

SUSTAINABILITY REPORT

2013/2014

HEIDELBERGCEMENT



Preface



Dr. Bernd Scheifele
Chairman of the Managing Board

Dear readers,

The years 2013 and 2014 were special ones for HeidelbergCement. In 2013 the company celebrated its 140th anniversary — a fact that demonstrates the stability and solidity of our long-term oriented business model. 2014 was the most successful year for HeidelbergCement since the financial crisis. This result shows that long-term thinking and sustainable action pay off.

We believe that sustainable corporate management means continuously bringing our profit targets into harmony with the goal of safeguarding our future viability. By taking on responsibility for society and the environment and reducing the negative effects of our activities to the greatest extent possible, we are minimising the risks to our business operations. In doing so, we are pursuing a holistic approach that is binding on all of our business lines and every area of the Group. In other words, this approach is followed by our more than 2,300 locations worldwide. The core of our sustainability strategy is therefore local responsibility — for our employees and our neighbours, as well as for nature and the environment. That is our policy in the more than 40 countries all over the world in which we operate.

Occupational health and safety play a particularly important role at HeidelbergCement. Although we have been continually improving our occupational health and safety measures at the technical and organisational levels for many years, serious accidents still occur. We have determined that these accidents are often caused by human error. That's why we have continued our Group-wide Safety Leadership Initiative, which we launched in 2012. This initiative makes managers at all levels more aware of their leadership responsibilities regarding issues related to occupational health and safety. The aim is to strengthen the safety culture at our company.

We have also made considerable progress in other central areas of our sustainability strategy. In the area of climate protection and resource conservation, we have in some cases clearly surpassed our targets. For example, we committed ourselves to reducing our specific CO₂ emissions in comparison to the figure for 1990 by 23% by 2015. In 2014 we had already achieved a reduction of 21.2%. Alternative fuels currently make up 20.6% of our total energy sources; in this respect we are among the best companies in our sector. Our renaturation and recultivation of quarries that are no longer in service focuses on the protection of local species of plants and animals. In partnership with the international nature conservation organisation BirdLife International, we have already achieved a great deal in this area in recent years. We have also tackled the challenge of water management and established a reporting system for our cement business line. And we're also pursuing the aim of greater sustainability in our products. Concrete in particular fulfils the requirements for sustainable construction due to its durability and heat storage capacity.




Business and society are facing huge challenges today. As a leading producer of construction materials, we can help to solve these challenges through innovative construction materials and efficient production processes that conserve natural resources and reduce CO₂ emissions. In order to respond to these challenges even more effectively in the future, our experts are currently working to update our sustainability strategy. In the future, we want this strategy to link our sense of social responsibility even more clearly than before with the safeguarding of our company's future viability.

Dr. Bernd Scheifele
Chairman of the Managing Board

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How to find your way through the report

To make it easier for you to navigate through the report, we have added links to this PDF file. In the grey bar at the top edge of the page, you can jump to the individual chapters from any page. The thin green bar shows you in which chapter you currently are. The icons operate similarly to those on a website:

-  Go forward/back
-  Table of contents
-  Starting page

You can also access the chapters directly from the table of contents. In each chapter, the column at the far left contains a linked overview of the sub-chapters. The following symbols in the text are also useful there:

→ A link to the specified page or website

✓ **G4-17** A passage of text that contains statements concerning the GRI Materiality Matters indicators

You can find information about the indicator G4-17 in the Annual Report 2014, pp. 255–279.



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Compliance reporting system

62

reports were received by our **whistleblower hotline** in 2014. It enables employees and external whistleblowers to provide information about possible human rights violations and infringements of HeidelbergCement's labour standards. Every report is investigated and every person who has demonstrably engaged in misconduct is punished. [Page 6](#)

Training in antitrust law

5,600

users from 27 countries had registered for our Group-wide **online antitrust law courses** by the end of 2014. The courses expand our antitrust law compliance system. [Page 8](#)

Research and development

103.2

million euros were invested in **research and development in 2014** in order to create better products, improve manufacturing processes and reduce our CO₂ footprint. [Page 13](#)



Fair business management

Corruption prevention

is the aim of our new system for assessing and limiting corruption risks. It will help us to assess these risks even more accurately and to adapt existing countermeasures. [Page 8](#)



Core labour standards

2013

That's when we conducted the first **survey concerning the upholding of human rights and the meeting of core labour standards** at our country organisations. The results help us to further improve our risk minimisation measures. [Page 7](#)

Compliance

2014

— the year our **Trade Sanctions Policy** went into force. The policy uses targeted evaluations to help us adhere to official sanction lists. [Page 8](#)

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Responsible corporate management

Among other things, responsible and sustainable corporate management means achieving outstanding business performance and acquiring ecological expertise, while at the same time taking on social responsibility and acting ethically in line with the relevant legislation.

The management and monitoring structures at HeidelbergCement comply with the laws governing stock corporations in Germany, the company’s memorandum and articles of association, the standing rules of the Managing Board and the Supervisory Board, and — with a few exceptions — the guidelines laid out in the German Corporate Governance Code.

Compliance

We respect and obey the applicable laws and regulations in all the countries in which we operate, and we regard them as the legal foundation of our business activities. As an internationally operat-

ing company, we are also obligated to adhere to global values and standards. As a result, we are committed to upholding the ILO’s core labour standards, the OECD guidelines for multinational enterprises and the UN’s Universal Declaration of Human Rights. We expect our employees and business associates worldwide to act in conformity with these essential guidelines and recommendations.

Internally, our management guidelines reflect our commitment to the aforementioned standards. We commit our suppliers to these standards with our Supplier Code of Conduct. Employees and external individuals can report violations through our compliance reporting system. The system was introduced in 2007. Since 2013, it has also included criteria for violations of various human rights and of core labour standards such as discrimination and child labour. The system encompasses a variety of channels through which noncompliance can be addressed, ranging from reports sent directly to specifically authorised contact partners to information submitted through our whistleblower hotline. All such reports are handled completely anonymously if desired. Most of the violations during 2013 and 2014 involved employee issues and occupational safety. In 2013 the whistleblower hotline received 65 reports, including one case of alleged discrimination. In 2014, 62 reports were submitted, with discrimination being the subject of two of them. No instances of child labour or forced labour were reported. We examine every report we receive and take appropriate disciplinary action if a violation has been proved. We also implement corrective and preventive measures in order to reduce the likelihood of recurrences.

At our facility in Citeureup, Indonesia, the local management and the labour union had differences of opinion regarding the exercise of labour union rights. These differences were addressed in mediation proceedings at the National Contact Point for the OECD Guidelines for Multinational Enterprises. The proceedings concluded in May 2014 with a joint declaration.

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Since 2013 we have been conducting a survey in our Group's country organisations every two years in order to determine the risk of human rights violations or of infringements of core labour standards. In the next step, we determine whether the existing measures should be augmented to minimise risks.

Our compliance programme

Our compliance programme is based on a Group-wide Code of Business Conduct that requires all employees to adhere to basic principles of responsible corporate management, regardless of whether or not such principles have been written into law. It is particularly important that

- all of our employees and managers should act with integrity and professionalism when dealing with customers, suppliers, government authorities and business partners;
- consistently avoid and prevent conflicts of interest;
- treat company property and assets carefully and responsibly;
- treat confidential company and business information and personal data carefully and responsibly;
- ensure fair conditions and eliminate discrimination at work, and conduct fair discussions with employee representatives;
- provide safe and healthy workplaces; and
- utilise natural resources responsibly and sparingly.

A key element of our compliance programme is our executives' commitment not to tolerate violations of applicable law (especially competition law) or anti-corruption regulations, and to take action against all those who commit such violations.

The programme also includes internal measures and guidelines that more concretely specify the legal regulations. Among other things, these measures include periodic training courses for our employees. In 2008, for example, we began using an e-learning module for the Code of Business Conduct and basic compliance topics. Throughout the Group, around 10,000 people currently take part in the course, which, among other things, teaches employees

about the prohibition of discrimination and harassment in the workplace. In 2012 we expanded the range of online courses by adding a module on competition law and another one on corruption prevention. Throughout the Group, around 5,500 users are currently registered for the second of these modules.

Our compliance organisation

The Director of Group Compliance, who heads our compliance organisation, reports directly to the Chairman of the Managing Board. Each country in which we operate has its own Compliance Officer. Every manager is responsible for ensuring that employees comply with the applicable laws and regulations, and of course the employees themselves are responsible for their own compliance. Clearly defined control mechanisms are used to monitor implementation of our compliance programme throughout the Group. Such mechanisms include both regular and special audits by our Internal Auditing department, as well as special half-year compliance reports submitted by the Director of Group Compliance to the Managing Board and the Supervisory Board's Audit Committee. In addition, every Managing Board member receives a report each quarter on major compliance violations in his or her region.



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We closely monitor developments in the area of compliance and regularly review our programme in order to determine whether it needs to be adjusted. Most recently, such adjustments had to be made in the areas of trade sanctions and corruption prevention.

Compliance activities

In November 2014 we put an internal Trade Sanctions Policy into force, according to which all companies controlled by Heidelberg-Cement have to check whether their business partners are on the sanctions lists published by the EU and the USA. The measures that the EU countries have implemented to combat terrorism serve as the basis for the expansion of the content and geographic range of the inspection processes. Group Compliance helps the country organisations to implement the Trade Sanctions Policy by supplying data processing solutions in cooperation with Group IT and by delineating business processes that regulate the activities that must be taken after an inspection of the business partners has been completed. We want to implement the inspection processes throughout the Group by the end of 2015.

In response to the UK Bribery Act and the IDW PS 980 audit standard, we have worked together with external experts to develop a system that assesses corruption risks as well as the occurrence and prevention of possible conflicts of interest. It is divided into three stages. In the first stage, the system assesses the potential risks in a particular country organisation. The associated criteria are based on Transparency International's Corruption Perceptions Index for the country in question, the business model, previous cases with regard to the specific risk and the potential effects of a case of corruption. The existing measures for reducing individual risks are then set against the potential risks. In the last step, the system determines whether additional measures might be required. This assessment results in a plan of measures for each country. The implementation of these measures is monitored by Group Compliance.

The introduction of the assessment system will be completed in 2015 at all of the business lines in the Group countries. The assessments will afterwards be conducted every three years. In geographic terms, the risk focus is on countries with scores that are low on Transparency International's Corruption Perceptions Index; at the functional level, the focus is on procurement.

During the period under review, the information submitted through our compliance reporting system showed that there were a few isolated cases of possible corruption. When misconduct was detected, we took measures ranging from restructurings to improved process controls and personnel measures. In response to corruption-related violations by business partners, in some cases we decided to not renew their contracts.

Antitrust law

Antitrust proceedings prompt us to continuously examine and enhance our extensive precautions for the prevention of cartel law violations. Our antitrust law compliance system was reviewed in 2010 and 2013 by a renowned external specialist, who confirmed its effectiveness. To make further improvements, we have developed special electronic antitrust law courses that were introduced throughout the Group. These courses are mandatory for senior managers, sales staff, procurement employees who are in direct contact with suppliers, employees involved in mergers and acquisition projects, and those in contact with competitors or who might be affected by antitrust regulations in some other way. Throughout the Group, around 5,600 users from 27 countries and/or functions have registered for the antitrust law course to date. Moreover, 650 employees have registered to take part in a course conceived specifically for Australia, where it will continue to be used in the future.

→ [Information about current antitrust proceedings: AR 2014, pp. 132–133](#)

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Our sustainability strategy

Our company’s mission is to achieve outstanding business results as well as to act in an environmentally and socially responsible manner. While we are minimising the risks for our business and exploiting new opportunities, we are at the same time developing solutions for environmental, social and societal challenges. This work focuses on the following topic areas.

Occupational safety

Because we are a manufacturing company, occupational health and safety have top priority at HeidelbergCement. We employ targeted measures to improve technical and organisational safety standards and make people more aware of workplace safety. We focus not only on our own employees but also on those from external companies and third parties.

Securing raw materials and conserving natural resources

Our business operations depend on our long-term local access to mineral-based raw materials. These resources are finite, and their exploitation often leads to local conflicts of interest. As a result, we regard the sustainable securing of raw materials and the conservation of resources as key strategic tasks.

Our resource conservation strategy specifies that we use alternative raw materials and fuels for the production of cement. However, the substitution potential is very much dependent on the availability of industrial by-products and on the high quality standards that cement has to meet.



Water management and water protection are also playing an increasingly important role. Water is scarce in many parts of the world, and this scarcity is being made worse by climate change. Even though the construction material industry has a relatively small water footprint compared to other sectors, the scarcity of fresh water represents a challenge for our company at some of its locations. In response, our cement business line has begun to introduce water management plans in places where water scarcity is especially acute.

Nature conservation and species protection

Our raw material extraction operations temporarily disrupt the surrounding water deposits, soil, plants and wildlife. Although we cannot do much to change this in the short term, we can offset the effects over the medium and long terms. Here, we make sure that the subsequent use of our quarries is of high quality, is in line with nature conservation principles and is carried out in close consultation with local stakeholders.

