategy. Our goal is clear: Zero accidents!	HeidelbergCement seeks to completely eliminate accidents, injuries and occupational illnesses.
<b>Energy and climate protection</b> Climate protection is a key issue.	Energy supply security and climate change are among the most important challenges we face today. Because we operate in an energy-intensive industry, we contribute to efforts to halt climate change and expressly support the EU's goal of reducing carbon dioxide emissions by 20% between now and 2020. At HeidelbergCement, energy efficiency holds the key to the future viability of our company.	HeidelbergCement works continuously to reduce its carbon dioxide emissions and also provides solutions aimed at combating the effects of climate change.
<b>Biodiversity</b> We make a major contribution to maintaining biodiversity.	The World Conservation Union (IUCN) has been publishing a Red List of endangered animal and plant species for many years. This list had more than 17,000 entries in 2010, and the number of threatened species continues to increase year after year. Our quarry renaturation activities provide us with a great deal of freedom in terms of improving biodiversity, and we plan to systematically exploit the associated opportunities.	HeidelbergCement seeks to expand its leading role in promoting biodiversity at its quarries around the world.
<b>Alternative raw materials and fuels</b> We use waste and byproducts as alternative raw materials and fuels.	The waste and byproducts generated by other industries are a key source of raw materials and fuels for the cement manufacturing activities carried out by HeidelbergCement. Our rigorously applied internal guidelines ensure the safe, transparent and ecologically responsible processing of such materials. In this manner we actively contribute to the conservation of natural resources, and we also offer solutions for sustainable waste management.	Our use of waste and byproducts as alternative raw materials and fuels reduces natural resource consumption and offers solutions for sustainable waste management.
<b>Sustainable construction</b> We support and promote sustainable construction.	HeidelbergCement is working with Green Building Councils around the world on the development of certification systems for sustainable construction, as well as on efforts to make the design, construction and operation of buildings more sustainable. We also invest substantially in innovative product solutions for sustainable construction.	HeidelbergCement endeavours to supply sustainable building materials that have a positive impact on society and the environment both during and after their service life.
<b>Further reductions of our environmental impact</b> We are reducing the impact our company has on the environment.	Among other things, our environmental policy focuses on continual investment in environmental protection and the global implementation of environmental management systems. We work to establish and maintain energy-efficient processes and to reduce emissions at all of our business lines. Water management is also becoming increasingly important to us in regions plagued by drought.	HeidelbergCement seeks to play a leading role in the control and minimisation of negative environmental effects.

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## Targets and achievements

Target	Achieved 2009/2010	Status	Deadline	Page
<b>Challenges and strategy</b>				
<b>Partnerships and dialogue with stakeholders</b>				
– Strategic involvement of stakeholders.	– Guidelines on stakeholder relationships adopted and published internally.	➤	Ongoing	14 f.
– Integration of sustainability criteria into decision-making processes in line with the CSI.	– External audit of environmental and occupational safety indicators as reported in line with CSI stipulations.	➤	Ongoing	50
– Implementation of the guidelines formulated by the CSI.	– Guidelines adopted for "Contractor Safety and "Driving Safety" // Reporting in 2011 Sustainability Report implemented.	➤	Ongoing	35 f.
<b>Management</b>				
<b>Reporting</b>				
– Expansion of the scope of reporting to include social, economic and ecological indicators, and extension of such reporting to additional business lines.	– Definition of additional occupational and environmental protection indicators in Sustainability Ambitions 2020 // Collection of employee qualification data.	➤	Ongoing	44 ff.
– Group-wide controlling of employee qualification programmes.	– Employee occupational safety qualification data published in the 2011 Sustainability Report.	➤	2013	37 f., 47
<b>Sustainability management</b>				
– All cement plants are to operate with a certified environmental management system.	– 74% of all plants worldwide operate with an environmental management system (2008: 69%).	➤	2020	22, 45
– All facilities will undergo an environmental audit once every five years. The audit is to be carried out either by an external expert or a neutral auditor from within the company.	– An environmental audit has been conducted at 34.1% of all aggregates facilities (excl. North America) and at 21.3% of all cement plants over the last five years.	➔	2020	22, 45
– Clear stipulations for suppliers and service providers with regard to compliance with social, ecological and ethical criteria.	– The Supplier Code of Conduct has been a binding element of all new supplier contracts since 29th April 2011.	➤	2011	25
– Customer surveys and the creation of a customer satisfaction indicator.	– Surveys had been carried out in 20 countries served by the cement business line by the end of 2010. Plans call for surveys to be conducted in 20 countries served by the concrete and aggregates business lines in 2011.	➤	2012	24
<b>Competitiveness</b>				
– Cost reductions of EUR 250 million in 2009 and EUR 300 million in 2010.	– Total savings reached EUR 550 million by the end of 2009 and an additional EUR 323 million was saved in 2010.	➤	2009/2010	8 f.
– Maintenance of cost leadership with liquidity savings of EUR 600 million by the end of 2013.	– New target.	n.A.	2013	8 f.
– Research and innovation: more extensive research into the recycling of building materials and special concrete.	– Workforce numbers for research and development at the Global HTC rose 30% in 2010.	➤	Ongoing	24
<b>Employees</b>				
– Raising employee awareness of occupational health and safety issues.	– Reducing accident frequency, severity and deaths to zero.	➤	Ongoing	35 f.
– Reducing accident frequency rate and accident severity indicator to zero for HeidelbergCement employees.	– Accident rate 2010: 4.3 (2009: 4.6). Accident severity indicator 2010: 146 (2009: 167).	➤	2020	35 f.
– Occupational health and safety: reducing the number of fatalities to zero for HeidelbergCement employees.	– Fatality rate 2010: 1.1 (2009: 1.7).	➤	2012	35 f.
– Diversity: maintaining or increasing the share of local managers in top executive positions.	– As of 2010: 80%	➤	Ongoing	38 f.
– Diversity: 30% share of women in management trainee programmes.	– New target.	n.A.	2015	38

Target	Achieved 2009/2010	Status	Deadline	Page
<b>Environment and natural resources</b>				
<b>CO<sub>2</sub> emissions and alternative raw materials and fuels</b>				
– Reducing net specific CO <sub>2</sub> emissions per tonne of cementitious material by 15% from 1990 levels.	– As of 2010: -17.9%.	↗	2010	26, 45
– Lowering clinker content of cement to 70%.	– As of 2010: 76.1% (2009: 76.1%).	↗	2020	26, 46
– Increasing the share of alternative fuels used to 30%.	– As of 2010: 16.0% (2009: 16.9%).	→	2020	26 f., 46
– Increasing the share of biomass fuels to 9%.	– As of 2010: 4.5% (2009: 5.8%).	→	2020	26 f., 46
– Increasing the share of alternative raw materials to 12%.	– As of 2010: 11.6% (2009: 11.3%).	↗	2020	26 f., 46
<b>Local environmental impact</b>				
– Lowering water consumption and initiating a Group-wide exchange of best practices in the area of water consumption/management.	– Implementation of a water management plan at our African locations.	↗	2009	28 ff.
– Measuring emissions of heavy metals, volatile organic compounds (VOC) and dioxin/furan at all locations.	– Continuation of emission measurements.	→	2010	28, 46
– Lowering emissions per tonne of clinker (reference year: 2008):	– As of 2010:	↗	2020	28, 46
– Dust: by 35%	– Dust: -35%			
– NO <sub>x</sub> : by 10%	– NO <sub>x</sub> : -6%			
– SO <sub>2</sub> : by 10%	– SO <sub>2</sub> : -18%			
– Reducing total energy consumption at the aggregates business line by 15% (reference year: 2009).	– As of 2010: -2.5%.	↗	2020	45
– Intensifying the sharing of best practices for noise reduction.	– Expansion of best practices portfolio.	↗	Ongoing	28
<b>Subsequent land use and biodiversity management</b>				
– Restoration plans for 100% of cement and aggregate quarries.	– As of 2010: cement: 90.6%, aggregates: 81.3%.	↗	2020	28, 46
– Implementation of internal guidelines for promoting biodiversity.	– Introduction of the guideline in Europe (2009); as a handbook in Asia-Oceania (2010) // Working group established for implementation in North America.	↗	2010	28, 46
– Application of biodiversity indicators at all locations in Germany.	– Training materials have been developed // Assessment of mapping to date completed // Indicators introduced at three German locations.	↗	2010	28, 46
– Map Natura 2000 protected areas in the UK, Benelux and Spain.	– As of 2010: Completed.	↗	2011	28, 46
– Cement business line: Biodiversity management plans are being implemented at 50% of the quarries in areas with high biodiversity value.	– As of 2010: 54.4%.	↗	2020	28, 46
<b>Sustainable construction</b>				
– Participation in national Green Building Councils in all countries where HeidelbergCement operates.	– Membership in ten Green Building Councils worldwide.	↗	2020	32
<b>Society</b>				
– Group-wide documentation of charitable and cooperation projects.	– As of 2010: System in place; initial data collection for 2010 completed.	→	2011	41 ff.

All of our sustainability management activities are coordinated at company headquarters, where various corporate bodies meet regularly to discuss pertinent issues, exchange ideas and plan future steps and measures.



## Management

### Responsible corporate governance

We believe that the purpose of responsible corporate governance is to ensure that our efforts to post solid earnings are accompanied by measures that safeguard the future viability of our company. Among other things, responsible corporate governance means achieving outstanding business performance and attaining ecological expertise, while at the same time taking on social responsibility and acting ethically in line with relevant legislation.

 **Corporate governance: AR 2010, p. 120 ff.**

 **Management structure: AR 2010, p. 122 ff.**

### Compliance

HeidelbergCement's compliance programme is a core element of our management culture and is therefore firmly integrated into our Group-wide management and monitoring structures. Among other things, the programme focuses on competition law, occupational safety and environmental regulations. We also make an intense effort to ensure adherence to anti-corruption and capital market regulations, as well as the laws on data security and equal opportunity for all employees. Compliance officers at our various regional and

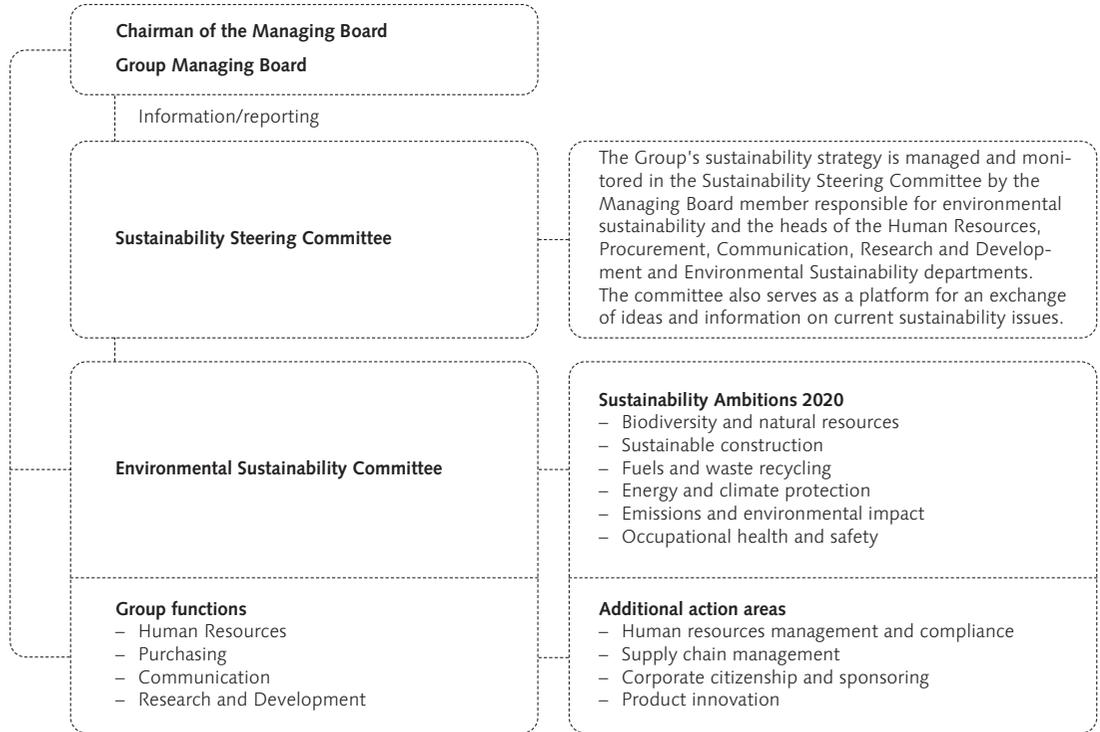
functional units are supported here by electronic learning platforms and programmes as well as Internet and telephone reporting systems.

