



HEIDELBERG MATERIALS CANADA LIMITED

2023 Supply Chains Act Report

May 2024



Introduction

This report (the "**Report**") describes the actions taken by Heidelberg Materials Canada Limited ("**HMCL**" or the "**Company**") from January 1, 2023, to December 31, 2023. This Report has been prepared in compliance with the requirements of Part 2 of the Canadian *Fighting Against Forced Labour and Child Labour in Supply Chains Act* (the "**Act**").

HMCL is committed to respecting human rights in its business activities and supply chain, including by prohibiting the use of forced labour or child labour. This Report describes the actions taken in the prior financial year to prevent and reduce the risk that forced labour and child labour is used in HMCL's activities and within its supply chain.

A. Structure, Activities and Supply Chain

Structure

HMCL is a federal corporation incorporated under the *Canada Business Corporations Act*, with its head office located in Vancouver, B.C., Canada, and its registered office in Calgary, Alberta, Canada. The Company does not own or operate any facilities outside of Canada. The chart set out in Appendix 1 illustrates the corporate structure of the Company and its subsidiaries, their respective jurisdictions of incorporation and the percentage of voting securities held.

HMCL's ultimate parent is Heidelberg Materials AG ("**Heidelberg AG**"), a company incorporated under the laws of Germany. Collectively with its subsidiaries, Heidelberg AG is one of the world's largest integrated manufacturers of building materials and solutions, with operations in more than 50 countries on four continents, with approximately 51,000 employees at almost 3,000 locations.

The Company is engaged in a number of joint ventures in Canada, which include: (i) a ready-mixed concrete production and supply joint venture in Toronto, Ontario with Lafarge Canada Inc.; (ii) a construction paving joint venture in Coquitlam, British Columbia with Jack CEWE Construction; (iii) an aggregates supply joint venture in Fort McMurray, Alberta, with Parsons Creek Aggregates; (iv) an aggregates and ready-mixed concrete supply joint venture in Saskatoon, Saskatchewan with Cindercrete Mining; (v) a ready-mixed concrete supply joint venture in Winnipeg, Manitoba with Building Products Concrete, and (vi) an aggregates production joint venture in Cambridge, Ontario with Cambridge Aggregate Services Inc.

Activities and Supply Chain

HMCL is one of the leading manufacturers of cement, aggregates, and ready-mixed concrete in Canada. The Company also engages in ancillary lines of business including the manufacture, sale and supply of asphalt and concrete pipes. The map set out in Appendix 2 shows the locations of the Company's primary facilities. The Company owns three modern cement plants located in British Columbia, Alberta, and Ontario, which are supported by strategically located aggregates deposits, ready-mixed concrete plants, and cement



distribution terminals, which supply customers throughout the market area. The Company also has a strong aggregates presence in western Canada, with quarries and deposits in areas immediately adjacent to major population centres, making HMCL a major supplier of aggregates in the markets in which it operates.

The Company's business activities can be separated into five main segments: (i) cement; (ii) aggregates; (iii) ready-mixed concrete; (iv) concrete pipes; and (v) resale.

(i) Cement

Most of the material inputs used in the production of cement are sourced internally from the Company's facilities, including limestone, clay, marl, and gypsum. The Company, however, does source fly ash from local powerplants for use in the production of cement and for resale into the market, and occasionally sources other inputs from local suppliers. The Company owns and operates three cement plants in Canada, including:

1. The Edmonton plant, located in Edmonton, Alberta, (the "**Edmonton Plant**")

The Edmonton Plant produced approximately 913,000 metric tonnes of cement in 2023, shipping the majority of that output to customers in Canada.

2. The Delta plant located in Delta, British Columbia (the "**Delta Plant**")

The Delta Plant produced approximately 999,000 metric tonnes of cement in 2023, shipping the majority of that output to customers in Canada. In 2023, the Delta Plant shipped approximately 38% of its output to Washington and Oregon in the United States.

3. The Picton plant, located in Picton, Ontario (the "**Picton Plant**")

The Picton Plant produced approximately 900,000 metric tonnes of cement in 2023, shipping the majority of that output to customers in Canada. In 2023, the Picton Plant shipped approximately 25% of its output to the United States, with approximately 150,000 metric tonnes being delivered to Cleveland, Ohio, and approximately 50,000 metric tonnes being delivered to upstate New York.