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Energy efficiency and climate protection

The high energy requirements of cement production make the enhancement of energy efficiency vitally important from the economic and environmental points of view. Moreover, cement production by its very nature leads to high levels of CO₂ emissions. To reduce these emissions, we are increasing the proportion of alternative, CO₂-neutral raw materials and fuels in particular. In this way, we have continually reduced our CO₂ emissions in recent years, and we will decrease them further in the future. We also support international CO₂ reduction targets and initiatives as well as policies for limiting global warming — provided that such initiatives and policies ensure the same competitive conditions for all manufacturers of building materials and do not result in a mere shifting of CO₂ emission sources.

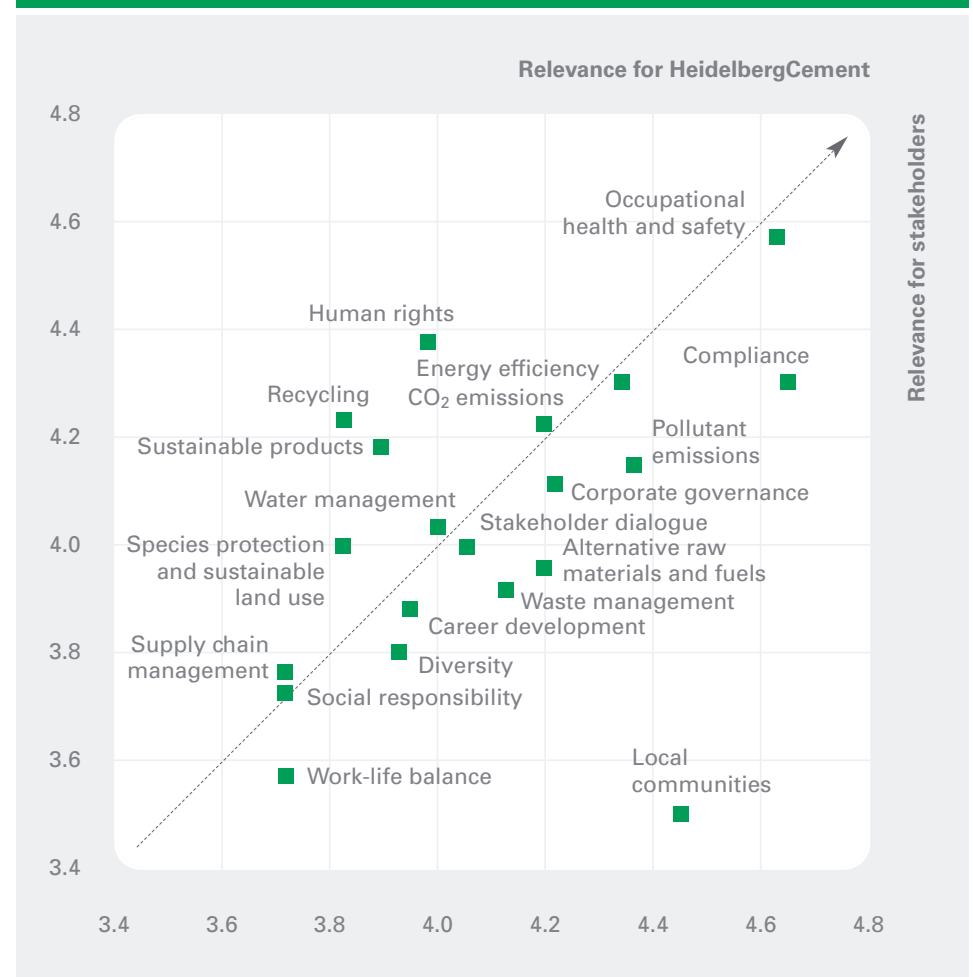
Our Sustainability Ambitions 2020

Back in 2009, we combined our most important activities for promoting sustainability in the HeidelbergCement Sustainability Ambitions 2020, which is valid for the entire Group. The programme defines the core components and targets of our sustainability strategy but does not exclude the incorporation of additional measures into our efforts to improve sustainability. We are currently working to update the Sustainability Ambitions. Once this is done, the programme will define our sustainability strategy until 2030. ✓ G4-19, G4-27

Materiality analysis

Our materiality analysis helps us to regularly evaluate how relevant various sustainability issues are from the viewpoints of different stakeholder groups as well as from the entrepreneurial standpoint of HeidelbergCement. This helps us to identify and assess issues that are currently important for our business success or that will become important in the future. We use a list of topics that is based on the Sustainability Ambitions 2020 and on the core activities that were defined by the Cement Sustainability Initiative (CSI) of the

Stakeholder survey — materiality matrix ✓ G4-19, G4-20, G4-21



World Business Council for Sustainable Development (WBCSD) in a consultation process with numerous stakeholder groups and experts. This list was recently supplemented by new key issues in the 2012 Progress Report. ✓ G4-18, G4-19, G4-20, G4-21, G4-26, G4-27

At the end of 2014 we reviewed the topic list and materiality matrix. In order to update the external evaluation of the topics, we asked a selection of 57 of our most important stakeholders from various countries to provide us with their assessments. These stakeholders included suppliers, investors, scientists and representatives of

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government agencies and non-governmental organisations (NGOs). A total of 26 of these stakeholders participated in the survey and filled out a short questionnaire containing a range of standardised and open-ended questions. For the internal assessment, we sent the same questions to around 50 representatives of relevant business lines from all Group areas. ✓ **G4-18, G4-21, G4-22, G4-23, G4-24, G4-25**

The results were evaluated and discussed by the members of the Sustainability Steering Committee. Valuable information was provided by the answers to the open-ended questions in particular. They demonstrate the particular importance of issues concerning local communities, occupational health and safety, and biodiversity for HeidelbergCement. All in all, the study produced many key findings for our sustainability activities. We are therefore planning to expand the survey in the future. ✓ **G4-23, G4-26, G4-27**

We depict the results of the materiality analysis in the materiality matrix, on the basis of which we regularly reassess the focus and core activities of our sustainability strategy. In addition, the results are incorporated into the update of our Sustainability Ambitions. ✓ **G4-18**

Our sustainability management

Organisational foundation

Effective management systems at our various business lines ensure a continual process of improvement in accordance 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.

The Sustainability Steering Committee, which is headed by the Chairman of the Managing Board, controls and monitors the



sustainability strategy of HeidelbergCement. 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 Group departments for Environmental Sustainability, Legal Affairs, Human Resources, Procurement, Logistics, Sales and Marketing, Research and Development, Communication and Investor Relations. Operational responsibility for the achievement of our sustainability targets and the implementation of the associated measures lies with the individual Group departments and the Group Environmental Sustainability Committee, whose tasks are described in more detail in the section on environmental management.

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Quality management

Building materials are subject to a stringent system of standardisation. We ensure these standards are met, thanks to final inspections and a dense network of quality checks that accompanies the workflow in our company's own laboratories. As part of our extensive quality assurance programmes, additional quality checks are made by external experts. We also provide product and safety manuals to our customers to ensure that they use our products in the safest possible manner.

Knowledge management

To gain a competitive edge, we have adopted an approach that relies on the targeted sharing of knowledge and experience in our business operations as well as in internal projects and external partnerships. Our Knowledge Management Board, which consists of representatives of our Group areas and functions, monitors and controls our internal knowledge management and supports our activities in national and international bodies. A key component of our Group-wide knowledge management system is the systematic networking of our experts through, among other ways, the utilisation of an integrated knowledge platform and the Technical Discussion Forum on our company's intranet. Both of these platforms provide access to knowledge and promote the sharing of experiences throughout the entire Group.

Environmental management

At HeidelbergCement, environmental protection policies and measures are managed by the Group Environmental Sustainability Committee. Under the lead management of the Global Environmental Sustainability department, the committee's experts from the various business lines and Group areas define guidelines, goals and measures, and coordinate their implementation.

→ **Our environmental protection goals: p. 46 ff.**

We plan to introduce certified environmental management systems at all of our cement plants worldwide by 2020. This will further solidify our systematic environmental protection activities at all of our locations. Our efforts will be based on the ISO 14001 international environmental management standard. However, we will also enable the use of nationally recognised environmental management systems where appropriate. At the moment, 79% of our integrated cement plants operate with a certified environmental management system. In line with our Sustainability Programme 2020, we have conducted environmental audits at all of the Group's business lines. We want to audit all of our locations between 2015 and 2020. The improvement measures resulting from the previous audits have already been implemented and are helping to improve our environmental performance.

In 2013 and 2014 we have not detected any violations of environmental laws that could have led to the payment of significant fines or non-monetary penalties.

→ **Additional information on environmental protection: p. 18 ff.**

Research and development

Our Heidelberg Technology Center Global (HTC Global) brings together knowledge and expertise from throughout the company and quickly makes it widely available to operating units. Our innovation efforts at HTC Global and in the local business units focus mainly on three areas:

– **Market and customer-oriented products and applications:**

In particular the development and improvement of binders and concretes with optimised properties and innovative functionality. This also includes providing our customers with expert advice on the use and optimisation of their products.

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– **Process and cost-optimised production:**

The focus here is on finding cost-efficient substitutes for fossil fuels and natural resources and on reducing energy consumption in cement production. We are also working on the optimisation of products and production methods in the aggregates and concrete sectors. For example, if sand production is changed in an aggregates plant and the recipe for concrete in a ready-mixed concrete facility so that raw material deposits are more efficiently utilised while maintaining or even improving the concrete’s quality, the results will pay off for the company as well as benefit the environment.

– **Development of cement and concrete with an improved CO₂ footprint:**

A key focus here is the further development of composite cement with a reduced clinker content, including composite cements with clinker levels that are even lower than those required by today’s standards. The reduction of the clinker content is the most effective means of cutting energy consumption and CO₂ emissions and conserving natural raw materials. Finally, we are also working on completely new binder systems that require no con-



ventional clinker whatsoever. Because this research is still in the early stages, it will probably take several years before such innovative alternative products are market-ready and available for extensive use.

Total expenditure in the area of research and technology amounted to EUR 103.2 million in 2014 (2013: EUR 103.9 million), which corresponds to 0.8% of our turnover. Personnel costs accounted for approximately three quarters of overall expenditure. Altogether, 859 men and women were employed in the area of research and technology in the business year 2014 (2013: 935).

→ **More about the development of innovative building materials: p. 25**

→ **More about key research projects and results: AR 2014, pp. 51–52**

Human resources management

Qualified, motivated employees are a key prerequisite for the long-term success of our company. Our human resources policy thus focuses on identifying talented employees, promoting their development and retaining them for our company. As a responsible employer, we also strive to offer our employees an attractive and safe working environment.

We have developed a competence model that defines our expectations regarding our employees. This model allows us to carry out systematic performance and potential assessments based on Group-wide standardised criteria. It is also the basis of strategic executive development and effective succession planning. We believe that the diversity of our workforce as well as our clear focus on performance, professional expertise and integrity provide us with a crucial edge on our competitors worldwide.

→ **More about work-life balance: pp. 36–37**

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Logistics management

We are optimising our logistics processes as part of our LEO (Logistics Efficiency Optimisation) project. Since LEO was introduced in Poland and Germany in April 2014, the cement business unit’s transport performance per vehicle has risen by 6% in Poland, compared to the previous year. This improvement was the result of optimised transport routes, a lower share of empty runs and reduced downtimes. We expect the optimisation effect to be at least of the same magnitude in all of the other countries in which LEO is introduced.

Road transport is used for more than half of our deliveries to customers. For Germany as a whole, transports in the cement business line consumed an average of about 35 litres of diesel per 100 km in 2013. This figure dropped to around 33 litres in 2014. In early 2015, around 400 drivers took part in a driver training course in Germany. The evaluation of the trips shows that fuel consumption can be reduced by 10% if driver behaviour is changed.

In addition to driver training courses, our logistics measures focus on the use of vehicles with higher payloads and lower fuel consumption. Moreover, the introduction of a terminal processing system enables shipments to be better distributed; long transport routes are handled by trains, while trucks are used for short distances.

Supplier relations management

In 2014, HeidelbergCement purchased goods and services worth a total of EUR 8,678 million (2013: EUR 8,171 million). These costs correspond to 68.8% of total turnover. Around 90% of the costs are accounted for by locally purchased goods and services. In this case, the term “local” refers to expenditures that the company has made in the vicinity of one of its plants or within the corresponding country. The procurement volume generated by the Group is thus a key economic factor in many regions. Around 10% of the purchasing costs are generated on the international level.

Distribution of purchasing costs by business line:

- Cement: 47%
- Aggregates: 22%
- Concrete: 31%

Expenditures by category:

- Raw materials (conventional and alternative)
- Energy
- Logistics and other services
- Consumables
- Other expenditure
- Investments (mechanical and electrical equipment etc.)