Over the past two years we have received reports on individual cases of violations of our compliance guidelines. We have investigated these reports and, where necessary, implemented measures at the local level to prevent future misbehaviour. Group-wide implementation of the compliance programme is monitored through semiannual compliance reports and general and specific examinations carried out by our internal auditing department. The Managing Board report to the Supervisory Board utilises information from the compliance reports. The Supervisory Board's Audit Committee is responsible for determining whether the compliance programme conforms to legal requirements and recognised best practices.

### Important ongoing proceedings concerning antitrust legislation

In June 2009 the Higher Regional Court of Düsseldorf, Germany, fined HeidelbergCement AG approximately EUR 170 million. The judgment stemmed from legal proceedings that were initiated against German cement companies in 2002 concerning

Sustainability management at HeidelbergCement



market collusion in the industry over a period of several years. We filed an appeal against this ruling with the Federal Court of Justice. As of 30th April 2011, no judgment on the matter had been made by the court, nor had the Regional Court of Düsseldorf ruled on a related damage claim filed by the Belgian company Cartel Damage Claims SA. Despite the ruling of the Higher Regional Court of Düsseldorf against HeidelbergCement, the company still believes there is a chance that it can successfully defend itself against the damage claim suit. In November 2008 HeidelbergCement was confronted with additional cartel allegations after reviews were conducted by the European Commission at locations in Germany, Belgium, the Netherlands and the United Kingdom. HeidelbergCement's own investigations of the circumstances, as well as those

conducted by outside lawyers, have not confirmed the alleged antitrust violations. In December 2010 the European Commission informed HeidelbergCement and other European and international cement manufacturers that it had launched an official investigation of alleged violations of EU competition law in several countries within the European Economic Area. However, according to the Commission, this does not mean it has conclusive evidence of any wrongdoing. These and other proceedings motivate us to continuously review and develop extensive internal precautions in order to prevent any violations of cartel law. To this end, our antitrust law compliance system was reviewed in 2010 by a renowned external specialist in the field, who concluded that all the essential elements of an orderly and effective antitrust

law compliance system were in place and that these corresponded to the current standards applied at other companies of a similar size in a comparable sector.

## Sustainability management

Sustainable corporate development is a top priority at HeidelbergCement. The management systems at our various business units ensure a continual process of improvement in line with our sustainability strategy. Within these systems, we have defined areas of responsibility and created structures that support the effective implementation and monitoring of the measures we employ to achieve our sustainability goals. This also ensures compliance with the guidelines we have set for ourselves.

 [Goals and achievements in 2010: p. 18 f.](#)

 [Our guidelines: p. 13 f.](#)

The Sustainability Steering Committee, which is headed by the Chairman of the Managing Board, defines the basic framework for controlling and monitoring our sustainability strategy. The interdisciplinary committee's members are chosen from throughout the Group and consist of the Managing Board member responsible for environmental sustainability and the heads of the Human Resources, Purchasing, Research and Technology, and Communication & Investor Relations departments, as well as the Group-wide Global Environmental Sustainability department. Operational responsibility for the achievement of sustainability targets and the implementation of sustainability measures lies with the individual Group departments and the Group Environmental Sustainability Committee, whose tasks are described in more detail in the chapter on environmental management.

 [Sustainability management at HeidelbergCement: p. 21](#)

### Knowledge management

Forward-looking research and development are the foundation of the future viability of any company. In order to gain a competitive edge, we have adopted an approach that relies on the targeted sharing of knowledge and experience in internal projects, external partnerships and our operational business. The key components of our Group-wide

knowledge management activities include the systematic networking of our experts and the integrated "World of Knowledge" platform, which is used extensively by our employees and enables them to access knowledge and internal experience wherever it is needed for the development of new products and processes. Our Knowledge Management Board, which consists of representatives from our Group areas or functions and from the Heidelberg Technology Center, controls internal knowledge management and supports our activities in national and international bodies.

### Environmental management

Group environmental protection policies and measures are managed by the Group Environmental Sustainability Committee. This body was established in 2008 in order to improve our performance in the areas of environmental protection and occupational safety (two very important issues in our sector) and to promote the exchange of information between regions and business lines. Under the lead management of the Global Environmental Sustainability department, the committee's experts from the different business lines and Group areas define guidelines, goals and measures, and coordinate their implementation.

 [Our environmental protection goals: p. 19](#)

We are planning to introduce certified environmental management systems at all of our cement plants worldwide by 2020 in order to further solidify our environmental protection activities at all of our locations. Our efforts here will be based on the ISO 14001 international environmental management standard. We will, however, also permit the use of nationally recognised environmental management systems. At the moment, 74% of our cement plants operate with a certified environmental management system.

In addition, we have set ourselves the goal that 25% of the facilities operated by all of our business lines will have undergone an independent environmental audit in the five years by 2012. Additional plans call for all locations to have undergone such an audit by 2020. These audits are not only important to us in terms of monitoring our environmental performance; they will also help us identify and address areas in need of improvement. We also frequently employ locally developed environmental protection

Cement plants that currently operate with a certified environmental management system:

74%

Deadline by which environmental management systems are to be in place at all facilities worldwide:

2020



"Virtually all of our research and development projects seek to create financially successful products and applications with a minimal ecological footprint, whereby there is a clear focus on reducing CO<sub>2</sub> emissions to a minimum. This aspect is taken into consideration as early as the project planning phase by means of life cycle analyses."

**Dr. Wolfgang Dienemann**  
Director Global Research  
& Development, Heidelberg  
Technology Center



## PRACTICAL EXAMPLE

### Research and technology: Consolidation and networking on a global scale

In 2010 we consolidated our Group-wide research and development activities related to cement and concrete into the new Heidelberg Technology Center (Global HTC) in Heidelberg, Germany. The centre's global focus serves to supplement and support the four existing HTCs in the Group areas.

The primary task of the Global HTC is to optimise the transfer of knowledge and the coordination of technology activities and major construction projects all over the world. One of the most important aspects of this process is the development of products with minimal CO<sub>2</sub> emissions. With this in mind, we are planning to further increase the number of employees at the centre in 2011.

Two of the four existing regional HTCs are located in Europe, one is in North America, and one is in Asia. The HTCs assist our plants with all technical issues, ranging from safeguarding raw materials to process optimisation and control, as well as quality assurance. In some cases, the HTCs remain involved in plant investment projects right up to commissioning. Our Competence Center Materials (CCM) provides support in a similar manner to Group companies that do business with aggregates, ready-mixed concrete and asphalt. The close contact between the HTCs or the CCM and the Group locations is a key element of our continual improvement processes. It also ensures that all of the available optimisation opportunities are efficiently exploited.



"The performance and motivation of our employees will play a key role in determining how well HeidelbergCement is equipped to face the future and in defining the company's position in the global competitive field. This is why we believe that a sustainable human resources policy also includes investment in extensive training and continuing education programmes, even in difficult times."

**Andreas Schnurr**  
 Director Group Human Resources, HeidelbergCement

solutions as examples of best practice that can be used by other facilities.

Nature conservation and biodiversity management play a key role in our environmental protection activities. We established an internal guideline for Europe in 2009 in order to promote biodiversity in our quarries in a targeted manner and to minimise the impact our business activities have on the natural environment. This guideline defines for the first time our Group-wide standards for recultivation and renaturation measures.

Our goal here is to create a biodiversity management plan for all the quarries within the Natura 2000 network of the European Union. This plan will enable us to safeguard long-term raw material supply and production in accordance with stringent environmental legislation. In Asia-Oceania we have introduced the guideline in a modified form as a handbook of recommendations that takes special regional conditions into account. The same procedure will be applied for North America.

#### Research and development

Our innovation performance is based on intensive research and development activities. For this reason, we significantly upgraded our Research and Development department in 2010 and created the new Global Heidelberg Technology Center (see Practical Example, p. 23). The centre, which is also known as Global HTC, consolidates our Group-wide research and development activities for cement and concrete. The projects that Global HTC manages are defined and implemented in close cooperation with our operating companies.

Our research and development activities are closely coordinated with our markets and our customers, with a strong focus on the development and improvement of binders and concrete with optimised properties and innovative functionality. We also work to continually improve our production processes and cost structures. This includes the cost-effective substitution of alternatives for fossil fuels and natural resources, as well as measures that reduce energy consumption.

A third pillar of our R&D activities is the development of types of cement and concrete that display better CO<sub>2</sub> balances. The most important lever we employ here involves the reduction of clinker content. To this end, we are refining our composite cements and have lowered their clinker content

through the use of other components such as blast furnace slag and fly ash. This not only reduces energy consumption but also conserves natural resources. In general, we now employ new product life cycle analyses during the development phase in order to assess and reduce the environmental impact of our products throughout their entire life cycle. Finally, we are conducting research into completely new binder systems that require no clinker whatsoever. Such alternative products are in the early stages of research, and it will therefore take several years before they are ready for the market and for mass applications.

 [Further information about alternative raw materials and fuels: p. 27 f.](#)

#### Human resources management

Highly qualified and motivated employees are a key prerequisite for the long-term success of HeidelbergCement. That's why our Group-wide human resources policy focuses on identifying and further developing the talents of our employees, as well as competing with other companies to attract and retain talented individuals. As a responsible employer, we also believe that one of our very important obligations is to provide our workforce with a safe and comfortable working environment.

In order to develop and retain its employees, HeidelbergCement has created a competence model that defines the demands we make of our staff members. Among other things, this model allows supervisors to carry out systematic Group-wide performance and potential assessments based on standardised rules. It also serves as a basis for strategic executive development and effective succession planning. We seek to achieve three goals here:

1. to fill key positions worldwide with top-quality candidates from within the company;
2. to develop top talents in a targeted manner;
3. and to bind employees to the company over the long term by offering individual development programmes.

Several other issues have influenced our human resources work over the last two years. Occupational health and safety continues to have the highest priority at the Group. We have set ourselves the goal of minimising the number of accidents at

our facilities and reducing the risk of injuries and occupational illnesses through improved preventive measures.

 [More on occupational safety: p. 35 ff.](#)

We have also developed a concept for diversity management that is tailored to fit the specific conditions at our company. This concept relies on teamwork and on the integration of various cultures, talents and experiences in an effort to achieve a workforce composition that reflects our presence on international markets, our customer structure and our business environment.

**Supplier relations management**

The costs of purchasing goods and services at HeidelbergCement amount to more than 60% of our total turnover. Approximately 30% of this amount is accounted for by locally procured goods and services. Our purchasing volume therefore represents a considerable economic factor in many regions. We know that our sense of corporate responsibility will also be judged by how effectively we ensure compliance with sustainability standards throughout our supply chain. Our Group-wide purchasing guidelines provide clear instructions regarding the supplier relationships and purchasing activities of HeidelbergCement. As a basic principle, these relationships are based on respect, fairness, ethics and credibility, in line with our Code of Business Conduct. Our business activities are subject to local legislation and also take into account regulations concerning environmental protection, quality assurance, product safety and social conditions. We also expect our suppliers to adhere to our Supplier Code of Conduct, which is based on the Code of Business Conduct that has been in effect for many years and which takes into consideration key elements of the SA 8000 International Social Accountability Standard, the ISO 14001 international environmental standard and the principles of the International Labour Organisation. The Supplier Code of Conduct, which is available in many languages, forms the basis of all the contractual supplier relationships maintained by HeidelbergCement throughout the world. If the Supplier Code of Conduct should be categorically violated in any way, HeidelbergCement will terminate the supplier relationship in question if it is determined that the necessary corrections have not

been made within a defined period of time, or if the supplier is found to be unwilling to make such corrections.