The Company also owns and operates a number of cement distribution terminals, including in Kamloops, Prince George, Kitimat, Bamberton, Fort St. John and Delta in British Columbia, Edmonton and Calgary in Alberta, Regina and Saskatoon in Saskatchewan, Winnipeg in Manitoba, and Toronto, Picton and Windsor in Ontario. The terminals act as distribution points for the delivery of products to the Company's customers. The Company typically hires third-party hauling firms to deliver products to its customers by barge, truck or rail. The Company's principal cement customers are ready-mixed concrete producers and construction contractors. Other divisions within the Company also use the cement output to develop other offerings, including concrete pipes and ready-mixed concrete products.



(ii) Aggregates

The Company's aggregates business includes the excavation, supply and distribution of various materials, which include sand and gravel, crushed stone, limestone and other inputs used in the manufacture of ready-mixed concrete products. The Company owns and operates a number of quarries for production of salable materials, including: (a) Sechelt Quarry located in Sechelt, British Columbia; (b) the Pilot Butte Pit located in Regina, Saskatchewan; (c) Gilley's Quarry located in Coquitlam, British Columbia; and (d) Villeneuve Pit located in Sturgeon, Alberta. In addition to using aggregates excavated from its own facilities for the production of cement and ready-mixed concrete products, the Company also sells aggregates to other local customers.

The Company occasionally purchases aggregates from other local suppliers if it does not have adequate inventory at its own facilities for resale to its customers. See "*(v) Resale*" below for more information.

(iii) Ready-mixed concrete

A segment of HMCL's business includes the manufacture of the aggregates and cement that it produces into "ready-mixed concrete". Ready-mixed concrete is typically delivered to the construction site by company-owned ready-mixed trucks and poured locally into forms. The Company's ready-mixed concrete is also used in the manufacture of concrete blocks which are sold primarily to local construction contractors.

(iv) Concrete pipes

HMCL uses materials excavated and manufactured at its facilities to construct pre-cast concrete pipes. The Company casts and forms concrete pipes in certain facilities in British Columbia, Alberta and Manitoba, and sells them to local construction contractors.

(v) Resale

The Company's resale business is ancillary to its main operating divisions. If the Company does not have a certain product in stock, it may purchase that product from a local supplier and resell it to a customer. Products that are purchased for resale are purchased from quarries in the local vicinity of one of the Company's facilities, within one of the provinces in which the Company operates.

In addition to the business activities described above, HMCL is also in the process of developing a carbon capture utilization and storage plant in Edmonton, Alberta (the "**CCUS Project**"). The CCUS Project is a global first mover initiative, set to create the world's first full-scale carbon capture project at a cement plant. We estimate this cutting-edge facility will capture over one million metric tonnes of CO₂ annually from our adjacent Edmonton Plant.

HMCL produces most of the inputs used in the manufacture of cement and concrete products it sells. The products and services that HMCL sources from external suppliers largely relate to distribution, professional services, manufacturing equipment, as well as certain components used in the production of cement, aggregates and concrete products that it does not produce from its own facilities. In 2023, equipment and



components used in the operation of the Company's business were predominantly sourced from suppliers, including distributors and wholesalers, within Canada.

B. Policies and Due Diligence Processes

Our Operations

HMCL requires that employment relationships are only entered into and maintained voluntarily. Employees have freedom of movement, the right to freely enter and exit the work premises and shall be free to leave employment after reasonable notice. We acknowledge each worker's right to be protected against anti-union discrimination and that the formation, joining or membership in a trade union shall not negatively impact the working atmosphere, the occupational career path, or the salary level. We are committed to conducting our business in accordance with all applicable local, regional, national and international legislation, as well as our internal health and safety standards and procedures.

In 2023, the Managing Board of Heidelberg AG adopted a new Policy Statement on Human Rights ("**Policy Statement on Human Rights**"). The Policy Statement on Human Rights outlines Heidelberg AG's global human rights strategy, guiding principles, and key objectives regarding the protection of human rights and the environment. The Policy Statement on Human Rights contains the following elements:

- risk management processes and annual risk analysis;
- preventative measures in the Company's own business area, at direct suppliers and indirect suppliers, and a process for reviewing the effectiveness of these measures;
- provision of a complaints procedure in the Company's own business area, at the supplier level, and a process for reviewing the effectiveness of these procedures;
- documentation and reporting obligations, including a description of any priority risks identified; and
- description of human rights and environmental expectations of the Company's employees and suppliers.