We know that our role as a good corporate citizen will also be judged according to our success in terms of ensuring compliance with sustainability standards throughout our supply chain. Group-wide procurement guidelines give clear instructions regarding the supplier relationships and purchasing activities at Heidelberg-Cement.

As a basic principle, these relationships are based on ethical values such as respect, fairness and credibility, which are also laid down in our Supplier Code of Conduct. We systematically and transparently communicate this code to our local and global suppliers, who must adhere to the code’s principles. The code incorporates the key elements of the SA 8000 International Social Accountability Standard, the ISO 14001 international environmental standard, and the principles of the International Labour Organisation. Our code should encourage our suppliers to continuously make improvements wherever necessary. Contractual relations can be terminated if suppliers fail to rectify weaknesses and deficiencies.

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HeidelbergCement is also cooperating with other sector representatives in a working group of the international Cement Sustainability Initiative (CSI) to develop a uniform approach to sustainable supply chain management for the cement industry. The aim is to create a guideline that will encompass the CSI approach as well as joint principles on the basis of the UN Global Compact and the ILO standards. The principles will address the following topic areas:

- Occupational health and safety
- Working conditions
- Freedom of association and protection against retaliation
- Forced labour
- Child labour
- Anti-discrimination
- Observance of environmental regulations
- Management of environmental impacts
- Bribery and corruption
- Transparency and integrity

In 2015 we will continue to hold consultations with global and local suppliers. On the basis of the aforementioned principles, the CSI members also want to create a joint framework for the evaluation of suppliers. An online platform will simplify the collection and consolidation of data. The data from this platform will be interpreted separately for each company. An audit and a continuous improvement process will increase the suppliers' involvement in the evaluations. The details for this are currently being drawn up.

Customer relations management

We seek to offer our customers the greatest possible utility and to establish partnerships that are based on trust. Such an approach includes sincere and honest communication, particularly when it comes to advertising measures for the marketing of innovative and environmentally compatible products, which require more explanation than standardised products.

Customers who wish to make complaints or file claims can get in touch with their local contact partners. All complaints, no matter whether they are of a technical, logistical or commercial nature, are forwarded directly to the appropriate office. The structural design and computer-supported implementation of our Complaint Management System is carried out on a global scale in accordance with a predefined standard.

To increase customer utility, we have been intensifying our ongoing systematic customer surveys in all areas worldwide. These surveys enable us to focus our activities even more strongly on our customers' requirements. In addition to conducting other market analyses, we develop action plans for optimising our products and services and for increasing customer satisfaction. All customer data is treated confidentially, and under no circumstances is the information that we collect ever passed on to or processed by third parties.

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Our engagement with stakeholders

In view of the strong local focus of our business, we can only be successful in the long run if we maintain cordial relationships with our stakeholders. We want to foster an open dialogue with all of the relevant stakeholder groups on the local, national and international levels. Such a dialogue helps us to recognise important topics early on and achieve greater acceptance of our activities.

Dialogue with local stakeholder groups

Most of our plants and quarries are situated in the direct vicinity of residential communities. As a result, it is absolutely essential that we have an ongoing dialogue with the respective communities, government authorities and local organisations. As a rule, this dialogue is conducted by the heads of the plants and locations; if necessary, support is provided by the communication department of the respective national subsidiary. In addition to face-to-face discussions, we employ the entire range of information and dialogue systems — from guidelines and information letters to regular roundtables and community advisory panels.

We take our stakeholders' criticisms seriously and cooperate in addressing them. In many places, we have taken new approaches to reconcile the interests of the company with those of the communities in which we operate. At the Group, staff members at all levels regularly discuss local activities and experiences. This helps us to continuously enhance the stakeholder dialogue and the associated internal guideline.

Stakeholder dialogue at international level

HeidelbergCement is a member of cross-sector as well as industry-specific associations that represent their members' interests through a continual dialogue with governments, businesses and the general public. These memberships also enable us to exchange information with other companies and organisations, and help us to jointly promote sustainability. The partnerships focus on challenges that are specific to individual countries and to industrial policy. These challenges pertain mainly to raw materials security, environmental protection, energy conservation, occupational health and safety, and social and employee-related issues.

As an industrial group that has its headquarters in Germany, we are also active in the „econsense – Forum for Sustainable Development of German Business.“ The forum is an association of leading globally operating companies and organisations in Germany, and addresses topics related to sustainable development and corporate social responsibility (CSR). This business network primarily considers itself to be a dialogue platform and a think tank. econsense aims to promote the economy's sustainable development and enable its members to jointly take on social responsibility.



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At the international level, we are active in the Cement Sustainability Initiative, which was co-chaired by HeidelbergCement from 2013 to 2014. During this two-year period, we primarily focused on two areas: occupational health and safety and the development of a global certification system for sustainably produced concrete.

In all areas, the CSI always includes third parties that are affected by the measures. As a result, the initiative lets interested parties take part in the development of standardised sector-wide guidelines and protocols in many projects. These parties include industry associations, non-governmental organisations (NGOs) and government representatives.

Moreover, HeidelbergCement and its subsidiaries are working together with the national Green Building Councils in 11 countries to develop certification systems for sustainable construction and to make the design, construction and operation of buildings more sustainable.

Dialogue with political decision-makers

European Union legislation is having a growing impact on all the sustainability aspects of our business operations. HeidelbergCement therefore has an officer who manages the political dialogue on the EU level. In particular, this individual represents our interests in the European Cement Association (CEMBUREAU), an organisation that represents European cement manufacturers in discussions and negotiations with the EU and its institutions. Key issues addressed by CEMBUREAU include the use of alternative raw materials and fuels, climate protection, emissions, biodiversity and occupational health and safety. As a member of the European Aggregates Association (UEPG), we are also involved in lobbying activities for aggregates. Our interests concerning concrete are represented by the European Ready Mixed Concrete Organisation (ERMCO) and the EU Concrete Platform.

Dialogue with sustainability-oriented analysts and investors

The dialogue with capital market representatives is playing an increasingly important role for us. Our shareholders and increasing numbers of financial analysts and rating agencies want to know how HeidelbergCement is integrating sustainability into its corporate strategy and what successes the company has achieved in this area to date. In most cases, information is exchanged in bilateral discussions.



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Species protection and sustainable land use

About **200**

biodiversity management plans have been implemented by HeidelbergCement at quarries in areas with a high level of biological diversity.

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CO₂ emissions

-21.2%
in 24 years

That's the result of our efforts to **limit greenhouse gas emissions**: Since 1990 we have reduced the Group's overall specific CO₂ emissions from 773 kg to 609 kg of CO₂ per tonne of cement. **Page 20**



Alternative raw materials and fuels

10%

That's how much we increased the use of **alternative raw materials** in 2014 in order to replace CO₂-intensive clinker in cement production in Indonesia, our largest sales market in Asia.

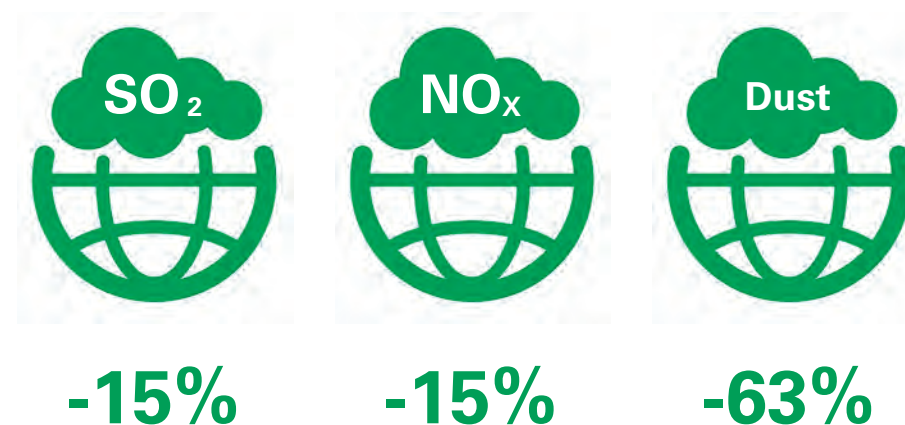
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Pollutant emissions

Substantial reduction

We have substantially reduced the **pollutant emissions** from cement production throughout the Group. **Page 25**

The changes since 2008:



CO₂ emissions

2013

That's when we launched a pilot project in Brevik, Norway, in order to **capture CO₂ from combustion gases**. It was the first such project in the cement industry worldwide. Many promising techniques have already been tested. **Page 20**

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Energy and climate protection

Our environmental policies focus on protecting the climate. As an energy-intensive company we have for many years been diligently striving to reduce our CO₂ emissions. Between 1990 and 2014, we reduced specific net CO₂ emissions by 21.2% to 609.1 kg of CO₂/t of cement throughout the Group. By the end of 2015, we plan to achieve a reduction of 23% compared to the 1990 value. The Group's annual emissions of CO₂ will then be around 12 million tonnes lower than in 1990.

Climate protection			
	2012	2013	2014
Specific net CO ₂ emissions (kg CO ₂ /t cement)	615.2	613.6	609.1
Proportion of alternative fuels	20.1%	20.7%	20.6%
Clinker factor	75.8%	75.9%	75.3%

Participation in the EU's emissions trading system

HeidelbergCement operates 38 facilities in eleven countries that participate in the EU Emissions Trading Scheme (ETS). Our Group is also actively involved in the market for emissions certificates. A position on Group level for dealing with emissions issues was therefore established several years ago. In the associated corporate department, we not only manage our trading activities within the European Union (EU) but also monitor developments in countries outside of Europe that might impact the operations of our plants.

The EU will have to make critical decisions regarding the future of the European emissions trading system. For one thing, the current debate concerning the market stability reserve will have a big impact on the future price development of emissions certificates. Moreover, uncertainty will increase due to the discussions regarding a fundamental reform of the EU emissions trading system. We are trying to minimise the effect that these uncertainties in the

European emissions trading market have on our company by making more extensive use of alternative, CO₂-neutral fuels and by using substitutes for some of the CO₂-intensive clinker.

Emissions trading systems outside of Europe

Emissions trading systems are also being set up in regions outside of Europe. China, for example, is testing a variety of concepts in six of its provinces. One of these provinces is Guangdong. We operate a joint venture there, so we closely monitor how the local emissions trading system is developing. In 2013 California (USA) launched its long-awaited emissions trading system, which we helped to develop in recent years. However, the system has only a minimal impact on our business operations.

Innovations for climate protection

At our plant in Brevik, Norway, we launched the world's first pilot project for the capture of CO₂ from combustion gases produced in the cement industry. The project was launched in May 2013 and will run until 2016. It is being conducted in cooperation with the European Cement Research Academy (ECRA) and receives funding from the Norwegian government. As part of this project, we tested several small CO₂ capture systems in 2014. These systems use amines, membranes and two different solid materials.

We also launched a project for the use of waste heat from kilns at our Narsingarh clinker plant in central India. The facility that is currently being set up to turn waste heat into electricity will enable the clinker plant to generate 13 MW of power itself.

Outstanding energy efficiency

In 2014 the Environmental Protection Agency (EPA) awarded the ENERGY STAR® to four of our cement plants in the USA: Leeds (Alabama), Union Bridge (Maryland), Glens Falls (New York) and Redding (California). The four facilities were honoured for their exemplary energy efficiency, as they are among the top 25 cement plants in the USA when it comes to energy efficiency. The Union

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Bridge plant received the award for the second time in a row. This time, it even received the highest evaluation.

In 2013 the ENERGY STAR® was also awarded to two of the US plants from the aggregates business unit. The Mission Valley Rock plant in California reduced its energy intensity by 12.2% within a single year and the Harding Street plant in Indiana by 12.5% in one and a half years. These two plants were the first aggregates production facilities to receive this award in the USA. In 2014 the ENERGY STAR® was also awarded to the Downingtown Quarry in Pennsylvania and to the Romeoville Quarry in Illinois.

Raw materials and fuels

Many waste materials and by-products from other industries are valuable raw materials for HeidelbergCement. In the production of cement, these resources serve as alternatives to finite natural raw materials and fossil fuels. In this way, we are helping to reduce the problems that municipalities and industrial companies near our plants have with waste. At the same time, these efforts are also reducing our CO₂ emissions.

Alternative fuels replace natural resources

In all of the countries in which HeidelbergCement produces clinker — the main component of cement — we investigate the possibility of using waste from municipalities, agriculture and industry in an economically and environmentally responsible manner. In order to develop optimal solutions, we work together with supervisory authorities, waste producers, neighbours, employees, NGOs and other stakeholders.

In 2014 we successfully used alternative fuels for the first time at our new cement plant at TulaCement in Russia and at our plants in Bosnia-Herzegovina and India. We were able to further increase the share of alternative fuels in more mature markets such as Sweden, Norway, the UK, Hungary, Estonia, Romania and increasingly also in Turkey. The substitution rate rose to over 80% at our cement plant in Beremend, Hungary. As a result, the facility’s fuel costs are among the lowest of any plant in the company.