 [Supplier Code of Conduct: www.heidelbergcement.com/sr2010/suppliers](#)

**Customer relations management**

HeidelbergCement develops, produces and distributes high-quality building materials for customers throughout the world. We strive to cooperate closely with our customers wherever they may be and to retain their loyalty over the long term. We therefore continually work to improve our relationships with customers, and we clearly emphasise the importance of good customer relationships in our Leadership Principles. We seek to offer our customers the greatest possible utility and to establish partnerships that are based on trust. This approach includes sincere and honest communication — particularly with regard to advertising measures related to the marketing of innovative and environmentally sound products, which require more explanation than our standardised products. Customers who wish to make complaints or file claims can get in touch with their local contact partners. We ensure that such complaints — whether they are of a technical, logistical or commercial nature — will be directed to the right contact partner within the Group. This process is carried out within our customer relations management system in Germany, for example. In 2009 our Corporate Sales and Marketing department and national organisations launched the first-ever large-scale customer survey in all the Group areas in the cement business line in order to learn more about our customers' wishes and expectations. The survey was completed in 20 countries in all Group areas (with the exception of Asia) at the end of 2010. Other countries in Asia will follow in 2011, and 20 additional surveys will also be conducted for the concrete and aggregates business lines this year. Our goal is to have carried out similar surveys in approximately 20 countries for each of our business lines by 2012. The responses of our customers will be carefully analysed, and the results of the analysis will subsequently be used to develop country-specific measures that will help us to retain our customers and further enhance customer satisfaction and loyalty.

Share of total turnover accounted for by the costs of purchasing goods and services:  
**60%**

Proportion of locally procured goods and services:  
**30%**

Number of countries that participated in the cement business line's customer survey in 2010:  
**20**

We believe that environmental protection also means species protection. That's why we are implementing targeted measures to create and preserve habitat for rare animals and plants in our quarries.



## Environment

### Energy and climate protection

Climate protection is a core element of HeidelbergCement's environmental policy. As a company that uses a great deal of energy, we have been striving to minimise our CO<sub>2</sub> emissions for many years. Between 1990 and 2010, we reduced our specific net CO<sub>2</sub> emissions per tonne of cement (the figures refer to cement and cementitious materials) by more than 17.9% to 638.4 kilogrammes of CO<sub>2</sub> per tonne. We have thus overachieved our current goal – 15% less CO<sub>2</sub> emissions by 2010. By 2015 we now aim to attain a CO<sub>2</sub> reduction of 23% compared to the 1990 level.

We have been implementing several measures to lower CO<sub>2</sub> emissions. They include:

- the continual investment in energy-efficient technologies and production processes
- the increased use of composite cement — a feature that has enabled us to reduce the clinker content to 76.1% of our total cement production to date
- and greater use of alternative fuels including biomass (20.5% of our total energy consumption in 2010).

### Participation in the EU Emissions Trading System

HeidelbergCement operates 48 facilities in 11 countries that participate in the EU Emissions Trading System (ETS). It is also active in the market for emission certificates. In anticipation of such a situation, we established a Group-level position for emission issues several years ago. The associated corporate department not only manages trading activities in the EU but also monitors developments in countries outside of Europe that might affect our plants.

HeidelbergCement also employs Kyoto Protocol emissions reduction mechanisms. We are currently implementing three projects in accordance with the Clean Development Mechanism methodologies. Our Joint Implementation project was officially recognised in October 2010. As part of the project, we are reducing CO<sub>2</sub> emissions at our Kryvyi Rih Cement plant in Ukraine through the use of alternative fuels.

The EU will soon make major decisions regarding the future of European emissions trading for the period 2013–2020. EU institutions agreed on a benchmarking method for the cement industry in March 2011. This method stipulates that cement manufacturers will receive free allocations for a

portion of their emissions during the third phase of the ETS.

However, discussions regarding the level of such allocations continue, and uncertainties therefore remain. In the medium term the allocations will most probably not cover all of HeidelbergCement's anticipated CO<sub>2</sub> emissions. We therefore expect that we will have to purchase additional emission certificates.

 **Regulatory risks: AR 2010, p. 93 f.**

**Innovations for climate protection**

HeidelbergCement is working hard to develop and implement innovative solutions that will lower CO<sub>2</sub> emissions. In many countries, we are the leader when it comes to using biomass fuel. We are also funding a forward-looking research project involving the capture and storage of CO<sub>2</sub> at our facility in Brevik, Norway.

In addition, we were one of the first companies in Europe to generate electricity from waste heat from kilns. We have accumulated many years of experience with this procedure in places like Germany and Sweden, and we are now applying the expertise acquired around the world. In China, we are currently generating electricity from waste heat in five kiln lines. Some 35% of the electrical energy requirement in these plants is now produced with waste kiln heat that previously went unused. We plan to introduce this technology in other countries where the Group is active in cases where it makes economic sense to do so. For example, we are now building a 15-megawatt power generation facility in Canakkale, Turkey, that will utilise waste heat from two kiln lines. Once the facility is completed, approximately 6% of the energy requirement at the cement business line will be covered by production from alternative energy sources at Heidelberg-Cement.

**Raw materials and fuels**

When manufacturing our core products – aggregates and cement – we mainly utilise raw materials from our own quarries and sand and gravel pits in the direct vicinity of the production locations. When producing aggregates, we process the raw materials from such sites without the use of additives.

**Alternative raw materials for cement manufacturing**

Our production of clinker – the most important intermediate product for cement manufacturing – involves the utilisation of alternative raw materials. These include old foundry sand, potter's plaster from the porcelain industry and sludge from drinking water purification systems.

Through the use of additives in the cement grinding process, we have been able to reduce the proportion of clinker, which is very expensive to burn, in the final product. We primarily utilise blast furnace slag from steel production operations, as well as fly ash that remains as a byproduct in coal-fired power plants. The sharp decline in steel production following the global financial crisis led to a shortage of blast furnace slag in 2009. This development forced us to adjust our cement portfolio.

Our Eastern European and Indian plants have traditionally been the leaders in the use of blast furnace slag. In fact, cement plants in Ukraine and Russia are often built directly next to steelworks in order to generate synergy effects. The expertise we have gained in this area is gradually being transferred to other regions.

All in all, the share of alternative raw materials in clinker and cement production operations decreased from 13.0% in 2008 to 11.6% in 2010. During the period under review we did not achieve our goal of further reducing the proportion of clinker in our cement. This proportion currently amounts to 76.1%.

**Alternative fuels replace natural resources**

An even more important goal for HeidelbergCement is to replace fossil fuels with alternative fuels wherever possible. The utilisation of waste materials and byproducts from other industrial sectors not only enables us to contribute to natural resource conservation but also creates potential new solutions for sustainable waste management. The type of material used depends on such factors as availability and calorific values.

We also take into consideration the chemical composition of the substances we employ in order to avoid harmful emissions and a negative impact on the environmental compatibility of the product in question. Our selection and use of alternative materials are in accordance with the guidelines developed by the World Business Council for Sustainable Development.



Our alternative fuels strategy focuses on three globally available waste material flows:

- sorted fractions of domestic and municipal waste with high calorific values
- sewage sludge
- hazardous waste.

The share of alternative fuels (incl. biomass) in the total fuel mix was 20.5% in 2010. As a result, HeidelbergCement remains the global leader in the cement manufacturing industry.

[www.heidelbergcement.com/sr2010/fuelmix](http://www.heidelbergcement.com/sr2010/fuelmix)

## Land use and biodiversity

HeidelbergCement takes into account both economic and environmental sustainability when deciding which deposits are suitable for extraction. Quarries and gravel pits completely transform the existing landscape, destroy local habitats and alter the morphology of the surrounding area. Because animals can usually relocate within a short time, but plants cannot, we take great care when removing topsoil. After all, the plant seeds, tubers and roots are a vital archive of the variety of vegetation in the area. We need to develop feasible approaches for minimising our interventions and offsetting their consequences. That is why we adhere to a complex permission process before we open a new quarry or expand an existing one. This process includes an environmental impact assessment and — if the site is located in a particularly biodiverse region — specialised biodiversity studies such as the natural habitats and wild flora and fauna assessment of compatibility in Europe. Compensatory measures such as reforestation and support for nature conservation projects are also defined during this process.

### Biodiversity management at our quarries

Recultivation plans are an important component of permission procedures today. These plans define the goals and timetable as far as reincorporating a quarry into the surrounding landscape is concerned. Even during extraction operations, which are carried out in close consultation with the appropriate authorities and local municipalities, we already begin with the renaturation and recultivation of sections that are no longer being quarried. Our focus here is

on promoting biodiversity for all forms of subsequent land use — for example, crop cultivation, forestry or nature conservation. Proper renaturation results in true added value in terms of nature conservation and species protection.

In 2011, we began collecting data on biodiversity indicators throughout the Group. The topic has thus become a component of our environmental management system. At least 50% of all quarries in areas marked by a high level of biodiversity will be assigned management plans by 2020. More than 110 such plans have already been drawn up in pilot projects to date. In 2011 we will develop an implementation guideline for the plans and begin carrying them out.

[www.heidelbergcement.com/sr2010/biodiversity](http://www.heidelbergcement.com/sr2010/biodiversity)

## Local environmental impact

### Air pollution control and noise emissions

Besides having to address the issues of dust and noise, HeidelbergCement also faces a major challenge in terms of air pollutant emissions at the cement business line. Whereas dust and noise are generated during various phases of the production process, nitrogen oxides, sulphur oxides, heavy metals, dioxins and furans are produced only during kiln operation. These pollutants are regularly monitored and measured. State-of-the-art filtering technologies, innovative procedures and process-integrated environmental protection measures have enabled us to substantially reduce the impact our activities have on people and nature. SO<sub>2</sub> emissions have declined by 18% since 2008, for example. Our goal is to further reduce these emissions. Considerable investment in this effort will continue to be necessary in the cement business line. To this end, we have already installed a scrubber for SO<sub>2</sub> reduction at our Brevik cement plant in Norway, and we have also invested extensively in new technologies in North America that will reduce the emissions of mercury, dust and NO<sub>x</sub>.

[www.heidelbergcement.com/sr2010/emissions](http://www.heidelbergcement.com/sr2010/emissions)

### Water management

HeidelbergCement has set itself the goal of mitigating the impact of its activities on natural water resources to the greatest extent possible. We comply with stringent environmental regulations to ensure

Percentage of quarries in areas with high biodiversity value, for which a biodiversity management plan has been developed:

54.4%



“Successful biodiversity management for the renaturation of a quarry depends on expertise and the strong commitment of all participants. At the same time, we see renaturation as an opportunity to show the local community, public authorities, interest groups and others that we take the preservation of biodiversity seriously.”

**Kerstin Nyberg**  
Environmental Manager,  
Cementa



**PRACTICAL EXAMPLE**

**Breeding sites for the sand martin**

Sand martins have difficulty finding suitable locations in which to breed. Their habitat is steep sand dunes on river banks, almost all of which have disappeared due to river-straightening and floodwater-protection measures. As a result, the bird's numbers have declined dramatically in Europe.

Because they love steep slopes, sand martins tend to choose the freshly excavated faces of gravel and sand pits as alternative breeding areas. But the needs of gravel extraction and breeding can come into conflict when the birds make their nests on sites where extraction is necessary for production. To avoid possible conflicts in relation to species protection and nature conservation, HeidelbergCement has developed a species protection programme for the sand martin. The basic

idea is simple enough. If extraction work is planned at a steep slope that sand martins are already using or which could attract them, the plant involved provides the birds with man-made slopes or break lines as substitute habitats. At the same time, the areas earmarked for extraction are levelled before the sand martins can return, making them no longer attractive to the birds.

