

# Heidelberg Materials Sustainability Target CP Programme

January 2023  
Group Treasury



## Key facts

- **Linking the new CP Programme to our Sustainability-Linked Financing Framework**
- **Design of an innovative financial donation mechanism if SPT is missed**
- **Receiver of any penalty payment is BirdLife Europe, a renowned charity organisation, not the investor**
- **Monitoring through an external Sustainability Target Agent**



# Innovative solution to link CP Programme to sustainability targets

## What is Heidelberg Materials (HM) Sustainability-Linked Financing Framework?

HMs [Sustainability-Linked Financing Framework](#) includes certain sustainability performance targets (SPTs) for CO2 intensity, amongst others the reduction of Scope 1 specific net CO2 emission  $\leq 500\text{kg/t}$  of cementitious material for the financial year 2026 (“2026 Intermediate Target” or “SPT 1(a) Intermediate Target” in the framework).

## How does the penalty mechanism for CPs work?

While with traditional Sustainability-Linked Bonds (SLBs) the investors receive an additional payment when SPTs are missed, HM has introduced a new and innovative concept where the penalty mechanism of SLBs is replaced by a Donation Mechanism to a charity.

The Donation Mechanism is considered a significant improvement compared to the current market standard which was to date limited to not being able to issue sustainability-linked CPs following failure to satisfy SPTs. In case of missing the SPT, a donation payment to BirdLife Europe is triggered instead of a coupon step-up to the investors due to the fact, that a payment to the original CP investors is no longer possible as the notes will be redeemed before the SPT is assessed.

All notes issued up until and including 31 December 2026 will be linked to the 2026 Intermediate Target.

## How will the Donation Amount be calculated?

In case HM misses its 2026 Intermediate Target (SPT), an additional interest rate of 0.075% p.a. will be applied to all Notes issued between 15/12/2022 – 31/12/2026. This increase in interest cost will be paid to BirdLife Europe, but not less than EUR 250,000 (see next slides).

For more details on the Framework visit <https://www.heidelbergmaterials.com/en/sustainable-finance>



## Innovative solution to link CP Programme to sustainability targets (continued)

### Why was BirdLife Europe chosen as donation recipient?

There is a long-standing relationship for over 10 years between HM and **BirdLife Europe** with the goal to implement effective and innovative conservation measures to **halt and reverse biodiversity loss**. HM has already completed over 40 projects successfully together with BirdLife and therefore HM is convinced that BirdLife will use the funds in a responsible manner.

### What is the role of the Sustainability Target Agent?



As the CPs will be repaid to the investors before the SPT will be assessed, there is no legal ground for the investor to demand the Donation Amount. Therefore, HM and ING Bank N.V. have developed the innovative concept of the „**Sustainability Target Agent**“: This concept will irrevocably ensure that the Sustainability Target Agent will monitor the reporting of the SPT by HM and ensure payment of the donation to BirdLife by HeidelbergCement AG if the 2026 Intermediate Target is missed.



# Sustainability-Linked Financing Framework

**Focus**

## 1. Selection of Key Performance Indicators

- **KPIs:**
  - KPI 1: Specific net CO<sub>2</sub> emissions per ton of cementitious material
  - KPI 2: tCO<sub>2</sub> emissions captured via CCUS
- **Methodology:**
  - KPI 1: Global Cement and Concrete Association (GCCA) Sustainability Guidelines
  - KPI 2:
    - For CCS projects: EU Innovation Fund calculation tool
    - For CCU technologies: 50% CO<sub>2</sub> emissions captured assumption
- **EU Environmental Objective:** Climate Change Mitigation
- **Contribution to SDGs:**



## 2. Calibration of Sustainability Performance Targets

- **SPTs:**
  - **KPI 1:**
    - Intermediate target – SPT 1(a): KPI 1 ≤ 500 kg net CO<sub>2</sub> / t. cem. by 2026 (2020 baseline)
    - Long term target – SPT 1(b): KPI 1 ≤ 400 kg net CO<sub>2</sub> / t. cem. by 2030 (2020 baseline)
  - **KPI 2:**
    - Long Term target – SPT 2: KPI 2 ≥ 10mt (cumulative) by 2030 (2020 baseline)
- **External validation:**
  - KPI 1: SBTi validated (consistent with a 2°C scenario)\*
  - KPI 2: External assurance as per GCCA member obligations