Our cement plant in Guangzhou, China, also uses dried sewage sludge. The technique used at the plant has proved to be very successful. At the city’s request, we are now investigating how we can further increase the facility’s recovery capacity.

In Indonesia, we set up a pilot plant for using local household waste. This is the first step in an effort to solve the waste disposal problems in greater Jakarta and elsewhere and to reduce the load that the existing landfills have to bear. The pilot facility is being used to fine-tune the system’s technology and economic efficiency in order to pave the way for larger projects in the future.



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As a result, HeidelbergCement is well on track to reach the Group’s target of using 30% alternative fuels. This is the goal that we set for ourselves in our Sustainability Ambitions 2020.

Alternative raw materials for cement manufacturing

We use alternative raw materials for the production of clinker, which is the most important intermediate product in the manufacture of cement. In this way we reduce the amount of CO₂-intensive clinker in the final product. The increased use of alternative raw materials in cement production is generally a core element of our climate strategy. At Group level we have been able to increase the amount of alternative raw materials to 12% and stabilise the amount of clinker in the cement at 75.3%.

In the past two years we made progress in the development and introduction of cements containing a lower proportion of clinker. In Belgium, Poland and the Netherlands, we were able to replace a large share of clinker with blast furnace slag and fly ash. In Norway and Sweden, we take advantage of the positive interaction between fly ash and limestone. In this way, we reduced the share of clinker in standard cement by 4% in Norway. In Sweden, the switch from pure limestone cement to the new mix reduces the amount of clinker needed by 10%. In Romania, we introduced a new limestone-based composite cement in 2014 in order to reduce our dependence on blast furnace slag.

Large amounts of industrial by-products are available in Central Asia. Our plants exploit every opportunity to integrate these by-products into the raw material mix for clinker production. In the Ukrainian town of Kryvyi Rih HeidelbergCement has been producing cement for the local market since 2002. In 2014, we increased the alternative raw material rate of the plant to 12% for the first time.

Indonesia is our biggest sales market in Asia. In this hotly contested market, we used 10% more materials as substitutes for clinker

during the reporting period. In 2014 we used 4 million tonnes of fly ash, pozzolan, blast furnace slag and limestone for the production of our composite cements. We benefited here from our investments in processes for drying and grinding these materials. The clinker factor dropped by 2% to 75% — a new benchmark for the sector in Southeast Asia.

Use of materials requiring supervision

The careful handling of hazardous substances is a key element of every country’s waste disposal infrastructure. For most types of hazardous waste, reuse in cement plants has proved to be a totally safe means of disposal and utilisation. The high temperatures and long incineration period in the kilns ensure that all harmful components are completely destroyed. This has been confirmed by precise measurements taken by independent state-certified institutes. However, HeidelbergCement (as well as all other member companies of CSI) does not use certain types of waste, including nuclear, medical and highly toxic waste.

Land use and biodiversity

We only extract worthwhile deposits if they can be exploited in an environmentally compatible and economical manner. Before making any decision concerning the development of a new quarry or the expansion of an existing one, the company first conducts an extensive approval process in line with the corresponding laws and regulations. This process includes an environmental impact assessment and — if the affected area is of exceptional biological value — special biodiversity studies. In these studies, the priorities are set as follows: prevention, mitigation, compensation. Accordingly we first check whether excavation work can be avoided or at least adjusted in such a way that the ecosystem isn’t disrupted or that such disruptions are kept to a minimum. If this is not possible, HeidelbergCement implements appropriate compensation measures.

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Concepts for the limitation of land consumption

For environmental and economic reasons, we always strive to limit land consumption when planning our quarry and renaturation activities. In principle, the authorised raw material supply is always completely extracted in order to minimise land consumption. As a result, we prefer to expand existing quarries rather than developing new sites. Our production and plant facilities are also optimised so as to require the smallest possible amount of land area.

Biodiversity management at our quarries

Recultivation plans are an integral part of approval processes. These plans define the goals and the timetable for the reintegration of a quarry into the surrounding landscape. Even while a quarry is still in operation, we renature and recultivate those areas of the quarry that are no longer used.

As early as 2010 we began to collect and analyse information about the biodiversity of our quarry sites. In cooperation with our partner, BirdLife International, we conducted a study to determine how far our quarries are from nature reserves in Europe, Africa and Asia. The study encompassed slightly more than half of our active quarries worldwide. It only collected data for the cement and aggregates business. Concrete and asphalt plants are not taken into account, because they have a negligible impact on biodiversity.

In the years ahead, we will conduct a similar study in North America and Australia.

The company collects data on three key indicators worldwide:

- Proportion of active quarries with after-use plans
- Proportion of quarries in areas with a high level of biodiversity
- Proportion of quarries in areas with a high level of biodiversity for which biodiversity management plans are being implemented

In 2014, 83% of the cement-related quarries had subsequent use plans. The corresponding figure for aggregates quarries was 89%. By 2020, we plan to increase this share to 100% in both areas. Altogether, 79% of our cement business line quarries in regions recognised as having a high level of biological diversity already have biodiversity management plans. The corresponding figure for the aggregates business is 80%. We are steadily extending the biodiversity monitoring to more and more quarries, and are also implementing corresponding management plans.

Habitat protection

HeidelbergCement has restored many habitats by recultivating and renaturing former quarries. In order to effectively promote biological diversity, we became the first company in the construction materials sector to define uniform standards for recultivation and renaturation. These standards are compiled in a regulation that is binding throughout Europe. In comparable form, these standards are also used as guidelines in Asia and Australia.

We record at the country level which areas our company has renatured and recultivated. However, we generally do not check to see how successfully habitats are preserved. In spite of this, HeidelbergCement has committed itself to implementing locally adapted biodiversity management plans at quarries in areas with a high level of biological diversity. Around 200 such management plans are currently in force. Moreover, a team of experts is currently working on a habitat management handbook that will be published at the end of 2015.

The areas that HeidelbergCement has renatured and recultivated encompass a wide variety of habitats:

- Aquatic habitats: lakes, ponds, fens and springs
- Terrestrial habitats: forests, grasslands, cliffs and escarpments
- Anthropogenous habitats: settlements and agricultural areas

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This is one of the reasons why many endangered species settle in our quarries, especially in Europe. Our quarries are now important refuges and stepping-stone biotopes for certain species such as the sand martin, the yellow-bellied toad, the eagle-owl and the tree frog. HeidelbergCement takes part in numerous species-protection programmes run by governmental and non-governmental institutions.

Cooperation with nature conservation organisations

We cooperate with a variety of local nature conservation organisations worldwide. Since 2012 we have also been working together with BirdLife International. In cooperation with this international nature conservation network — one of the largest in the world — we have implemented biodiversity action plans at our locations and initiated a local projects programme that greatly helps us achieve our corporate goals. Together with the national partner organisations of BirdLife International, HeidelbergCement has co-funded and implemented 15 projects in nine countries, encompassing a total volume of €423,000. We have also organised biodiversity courses for our employees.

Quarry Life Award

In 2011 we established the Quarry Life Award in order to make people aware of the high biological value of our quarries. The international award competition is held every two years. The second round, which was completed at the end of 2014, was again a big success. This was partly due to the fact that higher-quality projects were submitted for the award. Awards were given to 57 projects at the national level, and seven projects were honoured at an international award ceremony in December 2014.

Promotion of sustainable land use in developing countries

In 2010, Deutsche Gesellschaft für internationale Zusammenarbeit (GIZ) GmbH — a government-owned company working in the field of international cooperation and development — and Tanzania Portland Cement Company (TPCC) launched a joint public-private partnership project (PPP). The participants created a tree nursery in order to promote sustainable land use in the quarries owned by TPCC as well as in the surrounding areas. Although the cooperation with GIZ officially ended in 2013, TPCC continues to support the project. TPCC cooperates closely with local authorities, universities, schools, NGOs and other companies in order to promote knowledge transfer and help other projects in Tanzania. Since 2011, TPCC has also been collaborating with the world-famous Jane Goodall Institute in Tanzania.

We have also started to create a tree nursery in Tabligbo, Togo, where a new clinker plant commenced production in spring 2015. The nursery is being set up right next to the public Centre of Entrepreneurship, which we are currently constructing. The tree nursery and the centre will be part of our local CSR activities.

We have developed a concept for the reforestation of an extensively deforested area next to our Lukala cement plant in the Democratic Republic of Congo. We will also create a tree nursery there in close cooperation with the neighbouring communities.

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Sustainable construction

With the discovery of a new reactive clinker phase, HeidelbergCement has created the foundation for an alternative clinker technology. Because the new technology uses a different chemical composition of the raw materials as well as lower firing temperatures, it reduces the CO₂ emissions by around 30% compared to conventional clinker. In addition, energy consumption is lowered by about 10% to 15%. In 2013, this technique was used in a large-scale industrial test to produce around 1,500 tonnes of clinker and cement, which were then successfully employed for various concrete applications. The test proved the technical viability of the new technique. In 2014, we completed the first research study and defined the structure of a multi-year development programme. This programme will create the preconditions for the future standardisation of products. It will be supported by the ECOBINDERS project, which is funded by the EU.

In 2014, the associations for ready-mixed concrete, cement and aggregates in the Americas and Europe decided to establish the Concrete Sustainability Council and drew up a certification system for sustainably produced concrete. The certification of concrete in accordance with social and environmental aspects along the value chain aims to increase the acceptance of this construction material and the entire industry by the green building councils and during the awarding of public construction contracts. HeidelbergCement is itself a member of 11 national green building councils.

Local environmental impact

Air pollution and noise

In addition to addressing the issues of dust and noise, HeidelbergCement faces a challenge in terms of the air pollutant emissions of the cement business line. Whereas dust and noise are emitted from different points in the production process, nitrogen oxides, sulphur oxides, heavy metals and other airborne pollutants are only emitted from kiln facilities. These pollutant emissions are regularly measured and monitored.

In the last two years, we have made technical improvements at many cement plants in Europe, the USA, Turkey, China, India and Indonesia in order to reduce emissions of dust, nitrogen oxides and sulphur oxides. In the Czech Republic, we continued our long-term project for reducing noise at our plants in Mokra and Radotin. To enable us to meet the National Emission Standards for Hazardous Air Pollutants (NESHAP), several of our cement plants in the USA invested in equipment for reducing dust and mercury emissions.

In the aggregates business line, we implemented measures for reducing noise and dust in the Czech Republic. In the concrete business line, we primarily invested in the reduction of the environmental impact (including noise) in Australia and Asia.

For the Group as a whole, SO₂ emissions have declined by 15% since 2008, NO_x emissions by 15% and dust emissions by 63%.

Water management

HeidelbergCement has committed itself to 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 that raw material quarrying will not damage local bodies of surface water and ground water resources.

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In 2013 and 2014, we introduced industry indicators for water reporting at all of our cement plants. We developed these indicators in cooperation with the Cement Sustainability Initiative (CSI). By 2030 we also plan to introduce these indicators at all of the 742 aggregates and ready-mixed concrete facilities that suffer from water stress. This occurs in regions where less than 1,700 m³ of water are available per person each year. In 2014 we also conducted a global water risk study. It supplied us with fundamental information for the creation of a Group-wide guideline concerning sustainable water management in the cement, aggregates and ready-mixed concrete business lines. The study showed that 14.3% of our plants are located in regions suffering from water scarcity, i.e. where less than 1,000 m³ of water is available per person each year. In response to this result, we are now aiming to gradually introduce customised water management plans at these 337 locations between 2016 and 2030. These plans will ensure that the scarce water resources are sustainably used. We will begin this process at the locations and in the regions where water scarcity is an especially urgent problem. The management plans include the implementation of concepts and measures for reducing water consumption. In addition, the plans aim to involve external stakeholders from the local area in order to implement sustainable water utilisation concepts that benefit the community so that local water risks can be minimised.

Waste materials

Our primary focus in terms of waste management concerns the kiln dust that is a by-product of clinker production. This dust is removed from the kiln system in order to avoid further accumulation and the possibility of a subsequent kiln failure. We use the kiln dust as an alternative raw material in cement production, thereby improving our ecological efficiency. In some exceptional cases, the composition of the dust prevents us from being able to recycle it 100%. A second option is for us to use the kiln dust as a raw material for the manufacture of special concrete. If no other option is available,

it can be deposited in landfills in a controlled process. The local operating permit at each plant specifies the allowable amount of process-related waste products and how they are to be used.

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Down by over 50%

That's how much **accident frequency** has declined at the Group since 2008. Many of our local units have been accident-free — in some cases for years. Over the past two years, accident frequency has substantially dropped. [Page 32](#)

For example in countries such as:

Sweden	Australia	Germany
85%	64%	59%



Commitment to international guidelines

High social standards

apply at all of HeidelbergCement's companies worldwide. To ensure that these standards are actually observed, we expressly incorporated our commitment to international regulations such as the **ILO labour standards**, the **OECD guidelines** and the **Universal Declaration of Human Rights** into our leadership guidelines in 2014. [Page 30](#)



Record values

were achieved in our **global management survey** in 2013. The managers gave us especially good marks in the categories Leadership, Strategic Focus and Corporate Values, and Loyalty to the Company. Compared to other top companies from similar industries, HeidelbergCement's results were outstanding. [Page 33](#)

82%

of our operational locations throughout the world have externally certified management systems for labour protection — 10% more than two years ago.