**Success throughout Europe**

We are currently implementing such protection measures at about 90 locations in Europe. The countries involved include Germany, the UK, Belgium, the Czech Republic, Poland and Norway. And our efforts have borne fruit: counts taken in 2009 and 2010 show that up to 11,172 breeding pairs have been protected.

that raw material quarrying will not damage local surface water or groundwater. We also employ efficient procedures in order to limit water consumption at our production units and we utilise effective

water treatment technologies. Regular employee training and continual internal and external audits ensure that all defined processes are employed at all the units.

"Conflicts are mostly irreconcilable when the habitats that will be affected are very rare or cannot be restored. They are non-negotiable. As far as we're concerned, these areas are taboo."

**Dr. Andre Baumann**  
 Director of the Baden-Württemberg section of NABU  
[www.nabu.de](http://www.nabu.de)

"It is very important for companies like ours to engage in a dialogue with communities and local environmental organisations at an early stage."

**Dr. Michael Rademacher**  
 Manager Biodiversity and Natural Resources, HeidelbergCement

## DISCUSSION

It's not a question of whether to extract, but rather how.

Is it possible to reconcile raw materials extraction with nature conservation? In a joint interview, Dr. Andre Baumann, Director of the Baden-Württemberg section of NABU, the Nature and Biodiversity Conservation Union, and Dr. Michael Rademacher, Manager Biodiversity and Natural Resources at HeidelbergCement, discuss limits and possible ways of achieving this goal.

**Dr. Baumann, as an environmentalist, can you in any way approve of quarries' impact on nature?**

**Baumann:** That depends. As is the case in other areas, nature conservation encompasses a variety of goals. For example, I cannot approve plans to extract raw materials in areas where we want to protect near-natural forests. On the other hand, it's known that former quarries can turn into unique habitats for so-called pioneer species.

Conflicts are mostly irreconcilable when the habitats that will be affected are very rare or cannot be restored. Alluvial forests are examples of such habitats in Baden-Württemberg. They have to be preserved and protected against extraction. They are non-negotiable. As far as we're concerned, these areas are taboo.

**Do you see irreconcilable differences here, Dr. Rademacher?**

**Rademacher:** Not at all. We also know that natural alluvial forests need to be preserved. They are taboo for us as well, which is why we won't go near them. However, we are often faced with lesser conflicting goals when dealing with local nature conservation groups and the communities in which we operate. After all, we can't just pick a location and say "Let's extract here." We need to find places that have usable raw materials. Afterward, an environmental impact assessment needs to be made to determine if the raw materials can be extracted in an environmentally friendly manner. As part of the evaluation, we analyse if the re-naturation of the quarries can be carried out in such a way that destroyed habitats will be able to re-emerge after extraction is discontinued.



**Baumann:** I completely agree with what you say. Often it's not at all a question of whether to extract, but rather how. And that means extraction must be environmentally

compatible, with a view to protecting biodiversity while taking the interests of the stakeholders into account. Over the past few years, HeidelbergCement has endeavoured to engage in a critical dialogue with us on this issue and shown that it is also very much concerned about how raw materials are extracted. Experience shows that the sooner you talk to one another, the better the chance that you'll avoid conflicts and achieve positive results. Many quarries are now man-made biotopes from which everyone benefits.

**Does that mean that engaging in a continuous dialogue about its locations is a must for HeidelbergCement?**

**Rademacher:** Yes. It's very important that companies like ours engage in a dialogue with communities and local environmental organisations well in advance and stay in touch. To make this possible, we organise open days, for example, as well as discussion events and school and nature conservation partnerships. Over the years, we have discovered that less conflict arises whenever we promote a dialogue about our sites. I sometimes even advise the person responsible against a project if a planned quarry creates irreconcilable environmental conflicts — for instance, very rare species will be affected or the habitats will be difficult to restore. However, we will fight to realise a project if we believe that we have to extract raw materials at a particular location for business reasons and the project is environmentally compatible.

**Is the company doing enough to maintain biodiversity?**

**Baumann:** I don't want to create the impression that

nature conservation groups are insatiable. But "enough" is a word we rarely use. We do indeed recognise that HeidelbergCement is on the right track here and outperforms other companies from related industries. However, HeidelbergCement will have to continue to pursue this course.



**Rademacher:** And that's exactly what we'll do. But I also think that nature conservation groups have an obligation to do more to make people aware that the way former quarries

are used is also a form of environmental protection. We know that quarries that are left alone will eventually have a very high level of biodiversity. We have to jointly communicate this finding and make it clear that environmentally-compatible renaturation is a valuable alternative to the use of former quarries for agriculture or forestry.

**So it looks like there is great unanimity between raw materials extraction and nature conservation?**

**Baumann:** Not so fast, though! The devil is in the details. If we are talking about working a specific quarry and the economic interests at the location are obvious, then conflicts can arise, of course, and people on both sides can lose their tempers. But our aim is to engage in discussions in order to avoid such conflicts in advance.

**Rademacher:** That is exactly how we see things. There will always be controversial discussions and differences of opinion between the communities close to the sites, nature conservationists and extracting companies. But if you look at how many such instances of conflict happen per year, it is clear that things have cooled down considerably. That suggests that it is possible to combine raw materials extraction and nature conservation.

HeidelbergCement does not have a Group-wide water management guideline. The creation of such a guideline would require a standardised survey of water consumption and waste water volume at our 2,500 locations worldwide. However, we rely on the local initiatives of our subsidiaries, particularly in regions suffering from water shortages.

For example, all of our company's African locations are subject to a water management plan that complies with the environmental and social standards of the International Finance Corporation (IFC). Every facility will implement this plan in line with local conditions and requirements. The objective of the plan is to achieve optimal water consumption and treatment so as to ensure that the lowest possible amount of fresh water is used in our production processes. Our Kakanj plant in Bosnia-Herzegovina was also recently equipped with a state-of-the-art water treatment plant that has significantly reduced water consumption. For several years now, we have been documenting such practical examples and sharing them throughout the company in order to enable each facility to benefit from the expertise of the others.

[www.heidelbergcement.com/sr2010/water](http://www.heidelbergcement.com/sr2010/water)

**Waste**

No process waste is produced during the manufacture of cement. The only important by-product is kiln dust, which is extracted during the clinker burning process. We aim at reincorporating this dust into the cement production process, thereby improving our ecological efficiency. Kiln dust that cannot be recovered is sold for various applications and only exceptionally deposited in landfills. We dispose our maintenance waste - essentially waste oil - in accordance with the applicable regulations.

**Logistics and transport**

Fuel consumption and emissions are key environmental factors which we are striving to reduce in our internal and external logistics systems. We are always working to further optimise the energy consumption related to our quarries.

When it comes to transporting our cement and aggregate products, we consider the pros and cons of all modes of transportation in terms of economic and ecological factors. We try to utilise environmentally friendly ship and rail transport to the

greatest extent possible. This is why we launched a worldwide initiative in 2010 to analyse all of our rail and ship transport. Current uses of road transport are being checked to determine if a switch to more ecological transport means is possible.

State-of-the-art IT systems support our transport planning operations. We employ such systems for everything from incoming orders to delivery planning processes. This is how we ensure optimal utilisation of our vehicles and minimise route distances. Strategic planning of the makeup of our transport fleet also allows us to carry out adjustments in line with future requirements and thus improve capacity utilisation.

The global importance of our Group for this segment of vehicle production is prompting the manufacturers to improve their products, boost their effectiveness and adjust new variants to our needs. These processes are being reinforced by our purchasing decisions, which are linked to the total cost of ownership (TCO) and thus take into account both the procurement costs and all aspects of the vehicles' subsequent use. Diesel consumption and pollutant emissions are key factors here in terms of costs and environmental friendliness.

However, fuel consumption is influenced not only by the vehicles themselves but also by the way they are driven. We therefore provide regular driver training instruction to make our drivers aware of how their driving styles affect consumption and to ensure that their technical knowledge remains up to date.

#### Production accidents

In 2009 and 2010, the company management received no reports regarding production, storage or transport accidents in which significant amounts of environmentally hazardous substances might have been, or were, released. We use only very small amounts of hazardous substances in the processes used to make cement, aggregates and concrete. It is only when we use hazardous waste derived fuels that we have to deal with large amounts of hazardous material. When handling such waste, we always ensure that the highest standards of safety are maintained. We also regularly provide courses that train our employees on how to deal with the materials involved.

 [Alternative fuels replace natural resources: p. 27](#)

## Sustainable construction

Concrete's characteristics such as durability and local availability make it a sustainable, affordable building material. High performance concretes like ultra highstrength concrete has a proven durability record even in the most extreme marine environments of offshore wind farms. Additionally, the thermal mass of concrete can be used to reduce energy consumption in buildings. Concrete is also a recyclable material and can be used again in new concrete as well as material for road construction. HeidelbergCement supports the CSI report on recycling with an ultimate goal of "zero landfill of concrete". Through research in the Netherlands, we are finding ways not only to increase recycling rates but also to increase recycling into higher-value applications.

#### Sustainable building materials

To further boost the sustainability of our products, our research is concentrating on developing composite cements, replacing clinker content with alternative raw materials. We develop new products to meet the market's growing sustainability-related needs. For example, our photocatalytic cement TioCem® helps break down airborne pollutants. TermoCem® increases thermal conductivity, making geothermal projects more effective. Other special cements make it possible to substantially accelerate the repair of roads and airport runways. Over the last few years, we have also expanded our Life Cycle Analysis expertise, which we now systematically use during product development. We plan to further intensify all these research and development activities in the future.

#### Support of Green Building Councils worldwide

Throughout the world, HeidelbergCement and its subsidiaries support Green Building Councils in their efforts to develop certification systems for sustainable construction and to make the design, construction and operation of buildings more sustainable. In 2010, HeidelbergCement joined the Green Building Councils in Romania, Sweden and Poland, and co-founded the Green Building Council in Norway.

Number of management plans related to biodiversity that we developed in 2010:

**110**

Share of quarries in areas with a high level of biodiversity, for which we will assign plans by 2020 at the latest:

**50%**



"Anyone who wants to create something good for society and the environment can learn from nature's 'product development'. Nature shows us how we can do many things better – if only we observe. Heidelberg-Cement has developed a cement, TioCem®, that uses a photocatalytic reaction to remove nitrogen oxides from the air in the same way that a leaf on a tree cleans pollutants out of the atmosphere. We will need intelligent products like this in the future."

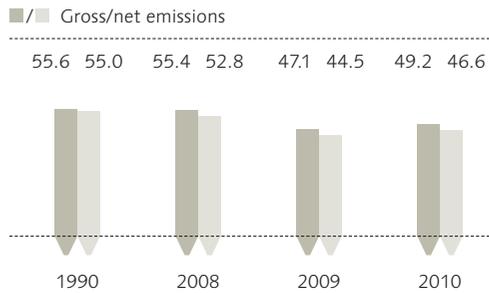
**Professor Dr. Michael Braungart**

Cradle to Cradle® Chair at the Dutch Research Institute for Transition, Erasmus University Rotterdam; Chair at the University of Twente; founder and scientific director of EPEA Internationale Umweltforschung GmbH in Hamburg

[www.epea.com](http://www.epea.com)

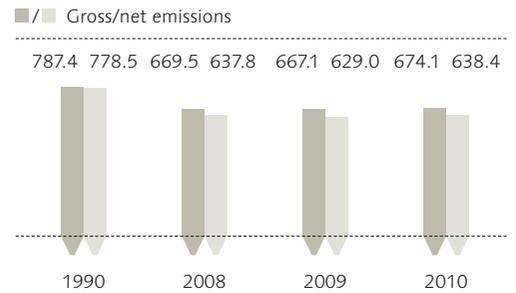
**KEY FIGURES**

**Absolute CO<sub>2</sub> emissions**  
in million t



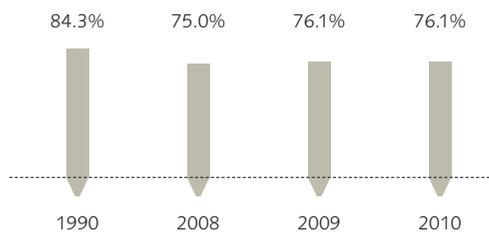
After a fall in CO<sub>2</sub> emission levels between 2008 and 2009, the economic recovery in Europe and economic growth in Asia led to a rise once more in 2010.