The Policy Statement on Human Rights includes guiding principles and objectives with regards to human rights and the environment, including the promotion of diversity, equality, and decent working conditions. Among other things, it addresses the working conditions of employees, the rights of vulnerable groups including Indigenous peoples, responsibility at our sites as well as the selection of suppliers and instruction and monitoring of security service providers.

Our Suppliers

When evaluating new and existing supplier relationships, HMCL considers human rights and general compliance to consistently be among the key factors that must be taken into account. The principles set out in the Supplier Code of Conduct (described below) form the basis of all contractual relationships.

HMCL's commitment to human rights, as a central selection criterion for suppliers, is implemented and continuously developed by our supplier management system under the leadership of the procurement department. We require that our suppliers commit to comply with the HMCL supplier code of conduct



("Supplier Code of Conduct"),¹ which requires compliance with human rights due diligence obligations, such as the prohibition of forced labour and rules on non-discrimination and good working conditions, including health and safety at work. The Supplier Code of Conduct requires suppliers to, among other things:

- comply with the principles set out in the Supplier Code of Conduct and to require same from their suppliers;
- not use child labour, and to establish policies relating to minimum age for employment, workplace activities, and the number of working hours per week in accordance with applicable laws;
- not use any form of forced or compulsory labour as defined in the ILO Forced Labour Convention and afford employees various labour-related rights specified in the Supplier Code of Conduct; and
- provide safe and healthy working conditions that meet or exceed applicable standards for occupational health and safety under applicable laws.

The Supplier Code of Conduct is incorporated into HMCL's purchase agreements, whether those agreements be in the form of a tender, purchase order, or negotiated pricing terms. The Company's standard form of services agreement provides that HMCL may terminate such agreement if the supplier breaches any term of the Agreement, which includes any breach of the Supplier Code of Conduct. In addition, HMCL engaged in various forms of due diligence in 2023, including screening each of its suppliers monthly using trade compliance management software.

In 2023, the Company's suppliers with either: (i) high-risk factors; or (ii) annual Company spend over \$3.25 million CAD, were asked to complete a Supply Chain Sustainability survey (the "**Survey**") on either IntegrityNext or Avetta which asked questions about indicators of forced labour and child labour in addition to other human rights related subjects. The Survey aggregates each supplier's responses into a report to easily assess each supplier's overall performance, highlighting whether a supplier is actively engaging in practices that increase the potential for human rights violations to occur in a company's supply chain. Follow-up actions are essential for suppliers categorized as red. If a supplier has been flagged as red, the human rights coordinator thoroughly examines its responses to determine which aspects of human rights concerns covered by the Survey they are not in compliance with. After identifying the specific issue(s), the human rights coordinator initiates a dialogue with the supplier to enhance their understanding and awareness. In certain cases, a short-term, medium-term, or long-term mitigation plan may be created, tailored to the specific circumstances. The Company is reviewing the data from the Survey and has not identified any supplier with forced labour or child labour red flags.

C. Risks of Forced Labour or Child Labour and Remediation Measures

HMCL acknowledges that forced labour and child labour risks exist in a variety of geographic locations and industries. Since 2017, Heidelberg AG has conducted human rights risks assessments approximately every three years, using internationally recognized human rights standards as a reference point. From 2023, we have established a due diligence process that will be conducted once a year, and on an ad-hoc basis, to identify impacts that may cause conflicts with these standards. Particularly, our human rights risk

¹ The Supplier Code of Conduct applies to Heidelberg Materials US, Inc., Heidelberg Materials Canada Limited, and their subsidiaries and affiliates operating in the United States and Canada (collectively, "HM NAM").



assessment allows us to identify any impacts that HMCL causes directly, the ones that we contribute to, as well as the impacts that are indirectly linked to our operations, products, or services through our business relationships, in particular the supply chain.

The Company's analysis of supply chain risk is supported by Heidelberg AG, through the "Responsible Procurement" initiative. As part of the abstract risk analysis, both country and industry risk for human rights, and environmental standards, are identified for direct suppliers and, on an abstract basis, also in the upstream supply chain. Country risk assessments are based on a selection of indicators and sources recommended by the UN Global Compact. Industrial risks are determined using standard market sources and databases, such as the CSR Risk Check or studies by the Business & Human Rights Helpdesk. The results of the country and industry risk analysis are combined to calculate an abstract risk score for direct suppliers. In the second step, the concrete risk analysis, potentially risky suppliers are identified on the basis of further investigations and the collection of additional information. In the third step, Heidelberg AG prioritizes risks for the previously identified high-risk suppliers according to subject areas and using various sustainable criteria.