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1.8%

is the consistently low illness rate at HeidelbergCement. In 2014, around 1.8% of working hours were lost due to illness.

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Employees and employment

HeidelbergCement strives to achieve outstanding corporate performance and occupy a leading position in its industry. To do this, a solid foundation of legally and ethically correct behaviour must be in place. That's why the Managing Board has approved a Code of Business Conduct that is binding throughout the Group. This code defines our values and the ethical and legal standards that apply at our company. Among other things, we ensure that the working conditions at our plants are non-discriminatory, and we conduct fair discussions with the employee representatives. Our leadership guidelines provide binding definitions of all management-related principles, which, among other things, specify the respectful treatment of colleagues, the maintenance of a strong feedback culture and the professional development of our employees. The main leadership principles are embedded in standard human resources processes and described in detail in HeidelbergCement's Human Resources Guidelines.

Development of workforce numbers worldwide

At the end of 2014 HeidelbergCement employed a total of 44,909 men and women (2013: 45,169). The decrease by 260 employees was mainly the result of two opposing developments. On the one hand, more than 300 jobs were eliminated in a number of Eastern European countries, in the Benelux countries and in Norway, India and Malaysia. This was the result of efficiency increases in sales and administration, as well as of facility optimisation measures. Moreover, workforce numbers were reduced by around 1,400 employees due to a variety of portfolio optimisation measures, including the sale of the cement grinding facility in Raigad, India, the aggregates company OAO Voronezhskoe Rudoupravlenije in Russia, another aggregates company in Indonesia and our shares of the cement company Cimgabon S.A. in Gabon.



On the other hand, we hired around 450 new employees in growth markets such as Indonesia, Central Asia and Africa. Due to increases in demand, we also added almost 700 employees in the UK, Sweden, North America and Australia. In addition, the size of the workforce rose by more than 300 employees as a result of the acquisition of a greater share of the Cimescaut Group (Belgium), for which we previously used the equity method of accounting, and of four Icelandic holdings, which we previously reported as associated companies, as well as of a majority holding in the Cindercrete Products Group in Canada.

Employee representation and labour standards

HeidelbergCement has a long tradition of employee co-determination, which has proven its worth at our business locations in Germany. The employee committees at the individual locations form the Central Works Council and its associated committees for the AG and the Group Works Council. Employees are also equally represented on the Supervisory Board.

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Most other European countries also have committees for employee representation. Managers and employee representatives engage in a continuous constructive dialogue on the European Works Council. The council supplements the local information and consultation processes in the various European countries.

In addition, labour unions and similar organisations are active in nearly all the countries in which HeidelbergCement operates. In our Code of Business Conduct, we expressly commit ourselves to conducting an open and fair dialogue with the employee representatives.

HeidelbergCement is also committed to upholding the ILO's core labour standards, the OECD guidelines for multinational enterprises and the UN's Universal Declaration of Human Rights. In 2014 we incorporated this commitment into our leadership principles. We also expect our employees and business associates worldwide to conform to these essential guidelines and recommendations.

Remuneration policy and working time regulation

Our remuneration systems are based on our employees' performance and results, in accordance with the market standards for internationally operating companies in our sector. In addition to their fixed salaries, which are specified by collective bargaining agreements or individual employment contracts, our employees also receive variable remuneration components that depend on their individual job performance and the success of the company.

The employees of our foreign subsidiaries benefit from attractive remuneration systems that correspond to the conditions of the respective local labour markets. Collective regulations apply to more than half of the Group's employees.

Personnel costs and insurance contributions

In 2014 the Group's expenditures for wages, salaries, social security, pension contributions and social assistance increased by 4.1% to EUR 2,050 million (2013: EUR 1,969 million). That corresponds to 16.3% of turnover (2013: 16.2%). Personnel costs rose as a result of our acquisitions, the positive business development and the increased expenditures for pensions because of interest-rate effects.

The amount of the Group's contribution to the pension scheme corresponds to the accepted market level. In Germany, we have created a matching model consisting of employer and employee contributions to the company pension scheme. In countries that have no statutory pension plans or national health insurance, we support our employees in a manner that at least corresponds to local practices.

Working time regulation

In our working time regulation practices, we conform to the legal requirements that are in effect at our locations. We promote adherence to these regulations by means of our compliance system, within which employees can individually report possible violations (passive monitoring). To promote flexible working time options, we offer models such as flexitime, working-time accounts, part-time positions and leaves of absence to our employees in Germany. Older employees have the option of switching to pre-retirement part-time work.

Occupational health and safety

We have specified our principles for promoting the health of the workforce in our corporate policy regarding occupational health and safety. This policy was revised during the period under review. The revision once again makes clear that occupational health and

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safety have a high priority for our company. That’s because occupational health and safety are key corporate values for us. In addition, we make sure that the personal protective equipment is actually used and that our cardinal Group-wide rules are reliably observed. The latter apply especially to work areas where accidents were very frequent in the past. We will continue to pursue our stated objective of minimising the risk of accidents and injuries and the risk of occupational illnesses by means of effective prevention measures.

→ www.heidelbergcement.com/safety

Group standards

In 2013 and 2014, we continued to implement the Group standards that we had set in previous years. These standards address issues that coincide with those of our cardinal rules.

As mentioned in the previous Sustainability Report, one of our main aims here in recent years was the prevention of traffic accidents during the transport of our products. To achieve this goal, we conducted more driver training courses to increase people’s aware-

ness of defensive driving. However, we also focused on technical and organisational measures. These included the professional maintenance of our vehicles as well as the implementation of pre-start checks. In a number of countries, we are now also installing 360° camera systems into our vehicles. These systems especially help drivers keep an overview of the situation in dense inner-city traffic. All of these measures have already led to a substantial reduction in the number of fatalities from traffic accidents.

At the end of 2013 we also introduced a Group standard regarding the commissioning of equipment. It is closely connected to the standard regulating protective equipment for machines, and rounds out the range of topics relating to the work with and on machines.

Externally certified occupational safety management systems, such as the internationally applied OHSAS 18001 standard, have already been introduced at 82% of our operating locations worldwide — 10% more than two years ago. The systems have recently been introduced to locations in Russia, Togo, Bangladesh, India, Romania, Belgium, and Germany. In 2015 they are scheduled to be followed by locations in the Congo and by our new plants in Kazakhstan and Togo. In addition to performing the management audits required by the OHSAS 18001 standard, we began to conduct health and safety improvement reviews at selected locations last year in order to identify and exploit additional improvement potential.

Occupational safety is a management task

Even though we have succeeded in improving the technical and organisational aspects of occupational health and safety for many years now, serious accidents, and even deaths, continue to occur at our facilities. In many cases these accidents are caused by human error. As a result, we have continued our Group-wide Safety Leadership Initiative, which we launched in 2012. This initiative aims

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to make managers from all levels aware of their responsibility to maintain occupational health and safety. In Canada and the USA, for example, we conducted the Safety Leadership initiative, in which all of the management levels were involved during the reporting period under review.

In 2012 and 2013, we worked together very closely with Heidelberg-Cement’s European Works Council to conduct the project titled Building Health & Safety Together. This project received funding from the European Commission and aimed to increase works council members’ awareness of occupational health and safety issues and to improve the communication between line managers and the various works council organisations. All assessments agree that we achieved this goal. Another result of this project was the creation of five information brochures about occupational health and safety issues. These brochures were translated into several different languages and discussed with the employees during the Group-wide Safety Week. We are now continuing this close cooperation with the European Works Council in a permanent safety committee.

The Group-wide Safety Week, which was first held in 2011, has now become an integral part of our company’s training activities. During the Safety Week both our employees and our subcontractors receive occupational safety training and are made more aware of dangerous situations. The line managers have also launched and supported many local events that demonstrate the fact that everyone has to work together so that occupational health and safety measures can be effective. In addition to offering various training courses dealing with occupational safety, local units have also taken emergency and health-related aspects into account. Families, customers and neighbours are also involved in the measures conducted during the Safety Week.

Accident trends

In recent years, we have succeeded in further reducing the frequency and severity of accidents at all units. In fact, accident frequency has dropped by more than 56% since the reference year of 2008. During the period under review, we particularly focused on our activities in Western and Northern Europe in order to permanently reduce accident figures there. In addition to providing managers with more intensive training regarding their occupational safety responsibilities, we focused on restructuring the H&S organisation in these countries so that managers and employees alike can receive more effective advice. These measures paid off, enabling us to reduce accident rates in our Swedish units, for example, by 85%, in Germany by 59% and in Norway by 49% during the period under review. The accident rate also continued to decline in other regions, such as Australia, where it dropped by 64%. Many of our local units have reported absolutely no accidents for several years now. This demonstrates that our goal of reducing the number of accidents to zero is a realistic one.

Thanks to a variety of measures, we managed to ensure that no uninvolved third-parties were killed in traffic accidents outside our plants in 2014. Unfortunately, employees from our company and external firms were killed in accidents. Because this situation is unacceptable, we will continue to intensify our efforts to prevent fatal accidents in the future.

A disproportionately large number of employees from external companies were killed in accidents. In many cases, this was because they failed to observe safety regulations. As a result, we will do more in the future to make sure that employees from external companies have the skills they need to work safely. We have had good experience with training centres that have been specially set up to teach occupational safety measures. This is especially the case when we build new plants or alter existing ones. Workers may only enter these construction sites after they have completed the

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requested training courses. We will create more training centres of this kind throughout the Group in order to extensively prepare our own employees as well as those of external companies.

Occupational illnesses

For many years now, HeidelbergCement has had a low general illness rate of around 1.8% of all hours worked.

Most of the acknowledged cases of occupational illness that have occurred in the last two years have involved noise-induced hearing loss. In addition, there have been cases of employees who suffered from back injuries and respiratory illnesses.

To prevent job-related illnesses, we check the levels of noise and dust at work sites and regularly monitor the employees' health. In countries with less well-developed statutory healthcare systems, our subsidiaries offer comprehensive health check-ups for all employees and in some instances for their families as well. In regions where HIV/AIDS or malaria are widespread, the local units have set up programmes to advise the employees and inform them about



the risks related to these illnesses. These services are primarily offered through our own medical stations or the medical staff of in-house hospitals.

Human resources development

Dialogue with the employees

In order to safeguard the company's long-term success, we need highly qualified and motivated employees. That's why our Group-wide human resources policy focuses on identifying talented employees and offering them opportunities for further development, so that they can be retained for our company. To do this, we employ the HeidelbergCement competence model, which defines the essential professional and personal skills and abilities that employees require in our business. Moreover, the competence model allows our supervisors to carry out systematic, uniform Group-wide assessments of employees' performance and potential. It also serves as the basis of strategic executive development and effective succession planning. Supervisors and employees hold structured talks, during which they discuss the employees' development opportunities and prospects. In 2015 we will increase the number of employees that are included in our assessments of performance and potential. We are assisted by an IT system that standardises and simplifies the process for the managers and the employees. The system also enables us to more precisely estimate the number of employees that will participate in the process in the future.

As in 2010, we again conducted a global management survey in 2013 in order to determine the managers' satisfaction with their work environments. The survey's results demonstrate our managers' great motivation and strong loyalty to the company. We received top marks in the areas of leadership, strategic focus, corporate values and, in particular, loyalty. This is also the case in comparison with the top companies from similar industries. The

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survey also aimed to identify improvement potential. Among other things, we learned that the managers think we still have enhancement potential with regard to customers and market development. We have intensified our efforts in these two areas since 2014. Among other things, we launched the Customer Excellence programme.

Besides the Group-wide management survey, we also hold employee surveys. However, our large number of locations requires us to conduct these surveys at the local level. In North America, for example, we employ a rolling system, in which the surveys are conducted at different locations each year.

Training and career development

Carrying out sustainable human resources work means systematically investing in the recruiting and training of highly qualified young employees. In Germany, trainees account for 5% of our employees (2013: 6%). In 2014, 84% (2013: 82%) of the trainees were subsequently hired by the company.

Technical and vocational skills are indispensable for the flawless management of process engineering and maintenance activities at our plants. Besides vocational training, we therefore offer master craftsmen’s courses every year at the Verein Deutscher Zementwerke.

In 2014, a key focus of the Group’s training and career development programmes was once again on occupational safety, which accounted for around 43% of all of the training measures. Other focal areas were specialist development measures (36%) and manager development (5%). Each of the Group’s full-time employees spent 34 hours on training measures on average.



Management training

In order to prepare our managers for their future assignments, we offer training courses that are specially tailored to the needs of our company.