**Specific CO<sub>2</sub> emissions**  
in kg CO<sub>2</sub>/t cementitious material



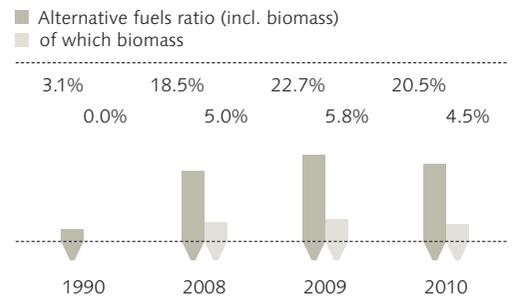
We had been able to constantly reduce specific CO<sub>2</sub> emission levels up until 2009. Their rise in 2010 was a result of the reduced availability of alternative fuels.

**Clinker content in the cement**



The clinker content in the cement remained stable in 2010 against a background of increased clinker and cement production.

**Alternative fuels ratio**



The alternative fuel ratio fell between 2009 and 2010, because we could only use a smaller amount of alternative fuels despite the rise in clinker production.

**Alternative fuels mix in 2010**

Plastics	19.4%	Agricultural waste and waste wood	6.6%
Waste oil	3.3%	Other biomass	5.1%
Tyres	16.1%	Other alternative fuels	33.8%
Solvents	5.3%		
Sewage sludge	3.2%		
Bone meal and animal fat	7.1%		

Considerably less bone meal was available in 2010 than in previous years. We could not entirely compensate for this in 2010 by means of alternative waste flows.

**Emissions of dust, NO<sub>x</sub> and SO<sub>2</sub> in g/t of clinker**

	Progress since 2008			
	2008	2009	2010	2008
Dust	406	254	265	-35%
SO <sub>2</sub>	509	373	418	-18%
NO <sub>x</sub>	1,422	1,210	1,334	-6%

Our investments in environmental protection have been worthwhile. We have been able to reduce dust, and NO<sub>x</sub> and SO<sub>2</sub> emissions considerably since 2008.

Qualified, motivated employees are a key prerequisite for the long-term success of the company. This is why providing professional development measures for our employees and earning their loyalty are focal points of our human resources policies.



## Employees

### Employees and employment

HeidelbergCement strives to achieve outstanding corporate performance and a leading position as one of the best companies in its industry. To do this, a solid foundation of legally and ethically correct behaviour must be in place. With this in mind, the Managing Board approved a Code of Business Conduct that applies throughout the Group and must be complied with by all employees. The Code of Business Conduct specifies our values and the high ethical and legal standards that apply to all of our business activities — from strategic planning to everyday business operations.

#### Respecting international standards and norms

At HeidelbergCement it is a matter of course to respect and comply with the laws and regulations of all the countries where we operate, which are the legal basis of our business activities. In addition, we operate in accordance with the generally accepted recommendations and standards of recognised national and international organisations. HeidelbergCement is committed to upholding the ILO core labour standards and the OECD guidelines for multinational enterprises, and we expect our

employees and business associates worldwide to conform to these essential guidelines and recommendations.

#### Trade unions and employee representation

HeidelbergCement has a long tradition of employee co-determination, which has been proven in operational practice at our sites in Germany. Together the individual panels form the General Council of Employees and its committees for the AG, the Council of Employees for the Group and the European Works Council at the international level. Employees are equally represented on the Supervisory Board. There is also employee representation in most European countries. Managers and employee representatives on the European Works Council work to maintain a constant constructive dialogue addressing business and social concerns. The stated aim is to initiate talks early on, especially when there are conflicts of interest, and to ensure cooperation based on mutual trust for the benefit of the employees and the HeidelbergCement Group. The information and consultation process involving the corporate management and the European Works Council harmoniously complements the existing local processes with employee representatives of

the Group companies in the individual European countries. In addition, there are trade unions and similar organisations in almost all the countries in which HeidelbergCement operates.

#### Employees worldwide

At the end of 2010 HeidelbergCement employed a total of 53,437 men and women (2009 total: 53,302). The increase of 135 employees was essentially the result of two opposing developments. On the one hand, the workforce was reduced due to local optimisation measures and capacity adjustments, above all in North America and the UK. On the other hand, the number of employees was increased in Africa and Russia as a result of the initial consolidation of cement activities in the Democratic Republic of the Congo and of the CJSC "Construction Materials" cement plant in the Republic of Bashkortostan.

#### Remuneration policy and work time regulation

The objective of the Group-wide remuneration policy is to ensure that personnel costs are in line with the development of the company's business. Our remuneration systems are based on performance and results, in accordance with the market standards for internationally operating companies in our sector. In addition to fixed salaries, which are specified by collective bargaining agreements or individual employment contracts, the employees of HeidelbergCement AG also receive variable remuneration components that depend on individual job performance and the success of the company. The employees of our foreign subsidiaries profit from attractively designed remuneration systems that correspond to the conditions of the respective local labour markets. Temporary employment is not common in our company.

#### Personnel costs and social benefits

In 2010 our expenditures for wages and salaries, social security and pension scheme contributions and social aid increased by 2.2% to EUR 2,086 million (previous year: EUR 2,042 million). The amount of the contribution to the company pension scheme corresponds to the accepted market level. In Germany, for example, we have created the possibility

of tax-free deferred compensation within the framework of an employee-financed company pension scheme. Similar provisions apply at our locations in countries where there are no state-supported pension plans or national health insurance. In these countries we provide our employees with support that is commensurate with local practices. In this regard our employees benefit from being part of an internationally active group, which typically offers better standards.

#### Work time regulation

In our work time regulation practices, we conform to the legal requirements in effect at our locations. We promote adherence to these regulations by means of our compliance system, which employees can use to individually report possible violations (passive monitoring). In Germany, for example, the works council conducts random testing on an annual basis to determine whether there have been violations of the work time regulation. In terms of flexible work time options, we offer models such as flextime, part-time positions and leaves of absence. Part-time work currently accounts for 9.3% of all positions at HeidelbergCement AG. Older employees have the options of early retirement or, for example, pre-retirement part-time work.

#### Occupational health and safety

In our corporate guideline on occupational health and safety we have specified the fundamentals of our policy for promoting the good health of the workforce. The stated objective is to minimise the risk of accidents and injuries, and the risk of occupational illness, by means of intensified preventive measures. With the Sustainability Ambitions 2020 we aim to reduce the frequency rate and severity rate of accidents to zero by 2020. The same target applies to the number of fatalities but should be reached already by 2012.

#### Group standards

In recent years the Group standards concerning work at height and machine safeguarding have focused primarily on production processes. In 2010 we also addressed construction project safety and driving safety. We analysed a number of projects

Number of HeidelbergCement employees on 31st December 2010:

53,437

Target year by which we aim to reduce our accident frequency rate to zero:

2020



"In order to prevent accidents caused by human error, it is vitally important to repeatedly make all employees aware of the potential risks of their activities. And that is also our biggest challenge."

**Dr. Klaus Hormann**

Group Manager Health & Safety,  
 HeidelbergCement

and used the findings as a basis for revising and supplementing the existing safety requirements for construction projects. This updated standard will be included as an element in contracts for future construction projects.

The new standard for driving safety resulted above all from the work of the "Occupational Health and Safety" task force in the CSI. HeidelbergCement has served as co-chair of this task force since the start of 2010. The analysis of work-related fatalities at all CSI member companies in recent years indicates that most of the accidents in the industry occur in logistic activities, on facility grounds or public roads. Using this finding as a basis, the CSI task force developed recommendations to be implemented by the member companies.

[www.wbcdcement.org](http://www.wbcdcement.org)

To prevent work-related accidents, safe equipment and appropriate management structures are needed. Processes for safe work practices, specified in writing, exist at all the locations. In addition, 84% of our locations have management systems that also stand up to evaluation by external specialists — and most of them conform to the OHSAS 18001 requirements.

**Occupational safety is a responsibility of management**

Although we are continually improving occupational health and safety at the technical and organisational levels, the fact remains that fatal accidents still happen from time to time, even in countries that have established high standards in technical and organisational areas. The immediate cause of the accidents in most cases is human error. This is why we are intensifying our efforts to make the employees and contractors even more acutely aware of risks in the workplace. In particular, we want to make sure that our managers increasingly serve as role models. We aim to achieve this by means of targeted training programmes for managers and continuing education at all levels.

In the spring of 2010, for instance, we distributed our safety film throughout the Group. The film is based on real-life accidents and is used for training purposes. We have produced posters that call attention to all existing Group standards. Translated into the languages of the countries in which we operate and displayed at locations Group-wide, the posters

are discussed in training courses in order to raise awareness of accident risks.

**Accident trends**

It is true that we have succeeded in further reducing the frequency and severity of accidents in all units during recent years. Unfortunately, the accident figures are still much higher than we had hoped. The dismaying fact remains that we still have to mourn deaths of our employees, employees of external companies we commission and third parties with no connection to the Group, mostly in traffic accidents.

**Occupational illnesses**

Most cases of occupational illness that have been identified in recent years have involved noise-induced hearing loss. With 42 cases worldwide in 2010, the absolute number of cases was lower than in previous years. Further occupational illnesses of relevance were RSI syndrome (repetitive strain injury), back injuries and respiratory illnesses. To prevent illnesses, we check the levels of noise and dust at the work sites at most of our locations and monitor the employees' health. In countries with less developed statutory health care systems, our subsidiaries offer comprehensive health check-ups for all employees and in some instances for their families as well. At these locations, medical treatment is for the most part provided through dedicated health stations or clinics staffed by medical personnel.

[www.heidelbergcement.com/sr2010/prevention](http://www.heidelbergcement.com/sr2010/prevention)

**Training and career development**

**Training**

Sustainable human resources policy means investing in training even in difficult times. In other words, we are hiring and training the next generation of qualified young employees. In Germany, the share of our workforce accounted for by trainees remains unchanged at 6.5%, which far exceeds the number we need for our business. We hire 76% of our trainees for permanent positions. Our extensive training programmes in almost all work areas stand out by virtue of the practical instruction they provide, and thus they offer ideal conditions for our employees' continual professional and personal development.

### Management training

The motivation and skills of our managers and experts is one of the main factors influencing HeidelbergCement's position in the global competitive field and its readiness to face the challenges of the future. In order to prepare our managers and experts for their future assignments, we offer training courses that are specially tailored to the needs of our company. Training is provided in classic disciplines such as strategy, leadership and management, and investment methodology, and special training options are offered in technical fields. As part of a strategic Group initiative we will further strengthen the expertise of our senior managers. To help make this possible we have upgraded the content and concepts of the existing programmes in cooperation with Duke Corporate Education, one of the leading business schools for customised management training. Between 2011 and 2014, 500 managers from throughout the Group will complete a three-stage curriculum focusing on general management and leadership that takes into account global, regional and local issues. We also offer a doctoral programme that has been designed to support talented internal and external employees with their dissertations.

### Career advancement for young managers

Measures for the professional development of young managers have been consistently continued despite the difficult economic conditions in 2010. We offer highly motivated and qualified college graduates international training programmes concentrating on technology, sales, finance, human resources, purchasing and IT. In 2010 a total of 122 people took part in these programmes. A new feature is a special multi-year curriculum that prepares highly qualified engineers for advancement into management positions.