## 4. Reporting and Verification

- Heidelberg Materials will communicate annually on the relevant KPIs and SPTs, making up-to-date information and reporting available
- Heidelberg Materials' performance of each selected KPI will be verified by the External Verifier on an annual basis
- The Framework has been reviewed by DNV and a SPO was issued

## 3. Bond Characteristics

- If the SPT(s) has/have not been reached at the target observation date, as per the annual reporting published following the target observation date, a financial penalty will be payable by Heidelberg Materials
- **Penalty:** coupon step-up(s) and/or a higher repayment amount
- If, for any reason, the KPI(s) performance against each SPT(s) cannot be calculated or observed, or not in a satisfactory manner, the financial penalty will be applicable

## HeidelbergCement Sustainability-Linked Financing Framework is aligned with



Sustainability Linked Loan Principles  
Supporting environmentally and socially sustainable economic activity

## Decarbonization targets were externally validated by



## Second Party Opinion provided by



## EU Taxonomy Alignment



\*) Heidelberg Materials committed also to the UN Global Compact's Business Ambition 1.5°C. Official verification with SBTi is scheduled for September 2022.



# The donation mechanism explained



In case target is missed, HeidelbergCement AG will donate (but minimum 250.000 EUR)

$$\sum_{i=Start\ Date}^{End\ Date} Daily\ Outstanding\ Amount(i) \times \frac{Penalty\ Rate}{360}$$

Penalty Rate = 7.5bp  
 Start Date = 15/12/2022  
 End Date = the latest maturity date of all CPs issued before 01/01/2027



## Risk factors

The Notes issued under this Programme are not considered to be "Sustainability-Linked Notes" that align to the ICMA Sustainability-Linked Bond Principles or any other market standard. Heidelberg Materials does not have any contractual liability towards holders of the Notes if it does not meet the SPT described above and no additional amounts of coupon, premium or principal will be paid to holders in any event.

None of the Arranger or the Dealers accepts any responsibility for any social, environmental and sustainability assessment of any Notes or makes any representation or warranty or assurance whether such Notes will meet any investor expectations or requirements regarding "ESG" "green", "sustainable", "social" or similar labels. None of the Arrangers or the Dealers shall monitor the Issuer's SPT performance, and no representation or assurance is given by the Dealers as to the suitability or reliability of any Determination Report or Verification Assurance Certificate.

The Sustainability Target Notes may not satisfy an investor's requirements or any future legal or industry standards for investment in assets with ESG characteristics. Investors should conduct their own assessment of the Sustainability Target Notes from an ESG perspective. Investors should note that the net proceeds of the issues of any Sustainability Target Notes will be used for general corporate purposes.

Prospective investors must determine for themselves the relevance of the Sustainability Target feature when making an investment decision. Furthermore, the Sustainability Target feature shall not be deemed to be a recommendation by the Issuer, the Sustainability Target Agent, the Arranger, the Dealers or any other person to buy, sell or hold any Notes.



# Appendix





## Description of the Programme

<b>Name of the Programme</b>	HeidelbergCement AG Multi-Currency Sustainability Target Commercial Paper Programme
<b>Type of Programme</b>	Multi-Currency Sustainability Target Commercial Paper Programme
<b>Name of the issuer</b>	HeidelbergCement AG (the "Issuer")
<b>Type of issuer</b>	Non-financial corporation
<b>Programme size (ceiling)</b>	EUR 2,000,000,000
<b>Governing law that applies to the Notes</b>	German law. Non-exclusive place of jurisdiction shall be Frankfurt am Main.
<b>Listing</b>	No application will be made to list the Notes on any stock exchange.
<b>Settlement system</b>	Clearstream Banking AG, Frankfurt am Main; Clearstream Banking S.A.; Euroclear Bank SA/NV.
<b>Rating(s) of the Programme</b>	Not rated
<b>Guarantor(s)</b>	No
<b>Issuing and paying agent(s)</b>	Deutsche Bank Aktiengesellschaft
<b>Arranger(s)</b>	ING Bank N.V.
<b>Sustainability Target Agent</b>	ING Bank N.V.
<b>Dealer(s)</b>	Bayerische Landesbank, BNP Paribas Fortis SA/NV, Citigroup Global Markets Europe AG, Citigroup Global Markets Limited, Commerzbank Aktiengesellschaft, Crédit Agricole Corporate and Investment Bank, DZ BANK AG Deutsche Zentral-Genossenschaftsbank, Frankfurt am Main, ING Bank N.V., Landesbank Baden-Württemberg, Landesbank Hessen-Thüringen Girozentrale, NatWest Markets N.V.
<b>STEP-Label</b>	Yes ( <a href="#">STEP Market</a>   <a href="#">STEP Market Directory Detail</a> )



