2024

Green Finance Framework

heidelbergmaterials.com

Heidelberg Materials

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Heidelberg Materials in brief

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

Heidelberg Materials is one of the world's largest integrated manufacturers of building materials in terms of revenue and operates on five continents. On the journey towards carbon neutrality and a circular economy in the building materials industry, we are working on sustainable, intelligent building materials and solutions for the future. We are opening up new opportunities for our customers through digitalisation.

Heidelberg Materials' fully-integrated business model encompasses the entire value chain, from the extraction of raw materials to further processing into cement through to the end product concrete and its recycling, as well as their sales and distribution to customers. Our building materials are used, among other applications, for the construction of houses, traffic routes, infrastructure, as well as commercial and industrial facilities, thus meeting the demands of a growing world population for housing, mobility, and economic development.

Heidelberg is one of the largest building materials companies

As at 31 December 2023, we operate around 130 cement plants (plus a further 16 as part of joint ventures), just under 600 quarries and aggregates pits (thereof 32 locations of joint ventures), as well as around 1,310 ready-mixed concrete production sites (plus a further 254 as part of joint ventures) worldwide.

51,000

employees on 5 continents

3,000

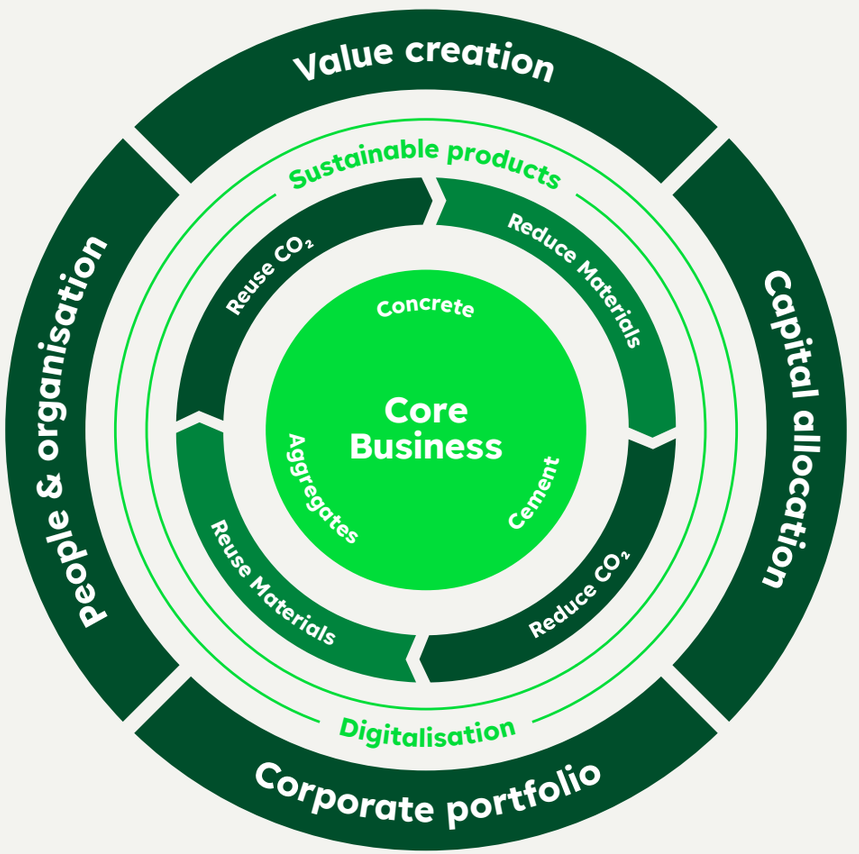
locations worldwide

Our strategy

The top priority of our strategy and all our entrepreneurial activity is to sustainably increase the enterprise value while limiting the impact of our business activities on the environment and society. Cement, aggregates, and concrete form the core of our business activities. In a market with largely standardised building materials, customer focus and service quality are crucial in order to successfully market our products and solutions. By further developing our product and customer portfolio, we are striving for profitable growth in line with our sustainability targets. In particular, we rely on the market knowledge and entrepreneurial spirit of our local management.

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

Strategy Framework



In a market with largely standardised building materials, customer focus and service quality are crucial in order to successfully market our products and solutions.

2 Heidelberg Materials Sustainability Strategy and Governance

Heidelberg Materials' Sustainability Strategy and Governance

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

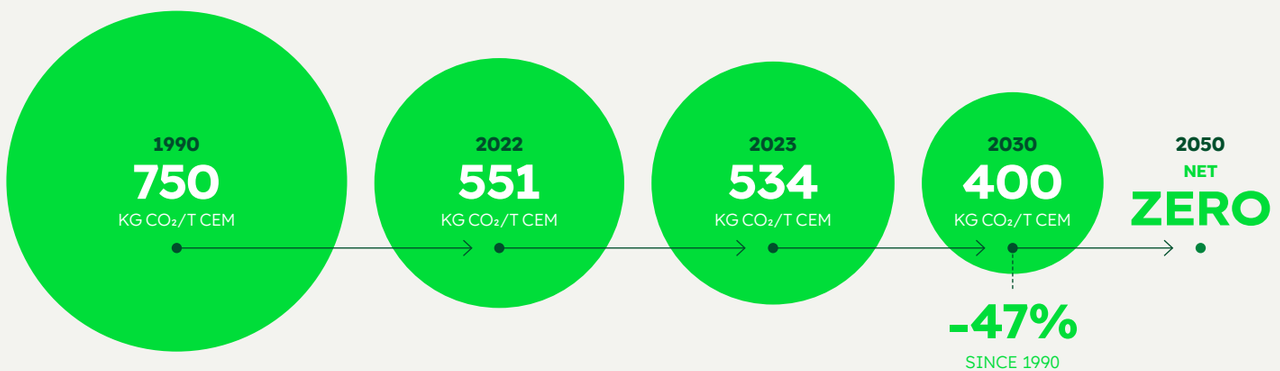
At Heidelberg Materials' approximately 3,000 locations, sustainability is an integral part of our day-to-day business. We aim to spearhead the decarbonisation of our sector and promote the circular economy in our value chain. Closing the loop in the material cycle of sand, aggregates, and hardened cement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