One of the Group’s strategic initiatives aims to enhance the skills of our senior managers. To this end, we developed the Summit programme in close cooperation with Duke Corporate Education. All of the senior managers from 39 countries in which our Group operates take part in the programme’s three-stage curriculum. It focuses on general management and leadership skills and takes global, regional and local issues into account.

Moreover, we offer workshops that specifically prepare our managers for change processes, such as those associated with the Group programmes Continuous Improvement and Customer Excellence. Among other things, we focus here on involving employees from all levels of the company hierarchy in these processes.

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Securing and promoting young talent

We offer highly motivated and qualified university graduates international trainee programmes that focus on engineering, sales, finance, human resources, purchasing and IT. In 2014 HeidelbergCement received the trainee seal of the “Initiative for fair trainee programmes committed to career development” in recognition of its high-quality entry-level programmes. We are also still expanding our management trainee programmes and continuing our intense efforts to recruit college graduates and people with some professional experience all over the world. In 2014, we hired a total of 347 university graduates.

Around 800 employees are currently taking part in programmes that prepare them for higher-level tasks. In 2011, we launched a special programme in Europe and Central Asia in order to prepare highly qualified engineers in the cement sector for higher-level engineering positions. Over a period of several years, the participants go through precisely specified training stages in engineering at various plants in Germany and abroad. Besides engineering, the participants receive training in management and leadership skills.



Since 2013, we have increasingly expanded the programme to other Group areas.

In 2014 our in-house Aggregates Academy further expanded its range of training and career development courses. More than 1,800 managers from our aggregates business attended 116 courses in 17 countries. The courses offered by the Aggregates Academy are targeted at plant directors, managers and skilled employees from quality assurance and sales. Advanced training modules provide hands-on instruction at the plants so that the lessons can be quickly put into practice. The Aggregates Academy has also developed several introductory e-learning modules for new employees and managers who have no prior knowledge of the aggregates business. All of the programmes are geared towards recruiting and retaining talented individuals for the company and imparting knowledge and skills that are crucial for HeidelbergCement’s success.

Work-life balance

The challenge of demographic change

Our company is also faced with the consequences of demographic change. About 14% of our employees are younger than 30. Most of our employees are aged between 30 to 49, making up about 51% of the Group’s total workforce. 35% of our employees are above 50, and this share will continue to rise in many countries.

We are responding to this development by means of numerous regionally adapted measures that are intended to maintain the employees’ ability to work and to promote cooperation between people of different generations. In Germany, for example, we have further expanded the range of health management services we offer, and we have consolidated them in our FIT for LIFE initiative. Besides encompassing a preventive programme for the early

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diagnosis of illnesses and risk factors, the initiative primarily helps employees take a proactive approach to having a healthy lifestyle. The services on offer include check-ups to detect intestinal cancer, flu vaccinations, special “Health Days” and presentations on health-related issues. Our health management activities will continue to focus on the prevention of typically old-age-related health risks and on increasing people’s awareness of these risks. As a result, we especially promote in-house sport activities for people of all ages.

Diversity as a success factor

As part of our Group-wide human resources policy, we make sure that employee teams consist of a balanced mixture of people with different personalities, skills and experiences. We regard diversity as a management concept that relies on the incorporation of various cultures, talents and experiences to create a workforce that reflects our presence on international markets, our customer structure and our business environment. We seek to achieve these goals through

- local country management so that our Group management team is international in scope,
- an international workforce at the Group headquarters,
- management and employee teams whose composition reflects that of the overall workforce (internationality, skills, experience, age, gender etc.)
- a proportion of women in management positions that corresponds to the share of women in our German workforce.

All over the world, we are striving to recruit and promote highly qualified, top-performing employees who utilise their various social and professional skills to contribute to our company’s business success.

The international composition of our management team enables us to benefit from the experience gained in different cultures so that we can flexibly and appropriately react to global challenges as well as to the needs of local markets. Local managers continue to hold about 80% of the senior management positions within the Group.

We also make sure that employees from the countries in which we operate are represented at our Group headquarters. We benefit greatly from their knowledge of local markets, and their presence makes it easier to cooperate with our colleagues in the various countries. Non-Germans coming from 40 countries account for 142 of the 560 employees at the Group headquarters and the technical centres (Competence Center Materials and Heidelberg-CementTechnology Center) in Heidelberg and Leimen.

We have established the self-help Expatriate Network for these employees from outside Germany who work in Heidelberg and Leimen. The company supports this network of employees and their families and friends in order to promote their integration into the Rhine-Neckar Metropolitan Area. For example, the network helps employees to find housing, cope with bureaucratic requirements and deal with issues related to childcare and schools.

For us, promoting diversity also means increasing the percentage of women in management positions so that it corresponds to their share of the workforce. In 2014 women accounted for 13% of the total workforce and 9% of senior managers in the Group. In Germany, 14% of the total workforce and 8% of the senior managers were women. In 2011, HeidelbergCement and other DAX-listed companies signed a voluntary commitment to increase the percentage of women in management positions in Germany. Specifically, we intend to more than double this share to 15% by 2020. In order to achieve this target, we are intensifying our management trainee programmes. Women already account for 21% of the participants in the management trainee programmes offered in

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Germany. In early 2013 we signed the Diversity Charter in order to affirm our activities to date and to publicly proclaim our appreciation of diversity.

Reconciling work and family

As we compete with other companies for the best employees, we are adjusting ourselves worldwide to changing lifestyles. For example, we are employing flexitime, part-time working and leaves of absence as well as other measures to help employees reconcile the requirements of work and family more effectively. In 2014, part-time work accounted for 11.1% of all positions at HeidelbergCement AG. Given the small size of our locations, our cooperation with external networks has provided many excellent solutions regarding daycare services, summer camps for children and our employees' ability to take care of family members who require assistance. Our employees thus benefit from easy access to a professional and flexible network at reasonable costs. As part of our FIT for FAMILY initiative, we have formed partnerships with daycare centres located near our facilities in Heidelberg and Leimen. This enables us to reserve a certain number of childcare places for children of our employees.



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Diversity

80%

of the employees in senior management positions at our subsidiaries throughout the world come from the respective countries or regions. [Page 40](#)



Social responsibility

Setting a precedent worldwide

In the future, successful social responsibility projects will be imitated throughout our Group. To make this possible, we established a **group of CSR experts** in 2014. The group documents **best practices** from all of the Group's units and creates a platform for the global sharing of experience and expertise. [Page 41](#)



Social responsibility

2012

Thanks to a biodiversity training project, more and more schoolchildren are working to protect plant and animal species near the cement plant of our Tanzanian subsidiary TPCC. The training project was set up in tandem with the expansion of a tree nursery in 2012. [Page 41](#)

Local communities

2014

With its **Generation Plus programme**, our Polish subsidiary committed itself in 2014 to improving the opportunities for people over 60. Situated in the Opole area, the programme aimed to integrate elderly people more strongly into the region's social life and open up further education opportunities for them. [Page 41](#)

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Our corporate philosophy involves thinking globally and acting locally. Having good relations with the communities near our locations is the precondition for our business as well as its success factor. In the process, we establish business contacts, capitalise on local know-how and maintain a dialogue with our neighbours. Our materiality analysis has confirmed that good relations to local communities are extremely important, especially from the viewpoint of our internal stakeholders. That's why we will take local communities more into account in the revision of our Sustainability Ambitions and also increase their importance.

→ **Materiality analysis: pp. 10–11**

We want to create added value for our company and for the communities in which we have facilities. Whenever possible, we make sure that local employees manage operations at our Group's locations. Over the past three years, local managers held 80% of the senior management positions at the Group. Moreover, all of our plants work closely with local suppliers and service providers. In fact, around 90% of our procurement volume is invested in the immediate vicinity of our plants or within the respective countries. By means of these measures and through the creation of jobs, we help to create value at our company locations. The resulting wages, investments, purchases and taxes promote economic development.

Corporate citizenship

Our corporate responsibility is not limited to our business processes and their direct impact. We are also a part of society, and we benefit from the regional networks at our locations worldwide. As a result, we also play an active role in tackling social issues.

This understanding of our role is the driving force behind our Group-wide Corporate Citizenship Guideline, which defines the general criteria and objectives derived from our sense of social responsibility. In our social involvement, we deliberately focus on our core business. In other words, we assign priority to areas where our core competencies enable us to contribute the most and achieve noticeable improvements:

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

We have also laid down certain evaluation criteria in order to ensure that these voluntary activities are transparent as well as efficient. We support projects, initiatives and organisations that are active at our locations or to which we have a direct link. In addition, we make sure that the guidelines and principles of such organisations are in accordance with our own corporate philosophy.

The decisions regarding our support of projects in individual countries or at our locations are made decentrally by the country managers within predefined budgets. These managers are also responsible for implementing and controlling projects and for local reporting. Group Communication & Investor Relations is responsible for reporting on Group-wide corporate citizenship activities within the framework of our sustainability-related communication measures.

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In 2014, we created a group of CSR experts so that we can better document the various activities related to corporate citizenship and corporate social responsibility (CSR). The group’s objective is to document outstanding examples of social responsibility throughout the Group and to create a platform for sharing experiences and transferring knowledge.

→ **The exact wording of our Corporate Citizenship Guideline:**
www.heidelbergcement.com/society

Practical examples from Poland and Tanzania

Helping elderly people in Poland

In early 2012, our Polish subsidiary Górażdże Group established the Active in the Region foundation, which aims to promote science, education, culture and health in the communities in which the subsidiary has its production locations. Every year, the foundation focuses on a topic that addresses the specific needs of the local



population. In 2014 the activities focused on elderly people in a programme titled “Generation Plus”. The activities took place in the rural areas surrounding the city of Opole, where we operate several production facilities. The programme aimed to better integrate people over 60 into the region’s social life and to provide them with further education opportunities.

Tree nursery and education project in Tanzania

In 2010 we initiated another development partnership with GIZ in Tanzania. The partnership’s main aim is to establish a tree farm that supplies plants for the afforestation of a disused quarry of our subsidiary Tanzania Portland Cement Company (TPCC). The tree nursery also helps to restore devastated woods and green areas within the port city of Dar Es Salaam. The development partnership has been supplemented by an education project for schoolchildren that is being run in cooperation with the Jane Goodall Institute in Tanzania. As part of this project, numerous groups of pupils have been formed in the neighbourhood of our cement plant since April



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2012. The groups focus on protecting plant and animal species and promoting biodiversity. Employees from the tree farm instruct the pupils in the basics of tree cultivation, which are then passed on to other schoolchildren.

Although the partnership with GIZ officially ceased at the end of 2013, HeidelbergCement has since then operated the tree nursery and the associated programmes on its own. Additional tree farm projects are currently being initiated in Togo, Ghana and Congo.

Local conflicts of interest

In recent years we were accused of violating international law in Israel. An Israeli human rights organisation filed a petition with the Israeli Supreme Court, demanding that Israeli operators of quarries halt all mining activities in the occupied West Bank. On 26 December 2011, the Israeli Supreme Court rejected the human rights organisation's petition in the last instance and in a legally binding manner.

In spite of this ruling, NGOs and interest groups continue to repeatedly ask us to provide explanations regarding various aspects of Hanson Israel's business activities in the West Bank. We have carefully investigated the aforementioned issue together with local management, and are fostering a dialogue at the local level. We also make sure that our Israeli and Palestinian employees are treated equally and that they receive equal pay. We are promoting cooperation within intercultural teams, which foster a dialogue between our Israeli and Palestinian employees and thus contribute to cross-cultural understanding in this conflict.

The Palestinian population also benefits economically from our mining activities. Besides paying extraction fees to the civilian Israeli administration of the West Bank, which uses the funds for maintenance purposes and to promote economic development, we are also creating valuable jobs in a region that is otherwise characterised by high unemployment. More than 60% of the employees in the quarries in the West Bank come from the occupied territories and their wages are several times higher than the local average. The extraction work barely affects the region's wealth of existing raw material reserves. The raw material reserves will last for several centuries.

From the very beginning of our quarrying work in this area, we have been able to obtain all of the requisite permits without exception. On no occasion have we continued with our quarrying activities in the absence of the requisite permits. We intend to continue acting on this principle also in the future.