In addition, the Company conducts a specific assessment of human rights risk in the Company's business based on comprehensive quantitative and qualitative data collection and covers all business divisions. We conduct interviews with employees in operational and administrative positions, trade unions representatives and managers. In addition to quantitative data collection, HMCL also performs spot checks at various project sites to verify compliance with human rights standards. During site visits, we perform interviews with employees to obtain information about the individual's experience working with HMCL, including whether the individual has identified any potential risks relating to forced labour and/or modern slavery. This targeted approach enables a comprehensive analysis with regard to the specific risk being assessed. The Company's objective is to complete similar evaluations in each of the Company's locations to ensure comprehensive monitoring and ensure human rights compliance.

During its 2023 financial year, HMCL did not identify any instances of forced labour or child labour in its activities or those of its direct suppliers. Accordingly, no remediation measures (including with respect to loss of income for vulnerable families) were undertaken.

D. Training

HMCL's employees receive extensive training as part of onboarding with the Company. While a significant portion of employee training relates to workplace safety, each employee is required to attend a presentation relating specifically to human rights. The Company's employees receive ongoing training through mandatory bimonthly training sessions; the topics of the bimonthly training sessions vary but have included such topics as workplace safety, environmental awareness, and human rights.

In November of 2023, HMCL required each of its employees with Company computer access in Canada to complete an eLearning course called "Human Rights Introduction", which contained a module on child labour, modern slavery and forced labour. Completion of the eLearning course was verified to be 100% and



employees will be required to repeat this training every two years. The training covers topics such as equal treatment, child and forced labour, fair and safe working conditions, freedom of association, land rights and grievance procedures. Participants are confronted with various scenarios in order to recognize problems and respond appropriately. In addition, topics such as the Supplier Code of Conduct are addressed in other digital courses that HMCL offered in 2023.

In 2023, Heidelberg AG held in-person events on the topics of human rights, equal treatment and due diligence in 28 countries in which it operates. Over 10,000 employees from the global group took part in these training sessions, including managers as well as administrative and operational employees. The aim of these training sessions was to raise awareness of human rights issues and equal treatment and to train the workforce in careful and appropriate conduct. As part of the executive committee meetings and the annual meeting of the global legal departments, special training sessions were held for managers at the global level as well as for all heads of local legal and compliance departments. These training sessions focused on corporate due diligence in relation to human rights. In each of the training sessions, Heidelberg AG's obligations at a group and local level, and the responsibility for their implementation, were communicated with a particular focus on raising awareness of key human rights standards.

HMCL maintains a Compliance Incident Reporting and Case Management Policy which provides basic information and instructions on how to report compliance concerns and how to process and handle submitted complaints. The Company also ensures that individuals who report incidents are protected from retaliation.

E. Assessing Effectiveness

The Company's comprehensive due diligence process enables it to both identify risks and discover potential breaches. The Company uses quantitative and qualitative data collection that covers all business areas. Interviews with operational and administrative employees, trade union representatives and managers enable us to recognize risks at an early stage and identify potential violations.

HMCL maintains several reporting channels for the submission of stakeholder complaints, such as email, telephone, in person to the compliance team or via the "SpeakUp" whistleblower hotline. These reporting channels can be used by employees and any other stakeholders. Every report that is received is taken seriously and thoroughly investigated.

The reporting procedures are subject to the fundamental principles of confidentiality, non-retaliation, anonymity (if requested by the reporting person) and protection of the rights of the persons under investigation. Within 90 days of submitting a report, the reporting person receives feedback on the planned or already taken remedial measures and the reasons for such measures. In a final step, case-related and general reviews are carried out. This means that, on the one hand, specific remedial measures relating to the case are tracked according to their timetable and, on the other hand, the general effectiveness of the complaints procedure and remedial measures as a whole are reviewed.

Furthermore, the Company actively monitors media and reports about the Company and its industries and hold regular discussions with investors and other stakeholders to identify potential signs of non-compliance



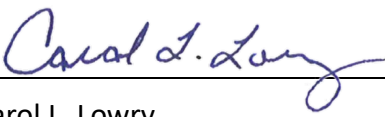
or increased risks from an external perspective. This continuous monitoring enables us to recognize potential human rights concerns at an early stage.

F. Approval and Attestation

This Report has been approved by HMCL's Board of Directors.