## Calculation example for the donation amount

Example based on two Notes with 1 week tenor each:

- 1<sup>st</sup> Note issued on 18/02/2023
- 2<sup>nd</sup> Note issued on 29/12/2026

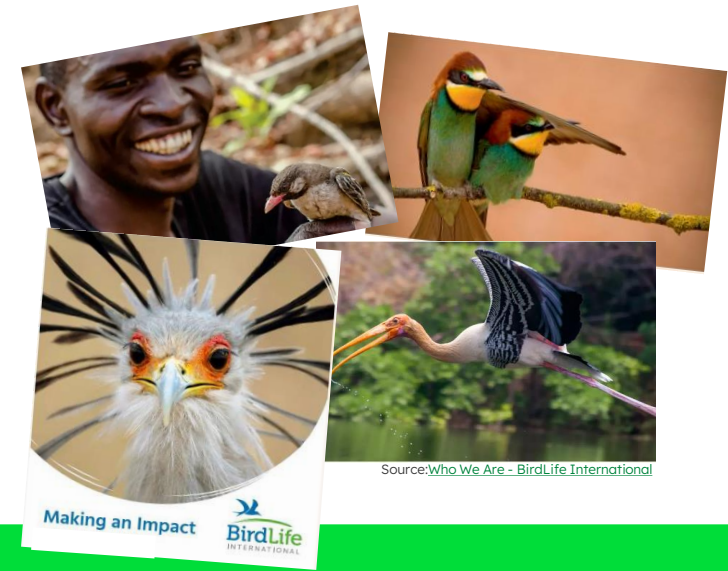
A	B	C	D	E	F
Date	Note 1 Outstanding	Note 2 Outstanding	Daily Outstanding Amount	Penalty Rate / 360	D x E
...					
18.02.2023	100,000,000 €		100,000,000 €	0.0002083%	208.33 €
19.02.2023	100,000,000 €		100,000,000 €	0.0002083%	208.33 €
20.02.2023	100,000,000 €		100,000,000 €	0.0002083%	208.33 €
21.02.2023	100,000,000 €		100,000,000 €	0.0002083%	208.33 €
22.02.2023	100,000,000 €		100,000,000 €	0.0002083%	208.33 €
23.02.2023	100,000,000 €		100,000,000 €	0.0002083%	208.33 €
24.02.2023	100,000,000 €		100,000,000 €	0.0002083%	208.33 €
...					
29.12.2026		150,000,000 €	150,000,000 €	0.0002083%	312.50 €
30.12.2026		150,000,000 €	150,000,000 €	0.0002083%	312.50 €
31.12.2026		150,000,000 €	150,000,000 €	0.0002083%	312.50 €
01.01.2027		150,000,000 €	150,000,000 €	0.0002083%	312.50 €
02.01.2027		150,000,000 €	150,000,000 €	0.0002083%	312.50 €
03.01.2027		150,000,000 €	150,000,000 €	0.0002083%	312.50 €
04.01.2027		150,000,000 €	150,000,000 €	0.0002083%	312.50 €
					<b>Total: 3,645.83 €</b>

- Result of EUR 3,645.83 is obviously less than the floor amount of EUR 250,000 given the example is only based on two short-dated notes
- If there was an average outstanding amount of EUR 500 million over a period of four years, the Donation Amount would be approximately EUR 1.5 million (EUR 500 million x 0.075% x 4)



## Insight BirdLife

- Six offices around the world (HM is cooperating with Europe and Central Asia)
- Global partnership of 117 non-governmental organizations → Collecting and analyzing data from around the world
- Main goal:
  - **Conservation of biodiversity**
  - Through implementation of effective and innovative conservation measures
- Partnership BirdLife – Heidelberg Materials:
  - Partner for over 10 years
  - **Over 40 successfully implemented projects**
  - Development of joint policy statements
  - Analysis of the geographical proximity of HMs' sites to areas of recognized high biodiversity value on a regular basis
  - Joint communication on the ecological value of active quarries and the potential of nature restoration of expired sites
- Link to BirdLife's website: [BirdLife International - BirdLife is the world leader in Bird Conservation](https://www.birdlife.org/)



**Together we share a common vision of achieving environmentally sustainable development. We strongly believe that there is a business case for integrating biodiversity conservation into private sector operations.**



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