The Sustainability Commitments 2030 serve as guiding principles for the Heidelberg Materials sustainability strategy. They cover topics under four headings:

1. **Net Zero**
2. **Circular & Resilient**
3. **Safe & Inclusive, and**
4. **Nature Positive**

Our path to net zero

Reduction of our specific net Scope 1 emissions



Alternative fuel mix

29.9%

Alternative fuel rate

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

Our Commitment

50%

Group revenue

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

1.5°C

Pathway

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

10 MT CO_2

Emissions

Captured by 2030 through our already launched CCUS projects.

Our Sustainability Commitments

-40%

Since 2008

Reduction of sulphur and nitrogen oxide emissions (SO_X und NO_X) by 2030.

Sustainability Governance

We have established robust governance structures that assign responsibility and accountability for our climate transition plan to our Chief Sustainability Officer who is a member of the Managing Board. Our CSO has responsibility for all ESG topics and our climate transition plan at the highest management level, while the Chairman of the Managing Board manages and monitors all climate-related targets in the climate transition plan.

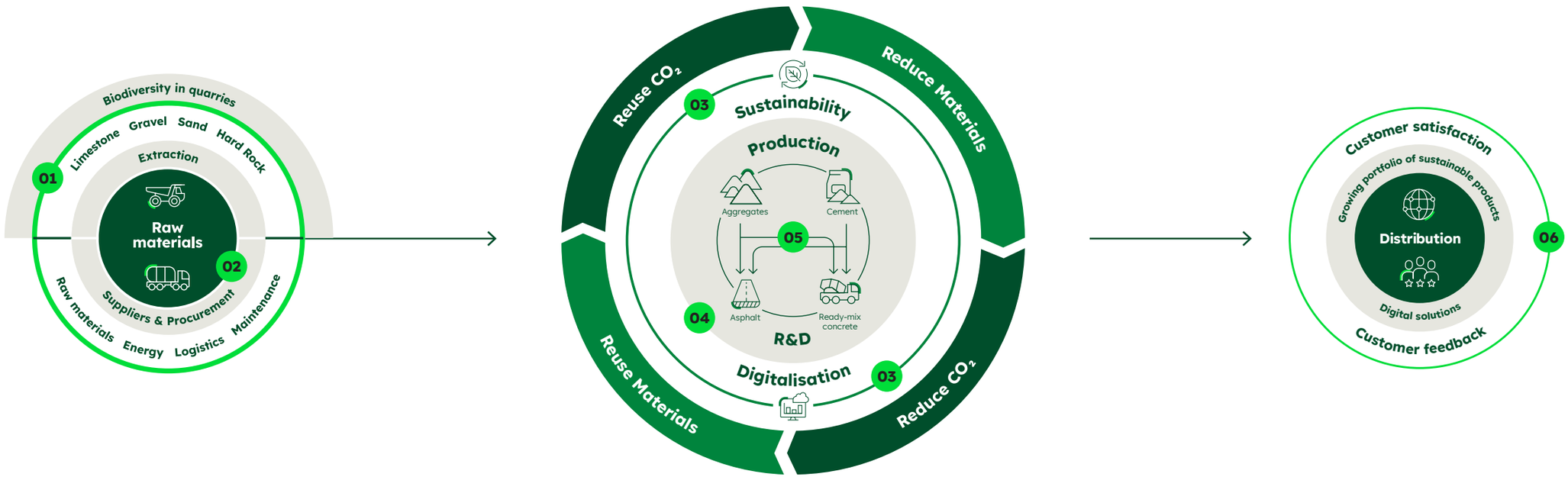
Our CSO oversees the comprehensive implementation of our pathway to a net-zero global economy and is responsible for our holistic approach to CO_2 strategic planning, reducing CO_2 emissions along the value chain, and accelerating circularity and sustainability in the whole product portfolio. She is responsible for strategic planning as well as for reviewing the progress and status of greenhouse gas emissions reductions and integrating our climate transition activities into our overall business strategy. Our Sustainability Commitments 2030 clearly focus on our net-zero pathway by driving the decarbonisation of our sector.

General Managers for all our operative units are equally responsible for successfully reducing Heidelberg Materials' environmental impact in line with our business strategy. At Group and country level, multidisciplinary teams have been established to ensure, develop, review, and implement our CO_2 reduction roadmaps.

Our CEO oversees the comprehensive implementation of our pathway to a net-zero global economy

To incentivise the Managing Board and C-suite executives to achieve our transition plan, the variable remuneration of the CEO, Managing Board members, and General Managers is linked to the achievement of the Group-wide CO_2 (reduction) roadmap set by Heidelberg Materials. Besides these senior management positions, the CO_2 component is also part of the variable remuneration component of bonus-eligible employees. They receive a monetary reward for meeting their industrial and operational objectives in line with the set targets and projects on climate-related issues.

