ACCELERATING GREEN GROWTH

2021 INTEGRATED ANNUAL REPORT

HOLCIM

BECOMING THE GLOBAL LEADER IN INNOVATIVE AND SUSTAINABLE BUILDING SOLUTIONS

With our record 2021 performance we delivered what we promised under "Strategy 2022 – Building for Growth" one year in advance. With "Strategy 2025 – Accelerating Green Growth," we have begun our journey to become the global leader in innovative and sustainable building solutions and reach net zero by 2050.

BUILDING FOR net zero PEOPLE & PLANET

Cover image: Amazon's iconic headquarters in Seattle, where ECOPlanet delivered an 80% CO_2 reduction

BUILDING A GREENER WORLD

34–45

Leading the way in green building solutions

DELIVERING WHAT WE PROMISED

48–53

Strong foundations for our next era of growth

EXPANDING POSSIBILITIES

56–71

Expanding Solutions & Products and innovation

CONTENTS

Strategy 2025 is off to a fast start. We're acquiring market leaders in the US, France and beyond to strengthen our footprint in the most attractive construction segments, from roofing systems to insulation and renovation.

MALARKEY ROOFING PRODUCTS

In December 2021 we agreed to acquire Malarkey Roofing Products, a leader in the US residential roofing market. With projected 2022 net sales of USD 600 million, Malarkey offers a track record of double-digit growth in the highly profitable USD 19 billion US residential roofing market.

EXPANDING SOLUTIONS & PRODUCTS

PRB GROUP

In January 2022 we entered into an agreement to acquire PRB Group, France's biggest independent manufacturer of specialty building solutions with estimated 2022 net sales of EUR 340 million. PRB Group offers a broad range of high performance building solutions, from coatings and insulations to adhesives and flooring systems with advanced energy-efficiency and renovation solutions.

MAKING GREEN BUILDING A REALITY AROUND THE WORLD

54
MILLION TONS
OF WASTE RECYCLED ACROSS OUR BUSINESS IN 2021

LIVING TOMORROW COMPLEX (BELGIUM) HAS ECOPACT INSIDE WITH

70%
lower CO_2

EIGHT GARDENS, (UK) HAS ECOPACT INSIDE WITH

64%

lower CO_2

ICONIC TOWER, (EGYPT) HAS ECOPLANET INSIDE WITH

60%

lower CO_2

MVULE GARDENS (KENYA) HAS TECTORPRINT INSIDE WITH

50%

lower material footprint

BOSTON UNIVERSITY (US) HAS ECOPACT INSIDE WITH

30%

lower CO_2

AFFORDABLE HOUSING (ECUADOR) HAS ECOPACT INSIDE WITH

60%

lower CO_2

2021 RECORD FINANCIAL RESULTS

Record Results, Strategy 2022 Achieved One Year In Advance

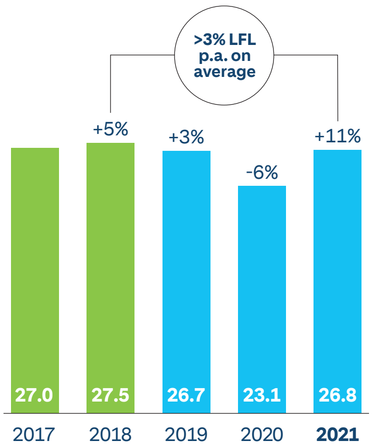
CHF
26,834M
NET SALES

CHF
4,612M
RECURRING EBIT

KEY ACHIEVEMENTS IN 2021

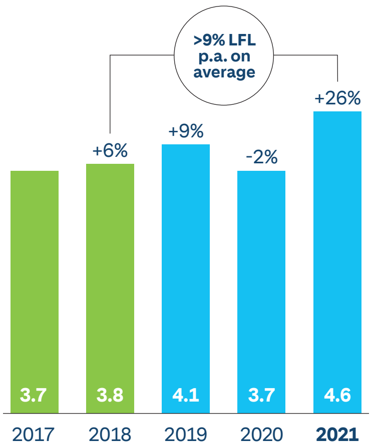
CHF
26.8BN

NET SALES (CHF BN)



CHF
4.6BN

RECURRING EBIT[1] (CHF BN)



STRATEGY 2022

NET SALES	2021 PERFORMANCE	RECURRING EBIT AT LEAST	2021 PERFORMANCE
3–5% LFL P.A.	✓	7% LFL P.A.	✓

[1] 2017 and 2018 are not restated for IFRS 16 "Leases"
[2] 2017 and 2018 reflect the former alternative performance measure indicator "Free Cash Flow"
[3] After leases

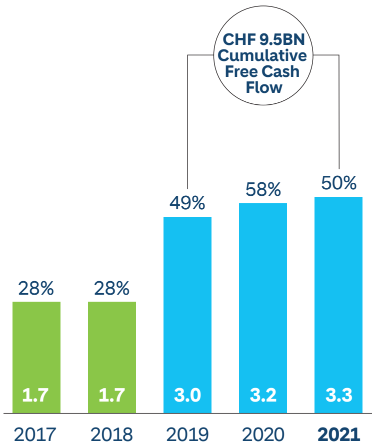
ESG RATINGS

V.E	Holcim achieved Vigeo.Eiris' (V.E) highest rating of 'A1+' – Top 2% ranking worldwide – Best Energy Transition score within the industry
MSCI ESG RATINGS	MSCI upgraded ESG rating of 'A' – Top 19% ranking within Construction Materials universe
SUSTAINALYTICS RATED	Sustainalytics ranked Holcim top 6% in ESG Risk Rating and strongest score in the industry for management of material ESG issues
CDP	Holcim recognized as a Global Climate Leader for tackling climate change and a member of CDP's prestigious 'A List' for the second year running

CHF

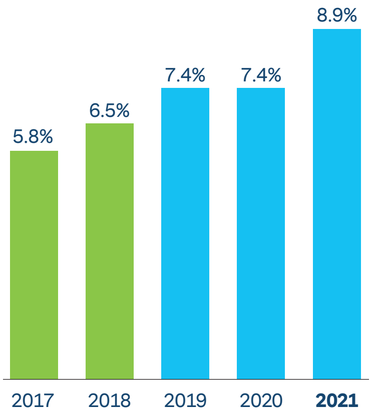
3.3BN

FREE CASH FLOW[1, 2, 3] (CHF BN)
AND CASH CONVERSION[1] (%)



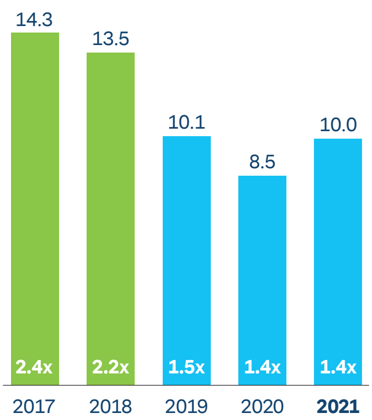
8.9%

ROIC[1] (%)



1.4x

LEVERAGE RATIO[1] (x)
AND NET FINANCIAL DEBT[1] (CHF BN)



CASH CONVERSION >40%	2021 PERFORMANCE ✓	**ROIC** >8%	2021 PERFORMANCE ✓	**LEVERAGE** BELOW 2x	2021 PERFORMANCE ✓

CHAIRMAN'S STATEMENT

> **"My sincere thanks go to all our front-line workers for keeping our communities safe while playing an essential role to keep society running."**

DEAR SHAREHOLDERS

On behalf of the Board, I would like to start by expressing our deepest appreciation to all our teams, and in particular all our front-line workers who have worked tirelessly to ensure the safety of our people and communities this year. Their work enabled us to keep on playing our role, as an essential sector, to keep society running.

Despite the turbulence of the pandemic, our Group delivered record results again this year, across both our financial indicators and our Environmental, Social and Governance (ESG) metrics. On behalf of the Board I sincerely thank our management and teams for their commendable resilience and agility, delivering such remarkable results in very challenging circumstances.

Importantly, we also took the opportunity to progress our strategic transformation, with the launch of our "Strategy 2025 – Accelerating Green Growth" as a catalyst to deliver our vision to become the global leader in innovative and sustainable building solutions.

Another significant milestone for our Group is how we united all our market brands under our new Holcim Group identity, reflecting our shared purpose to build progress for people and the planet.

In 2021 we became the first company in our industry with net-zero targets for 2030 and 2050 validated by the Science-Based Targets initiative (SBTi). As no single company can reach net zero alone, our targets cut across our entire value chain, from our suppliers to our customers, to make a bigger difference together. We look forward to sharing with you our Climate Transition Report, a first in our sector that will detail our plan to reach our ambitious climate goals.

We actively put our business to work to play our part. We are making cities greener with our low-carbon materials, from ECOPact green concrete to ECOPlanet green cement. We are empowering smarter infrastructure, from green mobility to renewable energy. We are working to improve living standards for all with affordable housing. Driving circular construction, we are recycling materials across our business to minimize waste and preserve nature's resources.

We accelerated our nature-positive journey this year with the launch of our nature strategy. With this milestone we became the first in the construction sector to commit to a measurable positive impact on biodiversity and the replenishment of freshwater in areas where water risk is high. We are committed to reconciling nature and cities with solutions ranging from Firestone green roofs to Hydromedia permeable concrete.

"The Holcim Group identity reflects our shared purpose to build progress for people and the planet."

PROPOSED DIVIDEND

CHF

2.20

FOR 2021

All of this is done with heartfelt commitment to our people and communities. Respect for human rights is at the core of everything we do and a non-negotiable value for us and all our business partners. We are committed to thriving with our communities around the world, and we actively invest to enhance their livelihoods, with initiatives cutting across health, education and skill development. We are also deploying our innovation to bridge our world's infrastructure gap in many ways. For instance this year, we built the world's first 3D-printed school in Malawi, and are now leveraging this experience to build Africa's largest 3D-printed affordable housing complex in Kenya.

All of this is made possible by you, our shareholders, and your continued trust every day, as well as the dedication of our 70,000 people around the world. This report is a testimony to their passion and drive to build progress for people and the planet every day. I hope you will be as inspired as I am by their many achievements this year, which are reflected in the pages that follow.

On behalf of the Board of Directors, I sincerely thank you for your continued trust, which gives us the confidence to keep on advancing our mission.

BEAT HESS
Chairman

"We owe our Group's record financial and ESG results to the invaluable trust of our shareholders and the resilience of our teams."

Q&A
WITH JAN JENISCH

> **“Our future is Circular Construction. My vision is to build new from the old with recycled materials.”**

Delivering Record Financial Results
26.8BN Net sales (CHF)
4.6BN Recurring EBIT (CHF)
8.9% ROIC
50% CASH CONVERSION
10.0BN NET DEBT (CHF)

Q WHAT WERE YOUR HIGHLIGHTS FOR 2021?

A First and foremost, I’m proud of our employees for keeping our people and communities safe. They navigated the COVID pandemic with extraordinary resilience and agility to deliver a record year for Holcim.

From a financial perspective we reached new levels of performance across all our key metrics, from net sales of CHF 26.8bn and over-proportional recurring EBIT of CHF 4.6bn, all the way to a net debt ratio of 1.4×. This is especially impressive for a year when we welcomed Firestone Building Products into the Group, accelerating our transformation to become the global leader in innovative and sustainable building solutions.

This was made possible by our empowered local leaders and high-performance culture. With our focus on impact, we delivered our Strategy 2022 one year in advance, setting solid foundations for our next era of growth.

We did this while putting sustainability at the core of our strategy, accelerating the deployment of our green building solutions, from ECOPact green concrete to smart roofing systems.

Q CAN YOU TELL US ABOUT “STRATEGY 2025 – ACCELERATING GREEN GROWTH?”

A A key driver of our “Strategy 2025 – Accelerating Green Growth” is our goal to reach 30% of Group net sales in Solutions & Products by 2025. With our new level of performance, we have the firepower to invest in the opportunities ahead to become the global leader in innovative and sustainable building solutions.

We have started off fast with our agreements to acquire Malarkey Roofing Products in the United States, a leader in residential roofing systems, and PRB Group, a leader in specialty building solutions in France. Both brands are recognized in their respective markets for their leadership in innovation and sustainability with advanced solutions from energy efficiency to renovation.

Firestone is obviously also a key part of this journey with its advanced flat roofing systems for commercial applications, with a broad range of solutions from green to cool roofs. It is already delivering double-digit sales growth and we have started its expansion into Latin America.

Q WHAT ABOUT THE OTHER BUSINESS SEGMENTS?

A Cement, ready-mix concrete and aggregates are integral to our strategy and vision. On our net-zero journey we are committed to leading their green transformation.

Today we offer the industry's broadest range of green concrete ECOPact and green cement ECOPlanet, starting with a 30% lower carbon footprint compared to standard and local materials and can go all the way to carbon neutral.

We keep on investing in innovative low-carbon raw materials to expand our green product formulation, from calcined clay and carbonated olivine, all the way to recycled construction and demolition waste.

Q SO WHAT IS YOUR VISION FOR THE FUTURE OF CONSTRUCTION?

A Our future is Circular Construction. Circularity is the opportunity of our time. It unlocks economic growth in a way that is climate-friendly, nature-positive and socially inclusive.

At Holcim, we are at the forefront of leading the shift to circular construction, innovating across three areas. We are recycling materials across everything we do with a focus on urban mining. We are reducing material use and buildings' footprint through smart design and low-carbon solutions. And we are enabling the reuse of buildings, keeping them in use as long as possible, with green retrofitting, repair and renovation.

In Switzerland, we launched the world's first green cement Susteno with 20% recycled construction & demolition waste inside. This is just the beginning and we know we can go much further. I'm excited about the many opportunities ahead to scale up circular solutions that are good for people and the planet.

Q SO WHAT'S NEXT?

A More innovation. We're working on a range of next generation technologies, from digitalization and artificial intelligence, to breakthrough solutions like magnetizable concrete enabling road surfaces to recharge electric vehicles, all the way to over 30 pilot projects in carbon capture, usage and storage. We are partnering with the best and brightest minds around the world to get there faster, from start-ups, to like-minded companies, all the way to leading academics from MIT to ETH. Together we can make a bigger difference to accelerate our world's shift to net zero.

> **"First and foremost, I'm proud of our employees for keeping our people and communities safe."**

ACCELERATING GREEN GROWTH

Jan Jenisch visiting Holcim's recycling center in Switzerland (left) and inaugurating Striatus Bridge in Venice (right).

KEY ACHIEVEMENTS IN 2021

BUSINESS ACHIEVEMENTS

Record performance
Strategy 2022 achieved one year in advance with record net sales growth, Recurring EBIT, ROIC, cash conversion and leverage

Firestone roofing platform reaches double-digit sales growth

Launch new Group identity reflecting our vision to become the global leader in innovative & sustainable building solutions

Twelve bolt-on acquisitions delivering growth in ready-mix and aggregates

Agreement to acquire Malarkey Roofing Products in US

Best-in-class performance in Health & Safety

DEPLOYING GREEN BUILDING SOLUTIONS

ECOPact one-year anniversary, now in 24 markets and all regions

ECOPlanet in 15 markets in under one year

TectorPrint, proprietary 3D printing ink enabling smart design

DYNAMax ultimate performance concrete for design flexibility

19 solutions labelled by Solar Impulse as 'good for the planet'

First in building industry with 2050 net-zero roadmap endorsed by SBTi

30+ CCUS projects such as mineralized CO_2 as low-emission raw material for green cement

ECOPACT

With ECOPact Holcim was awarded Best Green Building Material and Best of the Best at the Sustainability Awards hosted by Architecture & Design Australia.

RECOGNITIONS

Recognized as global climate leader; one of seven companies with 2050 net-zero targets validated by SBTi and CDP A ranking for second year in a row

ECOPact awarded most sustainable building material from Australia to Canada

Striatus awarded best design innovation by European Cultural Center

Fast Company top innovator in urban development for affordable housing with 14Trees

World's Top Female Friendly Companies 2021

Prince Michael International Road Safety Award Winner

PARTNERSHIPS

Founding member of First Movers Coalition launched by US Secretary Kerry at COP26 in Glasgow

Holcim launches Circular Cities Barometer with Bloomberg Media

Founding member of MIT Climate & Sustainability Consortium, putting innovation to work for the climate

Circular Explorer launched in Hamburg to clean up our oceans in partnership with One Earth-One Ocean

100+ start-up partnerships for breakthrough solutions like magnetizable concrete to charge electric cars with Magment

MEGATRENDS AND OPPORTUNITIES

With today's megatrends, from the rise in population and urbanization to improving living standards, the construction sector has never been more attractive.

SIX MEGATRENDS

POPULATION GROWTH

From ~8 billion today to ~10 billion by 2050

BETTER LIVING STANDARDS

Increased demand for better living standards and more efficient infrastructure

URBANIZATION AND MEGACITIES

Approximately 2.5 billion more people are expected to live in cities by 2050

SUSTAINABLE CONSTRUCTION SOLUTIONS

Higher demand for sustainable construction solutions due to resource scarcity & climate change

INNOVATION-DRIVEN BUILDING

Accelerated by light and modular construction solutions

REPAIR & REFURBISHMENT

More repair & refurbishment driving urban demand

THE OPPORTUNITIES WE HAVE ARE ENORMOUS

AT THE FOREFRONT OF INNOVATIVE & GREEN BUILDING SOLUTIONS

Making green building possible at scale for a net-zero future

LEADING THE CIRCULAR ECONOMY & REDUCING OUR CARBON FOOTPRINT

Reduce, Reuse and Recycle across everything we do to “build more with less”

CREATING SUPERIOR STAKEHOLDER VALUE

Delivering superior financial and ESG performance

MOVING CLOSER TO CUSTOMERS WITH SOLUTIONS & PRODUCTS

A platform for innovation and above market growth across the construction value chain

STRATEGY 2025 – ACCELERATING GREEN GROWTH

OUR FOUR STRATEGIC PRIORITIES

ACCELERATING GROWTH

With today's megatrends, from the rise in population and urbanization to improving living standards, the construction sector has never been more attractive. In this context, we will accelerate growth across all our markets with leading profitability and cash flow. Holcim's profitable growth will be driven by innovative building solutions, from ECOPact green concrete to energy-efficient roofing systems. We will lead cement's green transformation, with solutions like ECOPlanet, including the world's first cement with 20% construction & demolition waste inside. We will further fuel our company's growth with bolt-on acquisitions in mature markets in the aggregates and ready-mix concrete businesses. Strengthening our performance, we will scale up digitalization across our value chain, from operations and distribution to customer experience (see box).

Foundation Louis Vuitton, Paris, France Built with Ductal in 2014 Architect: Gehry Partners

DIGITALIZATION

Digital technologies are central to our ability to build smarter and greener. We are digitalizing the construction value chain at scale, from operations to distribution and sales. We also harness open innovation to create an agile and data-driven culture, building a construction industry that is more transparent and collaborative.

EXPANDING SOLUTIONS & PRODUCTS

Thirty percent of our net sales will come from Solutions & Products by 2025. Growing closer to our customers, this business will expand its range of integrated solutions and systems from construction and energy efficiency to repair and refurbishment. This builds on our acquisition of Firestone Building Products, a global leader in roofing systems, as a new growth and innovation engine for the company. Roofing sales are already delivering double-digit growth in the USD 50 billion global flat roofing market and will double them to USD 4 billion by 2025 with strategic investments and acquisitions.

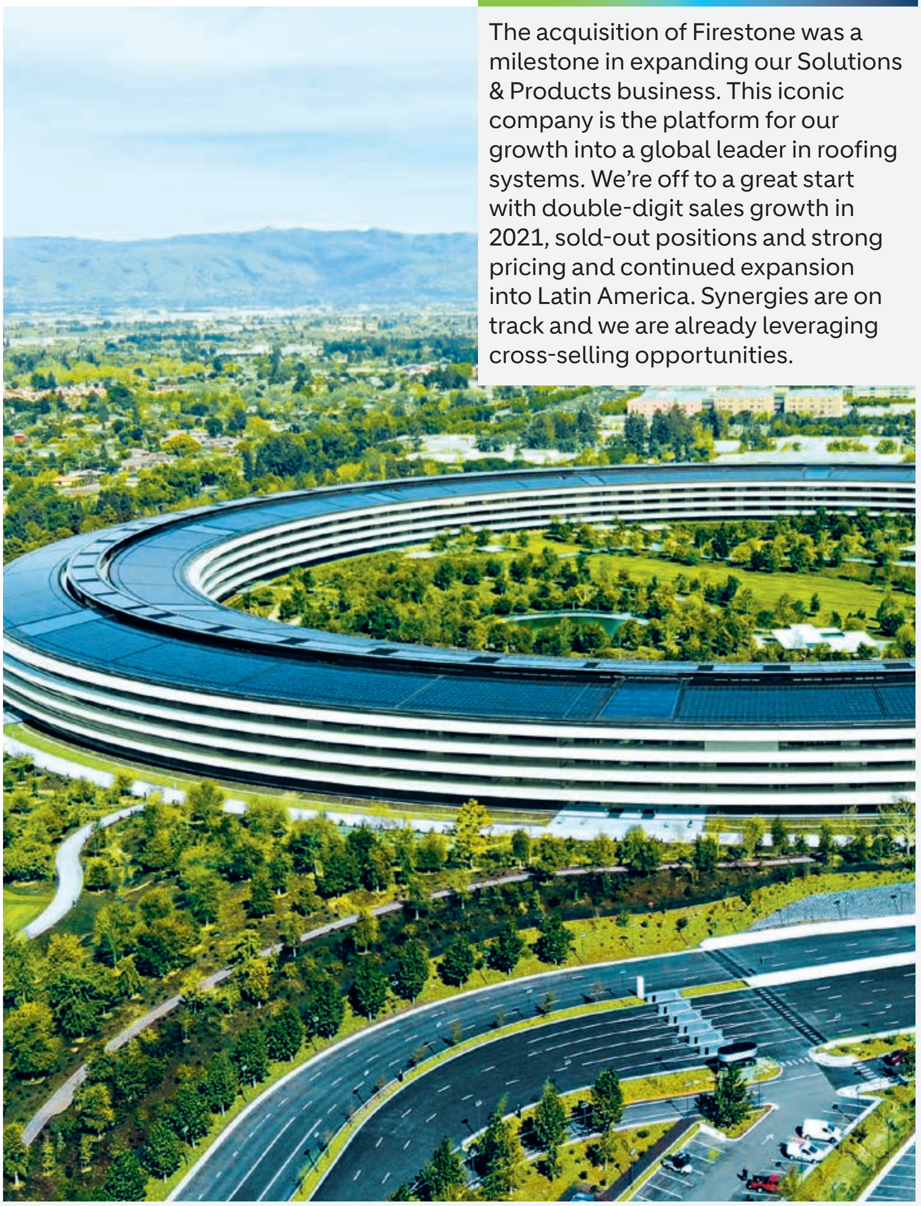
SOLUTIONS & PRODUCTS

3.6BN

2021 NET SALES (CHF)
(+10.1% LFL)

FIRESTONE BUILDING PRODUCTS

The acquisition of Firestone was a milestone in expanding our Solutions & Products business. This iconic company is the platform for our growth into a global leader in roofing systems. We're off to a great start with double-digit sales growth in 2021, sold-out positions and strong pricing and continued expansion into Latin America. Synergies are on track and we are already leveraging cross-selling opportunities.