In accordance with the requirements of the Act, and in particular Section 11 thereof, I confirm that this report has been approved by the HMCL board of directors, and I attest that I have reviewed the information contained in this Report for the entity or entities listed above. Based on my knowledge and having exercised reasonable diligence, I attest that the information in the Report is true, accurate, and complete in all material respects for the purposes of the Act, for the reporting year listed above.

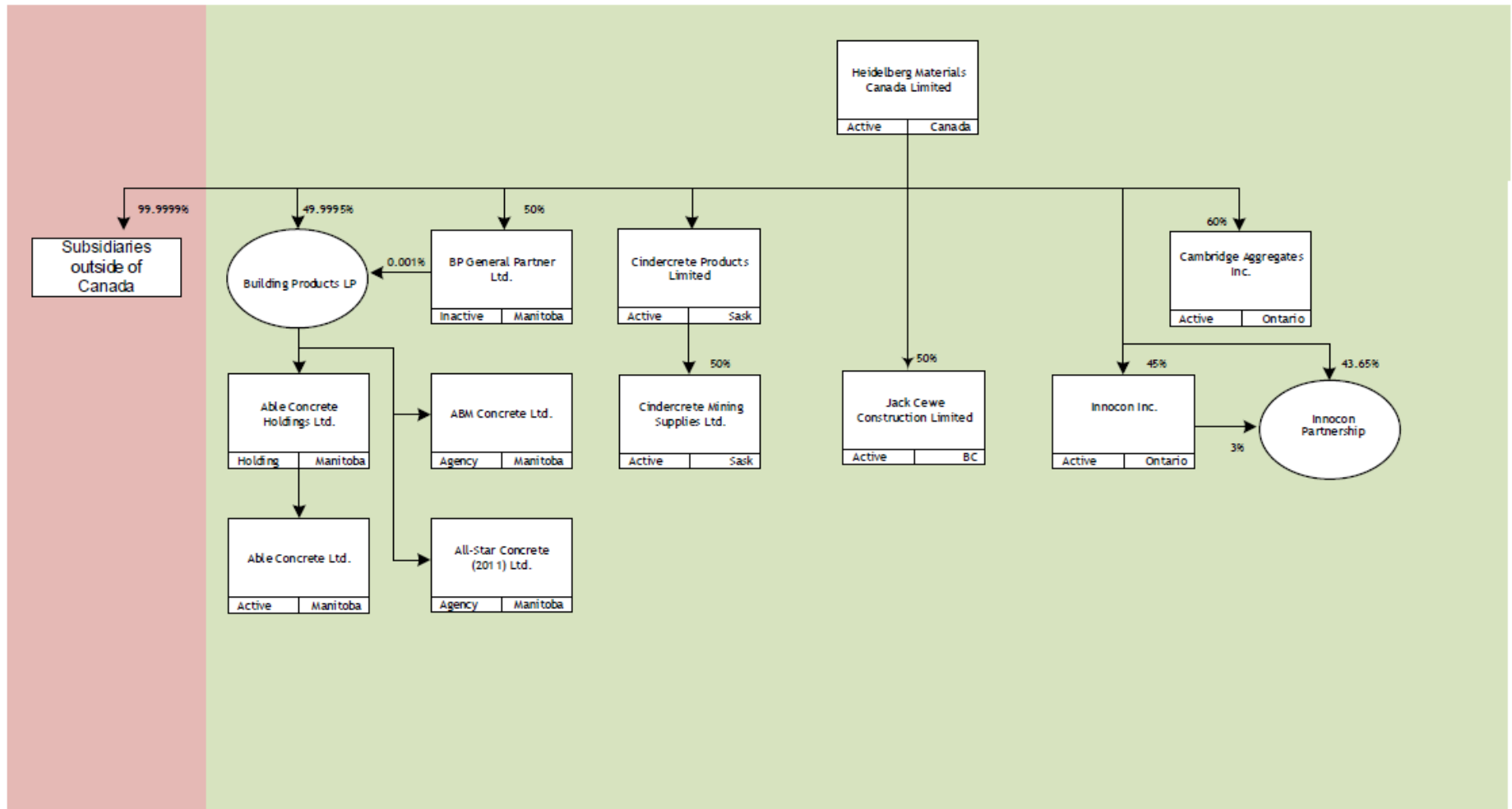
May 31, 2024

Signature: 
Name: Carol L. Lowry
Title: Vice President & Secretary
Date May 31, 2024

I have the authority to bind Heidelberg Materials Canada Limited.



Appendix 1 Corporate Structure





Appendix 2

Map of Operations