Our Value Chain



01
SDG 15

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

02
SDG 8, 12

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

03
SDG 12

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

04
SDG 9, 12, 13

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

05
SDG 9

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

06
SDG 12, 13

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

Our Sustainability Commitments 2030

Building a net-zero future

We drive the carbonisation of our sector and provide low-carbon products

CO_2 & Energy	• Reduce our net Scope 1 emissions to 400kg per tonne of cementitious material • Reduce our total CO_2 footprint according to the SBTi 1.5°C pathway* • Capture 10 million tonnes of CO_2 cumulatively through our CCUS projects
Additional Emissions	• Reduce sulphur and nitrogen oxide emissions (SO_x and NO_x) by 40% compared with 2008
Sustainable Revenue	• Achieve 50% of our revenue from sustainable products that are either low-carbon or circular

Building a safe and inclusive future

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

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

Building a circular and resilient future

We drive circularity to reduce and reuse materials and natural resources

Circularity	• Offer circular alternatives for 50% of our concrete products – aiming for full coverage
Sustainable Revenue	• Achieve 50% of our revenue from sustainable products that are either low-carbon or circular

Building a nature positive future

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

Biodiversity	• 100% of active quarries contribute to the global goal of nature positive, with 15% space for nature
Water	• 100% of sites in water-risk areas implement water management plans and water recycling systems

*SBTi business ambition for 1.5°C: CO_2 reduction compared to base year 2020:
Scope 1: -24% per tonne of cementious material
Scope 2: -65% per tonne of cementious material
Scope 3: -25% in absolute emissions from purchased cement and clinker

Building a net-zero future

The world needs smart, sustainable, and resilient infrastructure, buildings, and public spaces. Climate change as one of the major global challenges is for us of highest priority as we are operating in a highly energy-intensive industry. At Heidelberg Materials, we support the aim of the UNFCCC Paris Agreement to limit global warming to 1.5°C. We have made a clear commitment to help build a net-zero future, which is why we are transforming our business and placing sustainability at the core of what we do. Our SBTi 1.5°C-aligned climate transition plan serves as a guiding principle and outlines our net-zero journey.

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

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

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

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

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

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

Reduce and reuse: Closing the carbon and material loops

Net-zero products
- Lengfurt CCU: CO_2 as a valuable raw material
- Brevik CCS: Our milestone CO_2 project

Circular products
- Concrete containing recycled aggregates
- CO_2 mineralisation in building materials

Products using less material
- Special mortar for 3D concrete printing
- Ultra-high-performance concretes (UHPCs)

Carbon-reduced products
- Substituting clinker with fly ash
- Substituting clinker with calcined clay

Focus on CO_2 reduction and circularity

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

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

Innovative carbon capture, utilisation, and storage (CCUS) technologies are a key component of our climate strategy. With Heidelberg Materials' already launched CCUS projects alone, we aim to cut our carbon emissions by 10 million tonnes cumulatively by 2030. CCUS is a necessary prerequisite to achieve net-zero emissions in our sector – and to be able to offer net-zero products.

Innovative carbon capture, utilisation, and storage (CCUS) technologies are a key component of our climate strategy

