

# **Group Trade Sanctions Policy**

Scope:	<b>All companies of the HeidelbergCement Group</b>
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## 1. Our Compliance Commitment

HeidelbergCement is the global market leader in aggregates and a prominent player in the fields of cement, concrete and other downstream activities, making it one of the world's largest manufacturers of building materials.

In its Code of Business Conduct, HeidelbergCement Group<sup>1</sup> requires all employees to observe high standards of business ethics in their duties and responsibilities. Employees and representatives of the organisation must practice honesty and integrity in fulfilling their responsibilities and must comply with all applicable laws and regulations.

HeidelbergCement Group commits to avoiding anything that would jeopardise foreign relations and/or security interests of the Federal Republic of Germany, the United States (U.S.) or other countries in which HeidelbergCement Group operates. It is an integral part of our corporate policy that HeidelbergCement Group meets the requirements under national and international foreign trade and embargo rules and regulations in its world-wide business relationships.

All employees of HeidelbergCement Group are responsible for knowing the relevant laws, regulations and company policies, including this Group Trade Sanctions Policy and must adhere to them accordingly. Violations will not be tolerated.

Non-compliance with such rules and regulations can expose HeidelbergCement Group as well as individual employees to civil, regulatory and criminal penalties, including substantial monetary fines and, in the case of individuals, prison. Non-compliance also poses a substantial reputational risk for HeidelbergCement Group and could jeopardise important business relationships with companies in other countries which require the highest ethical and security standards.

The objective of this Group Trade Sanctions Policy is to inform our employees of the key principles of trade sanctions law in the European Union (EU) and the U.S., of the internal organisation and processes within the HeidelbergCement Group relating to trade sanctions, and of the consequences in case of non-compliance with this Policy. Where stricter requirements apply in other countries in which HeidelbergCement Group operates, any such requirements must also be observed irrespective of and in addition to this Policy.

This Policy applies to all companies within the HeidelbergCement Group and is addressed to all employees of HeidelbergCement Group companies. Any deviation from this Policy requires written approval by the Managing Board of HeidelbergCement.

## **2. Overview of National and International Trade Sanctions**

States like Germany or the U.S. and supranational organisations like the United Nations (UN) or the EU impose restrictive measures against countries, organisations, groups, entities and individuals (in this Policy referred to as “Restricted Parties”), who are considered by the above mentioned states and organisations as infringers of standards of internationally accepted behaviour and norms, especially those who have been identified as being involved in weapons proliferation, as terrorists or supporters of terrorist organisations, as violators of human rights, or as being involved in corruption and bribery. Such measures are more commonly known as trade sanctions or embargoes.

Trade sanctions take the form of comprehensive embargoes (total embargoes), partial embargoes, such as arms, trade or financial embargoes, or embargoes targeted against specific individuals, entities, groups and organisations contained in lists (list-based sanctions). Financial embargoes usually prohibit placing assets of any kind at the disposal of sanctioned parties or providing them with financial services of any kind.

Financial and trade embargoes and list-based sanctions are of special importance to HeidelbergCement Group.

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<sup>1</sup> HeidelbergCement AG and all companies controlled directly or indirectly by HeidelbergCement AG.

### **3. Scope of Applicability of EU and U.S. Trade Sanctions**

#### **3.1. EU Trade Sanctions**

##### ***3.1.1. Applicability***

EU trade sanctions apply

- within the territory of the member states of the EU;
- to any person inside or outside the territory of the EU who is a national of a member state;
- to any legal person, entity or body which is incorporated or constituted under the law of a member state whether acting inside or outside of the EU; and
- to any legal person, entity or body in respect of any business done in whole or in part within the EU.

##### ***3.1.2. Sanction Types under EU law***

Sanctions (restrictive measures) imposed by the EU may target governments of third countries, or non-state entities and individuals (such as terrorist groups and terrorists). They may comprise arms embargoes, other specific or general trade restrictions (import and export bans), financial restrictions, restrictions on admission (visa or travel bans), or other measures, as appropriate.

EU sanctions are usually imposed by Council Regulations and Council Implementing Regulations which are published in the Official Journal of the EU and, in a comprehensive form, by the EU External Action Service.

#### **3.2. U.S. Trade Sanctions**

##### ***3.2.1. Applicability***

U.S. trade sanctions generally apply to U.S. persons. The term “U.S. persons” includes:

- all companies and other legal entities organised under U.S. law (including their foreign branches);
- individuals who are U.S. citizens or permanent residents (“green-card” holders) regardless of their place of domicile or work;
- any entity, regardless of where organised, or individual, regardless of nationality or residence, physically present in the U.S., even if temporarily or on vacation; and
- any entity, regardless of where organised, or individual, regardless of nationality or residence, who exports services from the United States, even if not physically in the U.S. at the time of export.