### Documentation of career development hours

In 2010 we recorded the average number of career development hours per employee for the first time. The main focus areas of the career development programmes were — in addition to occupational safety — technical skills, management expertise and foreign languages. We had already recorded the data on career development in occupational health and safety in recent years as part of a pilot project. The reliable data we have for 2010 shows that each

Trainees as percentage of the workforce in Germany:

6.5%

Percentage of trainees in Germany who are subsequently hired:

76%

Participants in international graduate training programmes in 2010:

122



### PRACTICAL EXAMPLE

#### "Zero Tolerance" programme for improved occupational safety

In 2010 the Górażdze Group, a HeidelbergCement subsidiary, developed a programme to increase occupational safety at its plants and quarries. Called "Zero Tolerance", the programme's aim is to motivate employees to not only examine their own actions with an eye to occupational safety, but also to have zero tolerance for the incorrect practices of others. The core of the programme consists of ten rules of conduct, which also are the focal points of numerous training courses conducted internally and with contractors.

Another central element is a large-scale information campaign intended to foster a more preventive approach to occupational safety. Here the employees are also called on to keep a list of any near-accidents they have experienced, the risks involved in their everyday tasks, as well as new ideas for improving safety in the work environment. The units that are most successful will be honoured on a regular basis for their proactive behaviour and for improvements in the area of occupational safety.

In late 2010 the Polish state ministry for mining honoured the Zero Tolerance programme as a national example of best practice because of its unique management approach.

employee received an average of 9.8 hours of career development training in this area. We will further improve the reporting system and publish a balance sheet of the career development hours for several theme areas in the next Sustainability Report.

## Diversity and equal opportunity

We regard diversity as a management concept that relies on teamwork and the incorporation of various cultures, talents and experiences to achieve a workforce composition that reflects our presence on international markets, our customer structure and our business environment. The goal is to promote and recruit employees with excellent qualifications who are prepared to provide top performance and apply their various social and professional skills to contribute to the business success of our company.

### Hiring for management positions

We also make diversity a high priority when we are filling management positions. The international character of our management team enables us to benefit from a varied spectrum of experiences in different cultures and to thus flexibly react to global challenges as well as satisfying the needs of local markets. Local managers account for 80% of all of our senior management positions.

At our company we believe that diversity also means that when we are filling management positions the ratio of women to men should reflect the corresponding ratio in our workforce as a whole. In 2010 women made up around 15% of the Group's entire workforce, and about 8% of the senior management positions were occupied by women. In Germany women accounted for about 17% of the workforce and around 5% of the senior management positions. To increase the number of women in management positions, we are intensifying our efforts to promote young women through our career development programmes. Group-wide, women account for about 15% of the participants in these programmes, and the figure for Germany is 28%.

### Reconciling family and work responsibilities

In competing for the best employees around the world, we are making adjustments in line with changing lifestyles. In support of our employees

who must reconcile their family and professional responsibilities, we rely on models such as flextime and part-time work as well as leaves of absence. Given the relatively small size of our locations, cooperation with external networks has provided good solutions in the areas of daycare or care for family members who require assistance.

## Employee satisfaction and retention

Motivated employees who feel a strong bond with our company are an important prerequisite for the success of HeidelbergCement. In 2009, at our Heidelberg location in Germany, we commissioned a study conducted as part of an academic thesis to examine how our CSR activities affect the commitment and satisfaction of the employees.

The findings enabled us to conclude that the employees feel a strong bond with the company. A majority of those surveyed for the study said their satisfaction with their working environment was at a high to very high level.

### Management survey concerning the corporate culture and work satisfaction

To analyse the senior managers' satisfaction with their working environment, in 2010 we surveyed 1,200 managers around the world for the first time regarding our corporate strategy, their approaches to management and leadership, corporate values and issues concerning their working environment in general. Especially positive were the responses to the questions about strategy, corporate culture, company management and management style. After evaluating the responses (response rate: 87%), we introduced numerous individual measures worldwide that are designed to help ensure a better work environment. The focus here is on activities for the optimisation of human resources development and for cooperation across business lines and units. For the next survey, which will be conducted in 2012, the managers will be asked to assess the implementation of these measures.





"My vision for Cementa in Skövde is to continue an open dialogue with our neighbours, cooperating with other companies and the university college nearby. I want the know-how existing in the company to develop further through this form of collaboration. We have to stay open to new ways of thinking. That will make us an attractive employer for young people — for women as well as men."

**Matilda Hoffstedt**  
Plant Manager, Cementa

## KEY FIGURES

### Employees by Group area

	31 Dec. 2008	31 Dec. 2009	31 Dec. 2010
Western and Northern Europe	15,770	14,640	<b>14,302</b>
Eastern Europe-Central Asia	11,556	9,481	<b>9,959</b>
North America	15,739	12,601	<b>11,899</b>
Asia-Pacific	15,044	14,030	<b>13,682</b>
Africa-Mediterranean Basin	2,680	2,499	<b>3,539</b>
Group Services	52	51	<b>55</b>
<b>Total</b>	<b>60,841</b>	<b>53,302</b>	<b>53,437</b>

### Personnel costs

	2008	2009	2010
	EURm	EURm	EURm
Wages, salaries, social security costs	2,170.4	1,891.9	<b>1,991.3</b>
Costs for retirement benefits	81.0	94.5	<b>71.4</b>
Other personnel costs	46.2	55.1	<b>23.5</b>
<b>Total</b>	<b>2,297.6</b>	<b>2,041.5</b>	<b>2,086.2</b>

### Occupational safety statistics – Group

	2006	2007	2008	2009	2010
Accident frequency rate <sup>1)</sup>	7.4	5.8	4.8	4.6	<b>4.3</b>
Accident severity indicator <sup>2)</sup>	191	154	132	167	<b>146</b>
Fatality frequency rate <sup>3)</sup>	0.3	0.6	0.9	1.7	<b>1.1</b>

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

<sup>2)</sup> Number of working days lost due to accidents involving Group employees per 1,000,000 hours worked.

<sup>3)</sup> Number of fatalities of our own employees per 10,000 Group employees.

### Occupational health statistics

	2008	2009	2010
Occupational illness frequency rate <sup>4)</sup>	0.66	1.49	<b>0.69</b>
Proportion of employees			
– represented by H&S committees	98.3%	99.8%	<b>99.9%</b>
– represented by H&S committees with trade union representation	82.9%	89.4%	<b>91.5%</b>
Training hours	9.7	12.5	<b>9.8<sup>5)</sup></b>

<sup>4)</sup> Number of officially recognised cases of occupational illness suffered by Group employees per 1,000,000 hours worked.

<sup>5)</sup> The reporting system for recording training hours was changed in 2010. This could explain the decrease.

We implement our sense of social responsibility first of all at our company locations. This includes partnerships with schools, in which we give pupils a close-up view of daily operations in our company.



## Society

### Regional responsibility

Our corporate philosophy is expressed succinctly by the motto "Think globally — act locally." In shouldering our responsibility to the community at our various locations around the globe, we lay the foundations for our business practices — and our success — all over the world. This is how we make good business contacts, capitalise on existing knowledge and maintain a vigorous dialogue with our neighbours. Our aim is to join together with local partners to create added value not only for ourselves as a Group but also for the larger community at our company locations.

Wherever possible, it is our policy that local employees should take over the management of local operations. Only in exceptional cases do we bring in managers from abroad.

At the same time, all of our plants work closely with local suppliers and service providers. In fact, around 30% of our procurement volume is invested in the immediate vicinity of our plants.

In this way, and by providing jobs, we help to create added value and to promote — by means of wages, investment, purchases and taxes — economic development at our various company locations.

### Local conflicts of interest

Over the past two years, there have been conflicts with nongovernmental organisations at two company locations, in Israel and Australia. In both cases there was an alleged violation of quarrying rights; in both cases, we carefully investigated the issue, together with local management, and initiated discussions at the local level. We were able to obtain the necessary authorisation at both locations before any quarrying work began. We have not pursued any quarrying activities without having first received the requisite permits, and we intend to abide by this principle in all of our future operations.

### Cooperative activities

We also consider it important to make sure that our business operations have a minimal impact on the regional environment and to actively help restore natural habitats to their former state. To this end, we have set up two public-private partnerships (PPPs), one in Georgia and one in Tanzania (see Practical example, p. 42).

In Georgia, for example, we teamed up with the German development aid organisation GIZ (Deutsche Gesellschaft für Internationale Zusammenarbeit) in October 2009 to launch a PPP that

## PRACTICAL EXAMPLE

### Emergency aid after the volcano eruption in Indonesia

Mount Merapi, a volcano on the Indonesian island of Java, erupted on 26th October 2010. Further eruptions followed in subsequent weeks. Red-hot ash rained down on the surrounding areas, killing many people and forcing thousands to flee to neighbouring districts. Villages and farmland were engulfed by fire and then coated with a thick layer of ash.

#### Thousands of aid packages

Our subsidiary Indocement immediately initiated its own measures to provide humanitarian assistance. In November and December 2010, the company dispatched its own "care team" to the disaster area in Yogyakarta, which is located approximately 600 kilometres from company headquarters in Jakarta. The team distributed thousands of aid packages to people from the many villages that were affected by the eruption. Inside the packages were, among other things, sanitary articles, toiletries, biscuits, milk pudding, blankets and mattresses. During a second relief mission in December, the care team handed out a

further 2,200 packages of rice and cooking oil to families in eight villages who had returned to their homes after the eruption.

The decisions regarding the type and amount of aid to be given were taken on location according to the actual needs of the villagers.

#### Donations from employees

These and other aid measures were funded by Indocement together with the company workforce. All in all, employees have donated approximately US\$37,000 to help the victims of various natural disasters that have hit Indonesia in recent years. In addition to the eruption of Mount Merapi, these include the tsunami that hit the Mentawai Islands in western Sumatra at the end of October 2010 and the flooding in West Papua, which also occurred in October.

For Indocement, helping to provide emergency relief for the victims of natural disasters throughout Indonesia is a key element of our Corporate Social Responsibility programme.

is scheduled to run for a three-year period. Its aims are to restore and conserve biodiversity at all of our quarries in Georgia, to increase public acceptance of modern renaturation and recultivation methods, and to promote the sharing of knowledge between stakeholders from government and administration, business, science and research, nature conservation organisations, and the local population.

Similarly, HeidelbergCement and the International Finance Corporation (IFC), a member of the World Bank Group, signed an agreement in May 2010 that will facilitate the improvement of infrastructure in African countries south of the Sahara by increasing the availability of cement in the region. In line with this agreement, IFC and its finance partners have acquired a minority stake, amounting to as much as US\$180 million, in HeidelbergCement's operations in Africa. In return, HeidelbergCement has pledged

to invest this money in the expansion of its cement production capacity in the countries in this region. Our company will bring to this partnership not only many years of international experience in the production of building materials but also its commitment to rigorous standards in the fields of corporate governance, ethics and environmental protection. This investment programme will yield a host of benefits. In addition to improving local infrastructure and supporting the construction of new housing, it will create jobs and raise environmental standards.

### Corporate citizenship

Corporate responsibility is not limited to a company's business processes and the areas where they have a direct impact. As a "corporate citizen", we

Proportion of procurement volume invested in the immediate vicinity of our plants:

30%



"In Tanzania, the needs of the community are many, but we at TPCC are trying to ensure a better sustainable future for the Tanzanian people. We are therefore focusing on primary education, assistance to various orphanages and helping the most vulnerable social groups."

**Natasha D'Souza**  
CSR Executive, Tanzania Portland Cement Company



## PRACTICAL EXAMPLE

### Tanzania: A nursery for a new city forest

Deforestation and intensive land use are two major problems facing the outlying areas of the major city of Dar es Salaam in Tanzania. For the majority of people, charcoal is the main source of energy in the household. But although the surrounding woodlands have been almost completely denuded, there are no immediate plans for reforestation or recultivation.