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

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

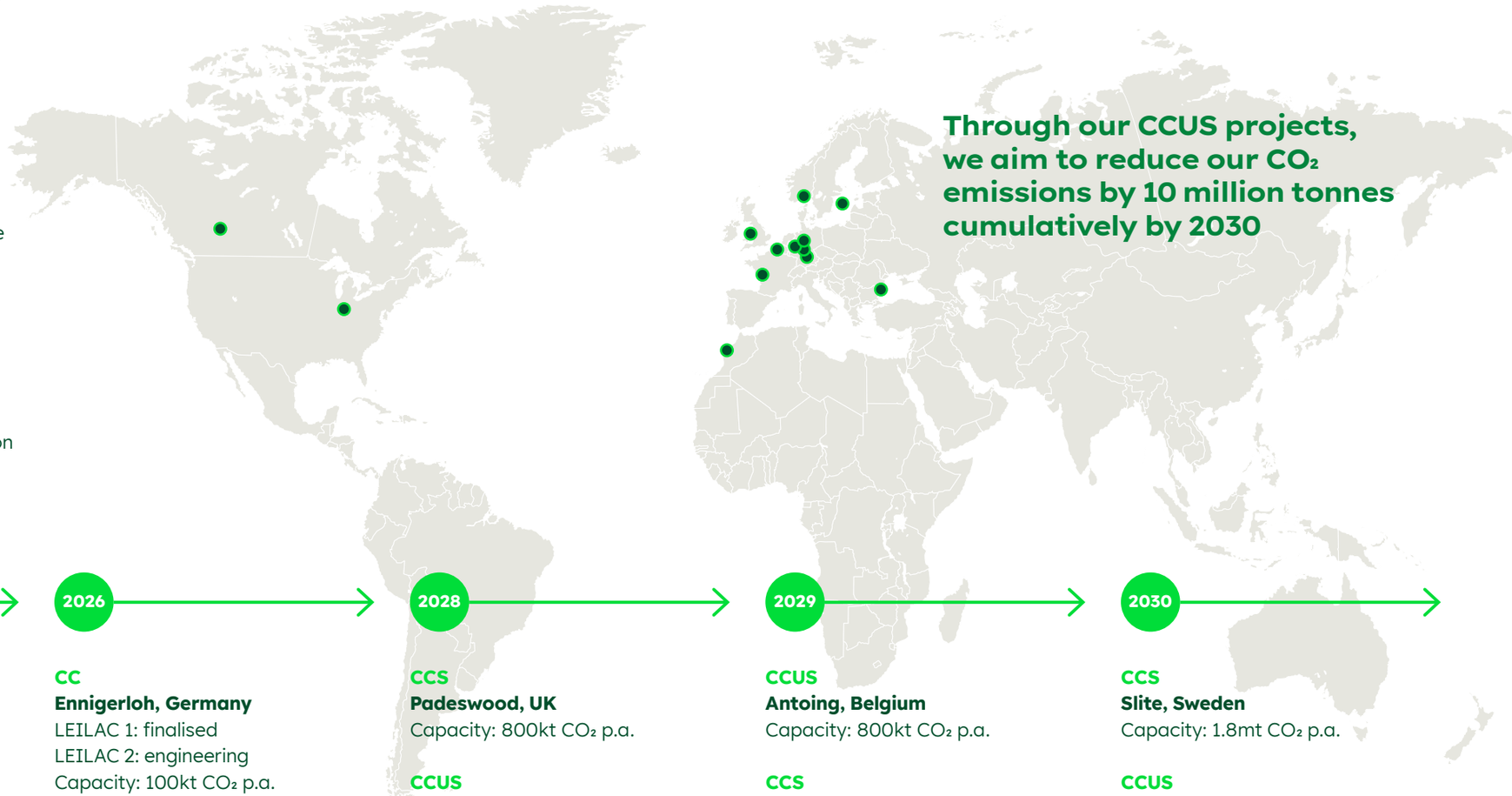
Our CCUS project portfolio

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

CCU
Carbon capture and utilisation
These activities focus on the use of captured CO_2 for applications such as the production of synthetic fuels, the cultivation of microalgae, or the recarbonation of recycled concrete.

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

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



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

2024

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

CC
Devnya, Bulgaria
OxyCal pilot

2025

CC
Mergelstetten, Germany
Oxyfuel pilot

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

2026

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

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

CCU
Safi, Morocco
Upscaling

2028

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

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

2029

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

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

2030

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

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

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

Circular & Resilient

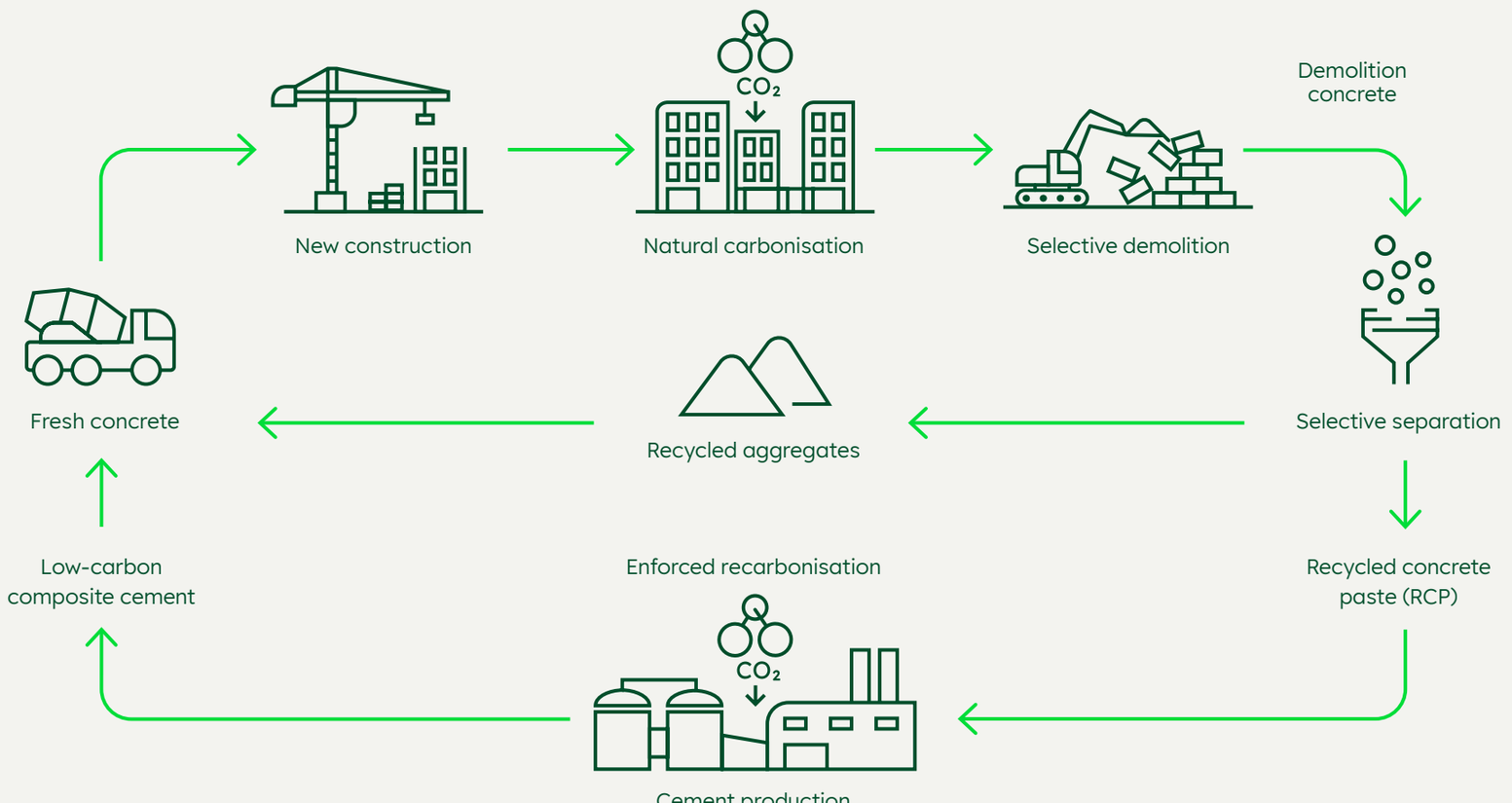
Building a circular and resilient future

