

Dear Shareholders,

On behalf of the Supervisory Board of Heidelberg Materials, I would like to thank you for your continued interest in our company.

In an ongoing intensive and constructive dialogue with you, our shareholders, the Supervisory Board has followed the tasks and requirements entrusted to us as representatives of your interests. As advisors to the Managing Board, we contribute our expertise in various aspects that will shape the future of Heidelberg Materials.

Ahead of our virtual Annual General Meeting on 16 May 2024, I would like to give you an overview regarding the focus of our conversations with the Managing Board and the important strategic steps that lie ahead of us.



The role of the Supervisory Board

During the past financial year, the Supervisory Board continued to closely monitor and support the company's development while being directly informed about and involved in all decisions of fundamental importance.

As the company's growth is an important pillar of the strategy, the Supervisory Board reviewed, discussed, and advised on potential projects and financing matters which were explained in detail by the Managing Board before decisions were taken.

The Supervisory Board assured itself that the Managing Board has installed an internal control and risk management system that is appropriate to the company's business activities and risk situation. It confirmed the effectiveness of the monitoring and compliance management system as well as audit related matters. In addition, I was in regular and ad-hoc contact with the Chairman of the Managing Board outside the scheduled meetings.

The Managing Board and Supervisory Board worked together in a spirit of mutual trust for the benefit of all stakeholders – including customers, employees, and shareholders – and maintained an open and intensive dialogue.

The auditor issued an unqualified audit opinion on the annual financial statements of Heidelberg Materials AG and the consolidated financial statements as of 31 December 2023 as well as on the combined management report of Heidelberg Materials AG and the Group.

Shareholder return

Heidelberg Materials is continuing its progressive dividend policy. The Managing Board and Supervisory Board will propose to the Annual General Meeting the distribution of a dividend of €3.00 per share for the 2023 financial year. Subject to the approval of the shareholders, this corresponds to an increase of €0.40 per share or 15% compared to the previous year's dividend of €2.60 per share.

In October 2023, Heidelberg Materials completed its first share buyback programme, which was launched in 2021, and repurchased around 16.3 million of its own shares for almost €1 billion. All shares acquired as part of this buyback programme were cancelled.

With the approval of the Supervisory Board, the company announced a second share buyback programme in early 2024 with a total volume of €1.2 billion which is expected to be completed by the end of 2026. The first tranche is scheduled to start in the second quarter 2024 following the Annual General Meeting of Heidelberg Materials.

In conjunction with the share buyback programme, the significant increase in the dividend underlines the company's strong focus on shareholder return.

Topics of discussion

The Supervisory Board aims to adequately reflect the changing requirements of our company in its own composition. It therefore regularly reviews whether the skills and expertise of the Supervisory Board members are suitable and sufficient to fulfil its duties. For the first time, the Supervisory Board published a qualification matrix listing the relevant skills and expertise of the individual members.

During the financial year 2023, the Supervisory Board continued to place particular emphasis on closely accompanying and supporting the Managing Board on ESG matters, especially regarding the further development and implementation of the sustainability and digital transformation strategy. The Supervisory Board paid particular attention to the strategy of further reducing the company's specific CO₂ emissions, always considering the investment requirements and the profitability of such projects.

The Sustainability and Innovation Committee focused intensively on the Sustainability Commitments 2030 and on the company's plan to reduce specific CO₂ emissions. One focus of the committee's discussions was on strengthening circularity and recycling, as well as carbon capture, utilisation, and storage (CCUS) technologies.

As part of the strategy discussion, the Supervisory Board also addressed the issue of circularity and examined the role of alternative fuels in the decarbonisation roadmap. By doing so, the Supervisory Board is focusing even more strongly on the topic of sustainability in its monitoring and advisory activities.

At several meetings, the Supervisory Board also discussed with the Managing Board the major investments, divestments, and portfolio optimisations that reflect Heidelberg Materials' strategic targets and could lead to an improvement of the balance sheet structure.