In order to encourage sustainable land usage in the areas surrounding the quarries of the Heidelberg-Cement subsidiary Tanzania Portland Cement Company (TPCC), we have teamed up with the German development aid organisation GIZ (Deutsche Gesellschaft für Internationale Zusammenarbeit) to launch a public-private partnership (PPP).

The main purpose of this project is to set up a tree nursery in partnership with external environmental organisations. In addition to creating jobs for local people

and supplying plant material to rehabilitate the decommissioned quarry, the project will provide young trees to help reforest ravaged areas of woodland in and around Dar es Salaam. The hope is that a new forest area will provide not only a habitat for endangered fauna and flora but also a welcome retreat for city dwellers and a source of firewood — but only to the extent that this can be replenished by new trees. In other words, it will be a shining example of sustainable forestry management.

We are cooperating closely with the provincial government on this project and organising training programmes on sustainable land management with universities, schools and NGOs. A network made up of national and international institutions as well as other companies in the sector is facilitating knowledge transfer and supporting further projects in this area.

are a part of society, and we benefit from being fully involved at the community level at our company locations around the world. We are also playing an active role in the search for solutions to social issues that affect these locations.

Our understanding of our role is in line with our corporate citizenship guideline, which lays down the general benchmarks and objectives related to our sense of social responsibility. These objectives have been deliberately drawn up with our core business in mind. In other words, we assign priority to areas where we have specific know-how and where we can achieve the best possible results for the community:

- Construction, architecture and infrastructure: we provide practical assistance with the construction of buildings and infrastructure by providing materials, time, financial assistance and know-how.
- Environment, climate and biodiversity: we promote initiatives that deal with the most important environmental impacts of our business activities.
- Education, training and culture: in this case, we tailor our activities to the specific needs of each of our locations.

We have also laid down certain criteria for evaluation in order to ensure that these voluntary activities are transparent and effective. We support projects, initiatives and organisations that operate at our locations or to which we have a direct connection. We make it a priority to ensure that the guidelines and principles of such organisations are in accordance with those of HeidelbergCement. The Group Communication & Investor Relations department is responsible for documenting all of the corporate citizenship activities throughout the Group and for reporting on them within the framework of our internal sustainability communication activities. All of the decisions regarding support for projects in individual countries or at our locations are taken decentrally by country managers within budgetary limitations. Furthermore, these managers are responsible for implementing and controlling the projects and for external reporting.

 **The exact wording of our Corporate Citizenship Guideline:** [www.heidelbergcement.com/sr2010/cc-guideline](http://www.heidelbergcement.com/sr2010/cc-guideline)

### Quarry sports

For many years now, we have helped to organise health-promoting activities in Górażdze, Poland. These include sporting events held in our quarry. For example, there was a Nordic walking competition in April 2010 whose route ran, in part, along the nature trail in the quarry.

### Help with schools for the youngest

For many years now, we have contributed materials to school and hospital building projects in Africa and have helped to maintain schools and hospitals. In 2010, for example, we funded the construction of five additional classrooms for a primary school in Wazo Hill, Tanzania, near our company location in Dar es Salaam. We also joined together with other benefactors to finance the purchase of 150 new tables for the school's pupils. Following the official ceremony to hand over the new classrooms, more than 2,000 adults and children from the village gathered for a celebration.

We have also helped with the construction of a new primary school in the Tanzanian town of Bagamoyo. Our company plant Twiga Cement provided 25 tonnes of cement for concreting and rendering work. Thanks to the dedicated efforts of numerous helpers, the new school was able to open for teaching by the end of September 2010.

In January 2010 we also donated EUR 100,000 to the Red Cross in order to provide emergency relief for earthquake victims in Haiti. This money was designated for setting up and running a mobile hospital and for providing the latter with a supply of clean water.

### Corporate volunteering

In many countries, our employees take advantage of opportunities to do charitable work during their hours of employment. In Germany, for example, we support a company network called Wissensfabrik, which aims to encourage an interest in science and business among young people. A number of our employees are also donating their time to the KIS, a cooperative project involving industry and educational institutions. The KIS gives teachers and pupils insights into the practical workings of various areas of the company and provides them with information about topics that have a major social impact, such as globalisation, sustainable development, nature conservation and environmental protection.

Total donated (in EUR)  
in support of the earth-  
quake victims in Haiti:

100,000

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## Key figures

In order to provide you with the most complete overview possible of developments at HeidelbergCement, we have summarised the relevant key figures regarding the various business lines. Insofar as possible, we have sought to provide all of the figures over a period of three years. Nonetheless, as we are continually improving and extending our data, once again some figures have been recorded for the first time in 2009 and 2010. This information is naturally only available for the corresponding years.

For many years, cement was HeidelbergCement's traditional core business. A second strategic pillar in the form of aggregates was added with the takeover of Hanson in August 2007. As a result of this history, the reporting for cement was implemented at a much earlier date than for other business lines. Furthermore, the complex process of cement production and the associated obligations regarding environmental reporting mean that there are more key figures concerning this area to report.

### Company portrait

#### Group profit and loss accounts (summary)

	2008	2009	2010
	EURm	EURm	EURm
Turnover	14,187	11,117	<b>11,762</b>
Operating income before depreciation	2,946	2,102	<b>2,239</b>
Amortisation and depreciation of intangible assets and tangible fixed assets	-799	-785	<b>-809</b>
Operating income	2,147	1,317	<b>1,430</b>
Additional ordinary result	-371	-495	<b>-102</b>
Result from participations	51	38	<b>6</b>
Earnings before interest and taxes (EBIT)	1,827	860	<b>1,334</b>
Financial result	-829	-875	<b>-735</b>
Profit/loss before tax from continuing operations	998	-14	<b>599</b>
Taxes on income	-327	190	<b>-60</b>
Net income from continuing operations	671	176	<b>539</b>
Net loss from discontinued operations	1,249	-8	<b>-28</b>
Profit for the financial year	1,920	168	<b>511</b>
Group share of profit	1,808	43	<b>343</b>



#### Group sales volumes

	2008	2009	2010
Cement and clinker (million tonnes)	89.0	79.3	<b>78.4</b>
Aggregates (million tonnes)	299.5	239.5	<b>239.7</b>
Asphalt (million tonnes)	12.1	10.0	<b>9.1</b>
Ready-mixed concrete (million cubic metres)	44.4	35.0	<b>35.0</b>

#### Material costs and other operating expenses

	2008	2009	2010
	EURm	EURm	EURm
Material costs	5,692.9	4,219.5	<b>4,731.3</b>
Other operating expenses	3,719.2	2,931.5	<b>3,168.8</b>

 **Additional information: p. 8 ff.**

## Management

<b>Management systems</b>			
	2008	2009	2010
Proportion of cement plants in which a certified environmental management system such as ISO 14001 has been implemented	69.0%	74.0%	<b>74.0%</b>
Production facilities in which independent environmental audits have been carried out within the last five years			
– Cement			<b>21.3%</b>
– Aggregates (excluding North America)			<b>34.1%</b>

<b>Investments in environmental protection, research and development</b>			
	2008	2009	2010
Investment in tangible fixed assets (mainly related to maintenance, optimisation and environmental protection measures) in EURm	1,101	795	<b>734</b>
Costs for research and technology in EURm	63.2	63.6	<b>67.6</b>
Employees in the business unit Research and Technology	754	736	<b>748</b>



### Management of supplier relations

Proportion of countries in the Group in which the Supplier Code of Conduct is valid	100%
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(The Supplier Code of Conduct was introduced on 29th April 2011)

### Management of customer relations

	2010
Countries in which the Group-wide customer survey launched in 2010 has been carried out (cement business line)	<b>20</b>

 **Details of our sustainability management: p. 22 ff.**

## Environment



### Energy and climate protection

	1990	2008	2009	2010
<b>Cement</b>				
– Absolute gross CO <sub>2</sub> emissions in million t	55.6	55.4	47.1	<b>49.2</b>
– Absolute net CO <sub>2</sub> emissions in million t	55.0	52.8	44.5	<b>46.6</b>
– Specific gross CO <sub>2</sub> emissions in kg CO <sub>2</sub> /t cementitious material	787.4	669.5	667.1	<b>674.1</b>
– Specific net CO <sub>2</sub> emissions in kg CO <sub>2</sub> /t cementitious material	778.5	637.8	629.0	<b>638.4</b>
– Indirect CO <sub>2</sub> emissions in million t	4.9	5.8	4.1	<b>6.0</b>
– Specific energy consumption in kJ/t cement	4,250	3,516	3,425	<b>3,444</b>
– Absolute energy consumption of cement business line in GJ	300,133	291,119	242,044	<b>251,609</b>
<b>Aggregates</b>				
– Specific energy consumption in MJ/t			36.5	<b>35.6</b>

 **More about CO<sub>2</sub> management: p. 26 ff.**

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<b>Raw materials and fuels</b>				
	1990	2008	2009	2010
<b>Fuel mix for burning clinker</b>				
– Hard coal	59.6%	55.3%	55.3%	<b>56.7%</b>
– Brown coal	0.0%	5.3%	5.4%	<b>7.6%</b>
– Petroleum coke	2.3%	8.1%	10.1%	<b>8.2%</b>
– Natural gas	22.6%	10.6%	4.8%	<b>4.9%</b>
– Light fuel oil	0.9%	0.4%	0.3%	<b>0.5%</b>
– Heavy fuel oil	8.3%	0.7%	0.7%	<b>0.6%</b>
– Other fossil fuels	3.2%	1.2%	0.7%	<b>0.9%</b>
– Alternative fuels	3.1%	13.5%	16.9%	<b>16.0%</b>
– Biomass	0.0%	5.0%	5.8%	<b>4.5%</b>
– Proportion of biomass in mix of alternative fuels	0.0%	27.1%	25.7%	<b>22.0%</b>
<b>Alternative fuel mix for burning clinker</b>				
– Plastics	0.0%	16.9%	18.7%	<b>19.4%</b>
– Waste oil	39.0%	4.8%	3.5%	<b>3.3%</b>
– Tyres	34.2%	17.1%	14.7%	<b>16.1%</b>
– Solvents	4.7%	5.2%	4.6%	<b>5.3%</b>
– Sewage sludge	0.0%	3.8%	3.3%	<b>3.2%</b>
– Bone meal and animal fat	0.0%	9.0%	9.4%	<b>7.1%</b>
– Agricultural waste and waste wood	0.0%	7.9%	8.2%	<b>6.6%</b>
– Other biomass	0.0%	6.4%	4.7%	<b>5.1%</b>
– Other alternative fuels	22.2%	28.8%	32.9%	<b>33.8%</b>
Clinker content in cement	84.3%	75.0%	76.1%	<b>76.1%</b>
Proportion of alternative raw materials		13.0%	11.3%	<b>11.6%</b>
<b>Mercury and dioxins/furans</b>				
				<b>2010</b>
<b>Mercury</b>				
– Number of kilns reporting (proportion of clinker production)				<b>36 (42%)</b>
– Specific emissions in g/t clinker				<b>0.037</b>
<b>Dioxins and furans</b>				
– Number of kilns reporting (proportion of clinker production)				<b>33 (37%)</b>
– Specific emissions in µgTEQ/t clinker				<b>0.020</b>

<b>Emissions</b>			
	2008	2009	2010
<b>NO<sub>x</sub></b>			
– Absolute emissions in t	79,130	54,665	<b>61,286</b>
– Specific emissions in g/t clinker	1,422	1,210	<b>1,334</b>
<b>SO<sub>2</sub></b>			
– Absolute emissions in t	28,326	16,871	<b>19,231</b>
– Specific emissions in g/t clinker	509	373	<b>418</b>
<b>Dust</b>			
– Absolute emissions in t	22,610	11,486	<b>12,192</b>
– Specific emissions in g/t clinker	406	254	<b>265</b>
Proportion of clinker produced in kilns with continuous or discontinuous measurement of all emissions	64.0%	63.0%	<b>82.0%</b>
Proportion of clinker produced in kilns with continuous measurement of dust, NO <sub>x</sub> and SO <sub>2</sub> emissions	81.0%	87.0%	<b>87.0%</b>
<b>Biodiversity and preservation of resources</b>			
			<b>2010</b>
<b>Proportion of quarries in areas with a high biological value</b>			
– Cement			<b>41.3%</b>
– Aggregates			<b>18.2%</b>
<b>Proportion of quarries in areas with a high biological value, with biodiversity management plans</b>			
– Cement			<b>54.4%</b>
– Aggregates			<b>32.6%</b>
<b>Proportion of quarries with restoration plans</b>			
– Cement			<b>90.6%</b>
– Aggregates			<b>81.3%</b>
<b>Sustainable construction</b>			
	2008	2009	2010
Sales of recycled aggregates in t	1,732,968	2,189,076	<b>2,294,950</b>