Firestone solar roof at Apple Park, Cupertino, USA

STRATEGY 2025 – ACCELERATING GREEN GROWTH

OUR FOUR STRATEGIC PRIORITIES

LEADING IN SUSTAINABILITY & INNOVATION

Sustainability is at the core of our strategy, with the industry's first 2050 net-zero targets, validated by the Science Based Targets initiative (SBTi). Holcim will remain at the forefront of green building solutions, with 25% of ready-mix net sales coming from ECOPact, ranging from 30% to 100% lower CO_2 footprint. Leading the circular economy, we will recycle 75 million tons of materials across our business – including 10 million tons of construction & demolition waste by 2025. We will continue to deploy smart technologies, from 3D printing using 70% less materials, to green mineral components like calcined clay. We will further develop next-generation technologies, including 30 pilot projects in carbon capture, utilization and storage, in line with our target to operate at least one net-zero plant by 2030.

Our innovation is focused on building greener cities

PLANTS OF TOMORROW

The Plants of Tomorrow initiative brings together a range of innovations aimed at improving performance, circularity and carbon neutrality. We aim to accelerate the adoption of new technologies and solutions across our entire value chain, from quarry to lorry. To date, we have deployed 800 applications across 180 plants, utilizing technologies from automation and robotics to artificial intelligence and digital twins. By 2025 we will reach more than 5,000 deployments.

DELIVERING SUPERIOR PERFORMANCE

We will deliver superior financial and ESG performance with best-in-class financial KPIs and a disciplined investment strategy, centered around sustainability, to drive profitability.

We will deliver these results by fostering a high-performance culture while operating at the highest level of ethics and integrity.

Our financial targets are:

3–5%
NET SALES
(Growth LFL)

OVER-PROPORTIONAL
increase in Recurring EBIT LFL

45%
CASH CONVERSION

10%
RETURN ON INVESTED CAPITAL IN 2025

Ratio of net financial debt to EBITDA of under 1.5x in 2025

Our strategy includes ambitious 2025 sustainability targets in line with Holcim's net-zero roadmap, validated by the SBTi:

25%
of ready-mix sales from ECOPact, with 30% to 100% lower CO_2 footprint

10
MILLION TONS
P.A.
of construction & demolition waste recycled in our products and 75 million tons of waste recycled overall

500M
CHF OF GREEN CAPEX
P.A.

>40%
of financing agreements linked to sustainability goals

Parndorf Shopping Center, Austria, built with Firestone's RubberGard EPDM roofing system

SUSTAINABILITY AT THE CORE OF OUR STRATEGY

2021 PERFORMANCE

CLIMATE & ENERGY

In 2021, net CO_2 emissions directly under our control (Scope 1) decreased by 1% to 553 kilograms of CO_2 per ton. Our efforts in the use of clean electrical energy helped decrease indirect emissions (Scope 2) to 34 kg net CO_2/ton. Scope 3 emissions intensity showed good progress and reduced in the categories of fuels and purchased clinker and cement. In absolute terms our Scope 3 emissions totaled 30 million tons. These emission reductions show continued progress toward our net-zero ambition. See pages 36–41.

553
KG NET CO_2
EMISSIONS PER TON OF CEMENTITIOUS MATERIAL (SCOPE 1)

CIRCULAR ECONOMY

Our Circular Economy results in 2021 were outstanding, growing 17% to 54 million tons of materials recycled across our business, maintaining our place as a world leader in recycling. By 2030 we will nearly double this amount to 100 million tons. In 2021 our recycled content in cement increased to 24%, on the way to our goal of 30% by 2030. We are also focused on recycling construction and demolition waste (CDW), with 6.6 million tons recycled in 2021, making good progress toward recycling 10 million tons of CDW by 2025. See pages 11, 34–35, 37 and 62.

54
MILLION TONS
OF WASTE RECYCLED

NATURE

For Holcim, nature encompasses two main elements: water and biodiversity. In 2021 we made great progress towards strategic targets for water and reduced freshwater withdrawal in cement to 259 liters/ton and for the first time disclosed specific freshwater withdrawal for both our Aggregates and Ready-Mix Concrete businesses. Our nature strategy placed us among the first 1% of the 500 largest global companies with science-driven biodiversity targets. At the end of 2021, over 93% of our quarries have Rehabilitation plans and Biodiversity Management plans (for those of high biodiversity importance) in place, putting us well on track to meet our 2022 targets. See pages 42–43.

259
LITERS OF FRESHWATER
WITHDRAWN PER TON OF CEMENTITIOUS MATERIAL

PEOPLE

We are committed to respect human rights and to empower people and communities to build a better future. In 2021 we committed to contributing CHF 500 million to create positive social impact cumulatively by 2030. In 2021, we invested CHF 43 million on housing and infrastructure, health, education and skills, showing an increase of 19% from the prior year. COVID-19 was still present and our teams continued to implement an extraordinary range of measures at country level. Putting our commitment into practice, 100% of our operating countries now have a human rights assessment process and action plan in place. See pages 44–45.

43
MILLION (CHF)
CONTRIBUTION IN SOCIAL INITIATIVES

OUR BUSINESS SEGMENTS

Holcim is the global leader in building materials and solutions and active in four business segments: Cement, Aggregates, Ready-Mix Concrete and Solutions & Products. Following our pledge to net zero, our ambition is to lead the industry in reducing carbon emissions and shifting towards low-carbon construction.

CEMENT

We offer an extensive line of sustainable and innovative cements and hydraulic binders. At a basic level, the market can be broadly segmented into bag and bulk cement, with emerging markets generally the largest consumers of bagged cement. Industrialized countries are mainly bulk markets, as cement is mainly consumed by larger business-to-business customers such as construction companies or building products manufacturers. We are constantly working on making ever-more sustainable cement, whether by reducing carbon emissions from its manufacture or by closing the building materials lifecycle. Our circular cement Susteno, for example, has 20% recycled concrete inside.

CEMENT

16.4BN

SALES (CHF)
2020: 15.0BN

READY-MIX CEMENT

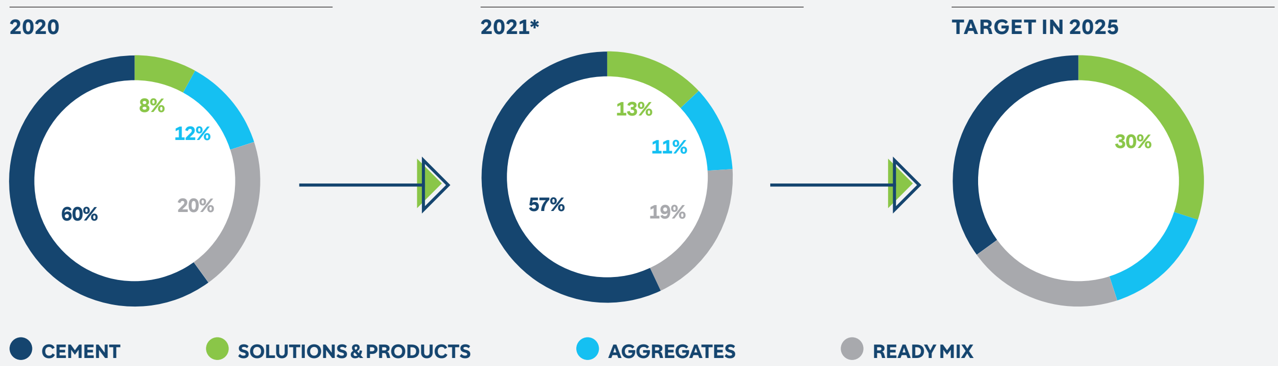
Customers value the quality and consistency of our ready-mix concrete products, the breadth of our portfolio, our expertise in large projects, and our flexibility and reliability. We also offer a range of innovative concretes including self-leveling concrete, architectural concrete, insulating concrete and pervious concrete. We also innovate for sustainable materials and are increasing our portfolio of low-carbon concrete solutions. In 2021 ECOPact, the industry's broadest range of green concrete, delivered high-performing, sustainable and circular benefits in 24 markets worldwide. DYNAMax, the ultimate performance concrete, is also being launched in Europe, Latin America, North America and Asia Pacific.

READY-MIX CONCRETE

5.2BN

SALES (CHF)
2020: 4.6BN

SOLUTIONS & PRODUCTS: ACCELERATE GROWTH TO REACH 30% BY 2025



* 2021 includes 9 months' contribution from Firestone; Malarkey Roofing Products acquisition expected to close in Q1 2022 and PRB acquisition expected to close in Q2 2022

AGGREGATES

Our aggregates are used as raw materials for concrete, masonry and asphalt and as base materials for roads, landfills and buildings. As such, they are a key component of construction. Crushed stone, gravel and sand are all typical aggregates. Most aggregates are produced by blasting hard rock from quarries and then extracting and crushing it. Aggregate production also involves the extraction of sand and gravel from both land and marine locations. Increasingly, we supply recycled aggregates, which can be made from construction waste. These recycled aggregates replace the need for quarry extraction and contribute to a truly circular economy in the construction industry.

AGGREGATES

4.0BN

SALES (CHF)
2020: 3.7BN

SOLUTIONS & PRODUCTS

Solutions & Products is our growth segment, with a target to generate 30% of net sales by 2025. Growing closer to our customers, we will expand our range of integrated solutions and systems from construction and energy efficiency to repair and refurbishment. This builds on our 2021 acquisition of Firestone Building Products, a global leader in roofing systems, as a new growth and innovation engine for our company. Roofing sales already delivered double-digit growth in the USD 50 billion global flat roofing market in 2021, and we aim to double that to USD 4 billion by 2025. This will be supported by Malarkey Roofing Products, a leader in the US residential roofing market, which we agreed to acquire at the end of 2021.

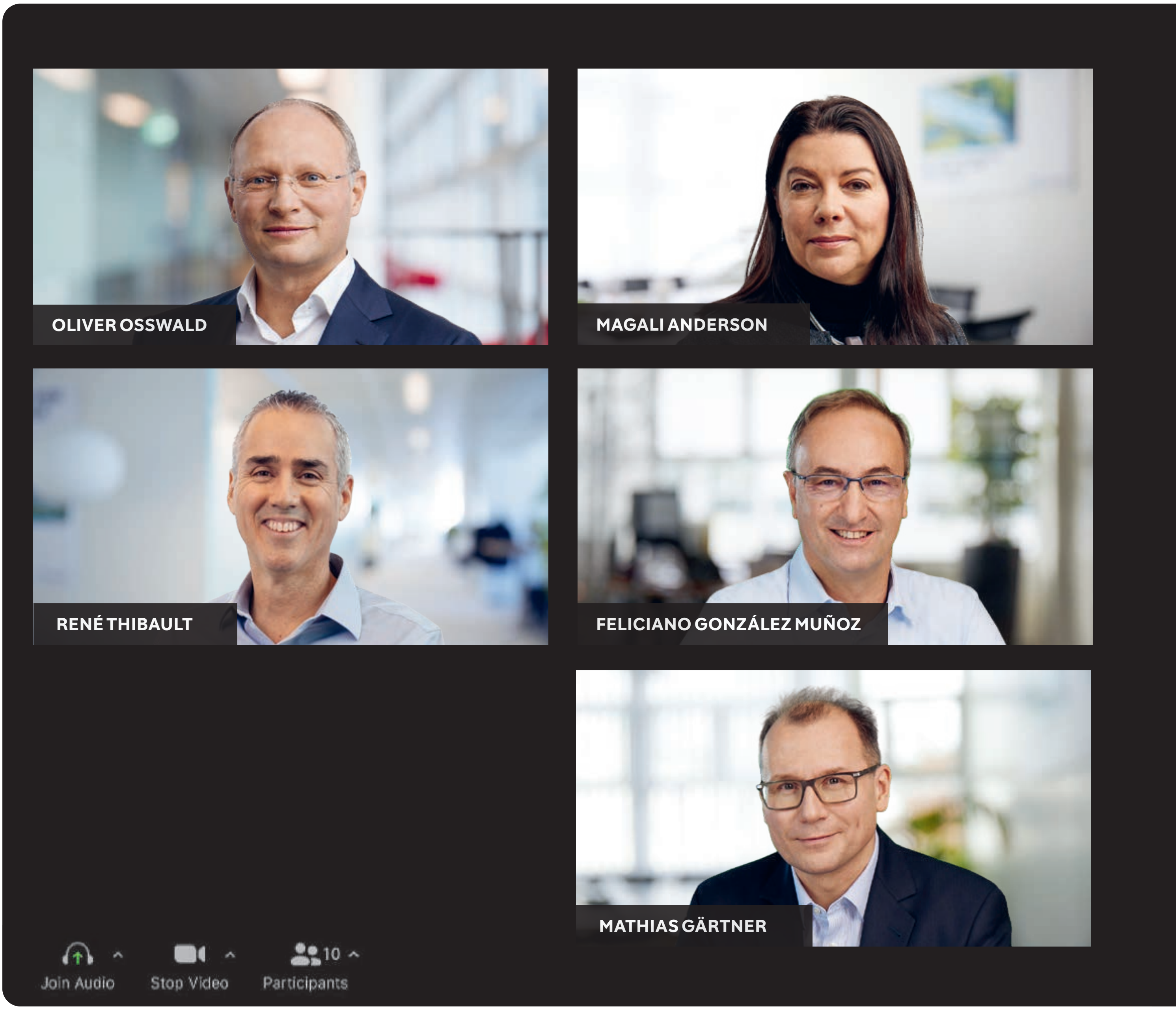
SOLUTIONS & PRODUCTS

3.6BN

SALES (CHF)
2020: 1.9BN

MEET THE LEADERSHIP TEAM

Staying connected while always maintaining health and safety as our core value to become the global leader in innovative and sustainable building solutions.



OLIVER OSWALD
Region Head
Latin America

RENÉ THIBAULT
Region Head
North America

MAGALI ANDERSON
Chief Sustainability
and Innovation Officer

FELICIANO GONZÁLEZ MUÑOZ
Head Human Resources

MATHIAS GÄRTNER
Head Legal & Compliance

JAN JENISCH
Chief Executive Officer

MARTIN KRIEGNER
Region Head Asia Pacific

JAMIE M. GENTOSO, P.E.
Global Head, Solutions &
Products Business Unit

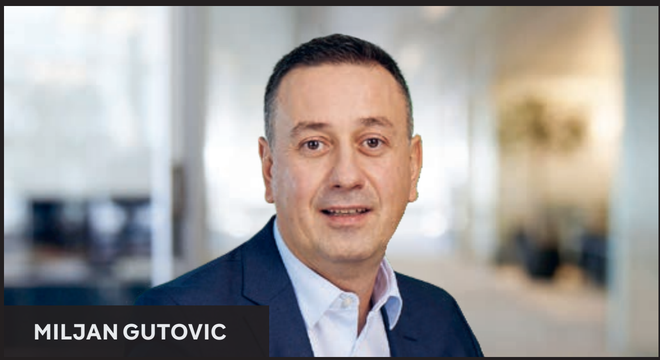
GÉRALDINE PICAUD
Chief Financial Officer

MILJAN GUTOVIC
Region Head EMEA


JAN JENISCH


GÉRALDINE PICAUD


MARTIN KRIEGNER


MILJAN GUTOVIC


JAMIE M. GENTOSO, P.E.

End

OUR MODEL FOR GROWTH AND VALUE CREATION

RESOURCES

~70,000
Colleagues

266
Cement and grinding plants

661
Aggregates plants

1,374
Ready-mix concrete plants

286
Active patents families in our portfolio, balanced across our value chain

~65%
Share of patents relating to sustainable solutions*

* Not including the patents of Firestone.

BUSINESS SEGMENTS

CEMENT
From classic masonry cements to high performance products tailored for specialized settings, we offer an extensive line of sustainable and innovative cements and hydraulic binders.

READY-MIX
Concrete is the world's second most consumed substance by volume after water. We stand apart through the quality and consistency of our products, the breadth of our portfolio and our innovative solutions.

AGGREGATES
Our aggregates serve as raw materials for concrete, masonry and asphalt as well as base materials for buildings, roads andlandfills. Our recycled aggregates are composed of crushed concrete and asphalt from deconstruction.

SOLUTIONS & PRODUCTS
Supported by technical expertise and decades of experience, we deliver roofing and other solutions that are targeted to customers' specific needs. Our local market knowledge combined with R&D capabilities allows us to develop and scale up new solutions.

On our way to becoming the global leader in innovative and sustainable building solutions

STRATEGIC PRIORITIES

ACCELERATING GROWTH

EXPANDING SOLUTIONS & PRODUCTS

LEADING IN SUSTAINABILITY & INNOVATION

DELIVERING SUPERIOR PERFORMANCE

VALUE CREATED IN 2021

FINANCIAL

CHF **26,834 M**
Net sales (+11.3% growth like-for-like)

CHF **4,612 M**
Recurring EBIT (+ 25.7% growth like-for-like)

CHF **3,264 M**
Free Cash Flow after leases

8.9%
Return on invested capital

NON-FINANCIAL

553 KG
CO_2 emitted per ton of cementitious material

54 M
Tons of waste recycled in operations

259 L
Freshwater withdrawn per ton of cementitious material

CHF 43 M
Contribution in social initiatives

MATERIAL PRIORITIES

Materiality provides an essential lens through which we determine our approach for building long-term value for all our stakeholders.

WHY MATERIALITY MATTERS

- Stakeholder engagement
- Risk management
- Identify opportunities

METHODOLOGY

IDENTIFICATION
of issues and stakeholder groups

STRATEGIC ALIGNMENT
of survey/questions using clear criteria, on business strategy and sustainability pillars, aligned to our risk management approach

ISSUE RATING
of internal and external stakeholders scored against defined criteria

VALIDATION
of materiality matrix by senior management

MATERIALITY IN 2021

In 2021 we reached significant milestones in addressing some of our most material issues. We also became the first in our industry to establish 2050 net-zero targets on all scopes validated by the Science Based Targets initiative (SBTi).

The Health and Safety of our employees and contractors is one of our most material issues. In 2021, Holcim introduced a new health, safety and environment (HSE) operating model based on the three pillars of critical risk management, workforce engagement and continuous improvement. Both illness and injury rates improved.

We also sharpened our focus on sustainable construction by adding, among other targets, a specific 2025 target to recycle 10 million tons of construction and demolition waste into our own products and a target for ECOPact green concrete to account for 25% of ready-mix net sales by the same year.

While we did not conduct a new materiality assessment in 2021, we continued to consult with key stakeholders, notably through a review of our salient human rights risks conducted through a global survey, interviews with senior management, and input from human rights experts and community members. For more detail see page 45.

MATERIALITY MATRIX

The issues that we will focus on in the next 3–5 years in order to create value for all stakeholders.

- FOCUS
- MONITOR & MANAGE
- MAINTAIN

Importance to external stakeholders	Medium	High	Very high
Very high		• Energy costs, efficiency and sourcing • Impact of climate change on our operations • Waste derived resources and circular economy	• Business ethics and compliance • Corporate governance • Greenhouse gas emissions • Health and safety • Sustainable products, innovation and technology
High	• Biodiversity management and quarry rehabilitation • Water management	• Air emissions • Cyber threat and data protection • Employee diversity and inclusion • Employee development and engagement • Human rights • Industry and market changes • Local community engagement, impact and value creation • Supply chain management • Transport and logistics • Return on invested capital	• Cash conversion • Customer relations and satisfaction • Pricing integrity and anti-trust compliance
Medium	• External hazards (non-climate related) • Internal waste management	• Financial related risk	
Low	Medium	High	Very high

Importance for the future value of Holcim as rated by internal stakeholders

OUR GLOBAL PRESENCE

We have the largest global footprint in our industry with a presence in around 60 countries across the world.

CEMENT PLANT
GRINDING PLANT

OUR BUSINESS SEGMENTS

CEMENT
16.4BN
SALES (CHF)
2020: 15.0BN

AGGREGATES
4.0BN
SALES (CHF)
2020: 3.7BN

READY-MIX CONCRETE
5.2BN
SALES (CHF)
2020: 4.6BN

SOLUTIONS & PRODUCTS
3.6BN
SALES (CHF)
2020: 1.9BN

NORTH AMERICA

NET SALES (CHF)
7,316M
2020: 5,749M

LATIN AMERICA

NET SALES (CHF)
2,611M
2020: 2,225M

EUROPE	MIDDLE EAST & AFRICA	ASIA PACIFIC
NET SALES (CHF)	**NET SALES** (CHF)	**NET SALES** (CHF)
8,032M	**2,430M**	**5,947M**
2020: 7,061M	2020: 2,349M	2020: 5,243M

BUILDING A GREENER WORLD

BUILDING A GREENER WORLD

Striatus bridge in Venice, Italy, designed by ETH-Block Research Group and Zaha Hadid Architects. Made possible by Holcim and its proprietary TectorPrint 3D printing ink.

"If it's not sustainably designed, it's not designed. You can do a lot to reach net zero with good design."

DEBORAH WEINTRAUB
Chief Deputy City Engineer, City of Los Angeles

DECARBONIZING THE BUILT ENVIRONMENT

We are working towards a net-zero built environment, driving circular construction to reduce, reuse and recycle materials wherever we can. With the construction sector representing 38% of the world's global CO_2 emissions, we have an essential role to play across the entire building lifecycle.

UPSTREAM

SUPPLIERS

FUEL

CONSTRUCTION PHASE

REDUCING INPUT EMISSIONS

Holcim Green Building Materials

ECOPact
ECOPlanet

Holcim Smart Design Building more with less

> Reducing Buildings' footprint

BUILDINGS ACCOUNT FOR

38% of the world's CO_2 emissions

30%

of which are linked to building materials

BUILDINGS IN USE

REDUCING OPERATIONAL EMISSIONS

Holcim Building Solutions
From energy-efficiency to renovation
> Making buildings last

Firestone
AIRIUM

DEMOLITION AND RECYCLING

DRIVING CIRCULAR CONSTRUCTION

Recycling CDW to build new from the old
> Making concrete infinitely recyclable

Susteno

70%
of which come from buildings in use

FOUR LEVERS TO GREEN AND CIRCULAR CONSTRUCTION

Climate action is at the heart of our strategy. We are working on four critical growth levers to accelerate the transition to net zero.

GREEN BUILDING MATERIALS

We are at the forefront of green building solutions, with the world's first global ranges of green concrete, ECOPact, and green cement, ECOPlanet, starting at 30% lower CO_2 footprint compared to the market reference. Our ECOPact green concrete is available in 24 markets today, making low-carbon construction possible around the world, from Mumbai to New York.

25%

Target share of ECOPact in ready-mix concrete sales by 2025

TOGETHER FOR OUR PLANET

SUSTAINABLE BUILDING IS POSSIBLE TODAY

Sustainable construction is essential to building a net-zero future that works for people and the planet – and our green building solutions are bringing this reality to life in cities around the world (see pages 4–5 for examples).