Simplifying the remuneration system

The Supervisory Board developed an adjusted 2024+ Managing Board remuneration system, which is now up for your approval on the upcoming AGM.

The Supervisory Board has set up a new transparent, comprehensive, and ambitious remuneration system for the Managing Board, which aims to support the company's strategic targets even better. The new system will reduce complexity and fulfil additional requirements to comply with the capital market demands and best market practices.

The Long-term Incentive Plan now follows a standardised and market common plan design as well as an increase to 100% share price orientation and anchors ESG targets to support the achievement of our ambitious sustainability targets. To determine the relative Total Shareholder Return, now an individual peer group consisting of the most important competitors is applied. The annual bonus plan includes a reduced number of and harmonised performance criteria, increases the transparency and comparability of the Managing Board's targets, and ensures an even closer link to Heidelberg Materials' strategic principles.

Active dialogue with our shareholders

In my role as Chairman of the Supervisory Board, I was in contact with many investors and received feedback on topics specific to the Supervisory Board. In March 2024, I held discussions with investors as part of a governance roadshow, partly together with the Chairman of the Audit Committee.

In physical and virtual meetings with international shareholders from London, Frankfurt, and the United States, governance-specific topics were discussed, relating to tasks, work, and composition of the Supervisory Board as well as the new remuneration system of the Managing Board.

Preparations for Supervisory Board elections

In view of the upcoming elections of shareholder representatives to the Supervisory Board during the Annual General Meeting 2024, the Nomination Committee and the Supervisory Board have given extensive consideration to the composition of the Supervisory Board and the selection of suitable candidates.

Due to the resignation of Professor Dr Marion Weissenberger-Eibl, the Nomination Committee recommended that the Supervisory Board propose Mr Gunnar Groebler, CEO of Salzgitter AG, to the 2024 Annual General Meeting for election to the Supervisory Board as the successor to the resigning shareholder representative.

Among other things, the Supervisory Board discussed the nomination of myself as a member of the Supervisory Board and the planned re-election as Chairman of the Supervisory Board. In this context, the tight election result at the 2022 Annual General Meeting was reviewed.

Some institutional shareholders take a fundamentally critical view of the election of a former Chairman of the Managing Board as Chairman of the Supervisory Board, and there was some further uncertainty about my availability due to other supervisory board mandates.

I have therefore informed the Supervisory Board that I will resign from my positions as Chairman of the Supervisory Board of Verlagsgruppe Georg von Holtzbrinck GmbH and as a member of the Supervisory Board of Springer Nature AG & Co. KGaA already before this year's Annual General Meeting.

The Supervisory Board is aware of the wishes of various shareholders for the Supervisory Board committees to be composed of a majority of independent shareholder representatives. In the new composition of the committees after the 2024 Annual General Meeting, the Supervisory Board will ensure that the majority of shareholder representatives on the Personnel Committee, the Audit Committee and all other committees are independent. As for the Personnel Committee (which is responsible for supporting the Supervisory Board on Managing Board remuneration, among other things), it is intended to propose to the Supervisory Board that it will be enlarged from the current eight to ten members (including five shareholder representatives). In addition to that, I still have no intention to chair a committee of the Supervisory Board of Heidelberg Materials.

As a result, the Supervisory Board is convinced that I will have sufficient time for my mandate at Heidelberg Materials AG and that I remain the most suitable candidate for the position of Chairman of the company's Supervisory Board to continue to support the positive development of the company in an advisory capacity.

I would like to thank you for your confidence in the Supervisory Board. After a year with record results, the Supervisory Board looks to the future with confidence. We have an experienced management team and the outstanding commitment of our employees around the globe to shape the future of Heidelberg Materials. I very much look forward to welcoming you to this year's virtual Annual General Meeting on 16 May 2024.

Yours sincerely,



Dr Bernd Scheifele

Chairman of the Supervisory Board
Heidelberg Materials AG