TARGETS

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Sustainable corporate management

Target	Measures	Achieved 2013/2014	Deadline	Status	Page
Partnerships and stakeholder dialogue					
Strategic incorporation of stakeholders. ✓ G4-26	Expansion of contacts to stakeholders and intensification of dialogue on both local and Group levels.	A stakeholder survey was carried out; the materiality matrix has been reworked on the basis of the results.	Ongoing	■	16 f.
Integration of sustainability criteria into decision-making processes in line with specifications of the Cement Sustainability Initiative (CSI). ✓ G4-20	Discussion of the criteria and requirements in the Sustainability Committee and in the Environmental Sustainability Committee. Integration of the CSI stipulations into the Group's own guidelines.	External audit of environmental and occupational safety indicators as reported in line with CSI stipulations.	Ongoing	■	10 f., 26
Implementation of the guidelines formulated by the CSI.	Development of internal guidelines in line with CSI stipulations. Continuation of reporting on implementation of the CSI guidelines.	A reporting system for water management in the cement business line was implemented according to sector-specific CSI criteria.	Ongoing	■	26
Reporting					
Expansion of the scope of reporting to include social, economic and ecological indicators, and extension of such reporting to additional business lines. ✓ G4-18	Analysis of external stakeholders' expectations and corresponding adjustment of internal data collection and reporting. ✓ G4-26	All business lines and structures relevant to the materiality matrix were incorporated and the systems were adapted to the data collection system.	Ongoing	■	10 f., 49 ff.
Group-wide controlling of employee qualification programmes.	Inclusion of additional indicators in the existing data collection system.	Publication of data on employee qualification in various areas in the Sustainability Report 2013/2014.	2014	■	51 f.
Sustainability management					
All cement plants are to operate with a certified environmental management system.	Implementation of an action plan for the Group-wide control and monitoring of the continuous introduction of certified environmental management systems.	79% of all plants worldwide operate with an environmental management system.	2020	■	12
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.	The implementation of an action plan for the Group-wide control and monitoring of the regular audits.	An environmental audit has been carried out at 35% of the cement plants within the last five years. The figure was 27% in 2012. By 2014, 74% of the plants in the aggregates business line had been audited; the figure for 2012 was 52%.	2020	■	12, 49
Further development of the Group compliance programme.	Adaptation of the Group compliance programmes to take account of current developments in the area of anti-corruption measures.	In response to the UK Bribery Act and the introduction of the new IDW PS 980 audit standard, we have developed a new concept for assessing corruption risks. A risk assessment system for child labour and human rights violations has been running since 2013.	Ongoing	■	6 ff.
Improving customer satisfaction.	Introduction of a Group-wide "Customer Excellence Programme" (CEP) to improve customer satisfaction and extend systematic customer satisfaction analyses.	No results are available yet, as the programme started at the end of 2014.	Ongoing	□	15

■ Target achieved ■ Partial target achieved ■ Target not achieved □ New target

Sustainable corporate management

Target	Measures	Achieved 2013/2014	Deadline	Status	Page
Competitiveness					
Cost leadership due to continual efficiency improvements. Savings target originally EUR 600 million, increased to EUR 1,010 million at start of 2013.	Continuous efficiency improvement. Reduction in production costs. Savings in procurement and optimisation of the operating capital.	The target was exceeded with savings in the amount of EUR 1,158 million.	2013	■	AR 2013, 19
Improvement of the margins in the cement and aggregates business lines of EUR 230 million and EUR 120 million respectively.	Price increases. Establishment of training programmes for optimising processes and results in the aggregates business line.	Price increases were successfully implemented in important markets for the cement business line; various programmes for improving margins were implemented in the cement and aggregates business lines.	2015	■	20 f.
Research and innovation: More extensive research into the recycling of building materials and special concretes.	Results-oriented research work in the area of low-carbon clinker.	Registration of six patents concerning the manufacture and application of a clinker containing ternesite, the production of which produces up to 30% less CO ₂ . The first industrial large-scale tests were successful.	Ongoing	■	AR 2014, 10, 51

Environment

Target	Measures	Achieved 2013/2014	Deadline	Status	Page
CO₂ emissions and alternative raw materials and fuels					
Reduction of the specific net CO ₂ emissions by 23% compared to 1990.	Investment in research and energy-efficient technologies and production processes. Promotion of composite cements with reduced clinker content. Increased use of alternative fuels and biomass.	As of 2014: Relative to the reference year 1990, CO ₂ emissions were reduced by 21.2%.	2015	■	19 f.
Lowering clinker content of cement to 70%.	Development of new composite cements. Use of alternative raw materials.	As of 2014: Clinker content 75.3 % (previously: 75.9%).	2020	■	22
Increasing the share of alternative fuels used to 30%.	Concentration on three waste channels: sorted fractions of domestic and municipal waste with high calorific values, dried sewage sludge and hazardous waste.	As of 2014: Share of alternative fuels 20.6% (previously: 20.7%).	2020	■	21 f., 50
Increasing the share of biomass fuels used to 9%.	Increased use of waste such as dried sewage sludge, agricultural residues etc.	As of 2014: Share of biomass fuels 7.6% (previously: 8.0%).	2020	■	21 f., 50
Increasing the share of alternative raw materials to 12%.	Use of additives, such as slag or foundry sand.	As of 2014: Share of alternative raw materials 12.0% (previously: 11.3%).	2020	■	22, 50

■ Target achieved ■ Partial target achieved ■ Target not achieved □ New target

Environment

Target	Measures	Achieved 2013/2014	Deadline	Status	Page
Local environmental impact					
Lowering water consumption and initiating Group-wide exchange of best practices in the area of water consumption/management.	Carrying out a water risk study as the basis of a Group-wide water management system; introduction of water management indicators in all cement plants.	CSI members adopted sector-specific indicators for the water management system.	Ongoing	■	26
Measuring emissions of heavy metals, volatile organic compounds (VOC) and dioxins/furans at all locations.	Continuous emission measurements.	As of 2014: 85 kilns report on mercury emissions (previously: 61), 72 on dioxins/furans (previously: 61).	Ongoing	■	25 f., 50
Lowering emissions per tonne of clinker (reference year: 2008) – Dust: -35% – NO _x : -10% – SO _x : -10%	Continuous optimisation and modernisation of processes (best available technology, or BAT) in the cement plants.	As of 2014: – Dust: -63% – Nitrogen oxides: -15% – Sulphur oxides: -15%	2020	■	25 f., 50
Intensifying the sharing of best practices for noise reduction.	Implementing measures for noise reduction in different countries.	Internal documentation of best practices from various countries and publication in the intranet.	Ongoing	■	25 f.
Subsequent land use and biodiversity management					
After-use plans for 100% of active cement and aggregate quarries.	Continuous Group-wide expansion of the after-use plans.	As of 2014: after-use plans: – Cement business line: 83%. – Aggregates business line: 89%.	2020	■	23, 51
Biodiversity management plans (BMP) implemented at 50% of the quarries in areas with high biodiversity value.	Developing training documentation and manuals; carrying out corresponding training on site.	As of 2014 biodiversity management plans: – Cement business line: 79%. – Aggregates business line: 80%.	2020	■	51
Sustainable construction					
Participation in national Green Building Councils in all countries where this is relevant to HeidelbergCement.	Training sessions and internal sharing of ideas on the topic of sustainable construction and the activities of the Green Building Councils.	HeidelbergCement is a member of 11 national green building councils.	2020	■	25

■ Target achieved ■ Partial target achieved ■ Target not achieved □ New target

Employees

Target	Measures	Achieved 2013/2014	Deadline	Status	Page
Occupational health and safety					
Raising employee awareness of occupational health and safety issues.	Training measures on the topic Safety Leadership. Implementing the annual Group-wide "Safety Week". Country-specific measures and communication campaigns.	In 2014, the frequency and severity of accidents fell throughout the Group as a result of the measures.	Ongoing	■	30 ff.
Reducing the accident frequency and accident severity indicator to zero for HeidelbergCement employees.	Analysis of the most frequent causes of accidents, and targeted sensitisation of employees and outside companies regarding workplace safety by means of Group-wide and local campaigns (e.g. films about workplace safety, safety weeks, training programmes focusing on specific themes).	Accident frequency 2014: 2.1 (previously: 2.6); accident severity indicator 2014: 91 (previously: 94).	2020	■	32 f., 52
Reducing the number of fatalities to zero for HeidelbergCement employees.	Analysis of the most frequent causes of death, and targeted countermeasures (e.g. poster campaign, films about workplace safety, training programmes focusing on specific themes).	Fatality rate 2014: 1.0 (previously: 1.1).	Ongoing	■	32 f., 52
Diversity					
Maintaining or increasing the share of local managers in top executive positions.	Recruiting international candidates for management programmes.	80% of managers were recruited locally in 2014.	Ongoing	■	40, 52
15% share of women in management positions in Germany.	Targeted support of women in training programmes.	Share of female employees in top management positions in Germany in 2014: 8%; Share of women in management trainee programmes in Germany in 2014: 21%.	2020	■	36 f., 52

■ Target achieved ■ Partial target achieved ■ Target not achieved □ New target



KEY FIGURES

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Sustainable corporate management

	2012	2013*	2014*	Unit	GRI
Revenue/result					
Total Group revenue	14,020	12,128	12,614	EUR million	G4-9, EC1
Operating income before depreciation (OIBD)	2,477	2,224	2,288	EUR million	G4-EC1
Operating income (OI)	1,604	1,519	1,595	EUR million	G4-EC1
Profit for the financial year	529	933	687	EUR million	G4-EC1
Group share of profit	285	736	486	EUR million	
Dividend per share	0.47	0.6	0.75	EUR	G4-EC1
Earnings per share	1.52	3.93	2.59	EUR	G4-EC1
Investments in tangible fixed assets (mainly maintenance, optimisation and environmental protection)					
	831	861	941	EUR million	G4-EC1
Depreciation and amortisation					
	873	704	693	EUR million	EN3
Balance sheet					
Equity (incl. non-controlling interests)	13,708	12,514	14,245	EUR million	G4-9
Balance sheet total	28,008	26,276	28,133	EUR million	G4-EC1
Net debt	7,047	7,307	6,929	EUR million	
Material costs and other operating expenses					
Material costs	5,936	5,115	5,320	EUR million	G4-EC1
Other operating expenses	3,877	3,337	3,447	EUR million	G4-EC1
Costs for research and technology					
	91.8	103.9	103.2	EUR million	G4-EC1
Group sales volumes					
Cement and clinker:					
– Western and Northern Europe	21.3	20.9	21.6	million tonnes	G4-9
– Eastern Europe-Central Asia	17.2	16	17.1	million tonnes	G4-9
– North America	11.7	11.6	12.1	million tonnes	G4-9
– Asia-Pacific	30	23.4	24.6	million tonnes	G4-9
– Africa-Mediterranean Basin	9.2	6.6	6.4	million tonnes	G4-9
– Total	89	78.1	81.8	million tonnes	G4-9

→ For an overview of further key financial figures see: Annual Report 2014, cover and p. 167 ff.

* Values have been adjusted and are therefore not comparable with the key figures for 2012. Further information on how the key figures have been adjusted: Annual Report 2014, p. 55

** Data are collected every two years.

*** Data are based on integrated cement plants only.

Sustainable corporate management

	2012	2013*	2014*	Unit	GRI
Aggregates:					
– Western and Northern Europe	72.2	62.1	65.2	million tonnes	G4-9
– Eastern Europe-Central Asia	19.2	18.7	20.4	million tonnes	G4-9
– North America	104.5	104.1	110.5	million tonnes	G4-9
– Asia-Pacific	37	36.2	37.7	million tonnes	G4-9
– Africa-Mediterranean Basin	13.7	11.3	10.8	million tonnes	G4-9
– Total	243	230.6	243.6	million tonnes	G4-9
Asphalt:					
– Western and Northern Europe	2.8	2.6	3.1	million tonnes	G4-9
– North America	3.4	3	3.6	million tonnes	G4-9
– Asia-Pacific	1.9	2.2	2.3	million tonnes	G4-9
– Africa-Mediterranean Basin	0.5	0.5	0.4	million tonnes	G4-9
– Total	8.6	8.4	9.3	million tonnes	G4-9
Ready-mixed concrete:					
– Western and Northern Europe	13.2	12.1	13	million m ³	G4-9
– Eastern Europe-Central Asia	3.8	2.7	2.9	million m ³	G4-9
– North America	6.1	5.8	6.3	million m ³	G4-9
– Asia-Pacific	11.1	11.4	11.4	million m ³	G4-9
– Africa-Mediterranean Basin	4.9	3	3	million m ³	G4-9
– Total	39.1	34.9	36.6	million m ³	G4-9
Plants with a certified environmental management system implemented **					
– Cement (ISO14001 or similar) ***	80		79	%	
– Aggregates (ISO14001 or similar)	42		70	%	
Production facilities in which environmental audits have been carried out within the last five years:					
– Cement	21	27	35	%	
– Aggregates	34	52	74	%	
Product transport modes ****					
– Road		62	63	%	
– Rail		24	25	%	
– Water		14	12	%	

**** In 2013 the data basis was extended by transport volumes in the USA and in Norway (the latter only transport by water). As a result, a direct comparison with the 2012 figures is not possible.