 [Detailed overview of our environmental management system: p. 26 ff.](#)

## Employees



### Professional development

	2008	2009	2010
Employees by Group area			
– Western and Northern Europe	15,770	14,640	<b>14,302</b>
– Eastern Europe-Central Asia	11,556	9,481	<b>9,959</b>
– North America	15,739	12,601	<b>11,899</b>
– Asia-Pacific	15,044	14,030	<b>13,682</b>
– Africa-Mediterranean Basin	2,680	2,499	<b>3,539</b>
– Group Services	52	51	<b>55</b>
– Total	60,841	53,302	<b>53,437</b>
Proportion			
– Women among total employees		18.0%	<b>15.3%</b>
– Part-time employees			<b>4.9%</b>
– Women in top and senior management		6.0%	<b>8.0%</b>
– Women in trainee development programmes			<b>15.0%</b>
Age structure			
< 20		0.5%	<b>1.0%</b>
20–29		10.0%	<b>12.7%</b>
30–39		24.3%	<b>24.3%</b>
40–49		32.4%	<b>31.2%</b>
50–59		27.0%	<b>25.3%</b>
> 60		5.8%	<b>5.5%</b>

### Occupational health and safety

	2008	2009	2010
Number of fatalities			
– Own employees	5	8	<b>5</b>
– Employees of other companies	11	7	<b>11</b>
– Third parties	5	7	<b>3</b>
Fatality rate <sup>1</sup>	0.9	1.7	<b>1.1</b>
Fatality rate <sup>1</sup> (cement business line)	1.7	2.4	<b>0.9</b>
Accident frequency rate <sup>2</sup>	4.8	4.6	<b>4.3</b>
Accident frequency rate <sup>2</sup> (cement business line)	3.6	3.5	<b>3.6</b>
Accident severity indicator <sup>3</sup>	132	167	<b>146</b>
Accident severity indicator <sup>3</sup> (cement business line)	78	108	<b>105</b>
Occupational illness rate <sup>4</sup>	0.66	1.49	<b>0.69</b>
Proportion of employees represented by H&S committees	98.3%	99.8%	<b>99.9%</b>
Proportion of employees represented by H&S committees with trade union representation	82.9%	89.4%	<b>91.5%</b>
Training hours in the area of occupational safety per employee <sup>5</sup>	9.7	12.5	<b>9.8</b>

<sup>1</sup> Number of fatalities of Group employees per 10,000 Group employees.

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

<sup>3</sup> Number of working days lost due to accidents involving Group employees per 1,000,000 hours worked.

<sup>4</sup> Number of officially recognised cases of occupational illness among Group employees per 1,000,000 hours worked.

<sup>5</sup> The reporting system for recording training hours was changed in 2010. This could explain the decrease.

### Personnel costs and social benefits

	2008	2009	2010
	EURm	EURm	EURm
Wages, salaries, social security costs	2,170.4	1,891.9	<b>1,991.3</b>
Costs for retirement benefits	81.0	94.5	<b>71.4</b>
Other personnel costs	46.2	55.1	<b>23.5</b>
Total	2,297.6	2,041.5	<b>2,086.2</b>

 More about employee development and occupational safety: p. 34 ff.

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HeidelbergCement is publishing a Group Sustainability Report for the fourth time. The report provides a summary of what we achieved in 2009 and 2010 and shows how the sustainability mindset has developed at our company.



## About this report

This report provides information on how HeidelbergCement is living up to its economic, ecological and social responsibility. It describes the key challenges that our company faces and explains the strategies we are pursuing in order to overcome these challenges. The Sustainability Report is targeted at our employees, as well as at investors, analysts, customers, contractors, politicians and NGOs.

### Report content and organisation

In order to comply with international reporting standards and ensure comparability with other companies, our report takes its lead from the latest guidelines of the Global Reporting Initiative (GRI G3).

 Our complete GRI index can be found at:  
<http://www.heidelbergcement.com/sr2010/GRI>

We ourselves rate the extent to which the GRI G3 guidelines have been met as A+. For us, it was crucial that our main sustainability themes are derived from the GRI principles for determining the content of the report (materiality, stakeholder inclusiveness, sustainability context and completeness). As a result, the report's organisation and content reflect our sustainability strategy as well as external analyses and insights gained from talks with our stakeholders.

The report is divided into a company portrait, a description of the challenges we face in the various sustainability-related areas, an explanation of the strategy derived from these challenges and from our core area of business, and a section on our sustainability programme. This is followed by a description of our strategic management approach. After this are three chapters in which we explain in depth how we are living up to our responsibility toward the environment, our employees and society. This section is supplemented by a comprehensive range of data tables.

## Scope and method of the report

The 2009/2010 Sustainability Report concerns the business years 2009 and 2010 of the Heidelberg-Cement Group, with each business year extending from 1st January to 31st December.

The key financial figures included in this report correspond to those in the Group annual accounts and management report of HeidelbergCement's Annual Report for 2010. This is also the case with the key figures concerning our workforce and occupational safety.

For the environmental and occupational safety data, we have drawn up the report in line with the guidelines of the Cement Sustainability Initiative (CSI) of the World Business Council for Sustainable Development (WBCSD).

 The guidelines are available in full at: [www.wbcscement.org](http://www.wbcscement.org)

This year marks the first time that a selection of the cement business line's key figures on environmental protection and occupational safety were subject to an independent review, as required by our membership in CSI. The review also fulfils the wish of our stakeholders to have key indicators independently verified. The results of this review can be found on page 50 of this report.

## Data collection

We collect data at the level of individual facilities with the help of specific methods and systems. Internal reporting and consolidation are conducted by central electronic KPI data management systems at the Group, where the key figures are also checked to determine their credibility and completeness.

Standardised Group-wide definitions of all of the relevant key figures are available on the intranet, as are the procedural guidelines for the reporting processes.

## Publication

This Sustainability Report is published in German and English. The editorial deadline was 29th July 2011. The last report was published in August 2009.

In line with the two-year reporting cycle, the next printed Sustainability Report will appear in 2013. We will make updated data and information available on our website in 2012.

## Disclaimer

The information and key figures contained in this report were collected with great care. All of the report's content was checked by the responsible employees. We cannot fully exclude the possibility that information might be incorrect.

The information contained in the report is not intended to represent an assessment of compliance with applicable laws, regulations or accepted industry sustainability practices.

## Supplemental information on the Internet

To supplement the printed report, we have published additional information on our website.

The printed report contains links that will take you directly to the online information.

 <http://www.heidelbergcement.com/sr2010>

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# Independent Limited Assurance

Independent Limited Assurance Report on Certain Aspects of the Sustainability Report 2009/2010 of HeidelbergCement Aktiengesellschaft, Heidelberg

To  
 HeidelbergCement Aktiengesellschaft  
 Berliner Straße 6  
 69120 Heidelberg, Germany

## Introduction

We have reviewed certain aspects of the HeidelbergCement Aktiengesellschaft Sustainability Report for 1 January to 31 December 2009/ 1 January to 31 December 2010 (the "Report"), and of parts of the underlying management systems.

The Report and the underlying management systems, including the subject matters and criteria, are the responsibility of HeidelbergCement Aktiengesellschaft's management. Our responsibility is to issue a conclusion based on our review.

## Subject matters

We have reviewed the following subject matters:

1. The procedures and their presentation in the Report for the collection, compilation, validation and aggregation of 2010 data for performance indicators of the production in the cement business line on
  - Direct and indirect CO<sub>2</sub> emissions
  - NO<sub>x</sub>, SO<sub>2</sub> and dust emissions
  - Occupational safety at HeidelbergCement Aktiengesellschaft and selected reporting units.
2. The systems, structures and processes and their presentation in the Report for managing performance of the production in the cement business line for indicators on
  - Direct and indirect CO<sub>2</sub> emissions
  - NO<sub>x</sub>, SO<sub>2</sub> and dust emissions
  - Occupational safety at HeidelbergCement Aktiengesellschaft and selected reporting units for 2010.
3. The methodology and process that HeidelbergCement Aktiengesellschaft has put in place for the preparation of the Report, as described in the chapter "About the Report" of Report.

Our engagement is limited to the presentation of the production in the "Cement" business line and the above subject matters related to direct and indirect CO<sub>2</sub> emissions; NO<sub>x</sub>, SO<sub>2</sub> and dust-emissions; and occupational safety. We did not perform any assurance procedures on other information presented in the Report.

The scope of our review procedures at site level was limited to 11 of a total of 103 reporting sites.

## Criteria

Based on an assessment of materiality and risk we have gathered and evaluated evidence supporting the conformity of the subject matters with the criteria established by the following protocols issued by the "World Business Council for Sustainable Development" (WBCSD) and the "Cement Sustainability Initiative" (CSI):

- Guidelines for Emissions Monitoring and Reporting in the Cement Industry, version 1.0, March 2005
- CO<sub>2</sub> Accounting and Reporting Standard for the Cement Industry, version 2.0, June 2005
- Safety in the cement industry: Guidelines for measuring and reporting, version 3.0, Updated October 2008

## Summary of work performed

We conducted our review in accordance with the International Standard on Assurance Engagements (ISAE) 3000, "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" in order to obtain limited assurance on the subject matters. A limited assurance engagement requires that we plan and perform the review to obtain moderate assurance as to whether the subject matters are, in all material respects, in accordance with the criteria.

Our work included (i) analytical procedures, (ii) interviews with Health & Safety as well as environment management representatives and employees at HeidelbergCement Group headquarters in Heidelberg; and (iii) visits to and phone reviews via video-Life-Meeting with a limited number of reporting sites, including non-OECD countries.

The scope of a review is limited and thus it provides less assurance than an audit.

## Conclusion

Based on our work described above, nothing has come to our attention that causes us to believe that at HeidelbergCement Aktiengesellschaft and selected reporting units:

- procedures for the collection, compilation, validation and aggregation of 2010 data for performance indicators of the production in the "Cement" business line on direct and indirect CO<sub>2</sub> emissions; NO<sub>x</sub>, SO<sub>2</sub> and dust emissions; and occupational safety, including presentation and disclosure in the Report, were not applied adequately.
- systems to manage performance of the production in the "Cement" business line for indicators on direct and indirect CO<sub>2</sub> emissions; NO<sub>x</sub>, SO<sub>2</sub> and dust emissions; and occupational safety and their presentation in the Report were not designed appropriately during 2010;
- the methodology and process that HeidelbergCement at Group level has put in place for the preparation of the Report, as described in the chapter "About the Report" of the Report were not appropriate.

Frankfurt am Main, 29.07.2011

Deloitte & Touche GmbH  
 Wirtschaftsprüfungsgesellschaft



Jens Löffler  
 Wirtschaftsprüfer



i.V. Dr.-Ing. Sam Vaseghi  
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## Imprint

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HeidelbergCement AG  
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**Editorial deadline:** 29th July 2011

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### Concept and realisation

Group Communication department  
 HeidelbergCement AG  
 SLau Konzepte & Kommunikation  
 teamkom Kommunikation+Design  
 abcdruck GmbH

### Picture credits

Picture archive HeidelbergCement, Heidelberg  
 Andreas Becker, Schlier

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

Carbon-neutrally printed on environmentally friendly PEFC-certified paper:





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