U.S. sanctions against Cuba and Iran require compliance by non-U.S. entities, wherever organised or located, that are owned or controlled, directly or indirectly, by a U.S. person (e.g. foreign subsidiaries of U.S. companies).

U.S. sanctions against Iran also include “secondary sanctions”, which target non-U.S. persons that engage in specified transactions involving certain sectors of the Iranian economy

(including energy, shipping, shipbuilding, and automobiles) or transactions involving Restricted Parties targeted under Iranian and related sanctions programmes.

Further, non-U.S. persons and entities that cause a U.S. person to violate U.S. sanctions also violate the U.S. sanctions and risk civil and criminal penalties under applicable U.S. law ("Cause of Violation"), e.g. in the case of a non-U.S. person involving a U.S. bank in payment transactions with persons listed on the Specially Designated Nationals List (SDN list) or other lists issued by the Office of Foreign Assets Control of the U.S. Treasury (OFAC).

### **3.2.2. Sanction Types under U.S. law**

- Specially Designated Nationals List (SDN List): This list contains individuals and companies owned or controlled by, or acting for or on behalf of, targeted countries. It also lists individuals, groups, and entities, such as terrorists and narcotics traffickers designated under programmes that are not country-specific. Collectively, such individuals and companies are called "Specially Designated Nationals" or "SDNs". Their assets are blocked and U.S. persons are generally prohibited from dealing with them.

A manual name search or country extract from the SDN list can be generated online: <http://sdnsearch.ofac.treas.gov/>.

- Sectoral Sanctions: Sectoral sanctions may be imposed by Executive Orders of the U.S. Government and describe prohibitions on dealings with the persons identified. Such dealings may cover certain financial transactions, sale of weapons and other goods, etc. Sectoral sanctions are limited to such dealings and do not prohibit other transactions with the identified persons.
- Other Sanctions: Other types of sanctions may be introduced by country-specific or general programmes and will be published by OFAC.

### **3.3. Conflicting Trade Sanctions Laws**

In case of a conflict between different applicable embargo laws, please immediately contact the Group Compliance Officer or Country Compliance Officer for advice and support before taking any business decision.

This applies in particular in case of a conflict of U.S. or other sanctions with the EU Blocking Regulation (EC) no. 2271/96, and/or with provisions of comparable effect. Such conflict may arise for example if the embargo laws of one country prohibit certain trade or transactions with Restricted Parties whereas the blocking statutes require HeidelbergCement Group not to comply with such rules.

## **4. Internal Organisation and Responsibilities**

Roles and responsibilities for compliance with trade sanctions follow the Group Compliance Policy. The overall responsibility for compliance with relevant Trade Sanctions in a country remains with the head of the country organisation. The roles and responsibilities within the compliance organisation are specified as follows:

### **4.1. Group Compliance Officer**

The Group Compliance Officer has centralised responsibility for the following matters:

- Issuing and updating this Group Trade Sanctions Policy
- Monitoring legal requirements relevant at Group level
- Coordinating responses to enquiries by regulators, financial or credit institutions, other business partners or any third parties on trade sanction related matters
- Reporting to the Management Board (Vorstand) and the Audit Committee (Prüfungsausschuss) of the Supervisory Board on trade sanction related matters
- Reviewing and advising on complex cases escalated by the Country Compliance Officers or by business functions
- Coordinating training on trade sanction related matters
- Receiving and reviewing reports from employees of concerns relating to possible violations of trade sanctions or this Group Trade Sanctions Policy (see Sec. 7 below); delegation to competent Country Compliance Officers if the report is relevant at a local level only.

### **4.2. Country Compliance Officers**

Within the country, the Country Compliance Officer is responsible for the following matters:

- Ensuring compliance with all applicable trade sanctions laws and regulations
- Clarifying legal requirements including conflicting legal requirements, if necessary in coordination with the Legal Department and Outside Legal Counsel and in consultation with the competent regulatory authority
- Advising business functions on trade sanction related matters
- Monitoring and reviewing the checks of Business Partners (as defined in Sec. 5.1.1) against the relevant lists of Restricted Parties and additional background checks on Business Partners
- Monitoring legal requirements under local law
- Publishing and updating this Group Trade Sanctions Policy and, if applicable, relevant local policies on the local intranet and providing necessary translations
- Responding to enquiries by regulators, financial or credit institutions, other business partners or any third parties on trade sanction related matters
- Reporting to local management on trade sanction related matters
- Reporting to the Group Compliance Officer on trade sanction related matters
- Escalating complex cases to the Group Compliance Officer
- Organising and conducting staff training on trade sanction related matters
- Receiving and reviewing reports by employees of concerns relating to possible violations of trade sanctions or this Group Trade Sanctions Policy (see Sec. 7 below).

