Investment Stewardship Group

Voting Bulletin: HeidelbergCement AG

As part of our fiduciary duty, BlackRock's Investment Stewardship team (BIS) advocates for sound corporate governance and business practices that are aligned with long-term sustainable financial performance. This objective underpins all our engagements and votes at company meetings.

We engage company leadership on key topics emphasizing governance practices including management of environmental and social factors that potentially have material economic, operational or reputational ramifications for the company.

We determine our engagement priorities based on our observation of market developments and emerging governance themes, and evolve them year over year as necessary. The BIS team's key engagement priorities include:

1. Board quality
2. Environmental risks and opportunities
3. Corporate strategy and capital allocation
4. Compensation that promotes long-termism
5. Human capital management

Our approach to investment stewardship is grounded in an expectation that the board will oversee and advise management, influencing management's approach to key business issues. When effective corporate governance is lacking, we believe that voting against the responsible director(s) is often the most impactful action a shareholder can take.

We are committed to enhancing the transparency of our stewardship practices. Where we believe it will help to understand our voting decisions at shareholder meetings, we will publish a Voting Bulletin explaining the rationale for how we have voted on select resolutions, and (where relevant) provide information around our engagement with the issuer.

Company	**HeidelbergCement AG**
Market	Germany
Meeting Date	4th June 2020
Key Resolutions	**Item 4.1:** Approve Discharge of Supervisory Board Member Fritz-Jürgen Heckmann for Fiscal 2019
Board Recommendation	**Item 4.1:** FOR
BlackRock Vote	BIS voted AGAINST the discharge of Fritz-Jürgen Heckmann for the company's lack of progress on climate-related reporting.

Overview

BIS believes that as companies face material climate risks, they must demonstrate that management has assessed how climate may impact operations and determined an appropriate business strategy. As we describe in our commentaries on our Approach to Engagement on Climate Risk and Emissions, Engagement, and Transition to a Low-Carbon Economy, we expect robust disclosures of climate-related risks and opportunities in line with the recommendations of the Sustainability Accounting Standards Board (SASB) and the Task Force on Climate-related Financial Disclosures (TCFD). Greater transparency will contribute to improved market-level data, better engagements with shareholders, and more informed voting decisions aligned with long-term value creation.

In our engagements with companies on managing climate-related risks and opportunities and adapting to the energy transition, we are mindful of both the need for an acceleration of the market's approach to disclosure, and the challenges inherent to that task. We recognize that producing comprehensive disclosures requires a significant investment in resources and time on the part of a company. We also recognize that each company is unique, starting from its own baseline, with its own capacities and limitations. We seek to achieve a balance between recognizing a company's current position, while encouraging the appropriate urgency in advancing reporting and the practices underlying it.

Climate Risk

HeidelbergCement AG (HeidelbergCement) is a building materials company listed in Germany. Its products are used for the construction of houses, infrastructure and commercial and industrial facilities.

As a fiduciary on behalf of our clients, BIS has engaged with HeidelbergCement over the past several years on a range of governance and material sustainability topics, including climate-related disclosures. In November 2017, we wrote a letter to HeidelbergCement's chair of the management board and chair of the supervisory board, asking the company to closely review the TCFD framework and to consider reporting in alignment with its recommendations.[1]

Since sending our letter in 2017, HeidelbergCement has made a number of commitments to address climate-related risks. In 2019, the company established an ambitious target to reduce by 15% its scope 1 greenhouse gas (GHG) emissions and by 65% its scope 2 emissions per ton of cementitious materials by 2030 vs 2016.[2] The company also committed to offering CO2-neutral concrete by 2050, at the latest.

While the company's 2019 climate-related disclosures provide useful insights into these efforts, its limited progress in explicitly aligning its reporting with the TCFD recommendations and lack of public commitments to move towards TCFD-aligned reporting falls short of our expectations of large carbon emitters with a previous history of engagement with BIS on this topic.

Rationale for BlackRock vote

Item 4.1: Approve Discharge of Supervisory Board Member Fritz-Jürgen Heckmann for Fiscal 2019 (AGAINST)

HeidelbergCement is not an official TCFD supporter and has made no public commitment regarding the alignment of its disclosures with the recommendations of the TCFD. The company's 2019 annual report and its section dedicated to "climate and emissions protection" do not demonstrate sufficient progress since we

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[1] In Q4 2017, we sent letters to the CEOs and General Counsels at over 100 of the most carbon-intensive companies globally in BlackRock's equity portfolio. We asked them to review the TCFD's recommendations and consider reporting in alignment with them, and to engage with us so we can better understand the changes in reporting that might be necessary for them to achieve alignment and any obstacles the company anticipates.

[2] For more information, please see: https://www.heidelbergcement.com/en/pr-13-05-2019

sent our letter in 2017 towards aligning its climate-related disclosures with the TCFD recommendations.[3] In addition to the lack of explicit reference to the TCFD, the company's disclosures do not address some of the recommended disclosures of the TCFD framework such as a more detailed discussion on supervisory board oversight, risks and opportunities over the short, medium and long-term, and the resilience of the organization's strategy, taking into consideration different climate-related scenarios and disclosures on scope 3 emissions.

In line with our approach of holding directors accountable when a company is not effectively addressing a material issue, we voted against the discharge of Fritz-Jürgen Heckmann for lack of progress in relation to climate-risk reporting. Mr. Fritz-Jürgen Heckmann is chair of the supervisory board and the most senior non-executive director. In addition, there is no clearly identified supervisory board committee specifically in charge of the oversight of climate-related issues.

BIS voted in favour of all other management proposals.

We will continue to engage with the company on its governance practices and reporting on material business operational factors. Absent progress on public climate-related disclosures in alignment with the TCFD recommendations, we will continue to signal our concerns by voting against relevant supervisory board members who we consider having the responsibility for such oversight.

[3] For more information, please see:
https://www.heidelbergcement.com/system/files_force/assets/document/f2/98/annual_report_2019.pdf?download=1