At the COP26 UN Climate Change Conference in Glasgow, Holcim engaged with key stakeholders to accelerate the shift to net zero building. To symbolize how green construction is possible today, Holcim partnered with British designer Steuart Padwick to create the Hope Sculpture (pictured above) in a low carbon design. It is made possible by Holcim's ECOPactMax with a 70% lower environmental footprint compared to standard concrete, with no compromise in performance or aesthetics.

The Hope Sculpture in Cuningar Loop woodland park on Glasgow's East End is composed of long, elegant columns evoking former chimney stacks atop of which sits a child figure reaching out to a greener future.

DRIVING CIRCULAR CONSTRUCTION

Holcim is already a world leader in recycling with 54 million tons of materials recycled across our business this year. Our goal is to recycle 75 million tons by 2025, 10 million tons of which will be construction & demolition waste (CDW) that we will turn into new, high-value products. For instance, we launched the world's first green cement with 20% recycled CDW inside. We also launched the Circular Explorer to preserve our oceans from plastic waste while advancing marine science and education.

WORLD'S 1ST GREEN CEMENT WITH

20%
CDW inside

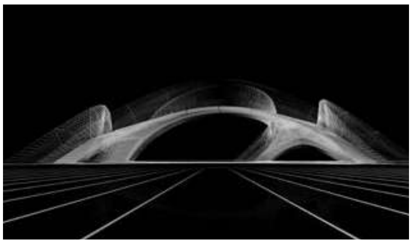
54 MILLION TONS
Waste recycled in 2021

6.6 MILLION TONS
CDW recycled in 2021

OUR FLAGSHIP PLANT IN RETZNEI, AUSTRIA

We are reducing the carbon intensity of our cement by substituting fossil fuels with pretreated non-recyclable and biomass waste fuels to operate our cement kilns. To increase this "thermal substitution rate" (TSR) we will be investing in our facilities to increase our TSR from 21.3% in 2021 to 37% by 2030.

More than half our plants in the EU operate at a TSR above 50%, and one third above 70%. At our "star" plant in Retznei, Austria, we have achieved 100% TSR when conditions allow.



SMART DESIGN

Smart design is key to use materials only where they are needed, to build more with less. It starts with a building's end in mind to make structures circular by design. We are deploying digital technologies like 3D concrete printing to optimize material use, which can reduce a building's footprint by up to 70% with no compromise on performance. 3D printing opens an infinite range of possibilities, from affordable housing to bridges and infrastructure for renewable energy.

In 2021 our joint venture 14Trees built the world's first 3D-printed school in Malawi, and its walls were printed in just 18 hours, compared to several days with conventional building materials. By the end of the year we had already scaled up the approach at Africa's largest 3D printed affordable housing project in Kilifi, Kenya.

Such solutions can play an essential role in the world's critical affordable housing gap, with 1.2 billion people lacking access to adequate housing and sanitation today.

STRIATUS BRIDGE

In July 2021 we launched Striatus, the first-of-its-kind 3D concrete printed bridge, at the Venice Architecture Biennale. Designed by Zaha Hadid Architects and ETH's Block Research Group in collaboration with incremental 3D, it is made possible by Holcim's proprietary ink, TectorPrint. It establishes a new language for concrete that is digital, environmentally advanced and circular by design.

The structure is composed of 3D concrete printed blocks that stand together solely through compression, with no reinforcements, no mortar and no binders, applying computational design and 3D printing for minimal material use and maximum strength. All the blocks are entirely recyclable.

STRIATUS

Awarded best innovation design by the European Culture Center, as an architectural breakthrough this year.

European Cultural Centre

Zaha Hadid Architects

ETH zürich

incremental3d

Made possible by Holcim

NEXT GENERATION TECHNOLOGIES

We are developing next generation technologies like Carbon Capture Utilization and Storage (CCUS) to accelerate our sector's decarbonization beyond 2030 with over 30 pilot projects around the world today.

CCUS separates and concentrates CO_2 from industrial processes. We are exploring ways to recycle it across a range of applications from synthetic fuels for aviation in Germany – such as WestKüste 100 (right). We also use it in farming in Spain or store it in mineral rocks as a low emission raw material for our green building solutions in France.

There is no "one-type-fits-all" CCUS solution, as the options for utilization and storage of CO_2 vary from one site to another, and the regulatory setting varies from one country to another.

>30

CCUS pilots around the world

WESTKÜSTE 100

CO_2 from our Lägerdorf plant in Germany will be transformed into green methanol and further on to a synthetic fuel through the WestKüste 100 project, to supply (for example) at nearby airports. This ten-company consortium is focused on the development of end-to-end sustainable business practices across industries to avoid waste in all sectors. This integrated approach is an industrial example for the required sector coupling in the energy transformation process.

As part of the HyScale100 consortium, the proposal has been officially designated as an 'important project of common European interest' (IPCEI).

UNDERSTANDING OUR CO_2 FOOTPRINT

Holcim is among the first companies worldwide to set 2050 net-zero targets validated by the SBTi. With these goals, Holcim is establishing a new milestone for its industry as the first with: 2030 and 2050 net-zero targets validated by SBTi, and cutting across its operations and value chain, including Scope 1, Scope 2 and Scope 3.

Our targets cover the three 'scopes' of carbon emissions as established by the GHG Protocol to address both our direct and indirect impact.

SCOPE 1

Scope 1 includes all emissions released directly from our operations. They account for 75% of our footprint and are at the core of our emissions reduction strategy. A number of factors are involved in bringing our Scope 1 emissions to net zero:

- Alternative sources of materials, such as waste and byproducts from other industries can be used to replace some raw materials and reduce our CO_2 emissions.
- Clinker, the main component of cement, produces the most CO_2 emissions. Replacing it in our final cement products reduces carbon intensity.
- We also replace fossil fuels with biomass and other waste fuels to operate our cement kilns.
- Over time, the increasing importance of embodied carbon per m^2 of building/infrastructure will move the market to more carbon-efficient construction, leading to less materials used per m^2 of buildings and infrastructure.

The extension of Kunsthaus Zürich in Switzerland was built with Holcim's Modero 3B green cement.

- Carbon capture technologies play an essential role in our net-zero journey beyond 2030. Currently, we are working with leading multinationals and startups and exploring their potential across more than thirty pilot projects worldwide (see page 64).

SCOPE 2

Scope 2 emissions account for 5% of our carbon footprint. They include indirect emissions from the generation of purchased electricity consumed in our operations.

SCOPE 3

Scope 3 emissions account for 20% of our carbon footprint. They include all other indirect emissions generated in our supply chain, such as those from transportation. Our Scope 3 intermediate targets have also been validated by SBTi, marking a new milestone in our industry.

Full details on our net-zero journey will be available in our Climate Report, to be published on our website in April 2022.

REDUCING OUR CARBON FOOTPRINT

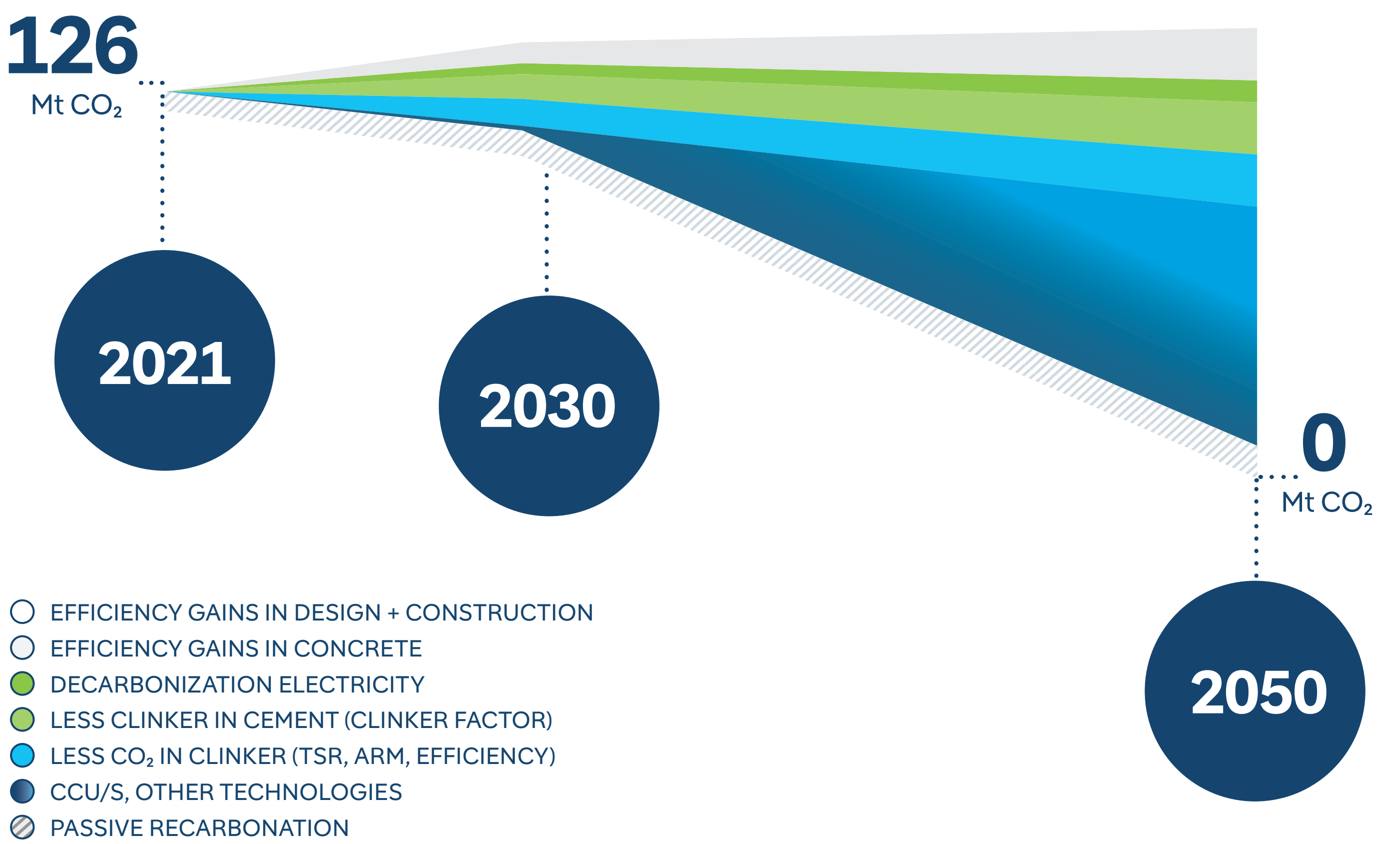
YR	SCOPE 1	SCOPE 2	SCOPE 3
2018	576 BASELINE	38 BASELINE	
2021	553	34	-0% Kg CO_2 per ton of purchased clinker and cement -9% Kg CO_2 per ton of purchased fuels -9% Kg CO_2 per ton of material transported
2030	475 Kg CO_2 Net/t cementitious	13 Kg CO_2 /t cementitious	-20% Kg CO_2 per ton of purchased clinker and cement -20% Kg CO_2 per ton of purchased fuels -24% Kg CO_2 per ton of material transported
2050	net zero	GHG emissions across the value chain validated by	SCIENCE BASED TARGETS

Holcim's 2050 Net-Zero Targets validated by SBTi:

- Holcim commits to reduce scope 1 and 2 GHG emissions by 95% per ton of cementitious materials by 2050 from a 2018 base year.*
- Holcim commits to reduce absolute scope 3 GHG emissions by 90% by 2050 from a 2020 base year.

* The target boundary includes land related emissions and removals from bioenergy feedstocks.

OUR ABSOLUTE SCOPE 1 + SCOPE 2 EMISSIONS PATHWAY



NATURE

We are committed to building a nature-positive future. The launch of our nature strategy in 2021 places us among the first 1% of the 500 largest global companies with science-driven biodiversity targets and the first in our sector with a freshwater replenishment commitment.

> **"We congratulate Holcim for its ambitious biodiversity and water goals as part of its nature-positive journey. Implementing Holcim's nature strategy can drive scalable change both within the building materials sector and industry as a whole."**
>
> **EVA ZABEY**
> Executive Director,
> Business for Nature

Our nature strategy sets out measurable 2030 targets to restore and preserve biodiversity and water, while at the same time bringing more nature into cities.

BIODIVERSITY

Our biodiversity targets are based on transformative rehabilitation plans and measured by a science-based methodology developed in partnership with the International Union for Conservation of Nature (IUCN).

Our commitments include:

- Global Biodiversity Indicator Reporting System (BIRS) baseline completed in all managed land by 2024
- Measurable positive impact on biodiversity by 2030 based on the BIRS

At the end of 2021, 93% of our quarries had rehabilitation plans in place and 94% of quarries of high biodiversity importance had Biodiversity Management Plans in place.

WATER

Water is essential to our operations. As water is a local resource, we tailor our solutions to local conditions and prioritize higher water-risk areas. Currently, 30% of our sites are located in medium to high water-risk areas, which we assess using the World Resources Institute (WRI) Aqueduct tool.

By 2030 we commit to replenish freshwater in these water-risk areas, with:

- 75% of sites water-positive
- 100% of sites equipped with water recycling systems

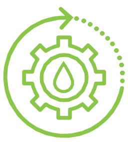
We also commit to lowering water intensity across business lines, with:

- 33% reduction in Cement
- 20% reduction in Aggregates
- 15% reduction in Ready-Mix Concrete

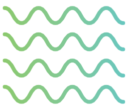
We implement water stewardship actions in our own operations and outside our site boundaries (see graphic).

In 2021 we reduced specific freshwater withdrawal in our cement plants to 259 liters per ton of cementitious material.

OUR OPERATIONS



Improve water use efficiency and reduce pollution
Optimize water use and implement strict standards to ensure discharge of high-quality treated water

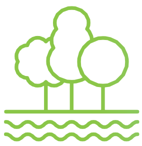


Shift to non-freshwater withdrawal
Replace freshwater with sea or treated wastewater

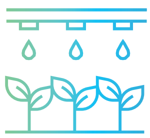
Maximize rainwater harvesting
Use harvested rainwater to meet site water requirements

Access to WASH
Provide water, sanitation and hygiene for all employees and contractors (WASH pledge)

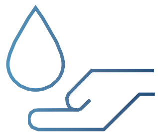
BEYOND SITE BOUNDARIES*



Watershed protection and restoration
Revitalize degraded wetlands, recharge of groundwater and promote reforestation to improve water flow back to basins



Water for productive use
Promote water-efficient irrigation and agriculture practices to help relieve water stress in watersheds



Water access and sanitation
Support communities with supply of potable water and installation of sanitation facilities to improve well-being of people and communities (WASH pledge)

* Projects are implemented within a local context and in consultation with relevant stakeholders, including communities and public infrastructure

ADVOCACY & LEADERSHIP

Holcim was selected as a member of the Taskforce on Nature-related Financial Disclosures (TNFD) to develop and deliver a risk management and financial disclosure framework to support a shift in global financial flows towards nature-positive outcomes. Holcim is also a signatory of the Call to Action of Business for Nature, which brings together influential organizations and forward-thinking businesses seeking to reverse nature loss. By signing the call we aim to positively influence international agreements on nature and climate change. Our Chief Sustainability & Innovation Officer, Magali Anderson, is a member of the Business for Nature's Strategic Advisory Group. We are also a signatory of the CEO Water Mandate and the WASH pledge, strengthening our water stewardship commitments.

OUR MITIGATION HIERARCHY

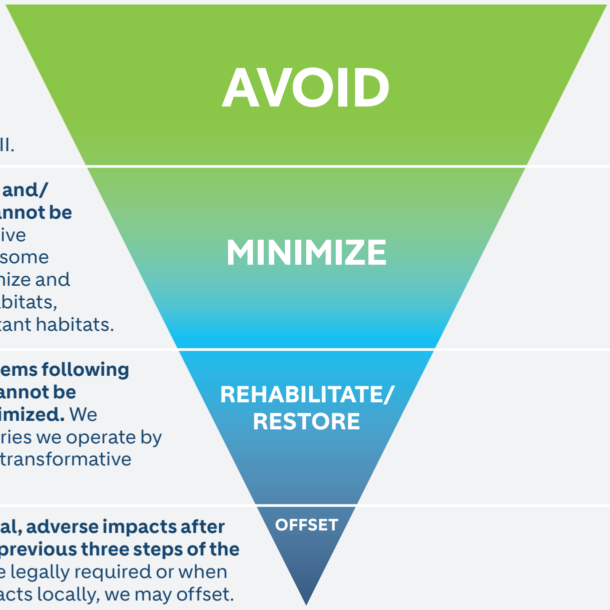
HIGH — PRIORITY — LOW

Avoid creating negative impacts from the outset. We commit not to open new sites or explorations within protected areas declared under World Heritage, IUCN I and IUCN III.

Reduce duration, intensity and/or extent of impacts that cannot be completely avoided. Effective minimization can eliminate some negative impacts. We minimize and reverse fragmentation of habitats, reducing damage to important habitats.

Improve degraded ecosystems following exposure to impacts that cannot be completely avoided or minimized. We rehabilitate/restore all quarries we operate by implementing progressive, transformative actions.

Compensate for any residual, adverse impacts after full implementation of the previous three steps of the mitigation hierarchy. Where legally required or when not possible to reverse impacts locally, we may offset.



HOW WE CALCULATE A SITE BIODIVERSITY INDEX WITH BIRS

QUANTITY
Identify and measure extent of all habitat types

X

QUALITY
Assess ecological condition and suitability for biodiversity

X

IMPORTANCE
Assess uniqueness and ecological importance

PRODUCT INNOVATION FOR NATURE

Holcim provides a number of solutions to our customers that have a positive impact on freshwater ecosystems. We also promote innovations where nature is embedded into the built environment. We are driving the nature-based approach in our products and solutions to bring nature into cities, tackling societal challenges such as biodiversity loss, water pollution, soil and air quality and the urban heat island effect. We are deploying solutions such as permeable concrete, bioactive concrete and green roof systems for more livable urban environments.

PEOPLE

We are committed to respect human rights and to empower people and communities to build a better future. In 2021, Holcim announced its 2030 people strategy to continue creating shared value and uplifting the well-being of communities worldwide.

The strategy focuses on three pillars: bridging the world's housing and infrastructure gap, improving livelihoods and upholding the highest standards of human rights. We committed to contributing CHF 500 million to create positive social impact by 2030.

THRIVING COMMUNITIES

Holcim's commitment builds on its legacy of positive social impact, having benefited 30 million people with more than CHF 200 million in social investment over the last five years. In 2021, we invested CHF 43 million, a 19% increase compared to the previous year, in accelerating access to adequate housing and infrastructure and in continued support to communities, from health and education to skills development. Building on our long tradition of working closely with our communities and promoting their health and well-being, our teams continue to be mobilized to implement an extraordinary range of measures at country level to support people and communities during the COVID-19 pandemic (see page 69.

As part of our focus on affordable housing and infrastructure, we use innovation, technology and market-based approaches to create positive impact at increasing scale and speed. In 2021, through our social initiatives, we invested in building and renovating more than 3,200 buildings, from houses to schools and hospitals, working closely together with communities from Ecuador to Algeria. We helped build the world's first 3D-printed school in Malawi (pictured left). The school was built by 14Trees, our joint venture with CDC, the UK's development finance arm, to accelerate the provision of affordable housing and schools in Africa.

The world's first 3D-printed school, built by our joint venture, 14Trees.

In India, the Ambuja Cement Foundation's Women Empowerment Program focuses on inclusive growth to harness the collective power of women as breadwinners, community leaders and changemakers.

HUMAN RIGHTS

We strengthened our commitment to human rights in 2021, adopting new and updated policies, and receiving strong endorsement from top management globally.

We implemented a new Human Rights and Social Policy, as well as a Human Rights Directive in 2021, setting out our aims, methodology and processes as well as salient risks (see graphic and page 112). These guidelines, developed after extensive consultation with a broad range of stakeholders including global managers, employees, external human rights experts, civil society and community representatives, are aligned with the UN Guiding Principles on Business and Human Rights and the OECD Guidelines for Multinational Enterprises.

Holcim is committed to respecting and promoting human and labour rights in our operations, business activities and relationships, and in the communities where we work. Launching a group-wide awareness-raising campaign of the new policy, CEO Jan Jenisch reaffirmed that upholding human rights is at the core of our business model and success.

Human rights due diligence and global training are key to our efforts to improve performance. Human Rights Impact Assessments, which are part of our Human Rights Approach and due diligence work, have been carried out for the past decade, led either by group-level experts or at a country level. This work continued in 2021, despite travel restrictions caused by the pandemic, with 100% of the countries where we operate having a human rights assessment process in place and have defined action plans to address risks based on our methodology. Under our country and Group-level programs, we have trained more than 16,000 employees, contractors, community members and other stakeholders on human rights topics.

Our policy and approach are further steps in the process of embedding respect for human rights in our business activities.

KENYA'S MVULE GARDENS

Building on the success of the world's-first 3D-printed school in Malawi that we developed through 14Trees, our joint venture with the UK's CDC, we have now started 3D-printing Mvule Gardens, a 52-unit housing project in Kilifi, Kenya. Over three billion people are expected to need affordable housing by 2030. This issue is most acute in Africa, with countries like Kenya already facing an estimated shortage of two million houses. We are proud that our TectorPrint 3D printing ink is part of the solution.

DELIVERING WHAT WE PROMISED

DELIVERING WHAT WE PROMISED

Sport Hall Dolni Brezany, Czech Republic built with Firestone's UltraPly TPO waterproofing membrane.

"It is not enough to simply talk about better or more efficient steps to take within the existing systems; it is time for a real paradigm shift."

LORD NORMAN FOSTER
Speaking at the Rematerializing Housing Workshop sponsored by the Holcim Foundation

A NEW LEVEL OF STRENGTH

In 2021 we over-achieved the financial targets of "Strategy 2022 – Building for Growth" one year in advance, with record profitability.

"Strategy 2022 – Building for Growth" was introduced in 2018 to drive profitable growth and simplify our business to deliver resilient returns and attractive value to stakeholders. The strategy played to our unique strengths as a company and in full view of the trends in our marketplace. The strategy laid out four value drivers – Growth, Simplification & Performance, Financial Strength and Vision & People – which have delivered record results ahead of plan.