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

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

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

Transforming demolition material into a raw material source



Sustainable products and solutions

We work intensively to develop and produce innovative, environmentally, and socially responsible products that meet the highest quality standards over their entire life cycle. We aim to generate half of our Group revenue from sustainable products by 2030. This includes products that stand out by making a special contribution to circularity and the reduction of CO_2 emissions.

Strong local, sustainable, and low-carbon product portfolio

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

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

Sustainable revenue

35%

Group revenue

We are already achieving 35% of our revenue through sustainable products.

Circularity

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

Strong brands for sustainable products

evozero

evoBUILD

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

Following the launch of the evoZero brand, the first carbon captured net-zero cement in November 2023, evoBuild is Heidelberg Materials' second global brand with a focus on sustainability. evoBuild products are characterised by their clear sustainability credentials, and each product must meet strict requirements to become part of the range.

Our Commitment

50%

Group revenue

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

Our Sustainability Commitments

50%

Circular alternatives

We offer circular alternatives for 50% of our concrete products, aiming for full coverage

Safe & Inclusive

Building a safe and inclusive future

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

Occupational Health & Safety
Occupational health and safety is one of the core values of our Group and therefore a fundamental element of our work processes. Our declared aim is zero harm. With effective preventive measures, we intend to reduce the risk of accidents, incidents, and ill health. The health and well-being of our employees, our contractors, and the people in our local communities are at the heart of our actions. We believe that work-related accidents, occupational diseases, and ill health are generally preventable and that providing a safe working environment is important for maintaining good health and well-being at Heidelberg Materials.

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

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

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

Building a nature positive future

Biodiversity
The extraction of raw materials has an impact on nature, changing landscapes and natural habitats. Responsible land management is therefore an essential element of the Heidelberg Materials sustainability strategy. We are committed to working towards the Global Goal for Nature, contributing to a nature positive future. At the core of our strategy is a deep understanding of our footprint, where negative impacts may occur, and how we can positively contribute to countering biodiversity loss. Working across five continents, we strive to understand the environments in which our sites are located and the species with which they interact across the whole quarry life cycle, so that we can set out key actions.

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

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

Supporting ratings, regulation, standards, and reporting frameworks

The following is a selection of our activities. We have singled out memberships and engagements that we consider to be of central strategic importance for the company as a whole, since they address current and future transformation activities in a significant way. Our ESG rating strategy is an important tool that helps us to maintain continuous quality assurance, monitor the market, and identify best practices and optimisation potential. We regularly evaluate the relevance and importance of different ratings.

- We regularly evaluate the relevance and importance of different ESG ratings.
- Our Annual and Sustainability Report (ASR) 2023 has been prepared according to the GRI Standards on the basis of the concepts of “impact”, “material topics”, “due diligence”, and “stakeholder”.
- Heidelberg Materials endorses the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD) and has been listed as an official supporter of TCFD-aligned disclosures since 2020.
- The ASR 2023 also contains an index in accordance with the Sustainability Accounting Standards Board (SASB) framework. We have used the recommendations of the SASB Construction Materials Standard (Version 2023-06) regarding the most important sustainability topics.
- In the Annual and Sustainability Report (ASR) we disclosure information pursuant to Article 8 of the Taxonomy Regulation (EU) 2020/852.
- The requirements of the EU Corporate Sustainability Reporting Directive will be incorporated in our annual reporting going forward.
- Heidelberg Materials is a signatory to Business Ambition for 1.5°C, a global initiative committed to reducing CO_2 emissions to net zero by 2050 at the latest. The company is therefore also part of the global, UN-backed Race to Zero campaign, which aims to create positive momentum for the transition to a low-carbon economy.
- As a member of the corporate engagement programme of the Science Based Targets Network (SBTN), we are contributing to the development of science-based targets for nature through feedback in particular in the water and land hub work areas.
- Our carbon reduction targets were reviewed, validated, and recognised as science-based by the Science Based Targets initiative (SBTi), using their methodology, at the end of February 2023.

Climate risks and scenarios

The risks of climate change have moved sharply into focus, not least due to an increase in extreme weather events and new climate records. Heidelberg Materials has been analysing climate-related opportunities and risks for many years, including in the context of Task Force on Climate-related Financial Disclosures (TCFD) reporting. In this process, we differentiate between the physical impacts of climate change and the impacts resulting from the transformation of the economy towards a low-carbon model (transition risks). We use climate scenarios for this purpose[1].