Environment

	1990	2012	2013	2014	Unit	GRI
Reduction in CO₂ emissions						
Cement business line:						
– Absolute gross CO ₂ emissions	54.7	53.1	52.8	54.6	million tonnes	G4-EN15
– Absolute net CO ₂ emissions	53.3	49.9	49.7	51.5	million tonnes	G4-EN15
– Specific gross CO ₂ emissions (per tonne of cementiferous material)	781.1	644.4	642.6	638.1	kg CO ₂ /t	G4-EN18
– Specific net CO ₂ emissions (per tonne of cementiferous material)	773.0	615.2	613.6	609.1	kg CO ₂ /t	G4-EN18
– Indirect CO ₂ emissions	4.3	6.5	6.4	8.1	million tonnes	G4-EN16
Energy/raw materials						
Absolute energy consumption:						
– Clinker production	252,741	226,730	225,106	232,424	TJ	G4-EN3
– Aggregates	N.A.	7,153	7,334	7,240	TJ	G4-EN3
Specific energy consumption						
– Clinker production	4,312	3,724	3,703	3,704	MJ/t	G4-EN3
– Aggregates	N.A.	31.2	33.3	32.1	kJ/t	G4-EN3
Fuel mix for clinker production:						
– Hard coal	60.7	57.6	57.3	58.1	%	
– Lignite	0.0	4.0	3.6	3.1	%	
– Petroleum coke	2.4	8.5	9.6	10.6	%	
– Natural gas	22.8	8.0	7.3	6.2	%	
– Light fuel oil	1.0	0.3	0.3	0.3	%	
– Heavy fuel oil	6.7	0.6	0.5	0.4	%	
– Other fossil fuels	3.4	0.7	0.6	0.5	%	
– Fossil alternative fuels	2.8	12.6	12.7	13.0	%	
– Biomass	0.3	7.5	8.0	7.6	%	
– Proportion of biomass in mix of alternative fuels	9.2	37.1	38.4	36.8	%	

Environment

	1990	2012	2013	2014	Unit	GRI
Alternative fuel mix for clinker production:						
– Plastics	0.0	28.7	27.4	28.9	%	G4-EN3
– Waste oil	39.0	2.4	2.3	1.7	%	G4-EN3
– Tyres	25.0	10.1	10.0	9.3	%	G4-EN3
– Solvents	4.7	3.9	4.4	4.0	%	G4-EN3
– Dried sewage sludge	0.0	3.7	4.4	3.9	%	G4-EN3
– Bone meal, animal meal and animal fat	0.0	4.9	4.8	5.0	%	G4-EN3
– Agricultural waste and waste wood	0.0	3.9	5.1	4.3	%	G4-EN3
– Other biomass	9.2	24.5	24.1	23.5	%	G4-EN3
– Other alternative fuels	22.2	17.8	17.5	19.2	%	G4-EN3
Proportion of alternative fuels (incl. biomass)	3.1	20.1	20.7	20.6	%	G4-EN3
Clinker content in the cement	84.8	75.8	75.9	75.3	%	G4-EN1
Proportion of alternative raw materials:						
– Clinker	–	3.5	3.8	3.6	%	G4-EN1
– Cement	–	11.3	11.3	12.0	%	G4-EN1

	2008	2012	2013	2014	Unit	GRI
Emissions						
NO _x :						
– Absolute emissions	95,859	84,280	82,597	83,923	t	G4-EN21
– Specific emissions	1,579	1,385	1,359	1,340	g/t clinker	G4-EN21
SO ₂ :						
– Absolute emissions	28,902	25,972	28,208	25,442	t	G4-EN21
– Specific emissions	476	427	464	406	g/t clinker	G4-EN21
Dust:						
– Absolute emissions	17,682	18,289	10,489	6,732	t	G4-EN21
– Specific emissions	291	301	173	108	g/t clinker	G4-EN21

Environment

	2012	2013	2014	Unit	GRI
Proportion of clinker produced in kilns with continuous or discontinuous measurement of emissions	77	74	73	%	G4-EN2
Proportion of clinker produced in kilns with continuous measurement of dust, NO _x and SO ₂ emissions	87	86	85	%	G4-EN2
Mercury:					
– Specific emissions	0.046	0.041	0.047	g/t clinker	G4-EN21
– Number of kilns reporting	62	61	85		G4-EN21
Dioxins and furans:					
– Specific emissions	0.044	0.053	0.056	µgTEQ/t clinker	G4-EN21
– Number of kilns reporting	61	61	72		G4-EN21
Sustainable construction					
Sales volumes of recycled aggregates	1.7	1.3	1.6	million tonnes	G4-EN2

	2010	2012	2014	Unit	GRI
Biodiversity and preservation of resources					
Proportion of quarries in areas with high biodiversity value:					
– Cement	41	38	28	%	G4-EN11
– Aggregates	18	24	22	%	G4-EN11
Proportion of quarries in areas with high biological value, with biodiversity management plan:					
– Cement	54	61	79	%	
– Aggregates	33	58	80	%	
Proportion of active quarries with after-use plan:					
– Cement	91	90	83	%	
– Aggregates	81	76	89	%	

Employees

	2013	2014	Unit	GRI
Employees and employment*				
Number of employees as of 31 December:				
– Western and Northern Europe	11,882	12,441	Employees	G4-10, LA1
– Eastern Europe-Central Asia	8,696	8,453	Employees	G4-10, LA1
– North America	7,513	7,644	Employees	G4-10, LA1
– Asia-Pacific	14,133	13,482	Employees	G4-10, LA1
– Africa-Mediterranean Basin	2,885	2,811	Employees	G4-10, LA1
– Group Services	61	79	Employees	G4-10, LA1
– Total	45,169	44,909	Employees	G4-9, 10, LA1
Personnel costs and social benefits:				
– Wages, salaries, social security costs	1,878.7	1,939.4	EUR million	G4-EC1
– Costs for retirement benefits	68.5	86.4	EUR million	G4-EC1
– Other personnel costs	21.3	24.1	EUR million	G4-EC1
– Total	1,968.5	2,049.9	EUR million	G4-EC1
Age structure (Group):				
– Younger than 30	13	14	%	G4-LA1
– 30–49	53	51	%	G4-LA1
– 50 and older	34	35	%	G4-LA1
Proportion of disabled employees:				
– in Germany	4.6	4.1	%	
– at HeidelbergCement AG	5.0	4.8	%	
Fluctuation:				
– Western and Northern Europe	8	8	%	G4-LA1
– Eastern Europe-Central Asia	10	13	%	G4-LA1
– North America	14	14	%	G4-LA1
– Asia-Pacific	6	8	%	G4-LA1
– Africa-Mediterranean Basin	4	3	%	G4-LA1
– Total	9	10	%	G4-LA1
Proportion of part-time employees (Group)	2.4	2.4	%	G4-10
Proportion of part-time employees (HeidelbergCement AG)	10.7	11.1	%	G4-10

*Due to the changes in the scope of consolidation in 2014, comparable figures for 2012 are not available.

Employees

	2012	2013	2014	Unit	GRI
Diversity*					
Share of female employees (Group)		14	13	%	G4-10, LA12
Share of female employees (Germany)		16	14	%	G4-10, LA12
Share of female employees in senior management positions (Group)		9	9	%	G4-10, LA12
Share of female employees in senior management positions (Germany)		7	8	%	G4-10, LA12
Share of female employees in management trainee programmes (Group)		24	17**	%	G4-10, LA12
Share of female employees in management trainee programmes (Germany)		25	21	%	G4-10, LA12
Percentage of local managers in top management positions		80	80	%	G4-EC6
Training and career development*					
Personnel in management trainee programmes		744	801	persons	
Training hours per employee		29	34		G4-LA9
Structure of training hours:					
– Management training		9	5	%	G4-LA9
– Soft skills training		5	6	%	G4-LA9
– Specialist training		30	36	%	G4-LA9
– Occupational safety training		46	43	%	G4-LA9
– Language courses		3	6	%	G4-LA9
– Other		7	4	%	G4-LA9
Percentage of trainees in Germany		6	5	%	G4-LA9
Percentage of trainees retained as full-time employees throughout Germany		82	84	%	G4-LA9
Occupational health and safety					
Accident frequency rate ¹⁾	3.4	2.6	2.1		G4-LA6
Accident frequency rate, cement business line	2.4	2.1	1.7		G4-LA6
Accident severity indicator ²⁾	115	94	91		G4-LA6
Accident severity indicator, cement business line	73	77	77		G4-LA6

*Due to the expanded scope of consolidation in 2014, comparable figures for 2012 are not available.

**Change from 2013 due to new development programmes, primarily in the technical area.

Employees

	2012	2013	2014	Unit	GRI
Fatality rate ³⁾	0.5	1.1	1.0		G4-LA6
Fatality rate, cement business line	0.86	0.94	1.37		G4-LA6
Number of fatalities:					
– Group employees	2	5	4	persons	G4-LA6
– Employees of other companies	4	12	12	persons	G4-LA6
– Third parties:					
– Thereof outside our plants:	5	2	0	persons	G4-LA6
Accident frequency rate (LTI FR, own employees) by region:					
– Western and Northern Europe	11.2	8.9	5.3		G4-LA6
– Eastern Europe-Central Asia	2.4	2.2	2.2		G4-LA6
– North America	2.4	1.5	1.8		G4-LA6
– Asia-Pacific	1.3	1.4	0.8		G4-LA6
– Africa-Mediterranean Basin	2.9	2.6	1.6		G4-LA6
Occupational illness rate ⁴⁾	0.47	1.96	1.03		G4-LA6
Illness rate ⁵⁾	1.64	1.81	1.78		G4-LA6
Proportion of employees represented by H&S committees	97.6	99.5	99.4		G4-LA5
Proportion of employees represented by H&S committees with trade union representation	85.9	92.3	90.4		G4-LA5

¹⁾ Number of accidents involving own employees with at least one lost working day per 1,000,000 hours worked for cement, ready-mixed concrete and aggregates

²⁾ Number of working days lost due to accidents involving own employees per 1,000,000 hours worked for cement, ready-mixed concrete and aggregates

³⁾ Number of fatalities of own employees per 10,000 own employees working on cement, ready-mixed concrete and aggregates

⁴⁾ Number of officially recognised occupational illnesses suffered by own employees per 1,000,000 hours worked

⁵⁾ Proportion of working hours lost due to illness relative to the total number of working hours (not including North America, as the general illness hours are not recorded there)

About this report

This is the sixth time that HeidelbergCement has published a Group Sustainability Report. In this publication we explain how HeidelbergCement is fulfilling its economic, environmental and social responsibilities and report on the progress we have made in 2013 and 2014 in the implementation of our Sustainability Ambitions. The report has been prepared for our employees, investors and analysts, customers and contractors, as well as political players and non-governmental organisations.

✓ G4-18, G4-24

Report content and organisation

This sustainability report has been prepared according to the latest guidelines of the internationally recognised Global Reporting Initiative (GRI 4). The report conforms to the requirements of the "Core" option of the GRI G4 guidelines.

→ **Our complete GRI Index:** <http://www.heidelbergcement.com/GRI-index>

Our decisions concerning the most important sustainability themes for the articles in our report were guided by the GRI principles (materiality, inclusion of stakeholders, sustainability context, completeness). We continuously refine our reporting processes in line with these standards. ✓ G4-23

In accordance with this principle, we have further streamlined the reporting on target achievement and oriented it more closely to the results of the materiality analysis. We have eliminated targets that were immaterial or difficult to measure. This is a preparatory measure that is part of the preparation of our new Sustainability Ambitions.

Precise definition and methodology of the report

This Sustainability Report for 2013/2014 deals with the business years 2013 and 2014 of the HeidelbergCement Group. The business years run from 1 January to 31 December. The key facts and figures included in this report correspond to those in the consolidated financial statement and the management report of HeidelbergCement's Annual Report for 2014. This is also the case for the facts and figures

concerning our workforce and occupational safety. We report our key figures for environmental and occupational safety according to the guidelines of the Cement Sustainability Initiative (CSI) of the World Business Council for Sustainable Development (WBCSD).

→ **The guidelines in their original wording:** www.wbcscement.org/publications

A part of the key figures on environmental protection and occupational safety from the cement business line were subject to an independent limited assurance, as required by our membership in CSI. The review also fulfils the wish of our stakeholders to have key indicators independently verified. ✓ G4-27

The results of this external assurance can be found on our website:

→ www.heidelbergcement.com/assurance

Data collection

Methods and systems that have been defined Group-wide are used to collect data at our locations. Internal reporting and consolidation of the data take place via centralised electronic KPI data management systems at the Group; here the key figures are checked for completeness and credibility. Uniform Group-wide definitions of all the relevant key figures, as well as process guidelines for the reporting processes, are available on the intranet.

Information about the editing process

This Sustainability Report is published in German and English. The editorial deadline was 30 May 2015. The previous sustainability report was published in September 2013. In line with the two-year reporting cycle, the next report will be published in 2017. In 2016, we will make updated key figures and information available on our website.

Disclaimer of liability

We have compiled the information and key figures contained in this report with extreme care. All of the contents of this report were examined by the employees responsible for this task. However, we cannot completely exclude the possibility that this report includes erroneous information. The report and the information contained in it do not constitute a test of compliance with the current laws, legal regulations or recognised sustainability practices in the industry.

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Concept and realisation

Group Communication
HeidelbergCement AG
SLau Konzepte & Kommunikation
TEAMKOM Kommunikation+Design
TransForm GmbH

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