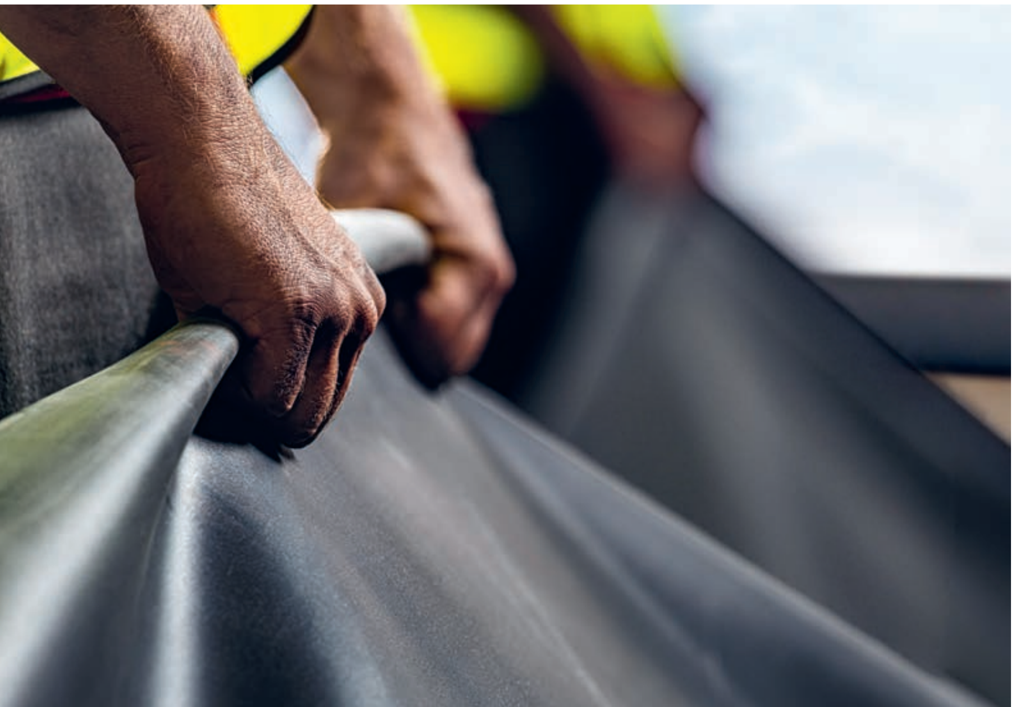
GROWTH

Switching gears to growth was the most fundamental principle of Strategy 2022. Through this value driver, we aimed to utilize our strong asset base to invest in markets with greater opportunities while being more selective in other markets. At segment level we executed more aggressive strategies for Aggregates and Ready-Mix Concrete alongside the already strong Cement business while building our fourth business segment, Solutions & Products. Pursuing a diverse array of agile, country-based growth strategies, we achieved 28 value-enhancing bolt-on acquisitions over the next four years to leverage scale and margins.

The Solutions & Products segment has been fully established as the growth engine of our company and the cornerstone of "Strategy 2025 – Accelerating Green Growth". Growth is on a new trajectory, with net sales over the target period growing at an average annual rate of over 3% like-for-like, while Recurring EBIT grew over-proportionally at over 9%.

SIMPLIFICATION & PERFORMANCE

The value driver Simplification & Performance created a cost-disciplined operating model and a corporate-light structure. We put a greater focus on countries, with local markets empowered and fully profit and loss accountable. Through the target period we delivered continuous savings in non-operational costs. By 2021 our net financial expenses were down nearly 40% compared to 2017, and corporate costs were down by one-third.



Firestone Building Products Applying membrane

FINANCIAL STRENGTH

We also pursued an agenda of Financial Strength to ensure disciplined value creation. Growth was largely funded through divestments of selected assets worth CHF 3.1 billion. Capex remained well below CHF 2 billion per annum and excess free cash flow was used to pay attractive annual dividends. By the end of 2021 our leverage ratio was at 1.4× (compared to 2.4x at the end of 2017 pre-IFRS 16) and return on invested capital was up from 5.8% for 2017 to 8.9% for 2021.

VISION & PEOPLE

The value driver Vision & People helped us to further develop our company values of trust and integrity, our commitment to Health & Safety and the desire to be at the forefront of sustainable construction solutions and innovation. We have fostered these values with an entrepreneurial leadership style and a focus on Holcim's long-term success. These successful efforts are symbolized under the new Holcim name and identity, which reflects our shared purpose to build progress for people and the planet.

Research Engineer and Lab Technician performing a concrete slump test at Holcim's R&D center in Lyon, France

LEADING CEMENT'S GREEN TRANSFORMATION

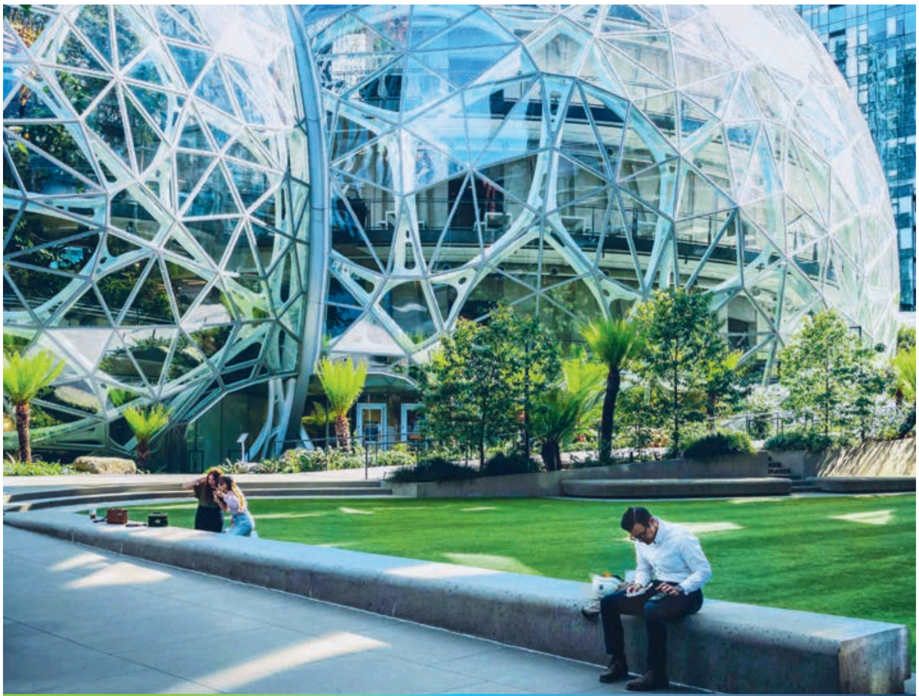
Following our pledge to net zero, our ambition is to lead the industry in reducing carbon emissions and shifting towards low-carbon construction – focusing on our core business of cement.

We are setting the pace of green transformation in the cement industry, becoming the first company in our industry to set 2050 targets validated by the Science Based Targets initiative. We will reach net zero largely through adaptations to our key cement segment while maintaining market-leading positions and strong profitability.

ECOPlanet, our global range of green cement, delivers at least 30% lower carbon footprint with equal to superior performance compared to ordinary (CEM I/OPC) cement to enable low-carbon construction at scale.

Holcim's green cements contain less clinker and emit less CO_2 while achieving a high level of mechanical performance and great workability. They can contribute to the achievement of world-class environmental certifications (LEED®, BREEAM® and HQE®), for all types of constructions and infrastructure, including large structures with very specific requirements, such as stadiums, bridges, dams and high-rise buildings.

In Switzerland, for example, our Susteno cement is made with recycled construction & demolition waste, which we process into a high-quality cement additive, leaving a smaller environmental footprint. For more details on how we are leading cement's green transformation, see the upcoming 2021 Climate Report, available on our website in April 2022.



GREEN CEMENT FOR AMAZON HEADQUARTERS

With ECOPlanet – our global range of green cements – we enable low-carbon construction, making cities greener around the world. A good example is its use in Amazon's new headquarters in Seattle, USA – a LEED Gold-certified project at the cutting edge of sustainable building.

Our ECOPlanet solution with an 80% lower CO_2 footprint and high performance profile connects majestic glass spherical domes together, enabling a luminous rainforest atmosphere inside. This inspirational space offers people a natural environment to live and work while surrounded by 40,000 plants.

ATTRACTIVE BUSINESS FUNDAMENTALS

Our aggregates business offers tremendous growth and circular construction opportunities, with high recycling rates.

We are continuously expanding our reach to strengthen our position in this segment to best respond to rising urbanization trends with sustainable solutions.

Expanding our reach we completed seven bolt-on acquisitions this year to fuel our growth in this attractive business segment.

This is underpinned by our commitment to developing more innovative and sustainable solutions (see box), and to continuously invest to strengthen our footprint and margins.

FASTCARB

We are progressing well on FastCarb, a research project on which we are playing a key role in collaboration with the French Government.

FastCarb's objective is twofold. Firstly, to improve the properties of recycled aggregates so they can be used more widely. This is achieved via a process called mineral carbonation, where CO_2 is reacted with the calcium in the recycled materials to produce an inert, high-quality aggregate.

The second element of FastCarb relates to the CO_2 needed for the carbonation reaction. We are working to capture it from our facilities with pilots in France, Canada and Austria which further decarbonizes our solutions.

Over its lifetime, concrete will soak up >20% of the CO_2 emitted during cement production. FastCarb can potentially add 30% reabsorption to this in just a few hours. It therefore represents a significant opportunity to build a greener and smarter world.

Zurich North America's headquarters, which achieved LEED Platinum® certification with our True Lite Lightweight Aggregate™ and NewCem® cement.

THE GREEN CONCRETE COMPANY

Concrete is the most-consumed man-made product in the world. We are making it net zero to build a world that works for people and the planet.

INTRODUCING DYNAMAX

The latest global concrete innovation coming out of Holcim's R&D Center is DYNAMax: a sustainable, high-performance concrete, delivering strength, rigidity and durability. Launched in 2021, DYNAMax is the ultimate performance concrete for demanding construction projects.

With optimal material use, it allows more usable space and greater variability in floor plans. Its durability minimizes the maintenance and lifecycle costs of a building.

And its sustainable footprint is driven by reduced material use, local production and short transport routes, as well as its circular and fully recyclable profile. In 2022, DYNAMax will be launched in markets across Asia Pacific, Europe, Latin America and North America.

DYNAMax

Concrete is the building material for a growing, urbanizing world. No other material matches its performance benefits. It is resilient, protecting our cities and infrastructure from natural disasters such as effects from flooding. It is durable, fire- and quake-resistant as well as versatile, affordable, insulating and available everywhere. It is infinitely recyclable and, with our green concrete, we are making it low-carbon. Acting as a carbon sink, it reabsorbs >20% of the CO_2 emitted in its production throughout its lifespan.

Today we offer the industry's broadest range of green concrete with ECOPact, delivering high-performing, sustainable and circular benefits, with no compromise on performance.

ECOPact green concrete is sold at a range of low-carbon levels, with a 30% lower carbon footprint than a local industry benchmark for conventional concrete. Its sustainability profile is driven by low-emission raw materials and decarbonized operations, including the use of alternative fuels. As part of "Strategy 2025 – Accelerating Green Growth" and our commitment to leading the way with our green building solutions, we aim for ECOPact to account for 25% of our ready-mix concrete sales by 2025.

Miro, the BREEAM-excellence certified office complex in Bucharest will be built with DYNAMax, the Ultimate Performance Concrete

HYDROMEDIA

As the world's most vital resource, we focus on preserving water through our nature strategy – but also through our product innovation, with solutions like Hydromedia, permeable concrete.

More than a product, Hydromedia is a water management system that rapidly absorbs rainwater off streets, parking surfaces, driveways and walkways. Hydromedia helps to recharge groundwater and reduce the risk of flooding.

In Aubervilliers, France, Hydromedia also helps fight hot summers. The studio Fieldwork Architecture used Hydromedia to fight the heat-island effect by providing the community with a quality public space that brought nature into the city (pictured above).

Studies conducted over the summer revealed the combination of Hydromedia and surrounding vegetation lowered the felt temperature by −2.5 °C on average over 24 hours.

Lisière d'une Tierce Forêt ('Tertiary Forest') with Hydromedia permeable concrete in Aubervilliers, France

EXPANDING POSSIBILITIE

EXPANDING POSSIBILITIES

> “Circularity must underpin every step of the construction process.”

DIRK E. HEBEL
Karlsruher Institut für Technologie, Germany and member, Holcim Foundation Academic Committee

SEIZING THE OPPORTUNITIES AHEAD

“Strategy 2022 – Building for Growth” set the foundation for our transformation to become the global leader in innovative and sustainable building materials and solutions.

Under that strategy we embarked on an ambitious journey of portfolio transformation, using key strategic divestments to fund a series of value-enhancing acquisitions (see map). Most of the bolt-on acquisitions have been in Ready-Mix Concrete and Aggregates, primarily located in mature markets.

In 2021 we crossed a new milestone in our transformation with the acquisition of Firestone Building Products (see box), a leader in commercial flat roofing systems, ranging from cool to green roofs. This acquisition advances our goal to expand Solutions & Products to reach 30% of net sales by 2025. Adding to this ambition we recently announced our agreement to acquire Malarkey Roofing Products in the US (see next page), a leader in the complementary residential roofing space. Growing closer to our customers, the Solutions & Products business will expand its range of integrated solutions and systems from construction and energy efficiency to repair and refurbishment.

We continue to pursue strategic acquisitions to expand our Solutions and Products portfolio, such as the recently announced agreement to acquire PRB Group, a leader in specialty building solutions with advanced technologies ranging from energy-efficiency to renovation (see page 3).

BOLT-ON ACQUISITIONS

North America (5)
Europe (7)

DIVESTMENTS

Brazil (signed)
Northern Ireland
Zambia & Malawi
Indian Ocean

ACCELERATING TRANSFORMATION & GROWTH

OFF TO A FAST START

The 2021 acquisition of Firestone Building Products kicked off our ambitions to become a global leader in roofing. It is also the foundation for our Solutions & Products business to reach 30% of net sales by 2025.

The flat roofing market is driven by several key long-term trends, including population growth, urbanization and sustainable construction. Cool roofs, green roofs and solar roofs in particular are helping to solve urbanization challenges through design by providing thermal insulation for more energy-efficient buildings, all the way to reducing the urban heat island effect.

With Firestone, we have also gained a highly motivated team that is already achieving growth at record pace with double-digit sales this year, driven by innovative and sustainable products, with 18% of sales generated from products introduced in the last five years. Building on this strong platform, our ambition is to double net sales in roofing systems to USD 4 billion by 2025.

In 2021 we leveraged our existing distribution channels by expanding the Gaco brand of roofing systems in Latin America. Further geographical expansion will follow.

EXPANDING SOLUTIONS & PRODUCTS

We are off to a strong start to our "Strategy 2025 – Accelerating Green Growth" with the acquisition of Malarkey Roofing Products, expanding our Solutions & Products business to become a global leader in roofing systems.

MALARKEY ROOFING PRODUCTS

In December 2021 we signed an agreement to acquire Malarkey Roofing Products, a leading company in the US residential roofing market with projected 2022 net sales of USD 600 million and projected 2022 EBITDA of USD 120 million. Malarkey Roofing Products has a track record of double-digit growth in the highly profitable USD 19 billion US residential roofing market. Malarkey is fully complementary to Firestone Building Products' leadership in the commercial segment, positioning us as a full roofing provider. Malarkey's strong brand recognition is driven by its leadership in innovation and sustainability with a highly circular business model.

Malarkey Roofing Products provides complete solutions for residential roofing needs from roofing shingles to ice and water barriers. With production facilities in Oregon, California and Oklahoma, Malarkey Roofing Products has a strong presence from the West to the South of the US that is highly complementary with Firestone Building Products' footprint.

The acquisition advances "Strategy 2025 – Accelerating Green Growth" with the goal to expand our Solutions & Products business to 30% of Group net sales by 2025, entering the most attractive construction segments, from roofing and insulation to repair and refurbishment.

PRB GROUP

In January 2022 we further accelerated the expansion of our Solutions & Products business by entering into an agreement to acquire PRB Group, France's biggest independent manufacturer of specialty building solutions with 2022 estimated net sales of EUR 340 million. PRB Group offers a broad range of high performance building solutions, from coatings and insulations to adhesives and flooring systems with advanced energy-efficiency and renovation solutions.

With its leadership in sustainability and eco-design, PRB Group is a leading partner to support France's new regulation (RE2020) advancing energy-efficiency in buildings. PRB Group's products and solutions are highly complementary to Holcim's and expand our reach in the high growth repair & refurbishment market. PRB Group's broad footprint covers the entire French market with more than 700 people and state-of-the-art facilities, including its Research & Development (R&D) Center, five manufacturing sites and 26 warehouses, as well as 1,300 distributors.

THE FUTURE OF BUILDING

We are pushing the boundaries of innovation to shape the future of building to make it work for people and the planet. To make a bigger difference, we're partnering with the brightest minds in our sector.

We operate in an open innovation ecosystem, working with hundreds of start-ups, like-minded companies and leading academic institutions. It all begins in the Switzerland Technology Center and our industry-leading Research and Development Center in Lyon with over 210 researchers. To spread innovation across our markets, they work in close collaboration with our six regional innovation hubs, from Mumbai to Montreal, as well as with our network of over 20 technical centers worldwide. Together with our commercial teams, they support our customers for all their building needs from concept to creation. Our experts cut across all fields of building, from advanced engineering and material science, to artificial intelligence and data mining, all the way to masons.

AT THE FOREFRONT OF GREEN BUILDING SOLUTIONS

We are putting our innovation to work to make sustainable building possible at scale around the world with a range of solutions from low-carbon materials to water-efficiency systems, with no compromise on performance.

With our ECOPact green concrete and ECOPlanet green cement, we offer the world's broadest ranges of low-carbon building materials, starting at 30% lower CO_2 than standard materials and going as far as carbon neutral. We keep on innovating to expand our industry-leading green product formulation expertise by investing in innovative low-emission raw materials from Calcined Clay to Construction and Demolition Waste to keep on expanding our range of low-carbon solutions

ECOPact

ECOPlanet

CALCINED CLAY

Holcim is investing EUR 30 million in proprietary calcined clay technology to advance green cement production in France. With this solution, Holcim will produce near-zero emissions calcined clay using decarbonized energy in its production process. This clay reduces the carbon footprint of cement by up to 40% when used as a substitute for clinker. Naturally available worldwide, calcined clay is one of the most scalable solutions for delivering low-carbon cement globally.

START-UP SPOTLIGHT: TIMBERROC

We are partnering with CCB Greentech in France on a breakthrough solution, TimberRoc, that actually removes CO_2 from the atmosphere. TimberRoc combines timber with cement in a unique formulation to make carbon-negative concrete for precast applications.

CCB Carbon Capture Buildings Greentech

TimberROC béton de bois

DRIVING CIRCULAR CONSTRUCTION

We are driving circular construction with the vision to recycle materials in every new building so that we can close the construction loop, building more new from the old. With concrete being infinitely recyclable, just like glass, we are scaling up our capabilities to recycle 100% of concrete-based construction & demolition waste into new value added products, from substitutes to virgin aggregates to low emission raw materials in the formulation of our green cement and green concrete. We are developing proprietary technologies and systems from advanced crushing for a clean separation of materials, to digital systems for material mapping and management, all the way to smart recycling hubs and logistics to scale up circular construction.

ORIS

We are developing technologies to scale up circular construction. One critical focus is enabling optimal material flows. To advance our expertise in this area we developed ORIS together with IBM, a digital material management platform that is focused on roads. ORIS can assess road design for each project with a holistic view, from construction to maintenance. Analyzing parameters such as local resources, expected traffic and weather conditions, ORIS offers a whole set of design solutions that take into account carbon footprint, use of local resources, lifespan and costs.

WORLD'S FIRST GREEN CEMENT WITH 20% RECYCLED CDW INSIDE

In Switzerland, we launched the world's first green cement, Susteno, with 20% recycled construction & demolition waste inside. We know we can go much further than this with higher recycling rates across our solutions with no compromise on performance. To make this possible at scale, we are engaging with public authorities to evolve building norms and procurement standards, based on reliable scientific evidence to specify more recycled content in building materials.

SMART SYSTEMS AND DESIGN

We are continuously expanding our range of smart building solutions to make buildings more energy efficient, resilient and durable from foundation to rooftop, from new buildings to renovating old ones.

For instance with the acquisition of Firestone Building Products, we are becoming a global leader in roofing systems with a broad range of solutions from green to solar roofs. Firestone Building Products is an established leader in the United States in flat roofing systems for commercial applications, broadly used from data centers to logistics warehouses and more. To complement Firestone's leadership, we are acquiring Malarkey Roofing Products in the United States, a leader in residential roofing. To further expand our Solutions & Products business, in line with our goal to reach 30% of net sales by 2025, we acquired PTB-Compaktuna, a market leader in Belgium and are in the process of acquiring PRB Group, the number one independent specialty building solutions producer in France.

In addition to roofing we offer a range of advanced solutions to make buildings more energy efficient and long lasting, from Airium for insulation to our Tector specialty building materials range for finishings all the way to repair and renovation applications.

BUILDING AT THE CUTTING EDGE

At the HiLo innovation unit at NEST (Next Evolution in Sustainable building Technologies) in Switzerland, we have developed a new lightweight floor system that reduces material use by 50% and embodied CO_2 by up to 80%.

The project was developed alongside our academic partners at the Block Research Group (BRG) of the Swiss Federal Institute of Technology (ETH-Zurich). The system also embraces low-carbon and circular construction principles by using our ECOPact Plus green concrete and Susteno green cement, which contains 20% recycled construction and demolition waste.

This combination of smart design and green building materials is a powerful demonstration of how sustainable construction could be accelerated at scale. We are now developing the system into a precast solution, targeting industrialized construction in 2023.

BRUSSELS' GARE MARITIME

Once Europe's largest railway freight station, the monumental Gare Maritime in Brussels, Belgium, has been reinvigorated into an impressive office, retail and recreational space. About 4,000 m² of Firestone's RubberGard EPDM membrane have been used in the project.

In a quest to operate entirely on non-fossil fuel energy, solar panels were included in the street-facing facade and installed on the roof. Rainwater is collected to water the inner gardens.

The Gare Maritime project is one of the laureates of the Europa Nostra Awards 2021, which recognizes outstanding heritage conservation initiatives. We are proud that Firestone Roofing Products could help extend its lifespan.

COBOD

COBOD International is a globally leading 3D construction printing company, a self-identified disruptor of the construction industry and a Holcim partner for years. Together we have been making headlines for pathbreaking projects such as 3D-printed windmill tower bases (pictured), the world's first 3D-printed school, and most recently Africa's largest 3D-printed affordable housing project.

DEVELOPING NEXT GENERATION TECHNOLOGIES

We partner for impact to advance next generation technologies from carbon capture utilization and storage (CCUS) all the way to inductive charging systems that use concrete as a driver of renewable energy.

BREAKTHROUGH CARBON CAPTURE SOLUTIONS

We're working with Eni, the Italian energy company, to capture CO_2 from our plants into a mineral called olivine. Experts at our innovation center are exploring how carbonated olivine can then replace limestone as a low-emission raw material for our green cement. Together with Eni we are currently looking for the best site in Europe to conduct an industrialscale pilot of this breakthrough solution.

MAGMENT

We're partnering with German startup Magment to advance magnetizable concrete technology for road surfaces, enabling electric vehicles to recharge wirelessly while in motion. Known as "inductive charging," this breakthrough concrete-based solution reduces the need for charging stations, while saving time. Other applications under development include the electrification of industrial floors to recharge robots and forklifts as they work.