[1] See Annual and Sustainability Report 2023

3 Heidelberg Materials Green Finance Framework

Heidelberg Materials Green Finance Framework

Rationale for green financing
Heidelberg Materials has established a Green Finance Framework (referred to as the "Framework") to be able to issue green finance instruments to better align the funding needs with the sustainability strategy. The establishment of this Framework in combination with the existing Sustainability-Linked Financing Framework will support accountability and commitments with regards to Heidelberg Materials' environmental strategy and targets, as it provides additional transparency around the financing and/or refinancing of projects which play a key-role in the transition to a low-carbon and climate resilient economy. Heidelberg Materials believes that green finance instruments are an effective tool to channel investments to projects that demonstrate environmental benefits and thereby contribute to the achievement of the Paris Climate Agreement and UN Sustainable Development Goals ("UN SDG").

The issuance of green finance instruments will not only allow to engage with investors dedicated to supporting sustainability efforts but also assist Heidelberg Materials in diversifying its investor base, broaden the dialogue with existing investors, and contributing to the growth of the green finance market.

Basis of the Framework
Heidelberg Materials has established this Framework under which it or any of its subsidiaries (referred to as "Heidelberg Materials") can issue green finance instruments (referred to as "Green Finance Instruments"), which may include senior bonds, subordinated bonds, medium-term notes (MTNs), loans, promissory notes (Schuldscheindarlehen), commercial papers in any currency and/or denomination to finance and/or refinance green eligible projects (referred to as "Eligible Green Projects").

The Framework is based on the:
- ICMA Green Bond Principles 2021, including the updated Appendix I of June 2022[2]
- LMA/APLMA/LSTA Green Loan Principles 2023[3]
- ICMA Pre-issuance Checklist for Green Bonds Green Bond Programmes 2023 version[4]

These provide guidance in the form of four key components:

1. **Use of Proceeds**
2. **Process for Project Evaluation and Selection**
3. **Management of Proceeds**
4. **Reporting**

The Framework also follows the Guidelines for Green, Social, Sustainability and Sustainability-Linked Bonds External Reviews[5].

The establishment of the Green Finance Framework will provide additional transparency on the financing of our way to a low-carbon and climate resilient economy

Heidelberg Materials may review and update this Framework from time to time to align with industry best market practices and future market developments, regulations and expectations (e.g. future changes to the ICMA Green Bond Principles, the LMA/APLMA/LSTA Green Loan Principles, and/or developments related to sustainable finance regulation). Any future version of this Framework will either keep or improve the current level of transparency and reporting disclosures, including the corresponding review by an independent expert (referred to as the "Second Party Opinion Provider"), and will be published on Heidelberg Materials' website[6].

This Framework will apply to any Green Finance Instruments issued by Heidelberg Materials. For the avoidance of doubt, any future version of this Framework (including the relevant eligibility criteria) and second party opinion may not necessarily apply to Green Finance Instruments issued under this version of the Framework.

Moreover, this Framework, where relevant and applicable, takes into account elements of the EU Taxonomy Regulation[7], the EU Taxonomy Disclosures Delegated Act[8], the EU Taxonomy Climate Delegated Act – Annex I[9], the EU Taxonomy Environmental Delegated Act – Annex II[10], subsequent amendments[11] and the EU Green Bond Standard[12].

[2] See here
[3] See here
[4] See here
[5] See here
[6] See here
[7] See here
[8] See here
[9] See here
[10] See here
[11] See here
[12] See here

3.1 Use of Proceeds

An amount equivalent to the (net) proceeds from Green Finance Instruments issued by Heidelberg Materials will be used to finance and/or refinance Eligible Green Projects as defined by the eligibility criteria (referred to as “Eligibility Criteria”) set out on page 22.

Eligible Green Projects may include the current value of fixed assets (“Assets”), capital expenditures (“CapEx”)[13] and/or operational expenditures (“OpEx”)[14] associated with economic activities that meet or will meet the Eligibility Criteria outlined below. CapEx and Assets shall qualify for refinancing with no limitation with regards to look-back period, while OpEx qualify with a maximum three-years look-back period. In defining the Eligibility Criteria for the Eligible Green Projects, Heidelberg Materials refers to the EU Taxonomy Climate Delegated Act – Annex I, the EU Taxonomy Environmental Delegated Act – Annex II and subsequent amendments.

Eligible Green Projects financed under this Framework may include assets and expenditures associated with economic activities that meet or will meet the Eligibility Criteria

For projects to be eligible, either:

- The relevant EU Taxonomy’s Technical Screening Criteria (“TSC”) for Substantial Contribution (“SC”) to Climate Change Mitigation and the Transition to a Circular Economy must be respected; or
- They have to be part of a CapEx/OpEx transition plan with a deadline of maximum 10 years (in accordance with the EU Taxonomy Disclosures Delegated Act – Annex I) by which CapEx/OpEx funded by a Green Finance Instrument shall be aligned with the relevant SC criteria[15].

Heidelberg Materials may take into account some aspects of the grandfathering rules as defined in the EU Green Bond Standard Regulation.

In alignment with Heidelberg Materials’ broader sustainability strategy and support of the UN SDG 2030 agenda, the Eligibility Criteria contemplated under this Framework may directly contribute to the achievement of UN SDGs[16] and EU Environmental Objectives[6].

[13] For a definition of what would fit with the notion of CapEx, see here.
[14] For a definition of what would fit with the notion of OpEx, see here and here.
[15] For the avoidance of doubt, the deadline of the transition plan will occur before the relevant Green Finance Instrument reaches maturity.
[16] See here for a mapping between ICMA Eligible Categories and UN SDGs based on ICMA High Level Mapping to the Sustainable Development Goals.