### **4.3. Responsibility of All Employees**

In addition, all employees are responsible for compliance with all applicable trade sanctions laws and regulations. In all business situations where the requirements of the law or this Policy appear incomplete or unclear, all employees shall use good judgment and common sense and seek advice from their supervisor, the Legal Department or the Compliance Department.

## **5. Internal Processes and Controls**

HeidelbergCement Group implemented the following processes and controls in order to prevent it from conducting business with any Restricted Party:

### **5.1.1. Business Partners**

Business Partners are all customers, suppliers, joint venture partners, agents, consultants, employees and other third parties engaged in our business activities (each a “Business Partner”).

### **5.1.2. Current Business Partners**

All current Business Partners are to be checked against the relevant lists of Restricted Parties (see above Sec. 3) on a regular basis. Any potential match is to be carefully investigated. If necessary, further information shall be obtained from the new Business Partner, from a competent authority or from other sources. If the Business Partner is a Restricted Party, all new business with the Business Partner shall be prohibited and the relationship with the Business Partner shall be terminated in accordance with the requirements of the applicable trade sanctions law and other applicable local law, subject to contractual terms.

### **5.1.3. New Business Partners**

All new business partners are to be checked against the relevant lists of Restricted Parties (see above Sec. 3) prior to entry into a formal business relationship. Any potential match is to be carefully investigated. If necessary, further information shall be obtained from the new Business Partner, from a competent authority or from other sources. The relationship with the new Business Partner shall not be entered into until final confirmation has been received that the new Business Partner is not a Restricted Party. If the new Business Partner is a Restricted Party, all business with the new Business Partner shall be prohibited.

The Country Compliance Officer must keep a record of the (potential) match, the outcome of the investigation, supporting documentation as well as, where applicable, the refusal, suspension and termination of the business relationship.

#### **5.1.4. Risk of Business Partner being controlled by Restricted Party**

In some cases, trade sanctions do not only prohibit business with Restricted Parties that are listed in the relevant lists of Restricted Parties but also prohibit making funds or economic resources *indirectly* available to or for the benefit of the Restricted Parties. For example, a Restricted Party would indirectly benefit from a payment if the payment was made to a legal entity which is owned or controlled by such Restricted Party. If a Restricted Party has been named as a Specially Designated National (SDN) under U.S. sanctions, the prohibitions and restrictions on dealings with the SDN apply to an entity that is owned 50% or more, either directly or indirectly, by an SDN, regardless of whether the entity itself is listed.

In these cases, in addition to checking the Business Partner against the lists of Restricted Parties, it is necessary to check whether the business relationship is indirectly beneficial to a Restricted Party. However, the thoroughness of the background check for each Business Partner depends on a risk assessment in each individual case, and additional diligence may be required. In case of doubt this shall be escalated to the Country Compliance Officer.

The Country Compliance Officer must keep a record of the outcome of the background check, supporting documentation as well as, where applicable, the refusal, suspension and termination of the business relationship. OFAC requires persons subject to its jurisdiction to retain records on transactions subject to U.S. sanctions for five years.

#### **5.1.5. Intra-Group Credit Facility Agreements**

In all Credit Facility Agreements between HeidelbergCement AG (the lender) and a subsidiary (the borrower), reference shall be made to the borrower's obligation to comply with this Group Trade Sanctions Policy and, in particular, this Sec. 5.

## **6. Training**

At regular intervals, HeidelbergCement Group will offer suitable training on the trade sanctions regulations that are relevant to HeidelbergCement Group and on the internal processes and controls put in place to prevent any violation of trade sanctions.

The HeidelbergCement Group employees required to undergo such training will be identified by the Country Compliance Officer in cooperation with the relevant business functions and then registered for training by the Country Compliance Officer.

## **7. Incident Reporting**

HeidelbergCement Group employees are required to report promptly any actual, suspected or pending violation of trade sanction laws and regulations, as well as of this Group Trade Sanctions Policy, to, in particular, their supervisor, the next superior hierarchy level, or the Legal/Compliance Department; alternatively, such reports may be made to the Compliance Hotline "SpeakUp". Please refer to the Group Compliance Incident Reporting & Case Management Guideline for more details.

U.S. persons are also required to report certain transactions involving Restricted Parties to OFAC or other relevant authorities within 10 business days of the transaction.



## **8. Failure to Comply with this Policy**

Failure to comply with this Group Trade Sanctions Policy is a serious violation and may result in disciplinary action, including:

- Written warnings
- Damage claims
- Termination of employment.

## **9. Contact Persons**

For more information please contact the Group Compliance Officer:

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Director Group Legal & Compliance  
Phone: +49 6221 481-13663  
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You may also contact your local/Country Compliance Officer for more information.