>500

Startups assessed in 2021 by Holcim MAQER

DIGITALIZATION AND ARTIFICIAL INTELLIGENCE

We are putting digitalization and artificial intelligence to work to augment our business from our plants and products, all the way to our customer experience.

In our Plants of Tomorrow program we are rolling out >800 projects from predictive maintenance to remote plant management to increase our operational efficiency. Across our product range we are driving solutions such as sensors in concrete and cement to monitor and increase their performance, while also reducing unnecessary product waste for an optimized footprint.

GREENER STARTUPS ...

such as our partner whose new process could permanently store CO_2 captured from the atmosphere in the concrete we produce.

SMARTER STARTUPS ...

such as our partner who helps us analyze news and social media data using machine learning to monitor our supply chain for risks and anomalies.

CLEANER STARTUPS ...

such as our partner whose app guides our plant employees through the inspection process to make sure we manage air, water and waste properly.

HACKZURICH

Through our open innovation platform, Holcim MAQER, we invited the world's most talented tech minds to participate in our sustainability challenge at HackZurich, Europe's largest hackathon. Hackers were invited to use data collected from over 60,000 construction sites through ConcreteDirect and Struxhub, two of our smartphone customer apps. Over 48 hours, Hackathon participants worked in teams to develop prototypes that could help alleviate construction 'chaos' – noise, pollution and waste – to support Holcim's mission to build progress for people and the planet.

EMPOWERING OUR PEOPLE

From promoting diversity in our teams to respecting human rights in our communities, we put people at the heart of everything we do. In 2021, that commitment only got stronger.

MEET HOLCIM'S CHANGEMAKERS

"ECOPlanet, and the sustainability initiatives by Holcim, help us to build a greener city, a cleaner city and a better world for me, for my kids and for future generations to have a better place to live in. I'm honored to lead the global roll-out of ECOPlanet green cement and be part of this transformational journey."

EMMANUEL ILABOYA
Group Senior Product Manager

"Ancient Indian culture has circularity and sustainability embedded deeply in its core. That is exactly why as an Indian woman, I feel so proud to be associated with Holcim where progress is circular. Especially to work on a project that helps Holcim decarbonize its products! It is inspiring to be collaborating with colleagues coming from different cultures, backgrounds and technical expertise!"

MADHURA JOSHI
R&D Engineer

"What I am most proud of is that Holcim Switzerland was the first in the world to use 20% construction and demolition waste inside our cement. This helps keep materials in use for as long as possible and allows us to use only what is needed to preserve nature. To me, that's building progress for the people and the planet."

DENNIS SCHNEIDER
Regional Manager

HOLCIM AT THE ONE YOUNG WORLD SUMMIT

In July 2021, Holcim was represented by seven young leaders from across Europe at the One Young World Summit in Munich. This annual event convenes the brightest young minds from every country and sector, working to accelerate positive social impact.

THE PEOPLE AT HOLCIM

Our employees continued to deliver extraordinary results despite another year of challenging circumstances due to the COVID-19 pandemic. We made sure that health and safety remained our number one priority throughout. Our business resilience teams kept our work environments safe and supported employees with initiatives including vaccination programs, remote work plans and mental health assistance.

Diversity and inclusion (D&I) has also remained top of mind. As a Group we continued to make progress toward our goal of senior management that is 25% female by 2025, in addition to improving gender balance in sales and operational roles. We saw success in this area with the expansion of our recruitment and education programs targeted to women, notably Ecuador, where 52% of employees at our flagship aggregates plant in Loma Alta are now female.

We grew our Senior Leaders Group by 12% in 2021, mostly through internal promotions. Their development is a key priority, and initiatives like the Holcim Business School – which entered its fourth year – ensure all our senior leaders continue to grow in their careers. We also continued with our Early Career Leadership Program in 2021, focusing on the development of next-generation leaders.

SUPPORTING OUR PARTNERS ON THE ROAD

We continued working closely with our 20,000 transport suppliers to ensure a safe journey for the 90,000 drivers who travel approximately 1.7 billion kilometers for us each year. Since starting the program, road fatalities have decreased from 60 in 2016 to ten in 2021. Although we won't be satisfied until we reach zero, the program is clearly making a difference for our partners and communities.

In collaboration with our suppliers we expanded our Women on Wheels program which is now implemented in eight countries. The latest country to launch its Women on Wheels program is Kenya, where Bamburi Cement set up a collaboration with a truck manufacturer, a defensive driving organisation and the Kenyan Transporter Association. The program will sustainably recruit at least 100 women each year, resulting not just in job placements but also the breaking down of barriers to women entering the industry.

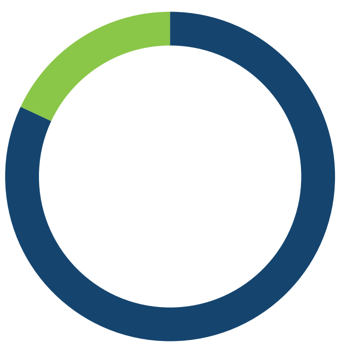
PROMOTING HUMAN RIGHTS

Holcim is committed to respecting and promoting human and labor rights in our operations and in the communities where we work. As a company working across 2,300 sites in 60 countries, upholding human rights is at the core of our business model and success.

In 2021, we rolled out a new Human Rights and Social Policy as well as a Human Rights Directive, setting out our aims, methodology, processes and risks. These guidelines, developed after extensive consultation with global managers, staff, external human rights experts and civil society and community representatives, are aligned with the UN Guiding Principles on Business and Human Rights and the OECD Guidelines for Multinational Enterprises.

We continued to conduct human rights due diligence and training around the world, including regular individual training for all country CEOs. Altogether, we trained more than 16,000 people in human rights in 2021.

COMPOSITION OF SENIOR MANAGEMENT (%)



MALE	82%
FEMALE	18%

HEALTH, SAFETY & ENVIRONMENT

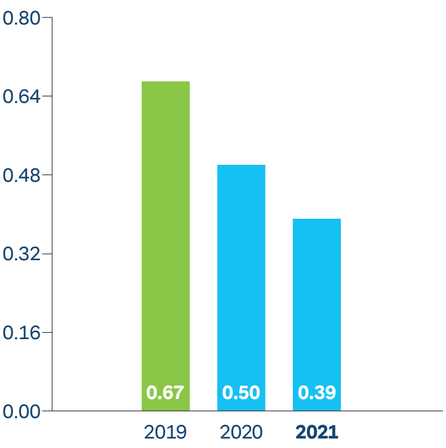
Excellence in Health, Safety and Environment (HSE) demands more than allocating resources and ensuring compliance – real progress in HSE requires strategy.

Health and Safety is a core value at Holcim and is top of mind every day across all our operations to reach our Ambition "0". This year we reported steady progress on this journey, and have reduced the Lost Time Injuries by 62%. Our Lost Time Incident Frequency Rate (LTIFR) reached 0.39, down 22% vs. 2020. 98.3% of our sites and 48.5% of our countries had no lost-time injuries (LTIs), up from 95.9% and 42% in 2020, respectively.

Sadly, during this same period, two employees and two contractors lost their lives. Eliminating fatalities remains our top priority. Since the launch of Ambition "0" we have divided their rate by five but we will never rest until we reach zero.

In 2021 we made good improvements on environmental indicators, with dust emissions per ton of clinker reduced by 18%, as well as NOx by 7%. Our SO_2 emissions increased by 1%, mainly due to local constraints in accessing low-sulfur raw materials, but we continue to be one of the best performers in the sector.

LOST TIME INJURY FREQUENCY RATE
(LTIFR)



ROAD SAFETY AWARD IN THE CATEGORY FLEET SAFETY

We were recognized this year as a global leader in road safety with the "Prince Michael International Award" in the category "Fleet Safety." This is testimony to our drivers' relentless focus on safety, which resulted in our second consecutive year with zero road fatalities within our own fleet.

Founded in 1987, this award is recognized as the 'Nobel Prize' in road safety, awarding the most outstanding achievements in road safety world-wide.

Prince Michael
INTERNATIONAL
ROAD SAFETY AWARD
Recognising achievement and innovations which will improve road safety

To accelerate our progress and focus, Holcim introduced a new HSE operating model based on the three pillars: critical risk management, workforce engagement and continuous improvement. Our focus on these key areas is setting a new standard for HSE.

CRITICAL RISK MANAGEMENT

In 2021, we launched our Critical Risk Management program. After careful review and analysis of past serious incidents we established a quarterly process in which these critical controls are verified at all sites around the globe using an app. In Q4 2021, we completed 12,866 control verifications globally and 25,135 coaching and feedback sessions with employees to adequately cover these controls. This pillar of the operating model will ensure serious injury and fatalities are eliminated.

WORKFORCE ENGAGEMENT

Our goal is simple: to engage all employees and contractors on Health, Safety and Environment daily. One of the biggest workforce engagement milestones of 2021 was the worldwide roll-out of Boots on the Ground. Our digital application to support the program continues to evolve to manage field presence and improve employee access to management with new features to drive overall engagement and provide managers with the right tools in the field to protect the environment and support the safe and healthy execution of the job . This marks our first-ever global implementation of an app developed entirely in-house: with 14,000 users across 1,200 sites and growing daily – more than triple the amount in 2020 – who have used the system to log a total of 2.8 million hours of presence in the field engaging our employees and contractors.

CONTINUOUS IMPROVEMENT

The Continuous Improvement pillar represents our commitment to making progress on HSE Management Systems. 2021 has been the year of the integration of Environment with Health & Safety. We now have a Group Management system compliant to ISO 14001 and 45001 and validated by Lloyd's Register. Every country completed fugitive dust assessments and reduction efforts. More than 3,200 site assessments were executed and over 250 improvement projects completed. An excellent example – Nicaragua invested CHF 60,000 to complete two projects eliminating measurable inhalable dust emissions at several locations.

We further developed digital with a goal to reach all workers; seven new modules were released in iCare, Holcim's digital reporting platform, to support Audit, Process Safety, Critical Control management, Environment Programs and a new HSE Performance dashboard. Our Audit and Process Safety digital tools allow field assessments to be performed and tracked – more than 1,000 findings were closed worldwide.

OPERATING DURING A PANDEMIC

Our resilience and support response to the COVID-19 pandemic began in January 2020. More than 50 new protocols, visual guidance and checklists have been developed and implemented worldwide. The new HSE Minimum Requirements for Operating During COVID-19 has been put in place, partnering with trusted third parties and in line with best scientific information and local regulations. In 2021, we maintained this focus, ensuring protocols were maintained. Additionally, we launched our new Well-being framework to further expand our HSE program and ensure we have a world-class health program. Building on our long tradition of working closely with our communities, we also invest in social initiatives to promote their health and well-being.

HOLCIM FOUNDATION
SUSTAINABLE CONSTRUCTION

HOLCIM FOUNDATION FOR SUSTAINABLE CONSTRUCTION

The Holcim Foundation for Sustainable Construction promotes approaches to sustainable design and construction that demonstrate how the built environment can best contribute to net zero, circularity, biodiversity and social equity objectives across the globe.

HOLCIM AWARDS

The Holcim Awards competition brings together independent expert juries and inspires change by highlighting innovative approaches in practice. More than 320 projects from over 70 countries have received Holcim Awards prizes since the competition began in 2003.

In 2021, the Global Awards jury was headed by Hashim Sarkis, Dean of Architecture, Massachusetts Institute of Technology, and Curator of the 17th International Architecture Exhibition, La Biennale di Venezia. Critical themes addressed by the 54 winners included circular flows for building materials, wetland remediation on the urban fringe, preserving local culture, local materials and vernacular architecture, community recovery, and combining energy efficiency and aesthetics.

MENTORING RESEARCH

The Holcim Foundation recognizes the critical importance of encouraging future architects, engineers and urban planners to develop the visionary design concepts and bold ideas required to meet the sustainability challenges in the construction industry. Through its Research in Practice Grants, the Foundation mentors and enables young practitioners in conducting ground-breaking research for a two-year period. Three projects are currently being supported: an artificial intelligence-based tool to optimize building component circularity in the USA; a housing project inspired by indigenous vernacular architecture in Brazil; and a vernacular river sanitation system upgrade in Indonesia.

> **"We gain confidence with hybrid construction methods by testing new techniques and sharing experience."**
>
> **WOLFGANG KESSLING**
> Transsolar Energietechnik, Germany – Global Holcim Awards Commendation winner 2021, Atlassian Central in Sydney, Australia

"We can extend the life cycle of buildings by designing alternatives to demolition."

RE-MATERIALIZING HOUSING WORKSHOP
Scholar presentation at a Norman Foster Foundation workshop supported by the Holcim Foundation

NEXT GENERATION WORKSHOP

In 2021, the Holcim Foundation joined forces with the Norman Foster Foundation to support a workshop dedicated to housing. Ten scholarships were awarded to students following an open call shared by hundreds of universities and institutions. The workshop created a platform for the scholars to meet a panel of international experts in a week-long laboratory to explore how to rematerialise housing by addressing issues including emissions, energy consumption, raw material use, and waste associated with the built environment. The students applied the insights of the seminars to case study projects from Argentina, India, and the USA.

For more information:
www.holcimfoundation.org

SUMMARY FINANCIAL INFORMATION

INSIDE THIS SECTION

The High Line, New York City, USA

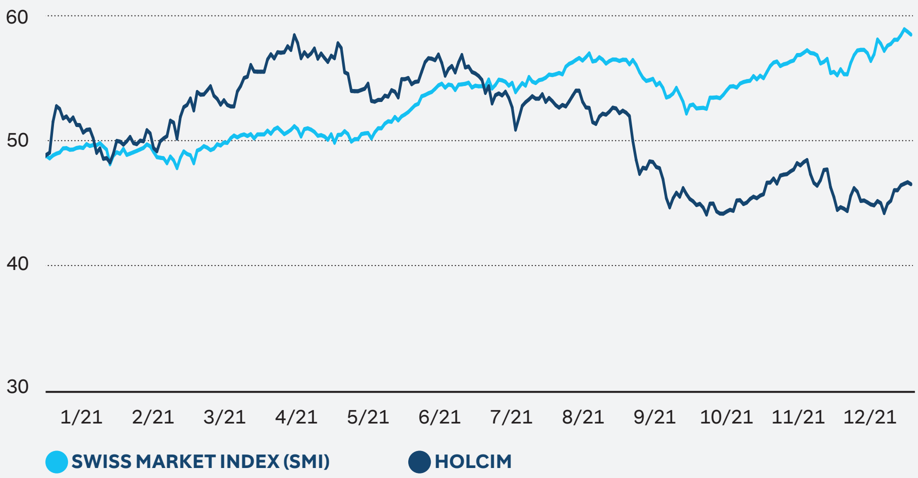
CAPITAL MARKET INFORMATION

Holcim delivered record financial performance and accelerated the expansion of Solutions and Products, reaching a new milestone in our transformation. After achieving our Strategy 2022 targets one year in advance, Holcim successfully launched "Strategy 2025 – Accelerating Green Growth" at our Capital Markets Day in November 2021.

The average trading volume amounted to approximately 1.8 million shares per day on the SIX Swiss Exchange while trading volumes on the Euronext Paris were not significant.

The Holcim share price decreased by 4.3% to CHF 46.5. In the same period, the Swiss Market Index (SMI) posted a gain of 20.3%. Holcim's share price increased by 0.2% on the Paris stock exchange, while in comparison, the CAC 40 increased by 28.9%.

PERFORMANCE OF HOLCIM SHARES VERSUS THE SWISS MARKET INDEX (SMI) IN 2021[1]



[1] SMI rebased to Holcim share price at 1 January 2021.

WEIGHTING OF THE HOLCIM REGISTERED SHARE IN SELECTED INDICES

Index	Weighting in %
SMI, Swiss Market Index	2.03
SPI, Swiss Performance Index	1.44
SPI ESG, Swiss Performance Index ESG	1.52
SLI, Swiss Leader Index	2.91
SXI Swiss Sustainability 25 PR	2.87
STOXX Europe 600 Construction	6.64
STOXX Europe Large 200	0.30
STOXX Europe 600	0.23
STOXX Global 1800	0.05
FTSE4Good Europe Index	0.29

Sources: SIX, STOXX, FTSE as of year-end 2021

CHF
46.5
CLOSING PRICE
AT 31 DECEMBER 2021
-4.3%

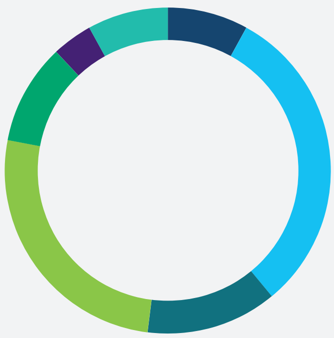
CHF
28.6BN
MARKET CAPITALIZATION
AT 31 DECEMBER 2021
2020: CHF 29.9 BILLION

CHF
2.20
DIVIDEND 2021[2]

[2] For the 2021 financial year, the Board of Directors is proposing a cash dividend of CHF2.20 per registered share, subject to approval by the shareholders at the Annual General Meeting on 4 May 2022. The dividend will be fully paid out of the foreign capital reserves from tax capital contributions.

A DIVERSIFIED SHAREHOLDER BASE
(31 DECEMBER 2021, IN % OF SHARES OUTSTANDING)

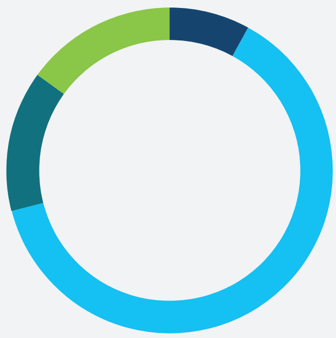
SHAREHOLDER BASE BY GEOGRAPHY



ANCHOR SHAREHOLDERS	8%
SWITZERLAND	31%
CONTINENTAL EUROPE	13%
NORTH AMERICA	27%
UK AND IRELAND	10%
REST OF THE WORLD	4%
OTHERS[3]	7%

[3] Includes employee shares, treasury shares and trading accounts.

SHAREHOLDER BASE BY INVESTOR CATEGORY



ANCHOR SHAREHOLDERS	8%
INSTITUTIONAL INVESTORS	63%
RETAIL SHAREHOLDERS	14%
OTHERS[4]	15%

[4] Includes employee shares, pension fund and treasury shares.

ADDITIONAL DATA

	ISIN	Security code number	SIX code	Bloomberg code	Thomson Reuters code
SIX, Zurich	CH0012214059	1221405	HOLN	HOLN SW	HOLN.S
Euronext, Paris	CH0012214059	1221405	HOLN	HOLN FP	HOLN.F

CAPITAL MARKET INFORMATION CONTINUED

LISTINGS

Holcim is listed on the SIX Swiss Exchange and on Euronext Paris. The Group is a member of the main large indexes on the SIX Swiss Exchange (SMI, SLI and SPI). Holcim is also included in the socially responsible investment index, SXI Switzerland Sustainability 25. Holcim has been included in the new ESG indexes 'SPI ESG' and 'SPI ESG Weighted' launched in February 2021 as sustainable benchmarks for the Swiss capital market.

FREE FLOAT

Free float as defined by the SIX Swiss Exchange and the Euronext stands at 92%.

DIVIDEND POLICY

Dividends are distributed annually. For the 2021 financial year, the Board of Directors is proposing a dividend payout in the amount of CHF 2.20 per registered share, subject to approval by shareholders at the annual general meeting. The payout is scheduled for 12 May 2022, to be paid out of the foreign capital reserves from tax capital contributions, not subject to Swiss withholding tax.

SIGNIFICANT SHAREHOLDERS

Information on significant shareholders can be found on page 277 of our complete 2021 Integrated Annual Report.

DISCLOSURE OF SHAREHOLDINGS

Under the Federal Act on Financial Market Infrastructures and Market Conduct in Securities and Derivatives Trading (Financial Market Infrastructure Act, FMIA), whosoever, directly, indirectly, or acting in concert with third parties, acquires or disposes of shares in a company incorporated in Switzerland whose equity securities are listed, in whole or in part, in Switzerland and thereby attains, falls below, or exceeds the threshold of 3, 5, 10, 15, 20, 25, 33⅓, 50, or 66⅔ % of the voting rights, whether or not such rights may be exercised, shall notify the company and the stock exchanges on which the equity securities in question are listed.

KEY DATA HOLCIM REGISTERED SHARES

Par value CHF 2.00	**2021**	2020	2019	2018	2017
Number of shares issued	**615,929,059**	615,929,059	615,929,059	606,909,080	606,909,080
Number of treasury shares	**7,919,042**	4,216,907	2,235,478	10,736,847	9,698,149

Stock market prices in CHF	**2021**	2020	2019	2018	2017
High	**58**	54	54	60	60
Low	**43**	28	40	39	51
Average	**51**	43	49	50	56
Market capitalization (billion CHF)	**28.6**	29.9	33.1	24.6	33.3
Trading volumes (million shares)	**458.7**	774.2	602.8	625.3	574.6
Earnings per share (EPS) in CHF	**3.73**	2.74	3.69	2.52	(2.78)
EPS before impairment and divestments in CHF	**3.98**	3.07	3.37	2.63	2.35
Cash earnings per share in CHF[1]	**8.26**	7.54	7.97	5.01	5.04
Dividend per share in CHF	**2.20**[2]	2.00	2.00	2.00	2.00

1 Cash EPS calculated based on cash flow from operating activities divided by the weighted-average number of shares outstanding.
2 Proposed by the Board of Directors to be paid out of the foreign capital reserves from tax capital contributions, not subject to Swiss withholding tax.

REGISTRATION IN THE SHARE REGISTER AND RESTRICTIONS ON VOTING RIGHTS

The company maintains a share register for registered shares in which the names and addresses of owners and beneficiaries are entered. According to the applicable rules and regulations, only those included in the share register are deemed shareholders or beneficial owners of the registered shares of the company. Upon request, purchasers of registered shares shall be included in the share register as shareholders with voting rights if they expressly declare that they have acquired the shares in their own name and for their own account. Exceptions to this rule apply for nominees who have signed a nominee agreement with the company regarding this position and are subject to a recognized financial markets supervisory authority. The share register is closed approximately one week prior to the date of the Shareholders General Meeting (the exact date is communicated in the invitation to the Shareholders General Meeting).

Each Holcim share carries one voting right.