3.1 Use of Proceeds

GBP/GLP category	Eligibility Criteria	Heidelberg Material project examples	UN SDGs	Contribution to EU Environmental objective	EU Economic activity
Pollution Prevention and Control	Assets, CapEx and/or OpEx for the manufacturing of one of the following: • Grey cement clinker where the specific GHG emissions[17] are lower than 0.722 tCO_2e per tonne of grey cement clinker • Cement from grey clinker or alternative hydraulic binder, where the specific GHG emissions[18] from the clinker and cement or alternative binder production are lower than 0.469 tCO_2e per tonne of cement or alternative binder manufactured Where CO_2 that would otherwise be emitted from the manufacturing process is capture for the purpose of underground storage, the CO_2 is transported and stored underground in accordance with the TSC of economic activities 5.11 and 5.12 as per the EU Taxonomy Climate Delegated Act (Annex I).	• Modernisation and efficiency measures, e.g. replacement of inefficient technologies or general plant upgrades • Replacing fossil fuels, e.g. installations for the increased use of alternative fuels, especially biomass and infrastructure for alternative fuel usage • Clinker replacement, e.g. installation of separate grinding, infrastructure for alternative raw materials, or calcined clay pilots • Carbon Capture, Utilisation, and Storage[19] • Projects to meet the Do No Significant Harm ("DNSH") criteria, e.g. air emissions reduction, water recycling, water treatment, and water quality, or biodiversity protection and restoration	 	**Climate Change Mitigation (Article 10), especially with regards but not limited to:** 1.b) Improving energy efficiency, except for power generation activities as referred to in Article 19(3) 1.d) Switching to the use of sustainably sourced renewable materials 1.e) Increasing the use of environmentally safe carbon capture and utilisation (CCU) and carbon capture and storage (CCS) technologies that deliver a net reduction in greenhouse gas emissions	3.7 – Manufacture of cement (Annex I – Climate Delegated Act)

Circular Economy Adapted Products, Production Technologies and Processes	Assets, CapEx and/or OpEx for the construction, operation and/or upgrade of facilities for the sorting and/or material recovery of:
	
	Non-hazardous waste, either:
	• Converting at least 50%, in terms of weight, of the processed separately collected non-hazardous waste into secondary raw materials that are suitable for the substitution of virgin materials in production processes; or
	• As per the substantial contribution criteria to the transition to a circular economy of the EU Taxonomy Environmental Delegated Act (Annex II) under 2.7 which are split in:
	  • Origin of the feedstock material
	  • Material recovery
	  • Proper management of waste
	  • Quality of secondary raw materials
		• Increased recycling capabilities, e.g. waste sorting, processing and transportation or related infrastructure		**Climate Change Mitigation (Article 10), especially with regards but not limited to:**
				1.b) Improving energy efficiency, except for power generation activities as referred to in Article 19(3)
				
				Transition to a Circular Economy (Article 13), especially with regards but not limited to:
				1.f) Increasing the use of secondary raw materials and their quality, including by high-quality recycling of waste
				1.g) Preventing or reducing waste generation, including the generation of waste from the extraction of minerals and waste from the construction and demolition of buildings
				1.h) Increasing preparing for the re-use and recycling of waste
				1.i) Increasing the development of the waste management infrastructure needed for prevention, for preparing for re-use and for recycling, while ensuring that the recovered materials are recycled as high-quality secondary raw material input in production, thereby avoiding downcycling
					5.9 – Material recovery from non-hazardous waste (Annex I – Climate Delegated Act)
					
					2.7 – Sorting and material recovery of non-hazardous waste (Annex II – Environmental Delegated Act)

[17] Calculated in accordance with Commission Delegated Regulation (EU) 2019/331 of 19 December 2018 determining transitional Union-wide rules for harmonised free allocation of emission allowances pursuant to Article 10a of Directive 2003/87/EC of the European Parliament and of the Council (OJ L 59, 27.2.2019, p8).

[18] Calculated in accordance with Regulation (EU) 2019/331.

[19] For Eligible Green Projects financed under this framework, the captured CO_2 will not directly be used nor, to the best of our knowledge, indirectly by our partners, for enhanced oil recovery (EOR).

3.2 Process for Project Evaluation and Selection

Heidelberg Materials has established a decision-making process to determine the eligibility of the Eligible Green Projects, in accordance with the Eligibility Criteria outlined in the Use of Proceeds section of this Framework.

Eligible Green Projects will be selected by a dedicated Green Finance Committee (referred as to the "Committee") set up within Heidelberg Materials. The Committee is formed by members of treasury, legal, accounting, sustainability, technical and other relevant business teams when necessary.

The Committee will meet at least on an annual basis.

The use of proceeds, as (re-)financing of Eligible Green Projects, will be approved by the Group CFO of Heidelberg Materials based on the selections of the Committee.

Eligible Green Projects will be selected by a dedicated Green Finance Committee set up within Heidelberg Materials

The Committee is responsible for:

- Reviewing the content of Heidelberg Materials' Green Finance Framework and updating it to reflect changes in corporate strategy, technology, market, and regulatory developments as well as the Heidelberg Materials' relevant policies and long-term targets for social and environmental sustainability on a best effort basis.
- Initiating the update of external documents such as Second Party Opinion (SPO) and related documents from external consultants.
- Evaluating and selecting Eligible Green Projects in line with the Eligibility Criteria as set out in the Framework and excluding projects that no longer comply with the Eligibility Criteria or have been disposed of and, in such case, where required, replacing them.
- Overseeing the allocation of the proceeds from Green Finance Instruments to Eligible Green Projects.
- Overseeing, approving, and publishing the allocation and impact reporting, including external assurance statements. Heidelberg Materials may rely on external consultants and their data sources, in addition to its own assessment.
- Liaising with relevant business teams and other stakeholders on the above.