Information on Holcim registered shares

Further information on Holcim registered shares can be found at: *holcim.com/investor-relations*

CURRENT RATING (25 FEBRUARY 2022)

Rating Agency	Long-term rating	Short-term rating
Standard & Poor's Ratings Services	BBB, outlook positive	A-2
Moody's Investors Service	Baa2, outlook positive	P-2

FINANCIAL CALENDAR

First Quarter 2022 Trading Update 22 April 2022	Dividend payment date 12 May 2022 (ex-dividend date 9 May)
Annual General Meeting 4 May 2022	Last trading day with entitlement to receive the dividend 6 May 2022
Half-Year Results 2022 27 July 2022	
Third Quarter 2022 Trading Update 28 October 2022	

SUMMARY FINANCIAL INFORMATION

CONSOLIDATED STATEMENT OF INCOME OF HOLCIM

Million CHF	Notes	2021	2020
Net sales	3.3	**26,834**	23,142
Production cost of goods sold	4.3	**(15,298)**	(13,453)
Gross profit		**11,536**	9,689
Distribution and selling expenses		**(6,232)**	(5,558)
Administration expenses		**(1,377)**	(1,207)
Share of profit of joint ventures	6.4	**474**	448
Operating profit		**4,401**	3,371
Profit on disposals and other non-operating income	5.2	**36**	15
Loss on disposals and other non-operating expenses	5.3	**(231)**	(60)
Share of profit (loss) of associates	6.9	**(7)**	15
Financial income	7.2	**96**	101
Financial expenses	7.3	**(652)**	(723)
Net income before taxes		**3,644**	2,719
Income taxes	8.2	**(963)**	(717)
Net income		**2,681**	2,002

Net income attributable to:			
Shareholders of Holcim Ltd		**2,298**	1,697
Non-controlling interest		**383**	305

Earnings per share in CHF			
Earnings per share	9	**3.73**	2.74
Fully diluted earnings per share	9	**3.72**	2.74

The non-GAAP measures used in this report are defined on page 282 of our complete 2021 Integrated Annual Report on *https://annual-report.holcim.com/*

CONSOLIDATED STATEMENT OF FINANCIAL POSITION OF HOLCIM

Million CHF	Notes	31 December 2021	31 December 2020
Cash and cash equivalents	14.3	**6,682**	5,190
Short-term derivative assets	14.5	**186**	30
Current financial receivables	12.3	**261**	247
Trade accounts receivable	10.2	**2,677**	2,305
Inventories	10.3	**2,608**	1,983
Prepaid expenses and other current assets	10.4	**1,178**	1,017
Assets classified as held for sale	13.2	**104**	114
Total current assets		**13,696**	10,886
Long-term financial investments and other long-term assets	12.2	**968**	859
Investments in associates and joint ventures	6.4, 6.9	**3,714**	3,473
Property, plant and equipment	11.2	**24,441**	24,220
Goodwill	11.3	**13,954**	12,413
Intangible assets	11.3	**1,446**	533
Deferred tax assets	8.4	**783**	513
Pension assets	15.3	**823**	257
Long-term derivative assets	14.5	**59**	70
Total non-current assets		**46,188**	42,338
Total assets		**59,885**	53,224

Million CHF	Notes	31 December 2021	31 December 2020
Trade accounts payable	10.5	**4,059**	3,351
Current financial liabilities	14.4	**2,391**	2,064
Current income tax liabilities		**484**	473
Other current liabilities		**2,398**	1,967
Short-term provisions	16.2	**413**	323
Total current liabilities		**9,745**	8,178
Long-term financial liabilities	14.4	**14,514**	11,710
Defined benefit obligations	15.3	**735**	1,091
Long-term income tax liabilities	8.6	**389**	348
Deferred tax liabilities	8.4	**2,320**	1,885
Long-term provisions	16.2	**1,707**	1,389
Total non-current liabilities		**19,666**	16,422
Total liabilities		**29,411**	24,600
Share capital	17.2	**1,232**	1,232
Capital surplus		**20,386**	21,597
Treasury shares	17.2	**(381)**	(197)
Reserves		**6,449**	3,439
Total equity attributable to shareholders of Holcim Ltd		**27,685**	26,071
Non-controlling interest	2.5	**2,788**	2,553
Total shareholders' equity		**30,473**	28,625
Total liabilities and shareholders' equity		**59,885**	53,224

GOVERNANCE, RISK AND COMPENSATION

INSIDE THIS SECTION

Thammasat University Rooftop Farm (TURF), Asia's largest rooftop farm with Firestone's UltraPly TPO 1.5mm – 20,000m² green roof in Thailand

CORPORATE GOVERNANCE

Holcim applies high standards to Corporate Governance. The goal is to assure the long-term value and success of the company in the interests of various stakeholder groups: customers, shareholders, employees, creditors, suppliers, and the communities where Holcim operates.

PRELIMINARY REMARKS

The ultimate goal of effective Corporate Governance is long-term value creation and strengthening of the Group's reputation. This includes continuous improvement to decision-making processes and management systems through legal, organizational and ethical directives and terms of reference, as well as measures to enhance transparency.

Compliance with internal and external law and regulations, early recognition of business risks, social responsibility for stakeholder groups, and open communication on all relevant issues are among the principles of Holcim. The Code of Business Conduct, binding for the entire Group, is part of our internal regulations.

Holcim aims to achieve a balanced relationship between management and control by keeping the functions of Chairperson of the Board of Directors and CEO separate.

The information published in this chapter conforms to the Directive on Information relating to Corporate Governance of the SIX Swiss Exchange (SIX) and the disclosure rules of the Swiss Code of Obligations. In the interest of clarity, reference is made to other parts of the Annual Report or, for example, to the Group's website: *www.holcim.com*

Except where otherwise indicated, this Annual Report reflects the legal situation as of 31 December 2021.

GROUP STRUCTURE AND SHAREHOLDERS

The holding company Holcim Ltd was established under the laws of Switzerland for an indefinite period. Its registered office is in Zug (Canton of Zug, Switzerland). It has direct and indirect interests in all companies listed on pages 191–195 of this Integrated Annual Report.

The Group is organized by geographical regions. The management structure as per 31 December 2021 is described in this chapter.

To the knowledge of Holcim, it has no mutual cross-holdings with any other company. To the knowledge of Holcim, there are neither shareholders' agreements nor other agreements regarding voting or the holding of Holcim shares.

More detailed information on the business review, Group structure and shareholders can be found on the following pages of the Annual Report:

TOPIC

- Business review of the Group regions p. 160–169
- Segment information p. 198
- Principal companies p. 191
- Information about Holcim Ltd & listed Group companies p. 195
- Information about Significant Shareholders p. 277

CAPITAL STRUCTURE

Holcim has one uniform type of registered share in order to comply with international capital market requirements in terms of an open, transparent, and modern capital structure and to enhance attractiveness, particularly for institutional investors.

SHARE CAPITAL

As of 31 December 2021, the nominal, fully paid-in share capital of Holcim amounted to CHF 1,231,858,118. The share capital is divided into 615,929,059 registered shares of CHF 2.00 nominal value each.

CONDITIONAL SHARE CAPITAL

The share capital may be increased by a nominal amount of CHF 2,844,700 through the issuance of a maximum of 1,422,350 fully paid-in registered shares, each with a par value of CHF 2.00 (as per 31 December 2021). The conditional capital may be used for exercising conversion rights and/or warrants relating to bonds or similar debt instruments of the company or one of its Group companies. The subscription rights of the shareholders will be excluded. The current owners of conversion rights and/or warrants will be entitled to subscribe for the new shares. The acquisition of shares through the exercise of conversion rights and/or warrants and each subsequent transfer of the shares will be subject to the restrictions set out in the Articles of Incorporation. As per 31 December 2021, no bonds or similar debt instruments of the company or one of its Group companies were outstanding that would give rise to conversion rights or warrants related to the conditional capital; therefore, in the year under review, no conversion rights or warrants have been exercised.

Further information on conversion rights and/or warrants and applicable conditions may be found in the Articles of Incorporation of Holcim at: *www.holcim.com/articles-association*

AUTHORIZED SHARE CAPITAL/ CERTIFICATES OF PARTICIPATION

As per 31 December 2021, neither authorized share capital nor certificates of participation were outstanding.

More detailed information on the capital structure can be found as follows:

TOPIC
Articles of incorporation of Holcim Ltd *www.holcim.com/articles-association*
Code of business conduct *www.holcim.com/corporate-governance*
Changes in equity of Holcim p. 178–179 (information for the year 2019 is included in the Annual Report 2020, p. 166–167)
Detailed information on conditional capital *www.holcim.com/articles-association* Articles of incorporation: Art. 3[bis]
Key data per share p. 74–77, 243, 258
Rights pertaining to the shares *www.holcim.com/articles-association* Articles of incorporation: Art. 6, 9 10
Regulations on transferability of shares and nominee registration *www.holcim.com/articles-association* Articles of incorporation: Art. 4, 5
Warrants/options p. 250–253

BOARD OF DIRECTORS AND COMMITTEES

The Board of Directors currently consists of 12 members, 11 of whom are independent, were not previously members of the Holcim management, and have no important business connections with Holcim.

Independence is defined in line with Swiss best Corporate Governance standards. A member of the Board of Directors shall be considered independent, if the member is not and has not been employed as a member of the Executive Committee at the company or any of its principal subsidiaries or as employee or affiliate of the auditors of Holcim for the past three years and does not maintain, in the sole determination of the Board of Directors, a material direct or indirect business relationship with the company or any of its subsidiaries. Members of the Board of Directors with immediate family members who would not qualify as independent shall not be considered independent, subject to a three-year cooling-off period.

Please see pages 98–101 for the biographical information of the members of the Board of Directors as per 31 December 2021.

Mr. Oscar Fanjul retired from the Board of Directors at the Shareholders General Meeting of 4 May 2021.

In 2021, the shareholders elected Jan Jenisch as a member of the Board of Directors in addition to his CEO role. The shareholders re-elected eleven members of the Board of Directors.

Dr. Beat Hess was re-elected as Chairperson of the Board of Directors. Furthermore, the shareholders confirmed four members of the Nomination, Compensation & Governance Committee. Dr. Dieter Spälti was newly elected to the Nomination, Compensation & Governance Committee.

New independent members of the Board of Directors are required to participate in an induction program where they are introduced in detail to the company's areas of business and where they become familiar with the organizational structure, strategic plans and other important matters relating to the governance of the company.

The Board of Directors meets as often as business requires, but at least four times a year.

Due to the exceptional circumstances related to the COVID-19 pandemic, in 2021 all Board of Directors and Committee meetings were organized as video conferences until end of June. Thereafter those members of the Board of Directors who reside in Switzerland or who were able to travel to Switzerland met in person and those who were unable to travel joined by video-conference.

In 2021, five regular meetings and three additional meetings were held. One meeting focused on strategy topics. As a rule, the members of the Executive Committee attended those parts of the regular meetings of the Board of Directors which dealt with operational issues of areas of their responsibility. In addition selected members of the senior management have been invited by the respective Chairpersons to attend the meetings of the Board of Directors or its Committees. The average duration of the regular meetings of the Board of Directors was six hours.

ELECTIONS AND TERMS OF OFFICE

All members of the Board of Directors, the Chairperson of the Board of Directors, and all members of the Nomination, Compensation & Governance Committee are elected annually and individually as a matter of law by the shareholders at the Shareholders General Meeting. They may be proposed for re-election by the Board of Directors upon motion by the Nomination, Compensation & Governance Committee. The Nomination, Compensation & Governance Committee bases its motion on a review of the overall performance of each candidate.

A member of the Board of Directors shall not serve on the Board of Directors for more than twelve years. In addition, it is expected that members of the Board of Directors will offer their resignation at the ordinary General Meeting following their 72nd birthday. The Board of Directors may provide for exceptions to this rule in individual cases under special circumstances and if this is in the best interest of Holcim.

COMPOSITION OF BOARD OF DIRECTORS AND SUCCESSION PLANNING

Succession planning is of high relevance to the Board of Directors. The Nomination, Compensation & Governance Committee regularly considers the composition of the Board of Directors as a whole and in light of staffing for the Committees.

With regard to the composition of the Board of Directors, the Nomination, Compensation & Governance Committee considers diversity (including but not limited to: origin, domicile, gender, age and professional background) as well as such other factors necessary to address needs of the Board of Directors to fulfil its responsibilities. The Nomination, Compensation & Governance Committee also considers other activities and commitments of an individual in order to ensure that a proposed member of the Board of Directors will have sufficient time to dedicate to his role as member of the Board of Directors of Holcim.

The Board of Directors initiates the evaluation of potential new Board members in a timely manner. A search for new Board members is launched – normally with the support of a professional executive search company – with precise selection criteria. Candidates are interviewed by the Chairperson of the Board of Directors, the Chairperson and members of the Nomination, Compensation & Governance Committee and other members of the Board of Directors. The Nomination, Compensation & Governance Committee makes a recommendation to the Board of Directors who then decides on the proposal to the Shareholders General Meeting for election.

BOARD OF DIRECTORS AND COMMITTEE PERFORMANCE AND EFFECTIVENESS EVALUATION

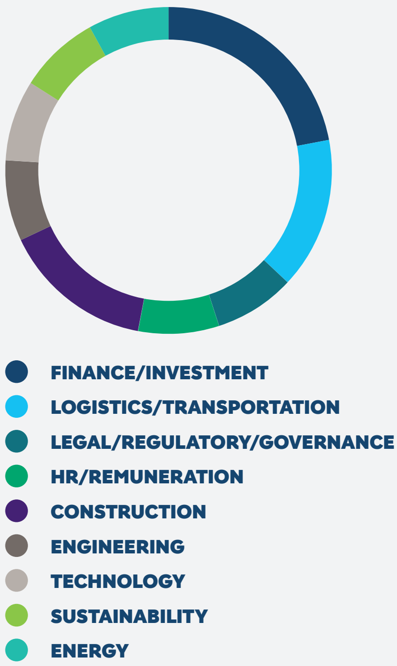
According to Paragraph 4 of the company's Organizational Rules, the Board of Directors annually conducts self-assessments to evaluate the performance and operational effectiveness of the Board of Directors and its Committees. This includes confidential feedback on the basis of anonymous questionnaires and individual interviews with each member of the Board of Directors conducted by the Chairperson of the Board of Directors and the Chairperson of the Nomination, Compensation & Governance Committee.

This assessment covers topics including size/composition of the Board of Directors, qualifications, meeting cycle, allocation of tasks between the Board of Directors and its Committees, processes, governance, meetings, pre-reading materials, effectiveness, leadership and culture. In addition each Committee reviews the adequacy of its composition, organization and processes as well as the scope of its responsibilities and evaluates its performance. The main issues identified are then presented and discussed to ensure continued effectiveness of the Board of Directors and its Committees.

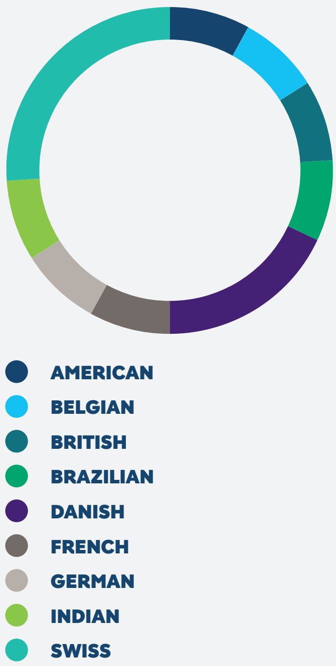
HONORARY CHAIRMAN

After Mr. Thomas Schmidheiny retired from the Board of Directors at the Shareholders General Meeting of 8 May 2018, the Board of Directors decided to name Mr. Thomas Schmidheiny Honorary Chairman of the Group in recognition of his many years of service to Holcim. The Honorary Chairman is invited to participate at the meetings of the Board of Directors as a guest.

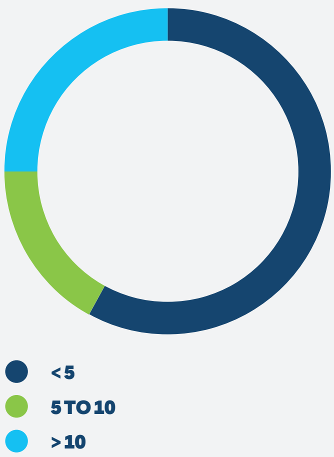
EXPERTISE



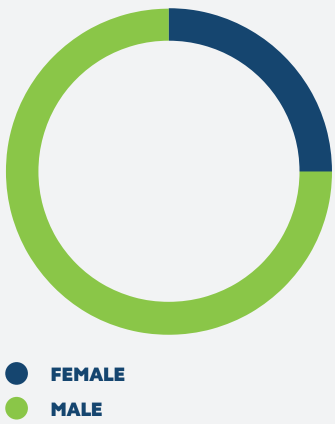
NATIONALITY



TENURE



GENDER



AS OF 31 DECEMBER 2021 OUR MEMBERS OF THE BOARD OF DIRECTORS SERVED ON THE FOLLOWING EXPERT COMMITTEES

AUDIT COMMITTEE (AC)

Patrick Kron (Chairperson)
Kim Fausing
Jürg Oleas
Hanne B. Sørensen
Dr. Dieter Spälti

The Audit Committee assists and advises the Board of Directors in conducting its supervisory duties with respect to the internal control systems. It examines the reporting for the attention of the Board of Directors and evaluates the Group's external and internal audit procedures, reviews the risk management systems of the Group, and assesses financing issues.

All members are independent in order to ensure the necessary degree of objectivity required for an Audit Committee.

In 2021, four regular meetings of the Audit Committee were held. The average duration of the regular meetings was two hours and thirty minutes.

In 2021, the Audit Committee reviewed in particular the financial reporting of the Group, the releases of the quarterly results and the findings of the external auditors. The Audit Committee took note of the status of the Internal Control System (ICS), discussed the findings of Group Internal Audit, dealt with compliance and internal directives, and evaluated financing issues. The Audit Committee evaluated the performance of the external auditors and their fees. The Audit Committee also launched a tender process for the renewal of external auditors and recommended to the Board of Directors to propose to the 2022 Shareholders General Meeting the election of EY as the external auditors commencing from the 2022 financial year.

The charter of the Audit Committee is available at: *www.holcim.com/articles-association*

NOMINATION, COMPENSATION & GOVERNANCE COMMITTEE (NCGC)

Hanne B. Sørensen (Chairperson)
Colin Hall
Adrian Loader
Claudia S. Ramirez
Dr. Dieter Spälti

The Nomination, Compensation & Governance Committee supports the Board of Directors in planning and preparing succession at the Board of Directors and senior management level. It monitors developments with regard to Corporate Governance and compensation for the Board of Directors and Executive Committee, and briefs the Board of Directors accordingly. The Nomination, Compensation & Governance Committee advises the Board of Directors on the compensation policy for the Board of Directors and for the Executive Committee and on the motion by the Board of Directors to the Shareholders General Meeting for the total compensation of the Board of Directors and of the Executive Committee.

In 2021, the Nomination, Compensation & Governance Committee held four regular and five additional meetings. The average duration of the regular meetings was two hours and fifty minutes.

More details on the activities of the Nomination, Compensation & Governance Committee, in particular with regard to the process of determination of compensation, can be found in the Compensation Report, starting on page 122.

The charter of the Nomination, Compensation & Governance Committee is available at: *www.holcim.com/articles-association*

HEALTH, SAFETY & SUSTAINABILITY COMMITTEE (HSSC)

Adrian Loader (Chairperson)
Philippe Block
Naina Lal Kidwai
Patrick Kron
Claudia S. Ramirez

The Health, Safety & Sustainability Committee supports and advises the Board of Directors on the development and promotion of a healthy and safe environment for employees and contractors as well as on sustainable development and social responsibility.

For information on the role of the Health, Safety & Sustainability Committee with regard to governing the risks and opportunities around climate change, please see the chart on the opposite page.

In 2021 the Health, Safety & Sustainability Committee held four regular meetings. The average duration of the meetings was 1 hour and fifty minutes.

In 2021, the topics discussed by the Health, Safety & Sustainability Committee included:

- Health and Safety KPIs and focus areas in particular root causes for fatalities and implementation of improvement actions and ongoing mental health impacts of COVID-19.
- Sustainability focus areas and ESG strategy including:
  - Holcim's net-zero pathway including the first in the industry with 2030 and 2050 targets validated by the Science-Based Targets initiative (SBTi)
  - Circular economy strategy including construction and demolition waste
  - Nature strategy to replenish the freshwater used and make a measurable impact on biodiversity, delivering a nature-positive future
  - People strategy including strengthening approach to human rights and empowering people & communities through affordable housing and infrastructure initiatives
- "Say on Climate" – a non-binding shareholders' vote on corporate climate performance at the AGM
- COVID-19 Crisis Management and updates across all countries and sites including vaccination programs
- Security and resilience program and outlining threat & risk forecast

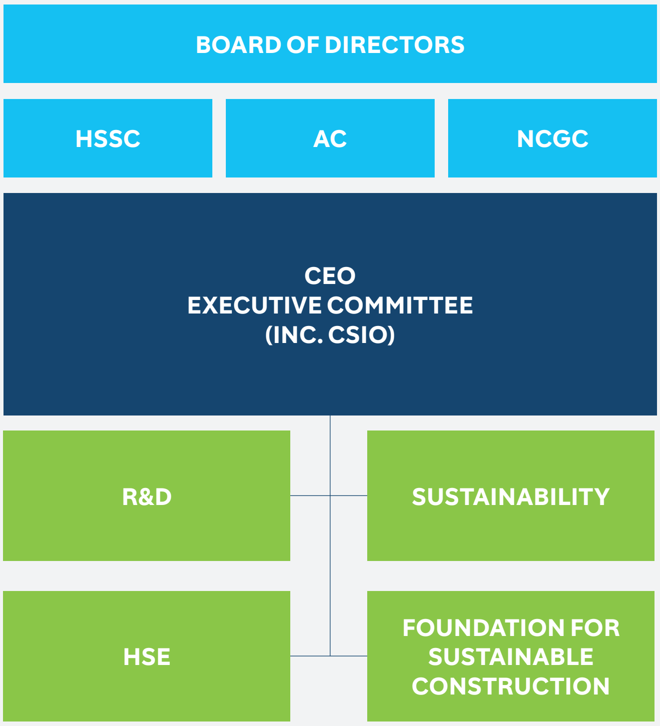
The charter of the Health, Safety & Sustainability Committee is available at: *www.holcim.com/articles-association*

BOARD AND COMMITTEE ATTENDANCE AT SCHEDULED ORDINARY MEETINGS[1]

Name	Position	Board	Audit Committee	Nomination, Compensation & Governance Committee	Health, Safety & Sustainability Committee
Beat Hess[2]	Chairperson	5/5	–	–	–
Dieter Spälti[3]	Vice-Chairperson	5/5	4/4	3/3	2/2
Oscar Fanjul[4]	Vice-Chairperson (former)	2/2	–	1/1	–
Philippe Block	Member	5/5	–	–	4/4
Kim Fausing	Member	5/5	3/4	–	–
Colin Hall	Member	4/5	–	3/4	–
Jan Jenisch[5]	Member	5/5	–	–	–
Naina Lal Kidwai	Member	5/5	–	–	4/4
Patrick Kron	Member	5/5	4/4	–	2/4
Adrian Loader	Member	5/5	–	4/4	4/4
Jürg Oleas	Member	5/5	4/4	–	–
Claudia Sender Ramirez[6]	Member	5/5	–	4/4	2/2
Hanne B. Sørensen	Member	5/5	4/4	4/4	–

[1] The Board of Directors held one additional meeting focusing on strategy topics and three extraordinary meetings
[2] Although the Chairperson is not formally a member of the Committees he regularly attends as a guest
[3] Member of the Health, Safety & Sustainability Committee until May 2021 and Member of the Nomination, Compensation & Governance Committee as of Shareholders General Meeting 2021
[4] Vice-Chairperson and member of the Nomination, Compensation & Governance Committee until Shareholders General Meeting 2021
[5] Member of the Board of Directors as of Shareholders General Meeting 2021; CEO regularly attends Board of Directors and Committee meetings
[6] Member of the Health, Safety & Sustainability Committee as of May 2021

HOLCIM GOVERNANCE APPROACH FOR CLIMATE-RELATED RISKS AND OPPORTUNITIES



The Board of Directors has the ultimate responsibility for strategy and overall governance of the company.

The HSSC advises the Board of Directors on all matters related to sustainable development, including those related to climate and energy. The HSSC reviews and approves the company's climate-related plans and targets.

The Committee consists of five members of the Board of Directors. The Chairperson of the Board of Directors (unless a member of the HSSC), the Group CEO, Chief Sustainability & Innovation Officer (CSIO), Head of Legal and Compliance, Head of Security and the Head of Health and Safety participate as standing guests. The committee meets at least quarterly.

The Executive Committee is ultimately responsible for execution of the climate and energy strategy, and climate-related issues are managed on an operational level by the CSIO, an Executive Committee-level position. The CSIO is supported by a sustainability core team.

The sustainability core team is a cross-disciplined department which is responsible to develop and oversee the deployment of Holcim's sustainability strategy. The R&D team also plays a key role, with more than half of the time spent by our researchers at the Innovation Centers in Holderbank, Switzerland and Lyon, France, dedicated to low-carbon products and more than 45% of our patents currently in this area and a further 20% related to other sustainability topics.

CORPORATE GOVERNANCE FRAMEWORK

ORGANIZATIONAL RULES/AREAS OF RESPONSIBILITY

The division of responsibilities between the Board of Directors, the CEO, and the Executive Committee is set out in detail in the company's Organizational Rules.

The Organizational Rules entered into force on 24 May 2002, and are reviewed at least every two years and amended as required. They were last reviewed and amended in July 2021 and may be found at: *www.holcim.com/articles-association.*

The Organizational Rules are issued by the Board of Directors in accordance with the terms of Art. 716b of the Swiss Code of Obligations and Art. 18 of the company's Articles of Incorporation. They stipulate the organizational structure of the Board of Directors and the Executive Committee and govern the tasks and powers conferred on the company's executive bodies. They regulate the convocation, execution, and number of meetings to be held by the Board of Directors and the Executive Committee. In the event that the Chairperson of the Board of Directors is not independent, the Organizational Rules provide for the election of an Independent Lead Director.

The Board of Directors also has the power to establish expert Committees and, if required, ad-hoc Committees for special tasks. The Board of Directors can delegate special tasks or tasks related to specific functions to a Vice-Chairperson on a temporary or permanent basis.

As part of its non-transferable statutory responsibilities, the Board of Directors defines the corporate strategy, approves the consolidated Group mid-term plan, including the budget, and the Annual Report for submission to the Shareholders General Meeting.

The CEO is responsible for operational management, preparing a large part of the business of the Board of Directors – including corporate strategy proposals – and executing the latter's resolutions.

The CEO issues directives and recommendations with Group-wide significance in the CEO's own authority and is also responsible for electing and dismissing Function Heads and CEOs of Group companies, as well as for the nomination of the members of the Board of Directors of Group companies and supervisory bodies of the Group companies.

Within the framework of mid-term plan approval, the Board of Directors defines limits for investments and financing.

Within these limits, the Executive Committee decides on financing transactions and on one-off investments and divestments for amounts up to CHF 400 million. Amounts exceeding this are subject to approval by the Board of Directors. The Board of Directors is regularly informed about important transactions under the authority of the Executive Committee.

The Board of Directors determines the CEO's objectives upon motion by the Chairperson of the Board of Directors and the Executive Committee members' Group objectives upon motion by the Nomination, Compensation & Governance Committee, both after advice and assessment with the CEO.

The CEO assesses the performance of the members of the Executive Committee and, after advice and assessment by the Nomination, Compensation & Governance Committee, determines their respective individual objectives.

The Executive Committee oversees risk management following appraisal by the Audit Committee. The Board of Directors is informed annually about the risk exposure.

In case of a direct conflict of interest, the Organizational Rules require each member of the corporate body concerned to stand aside voluntarily prior to any discussion of the matter in question. Members of the corporate bodies are required to treat all information and documentation which they may obtain or view in the context of their activities in these bodies as confidential and not to make such information available to third parties.

All individuals vested with the powers to represent the company have joint signature power collectively by two.

INFORMATION AND CONTROL INSTRUMENTS OF THE BOARD OF DIRECTORS

The Board of Directors determines the manner in which it is to be informed about the course of business. Any member of the Board of Directors may demand information on all issues relating to the Group and the company. All members of the Board of Directors may request information from the CEO after informing the Chairperson of the Board of Directors. At meetings of the Board of Directors, any attending member of the Executive Committee has a duty to provide information. All members of the Board of Directors have a right to inspect books and files to the extent necessary for the performance of their tasks.

Financial reporting

The Board of Directors is informed on a monthly basis about the current course of business, adopts the quarterly reports, and releases them for publication. The Board of Directors discusses the Annual Report, takes note of the Auditors' Reports, and submits the Annual Report to the Shareholders General Meeting for approval.

With regard to Group strategy development, a strategy plan, a mid-term plan covering three years and including the budget are submitted to the Board of Directors.

Risk management

Holcim benefits from many years of experience with a risk management process which is structured around several coordinated approaches and subject to continuous improvement. A detailed update and analysis of the Group Risk map was carried out in 2021 and submitted to and analyzed by the Audit Committee and Executive Committee.

Responsibilities concerning risks are clearly defined at country, region and corporate level. The underlying principle is that risk management is a line management responsibility. Line managers are supported by the Group Risk Management function.

Risks are identified and assessed according to significance and likelihood. The full risk spectrum from market, operations, finance, legal, environmental and sustainability, to external risk factors of the business environment is reviewed, including compliance and reputational risks. Key risks are analyzed more deeply regarding their causes, and risk mitigating actions are defined. Risk transfer through insurance solutions and the Internal Control system forms an integral part of the risk management process. Risks are monitored and their status reported to the Executive Committee and the Audit Committee regularly. Independent assessments of the effectiveness of mitigating actions and controls are performed by Group Internal Audit. Please see page 98 for more details about the Group's risk management.

Internal control

Holcim aims to have an effective Internal Control system and culture supported by the commitment of the Board of Directors and the Executive Committee. Group Internal Control (GIC) primarily aims to provide the Board of Directors and the Executive Committee reasonable assurance on the reliability of the financial reporting and statements, compliance with laws and regulations and the protection of assets.

GIC has designed a set of minimum control standards and a continuous reporting system to receive country and function assessments of the controls and status of any action plans. Discussions regularly occur with local management to ensure controls are properly assessed and issues are swiftly addressed.

GIC designs and coordinates the annual certification process to review the main action plans in progress and to confirm management responsibility at each relevant level of the Group organization on the quality of both internal control and financial reporting. The outcome is presented to the Executive Committee and the Audit Committee.

Group Internal Audit

The core mission of Group Internal Audit (GIA) is to provide to the Board of Directors and the Executive Committee with an independent, risk-based, and objective assurance on the effectiveness and efficiency of the governance, risk management and internal control system of Holcim Group. The members of the Board of Directors have access to GIA at all times. Each year, the Internal Audit plan, which defines the audit focal areas to be addressed by GIA, is reviewed and approved by the Audit Committee. Main observations and findings observed during the audit assignments are reported periodically to the Audit Committee and the Executive Committee.

The Group Internal Audit activity is governed by adherence to the mandatory guidance issued by the Institute of Internal Auditors ("IIA") including the Definition of Internal Auditing, the Code of Ethics, and the International Professional Practices Framework (IPPF). GIA activities are certified by IFACI (French Institute of Audit and Internal Control), which is affiliated to IIA.

EXECUTIVE COMMITTEE

Members of the Executive Committee (including the CEO) are appointed by the Board of Directors and are responsible for the management of the Group.

The tasks of the Executive Committee are divided into different areas of responsibility in terms of country and function, each of these areas being ultimately supervised and managed by a member of the Executive Committee.

During the year under review the following changes within the Executive Committee have occurred:

Building on the Firestone transaction, the Board of Directors has decided to create a new position at the Executive Committee level. Effective 1 March 2021, Jamie M. Gentoso, previously Chief Executive Officer of US Cement, has been appointed to lead the newly created Solutions & Products Global Business Unit.

Also effective 1 March 2021, the regions Europe and Middle East Africa have been integrated into one new region. Miljan Gutovic, formerly Head of Region MEA, has been appointed to take over responsibility of the broader region EMEA. Marcel Cobuz, former Head of Region Europe, has decided to pursue new opportunities outside the company.

Furthermore effective 1 March 2021, Magali Anderson's role has been expanded to Chief Sustainability and Innovation Officer in order to put sustainability at the core of the company's innovation pipeline.

Effective 1 September 2021, Mathias G. Gärtner joined Holcim as a member of the Executive Committee as new Head of Legal and Compliance, succeeding Keith Carr who has decided to pursue new opportunities outside of the company.

As of 31 December 2021, the Executive Committee of Holcim was comprised of the ten members reported in the table below.

Please refer to pages 104–105 for biographical information on the members of the Executive Committee. None of the members of the Executive Committees have important functions outside the Holcim Group or any other significant commitments of interest, with the exception of Jan Jenisch who is a non-executive Director of the privately held Glas Troesch Holding AG and Géraldine Picaud who is a non-executive Director of the stock-listed Infineon Technologies AG.

COMPOSITION OF THE EXECUTIVE COMMITTEE

Name	Position	Responsibility
Jan Jenisch	CEO	
Géraldine Picaud	CFO	
Magali Anderson	Member	Chief Sustainability and Innovation Officer
Mathias G. Gärtner	Member	Head Legal and Compliance
Jamie M. Gentoso	Member	Global Head, Solutions & Products Business Unit
Feliciano González Muñoz	Member	Group Head of Human Resources
Miljan Gutovic	Member	Region Head EMEA
Martin Kriegner	Member	Region Head Asia Pacific
Oliver Osswald	Member	Region Head Latin America
René Thibault	Member	Region Head North America

SHAREHOLDER'S PARTICIPATION

VOTING RIGHTS AND REPRESENTATION RESTRICTIONS

All holders of registered shares who are registered as shareholders with voting rights in the share register on the closing date for the share registry are entitled to participate in, and vote at, Shareholders General Meetings. Shares held by trusts and shares for which no declaration has been made that the holder requesting registration is holding the shares in his own name and for his own account are entered in the share register as having no voting rights.

Shareholders not participating in person in the General Meeting may be represented by another shareholder or by the independent voting proxy. In line with the requirements of the Ordinance against Excessive Compensation in public corporations, an electronic voting option is provided for. Voting rights are not subject to any restrictions. Each share carries one vote.

STATUTORY QUORUMS

The Shareholders General Meeting constitutes a quorum, regardless of the number of shares represented or shareholders present; resolutions are passed by an absolute majority of the votes allocated to the shares represented, unless Art. 704 para. 1 of the Swiss Code of Obligations or the Merger Act provides otherwise. In such cases, resolutions may only be passed with the respective qualified majority of the votes represented. According to Art. 10 para. 2 of the Articles of Incorporation and in addition to Art. 704 para. 1 of the Swiss

Code of Obligations, the approval of at least two-thirds of the votes represented and the absolute majority of the par value of shares represented shall be required for resolutions of the Shareholders General Meeting with respect to the removal of restrictions set forth in Art. 5 of the Articles of Incorporation (entries in the share register), the removal of the mandatory bid rule (Art. 125 para 4 of the Financial Market Infrastructure Act), and the removal or amendment of para. 2 of Art. 10 of the Articles of Incorporation.

CONVOCATION OF THE SHAREHOLDERS GENERAL MEETING AND AGENDA RULES

The Shareholders General Meeting takes place each year, at the latest six months following the conclusion of the financial year. It is convened by the Board of Directors, whereby invitations are published at least 20 days prior to the meeting and in which details are given of the agenda and items submitted.

Shareholders representing shares with a par value of at least one million Swiss Francs may request the addition of a particular item for discussion and resolution. A corresponding application must be submitted in writing to the Board of Directors at least 40 days prior to the Shareholders General Meeting. Such application should indicate the items to be submitted. The invitations as well as the minutes of the Shareholders General Meetings are published on: *www.holcim.com/agm*

SHAREHOLDERS GENERAL MEETING 2021 – COVID-19

As a result of the exceptional circumstances due to the ongoing COVID-19 pandemic, the 2021 Shareholders General Meeting of Holcim Ltd could again not take place in the usual format. On 11 September 2020, the Swiss Federal Council decided to extend the COVID-19 Ordinance 3 until 31 December 2021. In accordance with this ordinance, the Board of Directors had resolved to hold the 2021 Shareholders General Meeting without shareholders being physically present. Shareholders could exercise their rights exclusively through the independent proxy. It was with great regret that the Board of Directors had taken this decision, but it considered this step as the only feasible option to protect the health of shareholders and employees which continues to be Holcim's priority.

ENTRIES IN THE SHARE REGISTER

The company maintains a share register for registered shares in which the names and addresses of owners and beneficiaries are entered. According to the applicable rules and regulations, only those included in the share register are deemed shareholders or beneficial owners of the registered shares of the company. Upon request, purchasers of registered shares shall be included in the share register as shareholders with voting rights if they expressly declare that they have acquired the shares in their own name and for their own account.

Exceptions to this rule apply for nominees who have signed a nominee agreement with the company regarding this position and are subject to a recognized financial markets supervisory authority.

The share register is closed approximately one week prior to the date of the Shareholders General Meeting (the exact date is communicated in the invitation to the Shareholders General Meeting).

Shareholders' participation and rights of protection are furthermore governed by the Swiss Code of Obligations.

AUDITORS

As part of their auditing activity, the auditors inform the Audit Committee and the Executive Committee regularly about their findings and make suggestions for improvement. Taking into account the reporting and assessments by the Group companies, the Audit Committee evaluates the performance of the auditors and their remuneration in line with market conditions. The Audit Committee approves the audit focus area, provides recommendations to the auditors and makes suggestions for improvement. In 2021, the auditors participated in all four regular meetings of the Audit Committee to discuss individual agenda items.

Deloitte AG, Zurich, has been the auditor of Holcim since 2017 and was re-elected at the Shareholders General Meeting 2021. David Quinlin has been responsible for managing the audit mandate since 2017. The rotation of the lead auditor will be carried out in accordance with Art. 730a of the Swiss Code of Obligations. The auditors are elected for a one-year term by the Shareholders General Meeting. In 2021, the Audit Committee invited several audit firms, including Deloitte, to participate in a tender process that would lead to the selection of an external audit firm to be proposed for election at the Shareholders General Meeting 2022. After a comprehensive assessment against the selection criteria, the Audit Committee recommended to the Board of Directors to propose to the Shareholders General Meeting 2022 the election of EY as the external auditors commencing from the 2022 financial year.

The fees shown below were charged for professional services rendered to the Group by the auditors in 2021 and 2020:

Million CHF	2021	2020
Audit services related to Deloitte fees[1]	11.4	11.2
Audit services for joint ventures related to Deloitte fees	1.1	1.0
Total audit services fees related to Deloitte	12.5	12.2
Audit services related to other audit firms fees	2.5	2.1
Total audit services fees	15.0	14.3
Audit-related services fees related to Deloitte[2]	0.4	0.2
Tax services fees related to Deloitte	0.1	0.1
Other services fees related to Deloitte[3]	0.0	0.0
Total other fees related to Deloitte	0.5	0.4

[1] This amount includes the fees for the individual audits of Group companies carried out by Deloitte as well as their fees for auditing the Group financial statements.
[2] Audit-related services comprise, among other things, amounts for comfort letters, accounting advice, information systems reviews and reviews on internal controls.
[3] Other services include, among other things, amounts for due diligences and translation services.

OTHER GOVERNANCE INFORMATION

MANAGEMENT AGREEMENTS

Holcim has no management agreements in place with companies or private individuals outside the Group.

MANDATES OUTSIDE HOLCIM

Please refer to Art. 27 of the company's

Articles of Incorporation for information about the number of permitted mandates outside of Holcim for the members of the Board of Directors and of the Executive Committee: *www.holcim.com/articles-association.*

COMPENSATION, SHAREHOLDINGS AND LOANS

Details of Board of Directors and Executive Committee compensation, shareholdings, and loans are contained in the Compensation Report (starting at page 122) and in the Holding company results (note 10, page 275).

CHANGES OF CONTROL AND DEFENSE MEASURES

The Articles of Incorporation contain no waiver of the duty to make a public offer under the terms of Art. 135 and 163 of the Financial Market Infrastructure Act ("opting out"). The result is that a shareholder who directly, indirectly, or acting in concert with third parties acquires shares in the company and, together with the shares he already possesses, thereby exceeds the 33 ⅓ percent threshold of voting rights in the company must make an offer for all listed shares of the company.

Members of the Board of Directors and of the Executive Committee do not receive any special benefits in the event of a change of control. However, in the event of a change of control (unless the unvested LTI awards are replaced by an equivalent award following the change of control) unvested LTI awards vest immediately on a pro-rata basis considering performance conditions are met.

INFORMATION POLICY

Holcim reports to shareholders, the capital market, employees, and the public at large in a transparent and timely manner concerning its corporate performance, including achievement of its sustainability targets. Open dialog is nurtured with the most important stakeholders, based on mutual respect and trust. This promotes knowledge of the company and understanding of objectives, strategy, and business activities of the company.

As a listed company, Holcim is under an obligation to disclose facts that may materially affect the share price (ad-hoc disclosure, Art. 53 and 54 of the SIX Listing Rules as well as Art. 17 and 223-2 of the AMF General Regulations). Holcim is subject to the SIX and AMF rules on the disclosure of management transactions made by the members of the Board of Directors and senior management. These can be accessed on the SIX and AMF websites: *https://www.six-exchange-regulation.com/en/home/issuer/obligations/management-transactions.html*

and

https://bdif.amf-france.org/en?typesInformation=DD

The most important information tools are the annual and half-year reports, the website *www.holcim.com*, media releases, press conferences, meetings for financial analysts and investors, and the Shareholders General Meeting.

Current information relating to sustainable development is available at: *www.holcim.com/sustainability.*

In keeping with our commitment to integrated reporting, we have published the main indicators of our non-financial performance in this report. We have stopped publishing the Sustainability Report as a separate publication.

However we will continue to disclose the full (i.e. unchanged) range of non-financial performance indicators in the Sustainability Performance Report document on: *www.holcim.com/sustainability.*

The financial reporting calendar is shown on page 77 of this Annual Report.

Should there be any specific queries regarding Holcim, please contact:

CORPORATE COMMUNICATIONS
Phone: +41 58 858 87 10

E-Mail: communications@holcim.com

INVESTOR RELATIONS
Phone: +41 58 858 87 87

E-Mail: investor.relations@holcim.com

BLACKOUT PERIODS

2022	2021
5 January 2022 to 24 February 2022 (included)	6 January 2021 to 25 February 2021 (included)
23 March 2022 to 21 April 2022 (included)	24 March 2021 to 22 April 2021 (included)
27 June 2022 to 26 July 2022 (included)	30 June 2021 to 29 July 2021 (included)
28 September 2022 to 27 October 2022 (included)	29 September 2021 to 28 October 2021 (included)

Holcim deems Financial Results to be inside information. All persons who are involved in the preparation or could have access to Financial Results before their disclosure are included on the Permanent Insider List. Persons considered having access to Financial Results are all members of the Board of Directors and of the Executive Committee and their staff as well as all employees in Group Finance, Communications and Legal. Employees in other functions may further be designated to be listed on the Permanent Insiders List.

Blackout Periods commence at least 30 calendar days before the release of the relevant Financial Results (and in case of annual financial results earlier) and end on the day the Company's Financial Results are disclosed to the public. Insiders on the Permanent Insider List will receive a notice prior to the commencement and at the end of the Blackout Periods. The notice will include the duties, responsibilities, including potential sanctions applicable in case of use of Inside Information as well the specific dates of the upcoming Blackout Periods.

OUR BOARD OF DIRECTORS

BEAT HESS
- Chairperson of the Board of Directors

⊕ Biography on page 98

DIETER SPÄLTI
- Vice-Chairperson of the Board of Directors
- Member of the Audit Committee
- Member of the Nomination, Compensation & Governance Committee

⊕ Biography on page 98

PHILIPPE BLOCK
- Member of the Board of Directors
- Member of the Health, Safety & Sustainability Committee

⊕ Biography on page 98

JAN JENISCH
- CEO and Member of the Board of Directors

⊕ Biography on page 100

NAINA LAL KIDWAI
- Member of the Board of Directors
- Member of the Health, Safety & Sustainability Committee

⊕ Biography on page 100

PATRICK KRON
- Member of the Board of Directors
- Chairperson of the Audit Committee
- Member of the Health, Safety & Sustainability Committee

⊕ Biography on page 100

HANNE BIRGITTE BREINBJERG SØRENSEN

- Member of the Board of Directors
- Chairperson of the Nomination, Compensation & Governance Committee
- Member of the Audit Committee

⊕ Biography on page 99

KIM FAUSING

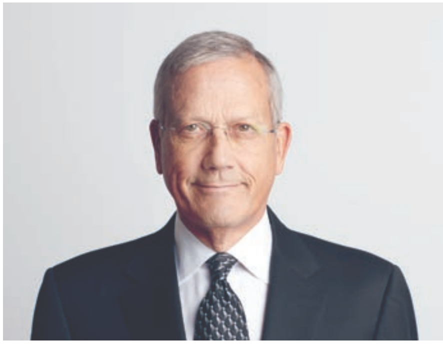
- Member of the Board of Directors
- Member of the Audit Committee

⊕ Biography on page 99

COLIN HALL

- Member of the Board of Directors
- Member of the Nomination, Compensation & Governance Committee

⊕ Biography on page 99



ADRIAN LOADER

- Member of the Board of Directors
- Chairperson of the Health, Safety & Sustainability Committee
- Member of the Nomination, Compensation & Governance Committee

⊕ Biography on page 101

JÜRG OLEAS

- Member of the Board of Directors
- Member of the Audit Committee

⊕ Biography on page 101

CLAUDIA SENDER RAMIREZ

- Member of the Board of Directors
- Member of the Nomination, Compensation & Governance Committee
- Member of the Health, Safety & Sustainability Committee

⊕ Biography on page 101

OUR BOARD OF DIRECTORS CONTINUED

BEAT HESS
Chairperson

Professional background
Swiss national born in 1949, Beat Hess was elected to the Board of Directors of Holcim in 2010. He holds a doctorate in law and is admitted to the bar in Switzerland. From 1977 to 2003, he was initially Legal Counsel and subsequently General Counsel for the ABB Group. From 2004 until the end of 2010, he was Legal Director and a Member of the Executive Committee of the Royal Dutch Shell Group, London and The Hague. From 2008 to 2020 he was a member of the Board of Directors, Member of the Chairman's and Corporate Governance Committee, and Chairman of the Compensation Committee of Nestlé S.A., Vevey, Switzerland; and until 2021 he was Vice-Chairman of the Board of Directors and Member of the Nomination and Compensation Committee of Sonova Holding AG, Stäfa, Switzerland

Other activities and functions
- Member of the Curatorium of The Hague Academy of International Law

DIETER SPÄLTI
Vice-Chairperson

Professional background
Swiss national born in 1961, Dieter Spälti was elected to the Board of Directors of Holcim in 2003. He studied law at the University of Zurich, Switzerland, where he obtained a doctorate in 1989. He was a Member of the Audit Committee from 2010 to 2015 and of the Governance & Strategy Committee of Holcim from 2013 to 2015. He was Chairman of the Strategy Committee of Holcim (then LafargeHolcim) from 2015 to 2018. Dieter Spälti began his professional career as a Credit Officer with Bank of New York in New York NY, USA, before taking up an appointment as Chief Financial Officer of Tyrolit (Swarovski Group), based in Innsbruck, Austria, and Zurich, Switzerland in 1991. From 1993 until 2001, he was with McKinsey&Company, ultimately as a partner, and was involved in numerous projects with industrial, financial, and technology firms in Europe, the USA, and Southeast Asia. In October 2002, he joined Rapperswil-Jona, Switzerland- based Spectrum Value Management Ltd as a partner; the firm administers the industrial and private investments of the family of Thomas Schmidheiny. Since 2006 until 2021, he was Chief Executive Officer of Spectrum Value Management Ltd, Rapperswil-Jona, Switzerland.