Furthermore, Heidelberg Materials ensures that all Eligible Green Projects comply with official national and international environmental and social standards, and local laws and regulations. These laws are monitored and enforced by the local authorities, among others, as part of obtaining the necessary permits for new projects and infrastructure maintenance.

The following steps describe the process organised by the Committee to evaluate and select the Green Eligible Projects:

- Information on Assets, CapEx and/or OpEx related to economic activities that meet or will meet the Eligibility Criteria are requested internally.
- Among the projects that have been identified, a project selection is made based on the Eligibility Criteria. Further Heidelberg Materials will strive to include EU Taxonomy aligned projects as much as possible.
- The Committee decides whether activities will be included based on current value of Assets, CapEx, and/or OpEx according to the approach used for each Green Finance Instrument issued.
- Projects that have been financed in full or in part with public subsidies or other sources of labelled funding will be included at their net amount respectively.
- Ahead of formal allocation, the Committee decides whether projects will be allocated per Green Finance Instrument ("bond-by-bond approach") or on an aggregated basis for multiple Green Finance Instruments ("portfolio approach").
- The Committee will exclude any projects that no longer fulfil the Eligibility Criteria.

ESG Policies

Heidelberg Materials' environmental and social risk policies define minimum standards for all its activities, including those financed with the net proceeds of Green Finance Instruments issued under this Framework. Application of these policies shall identify and manage perceived environmental and social risks associated with the Eligible Green Projects. Below some examples of relevant codes and policies:

- Climate Policy
- Environmental Policy
- Circularity Policy
- Extractive Sector Species Protection Code of Conduct
- Water Policy
- Biodiversity Policy
- Supplier Code of Conduct
- Code of Business Conduct
- Anti-Corruption Policy
- Human Rights Statement
- Responsible Land Use Policy
- Health & Safety Policy

Additional information on the management of environmental, social, and governance risks via the policies and standards of Heidelberg Materials can be found here.

3.3 Management of Proceeds

The (net) proceeds from the Green Finance Instruments will be managed, tracked, and monitored in an appropriate manner by Heidelberg Materials.

Heidelberg Materials shall allocate proceeds to an Eligible Green Projects, selected in accordance with the Eligibility Criteria and the Process for Project Evaluation and Selection presented above, within 36 months of issuance of the Green Finance Instruments.

Pending full allocation, unallocated (net) proceeds will be managed temporarily in accordance with Heidelberg Materials' treasury principles (in cash, deposits, or other money market instruments), for the repayment of other indebtedness and/or other capital management activities. Payment of principal and interest of the Green Finance Instruments will be made from the general funds and will not be directly linked to the performance of any Eligible Green Projects.

Green Finance Instruments issued at or around the same time of the conclusion of M&A activities could be labelled as Green Finance Instruments provided that the allocation of proceeds is fulfilled on the basis of sufficient Eligible Green Projects. M&A costs as such are excluded as Eligible Green Projects.

3.4 Reporting

Heidelberg Materials will make and keep readily available reporting on the allocation and impact of proceeds from Green Finance Instruments to Eligible Green Projects annually and until full allocation (or until maturity). The reporting will be based at least on an aggregate category level and will be made publicly available on Heidelberg Materials' website[20].

Heidelberg Materials intends to align its impact reporting with the ICMA "Handbook – Harmonized Framework for Impact Reporting (June 2023)"[21]. Further, Heidelberg Materials may decide to provide pre-issuance and/or post-issuance disclosures according to the voluntary common templates according to the EU Green bond Standard Regulation.

Allocation Reporting
The allocation report will include the following information:

- The size of the identified Eligible Green Projects, per category
- The balance (if any) of unallocated proceeds
- The amount or the percentage of new financing[22] and refinancing
- The geographic location of the projects, where feasible

[20] See here
[21] See here
[22] New financing refers to projects financed over the previous reporting period.

Impact Reporting
The impact report may provide impact indicators as detailed in the table below:

GBP/GLP category	Potential impact indicators
Pollution Prevention and Control	• Estimated annual reduced and/or avoided GHG emissions [tCO_2e/year] • Estimated annual captured GHG emissions through CCUS [tCO_2e/year]
Circular Economy Adapted Products, Production Technologies and Processes	• Total volume processed waste

Depending on availability and subject to confidentiality obligations, Heidelberg Materials might seek to complement above indicators with relevant case studies.

Heidelberg Materials may appoint specialised consultants to develop a methodology for the estimation and calculation of the impacts that were made publicly available.

3.5 External Review

Second Party Opinion (pre-issuance)
ISS-Corporate reviewed the alignment of the Framework with the ICMA Green Bond Principles 2021 (including the updated Appendix I of June 2022) and the LMA/APLMA/LSTA Green Loan Principles 2023. The second party opinion will be published on Heidelberg Materials' website[23].

Verification (post-issuance)
Heidelberg Materials will request annually until full allocation (or until maturity), a limited assurance report of the allocation of the Green Finance Instruments to the Eligible Green Projects, provided by its current auditor (or any subsequent auditor).

[23] See here

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