Other activities and functions
- Member of the Board of Directors of Spectrum Value Management Ltd, Rapperswil-Jona, Switzerland
- Member of the Board of Directors of Schweizerische Cement-Industrie-Aktiengesellschaft, Rapperswil-Jona, Switzerland
- Member of the Board of Directors and Member of the Audit Committee of Alcon, Fort Worth, Texas, USA

PHILIPPE BLOCK
Member

Professional background
Belgian national born in 1980, Philippe Block was elected to the Board of Directors of Holcim (then LafargeHolcim) in 2020. Philippe Block holds a Master's Degree in Civil Engineering-Architecture from the Free University of Brussels, Belgium, and a Master's Degree in Architectural Studies in Design and Computation and a Ph.D. in Building Technologies from the Massachusetts Institute of Technology (MIT), Cambridge, USA. In 2009, he was appointed Assistant Professor of Architecture and Structure at the Swiss Federal Institute of Technology (ETH) Zurich, Switzerland. In 2017, he was promoted to Full Professor. He is the Founder and Co-Director of the Block Research Group at ETH where he focuses his research on the analysis of unreinforced masonry structures, structural design, computational form finding, and new construction techniques. In addition, he is the Director of the Swiss National Centre of Competence in Research (NCCR) for Digital Fabrication. Philippe Block is a renowned expert in the field of structural design, computational engineering and digital fabrication of concrete construction with numerous publications and awards.

Other activities and functions
- Member of the Academic Committee (AC) of the Holcim Foundation for Sustainable Construction
- Founding Partner of Foreign Engineering GmbH, Zurich, Switzerland

HANNE BIRGITTE BREINBJERG SØRENSEN
Member

Professional background
Danish national born in 1965, Hanne Birgitte Breinbjerg Sørensen was elected to the Board of Directors of Holcim in 2013. Hanne Birgitte Breinbjerg Sørensen holds an MSc in Economics and Management from the University of Aarhus. She was a Member of the Nomination & Compensation Committee of Holcim from 2014 to 2015 and has been re-elected in 2016. Until the end of 2013, she was the Chief Executive Officer of Maersk Tankers, Copenhagen and has been Chief Executive Officer of Damco, The Hague, Netherlands, another company of the A.P. Møller-Maersk Group, Copenhagen, Denmark, from 2014 until 31 December 2016.

Other activities and functions
- Member of the Board of Directors and Member of the Nomination and Remuneration Committee of Ferrovial S.A., Madrid, Spain
- Member of the Board of Directors, Member of the Audit Committee, Member of the Nomination and Remuneration Committee, and Chairperson of the Safety, Health and Sustainability Committee and of the Risk Committee of Tata Motors Ltd, Mumbai, India
- Member of the Board of Directors, Member of the Remuneration and Nomination Committee and the Audit Committee of Tata Consultancy Services Ltd, Mumbai, India
- Member of the Board of Directors, Member of the Audit Committee and of the Nomination and Remuneration Committee of Jaguar Land Rover Automotive PLC, Coventry, UK (including those of its subsidiaries Jaguar Land Rover Holdings Ltd., Jaguar Land Rover Ltd., Jaguar Land Rover China Investment Co. Ltd. (China) and Jaguar Land Rover North America LLC (US))
- Member of the Board of Directors, Member of the Nomination and Remuneration Committee, and Chairperson of the Audit Committee of Sulzer Ltd, Winterthur, Switzerland

KIM FAUSING
Member

Professional background
Danish national born in 1964, Kim Fausing was elected to the Board of Directors of Holcim (then LafargeHolcim) in 2020. Kim Fausing holds a Degree in Mechanical Engineering from Aarhus Teknikum, Denmark, and an MBA Degree from Henley Business School, London, UK. He has been president and Chief Executive Officer for the Danfoss Group (Denmark) since July 2017. Prior to this, he was Chief Operating Officer and Member of the Executive Committee since January 2008. Before this, from 1990 and until joining Danfoss, Kim Fausing held various international positions within the Hilti Group in Europe and Asia.

Other activities and functions
- Vice-Chairman of the Board of Directors of SMA Solar Technology AG, Niestetal, Germany
- Member of the Board of Directors of Hilti AG, Schaan, Liechtenstein
- Chairman of Climate Partnership between Government and Industry for the Manufacturing Industry, Denmark

COLIN HALL
Member

Professional background
American national born in 1970, Colin Hall was elected to the Board of Directors of Holcim (then LafargeHolcim) in 2019. He holds a Bachelor of Arts from Amherst College, Massachusetts, USA and an MBA from the Stanford University Graduate School of Business, California, USA. He joined Groupe Bruxelles Lambert ("GBL") in 2012 and was appointed CEO of GBL's wholly-owned subsidiary Sienna Capital the following year until 2020. In 2016, he was additionally appointed the Head of Investments of GBL. He began his career working for the Merchant Banking Division of Morgan Stanley in 1995. Between 1997 and 2008, Colin Hall held various positions with the private equity firm Rhône Group in New York and London. From 2009 to 2011, Colin Hall was a partner in a hedge fund sponsored by Tiger Management.

Other activities and functions
- Member of the Board of Directors and Member of the Presiding Committee of GEA Group AG, Düsseldorf, Germany
- Member of the Board of Directors and a Member of the Audit Committee and of the Strategy Committee of Imerys SA, Paris, France
- Member of the Board of Directors of Marnix French ParentCo (Webhelp), Paris, France
- Member of the Board of Directors of Avanti Acquisition Corp., Grand Cayman, Cayman Islands
- Member of the Board of Directors of Globality, Inc., California, USA

OUR BOARD OF DIRECTORS CONTINUED

JAN JENISCH
Member

Professional background
German national born in 1966, Jan Jenisch is Chief Executive Officer of Holcim. Since joining in 2017, Jan has led Holcim to a new level of strength, with record profitability levels, revenues of over CHF 26.8 billion in 2021, 70,000 people worldwide and industry-leading ESG ratings. Building on his track record of driving superior performance, Jan is leading Holcim's next era of growth to become the global leader in innovative and sustainable building solutions.

Prior to Holcim, Jan served as Chief Executive Officer of Sika AG, where he achieved a new level of performance from profitability to sales.

He is currently the elected President of the Global Cement and Concrete Association and is a member of the Executive Committee of the World Business Council for Sustainable Development (WBCSD). In addition, he is an active member of the European Round Table for Industry (ERT) and a Board member of the Swiss-Japanese Chamber of Commerce (SJCC).

Jan Jenisch studied in Switzerland and the US, and graduated from the University of Fribourg, Switzerland, with a Master of Business Administration. In 2021, he received a Dr. h.c. from the University of Fribourg for his accomplishments as CEO of two SMI companies.

Other activities and functions
- Non-Executive Director of the privately held Glas Troesch Holding AG

NAINA LAL KIDWAI
Member

Professional background
Indian national born in 1957, Naina Lal Kidwai was elected to the Board of Directors of Holcim (then LafargeHolcim) in 2019. Naina Lal Kidwai holds an MBA from the Harvard Business School, Boston, USA. She has made regular appearances on listings by Fortune and others of international women in business and is the recipient of awards and honors in India including the Padma Shri for her contribution to Trade and Industry, from the Government of India. Naina Lal Kidwai started her career in 1982 and until 1994 was at ANZ Grindleys Bank Plc. From 1994 to 2002, she was Vice-Chairperson and Head of Investment Banking at Morgan Stanley India before moving to HSBC, where she was Chairperson of the HSBC Group of Companies in India and on the Board of HSBC Asia Pacific, until her retirement in December 2015.

She was President of the Federation of Indian Chambers of Commerce&Industry (FICCI). She also served for 12 years until 2018 as Non- Executive Director of Nestlé S.A., Vevey, Switzerland. Her interests in water and the environment are reflected in her engagements with The Shakti Sustainable Energy Foundation, Global Commission on Economy&Climate, and Chair of the FICCI Sustainability, Energy and Water Council as well as Chair of the India Sanitation Coalition. She has authored three books including the bestsellers "30 Women in Power: Their Voices, Their Stories" and "Survive Or Sink: An Action Agenda for Sanitation, Water, Pollution, and Green Finance."

Other activities and functions
- Non-Executive Member of the Board of Directors of Max Financial Services Ltd, New Delhi, India
- Non-Executive Member of the Board of Directors of CIPLA Ltd, Mumbai, India
- Non-Executive Member of the Board of Directors of Gland Pharma Ltd, Hyderabad, India
- Non-Executive Member of the Board of Directors and Chairperson of the Sustainability Committee of UPL Ltd, Mumbai, India
- Non-Executive Member of the Board of Directors of Nayara Energy Ltd, Mumbai, India
- Chairperson of the India Advisory Board Advent International Private Equity, Mumbai, India

PATRICK KRON
Member

Professional background
French national born in 1953, Patrick Kron was elected to the Board of Directors of Holcim (then LafargeHolcim) in 2017. Patrick Kron is a graduate of the Ecole Polytechnique and the Paris Ecole des Mines, France. He began his career at the French Industry Ministry in 1979 before joining the Pechiney group in 1984, where he held senior operational responsibilities in one of the group's largest factories in Greece before becoming manager of Pechiney's Greek subsidiary in 1988. Between 1988 and 1993, Patrick Kron held various operational and financial positions, first managing a group of activities in aluminium processing, before being appointed Chairman and CEO of Pechiney Électrométallurgie. In 1993, he became member of the Executive Committee of the Pechiney group and was Chairman and CEO of Carbone Lorraine from 1993 to 1997. From 1995 to 1997, he ran Pechiney's Food and Health Care Packaging Sector and held the position of COO of the American National Can Company in Chicago (United States).From 1998 to 2002, Patrick Kron was Chairperson of the Executive Board of Imerys SA. A director of Alstom since July 2001, he was appointed CEO of Alstom in January 2003, and then Chairman and CEO in March 2003, a position he held until January 2016.

Other activities and functions
- Founder of PKC&I (Patrick Kron – Conseils & Investissements)
- Chairman of the Board of Directors of Imerys, Paris, France
- Chairman of the Board of Directors of Truffle Capital, Paris, France
- Member of the Board of Directors of Sanofi S.A., Paris, France
- Permanent Representative of PKC&I on the Supervisory Board of Directors of Segula Technologies S.A., Nanterre, France
- Member of the Board of Directors of Viohalco S.A., Brussels, Belgium

ADRIAN LOADER
Member

Professional background
British national born in 1948, Adrian Loader was elected to the Board of Directors of Holcim in 2006. Adrian Loader holds an Honours Degree in History from Cambridge University and is a fellow of the Chartered Institute of Personnel and Development. He was Chairman of the Nomination & Compensation Committee of Holcim from 2014 to 2015. He began his professional career at Bowater in 1969 and joined Shell the following year. Until 1998, he held various management positions in Latin America, Asia, and Europe and at the corporate level. In 1998, he was appointed President of Shell Europe Oil Products and in 2004 became Director for strategic planning, sustainable development, and external affairs for the Shell Group. In 2005 he became Director of the Strategy and Business Development Directorate of Royal Dutch Shell, Den Haag, Netherlands; he became President and CEO of Shell Canada in 2007 and retired from Shell at the end of the year. In January 2008, he joined the Board of Directors of Candax Energy Inc., Toronto, Canada and was Chairman until June 2010. He then served as Chairman of Compton Petroleum, Calgary, Canada until August 2012, and as Chairman of the Board of Directors of Oracle Coalfields PLC, London, United Kingdom until April 2016.

Other activities and functions
- Member of the Board of Directors of Sherritt International Corporation, Toronto, Canada
- Chairman of Resero Gas, London, United Kingdom

JÜRG OLEAS
Member

Professional background
Swiss national born in 1957, Jürg Oleas was elected to the Board of Directors of Holcim in 2014, retired from the Holcim Board in the context of the LafargeHolcim merger closing effective 10 July 2015 and was re-elected at the AGM 2016. He holds an MSc for mechanical engineering from the Swiss Federal Institute of Technology (ETH) in Zurich, Switzerland. He was CEO of GEA Group Aktiengesellschaft, a Düsseldorf-based mechanical engineering company listed on Germany's MDAX stock index. Jürg Oleas has been a member of the GEA Group Executive Board since joining the company in May 2001. Initially responsible for the Group's chemical activities, he was appointed CEO of GEA Group on 1 January 2005. Before joining the GEA Group, he spent nearly 20 years with ABB and the Alstom Group, where he held several management positions.

Other activities and functions
- Member of the Board of Directors and Member of the Audit Committee of RUAG Holding AG, Bern, Switzerland.
- Chairman of the Board of Directors of Hochdorf Holding AG, Hochdorf, Switzerland.

CLAUDIA SENDER RAMIREZ
Member

Professional background
Brazilian national born in 1974, Claudia Sender Ramirez was elected to the Board of Directors of Holcim (then LafargeHolcim) in 2019. She holds a BS in Chemical Engineering from the Polytechnic School, University of Sao Paulo, Brazil and an MBA from the Harvard Business School, Boston, USA. Claudia Sender Ramirez was Senior Vice President for Clients at LATAM Airlines Group until May 2019. Before that, she was CEO for LATAM Airlines Brazil since 2013. She joined TAM Airlines in 2011 as Commercial and Marketing Vice President and in 2012, once the association between LAN and TAM happened, she became responsible for the Brazil Domestic Business Unit. Claudia Sender Ramirez has also worked for several years in the Consumer Goods industry, focusing on Marketing and Strategic Planning. Prior to joining LATAM, she was Marketing Vice President at Whirlpool Latin America, where she worked for seven years. She has also worked as a consultant at Bain&Company, in projects ranging from telecommunications to airlines.

Other activities and functions
- Member of the Board of Directors of Telefonica S.A., Madrid, Spain
- Member of the Board of Directors of Gerdau S.A., São Paulo, Brazil and its parent company Gerdau Metalurgica, São Paulo, Brazil
- Member of the Board of Directors of Embraer S.A., São Paulo, Brazil

EXECUTIVE COMMITTEE

JAN JENISCH
CEO

⊕ Biography on page 104

GÉRALDINE PICAUD
CFO

⊕ Biography on page 104

MAGALI ANDERSON
Chief Sustainability and Innovation Officer

⊕ Biography on page 104

FELICIANO GONZÁLEZ MUÑOZ
Human Resources

⊕ Biography on page 104

MILJAN GUTOVIC
EMEA

⊕ Biography on page 105

MARTIN KRIEGNER
Asia Pacific

⊕ Biography on page 105

MATHIAS GÄRTNER
Head Legal & Compliance

Biography on page 104

JAMIE M. GENTOSO P.E.
Global Head, Solutions & Products Business Unit

Biography on page 104

OLIVER OSSWALD
Latin America

Biography on page 105

RENÉ THIBAULT
North America

Biography on page 105

EXECUTIVE COMMITTEE CONTINUED

JAN JENISCH
CEO

Jan Jenisch, German national, 1966, was appointed CEO in 2017. Jan has since led Holcim to a new level of strength, with record profitability levels and industry-leading ESG ratings, on the way to becoming the global leader in innovative and sustainable building solutions. He is currently the elected President of the Global Cement and Concrete Association and is a member of the Executive Committee of the World Business Council for Sustainable Development (WBCSD). In addition, he is an active member of the European Round Table for Industry (ERT) and a Board member of the Swiss-Japanese Chamber of Commerce (SJCC). Previously Jan was CEO of Sika AG. Jan Jenisch studied in Switzerland and the US, and graduated from the University of Fribourg, Switzerland, with an MBA. In 2021, he received a Dr. h.c. from the University of Fribourg for his accomplishments as CEO of two SMI companies.

GÉRALDINE PICAUD
Member

Géraldine Picaud, French national, 1970, was appointed as Chief Financial Officer of Holcim since January 2018. Géraldine joined the Group from Essilor International, a CAC 40-listed ophthalmic optics company, where she was Group CFO. Prior to that she was CFO of Volcafe Holdings, the Switzerland-based coffee business of ED&F Man. Géraldine initially joined ED&F Man in London in 2007 as Head of Corporate Finance in charge of M&A. This followed thirteen years at international specialty chemicals group Safic Alcan, first as Head of Business Analysis and then as CFO. She started her career with audit firm Arthur Andersen. She is also a non-executive Director of the stock-listed Infineon Technologies AG. Géraldine graduated from the Superior School of Commerce of Reims and holds an MBA.

MAGALI ANDERSON
Member

Magali Anderson, French national, 1967, was appointed as a member of the Group Executive Committee of Holcim in October 2019. In March 2021, the Group announced the expansion of Magali Anderson's role to Chief Sustainability and Innovation Officer, putting sustainability at the core of its innovation pipeline. She joined LafargeHolcim as Group Head of Health&Safety in October 2016. Magali started her career as a field engineer on offshore oil rigs in Nigeria. She spent 27 years in the Oil and Gas industry, mainly with Schlumberger, holding operational line management positions like CEO Angola and Region Head Europe. During her career she also held several functional roles, including Vice President Marketing & Sales, Vice President Shared Services Organization for the Europe and Africa region and Global Head of Maintenance. Magali graduated as a Mechanical Engineer from INSA Lyon, France.

MATHIAS GÄRTNER
Member

German national born in 1973, Mathias Gaertner was appointed as Head Legal and Compliance and member of the Group Executive Committee of Holcim, effective September 2021. Mathias Gaertner joined Holcim from Honeywell, where he most recently served as General Counsel of Honeywell Building Technologies, playing an instrumental role in the business' growth. He is a proven senior legal leader in technology-driven building solutions with a solid track record in international mergers & acquisitions and compliance. Mathias Gaertner holds a PhD from University of Muenster and is admitted to the German bar.

JAMIE M. GENTOSO
Member

American national born in 1977, Jamie M. Gentoso, P.E. was appointed as Head Solutions & Products Global Business Unit and member of the Group Executive Committee of Holcim on 1 March, 2021. Since May 2018, Jamie was Chief Executive Officer for the US Cement organization where she was responsible for all cement product lines. She was previously Vice President of Sales and Marketing at Construction Specialties, and prior to this, Senior Vice President of Concrete at Sika Corporation US. Jamie began her career at Holcim as a technical service engineer and Architectural and Engineering market manager. She has also sat on the Board of Directors for several industry organizations, including the Ready Mix Concrete Foundation, Precast Concrete Educational Foundation and the Concrete Industry Management (CIM) program. Jamie received both her Masters of Business Administration and her Bachelor of Science in Civil Engineering from the University of Michigan.

FELICIANO GONZÁLEZ MUÑOZ
Member

Feliciano González Muñoz, Spanish national, 1963, was appointed as Group Head of Human Resources in May 2018, and as member of the Group Executive Committee of Holcim as of January 2019. He has developed his career for more than thirty years in senior Human Resources roles in Holcim. Before his current role he was Human Resources Director for Europe, Group Head of Labor Relations, and also interim CEO of Spain from 2013 to 2015. Before joining LafargeHolcim Feliciano developed his career at Fujitsu Ltd, building materials company BPB Plc and the pharmaceutical company Almirall. Feliciano holds a PhD in Labor Law from Universidad Complutense de Madrid and an Executive MBA from IE, Madrid.

MILJAN GUTOVIC
Member

Miljan Gutovic, Australian national, 1979, was appointed as Head of Middle East Africa and member of the Group Executive Committee of Holcim in July 2018. His role was expanded to include Europe in March 2021.Initially joining LafargeHolcim as Head of Marketing & Innovation, Miljan was responsible for product development and commercial solutions. Since 2005 he worked for specialty chemical company Sika as Head of Middle East and TM Waterproofing EMEA as General Manager Australia and as a Business Unit Manager. Miljan holds a Bachelor's degree in Civil Engineering and a PhD in Engineering from the University of Technology in Sydney.

MARTIN KRIEGNER
Member

Martin Kriegner, Austrian national, 1961, was appointed as Head of Asia Pacific and member of the Group Executive Committee of Holcim in August 2016. Since 2019 he has also been responsible for the Group Cement Excellence team. Martin joined the Group in 1990 and has held various senior leadership roles within Europe and Asia. He moved to India as CEO of the Lafarge operations in 2002 and later served as Regional President Cement for Asia, based in Kuala Lumpur. In 2012, he was appointed CEO of Lafarge India for Cement, RMX and Aggregates. In July 2015 he became Area Manager Central Europe for LafargeHolcim operations, and in 2016 he was appointed Head of India. Martin is a graduate of Vienna University and holds a Doctorate in Law. He also obtained an MBA at the University of Economics in Vienna.

OLIVER OSSWALD
Member

Oliver Osswald, Swiss national, 1971, was appointed as Head of Latin America and member of the Group Executive Committee of Holcim in August 2016. Since 2019 he has also been responsible for LafargeHolcim Trading. Oliver joined Holcim Apasco in Mexico in 1995. He has been responsible for various cement plants in Switzerland and Germany between 1999 and 2005. From 2005 to 2010, he held management and marketing positions in Holcim Switzerland. He was appointed Commercial Director for Holcim Apasco, Mexico, in 2012, before being appointed Country Head for Argentina in 2014. Oliver is a graduate of the Technische Hochschüle in Ulm and holds an Executive Education Degree from Harvard Business School.

RENÉ THIBAULT
Member

René Thibault, Canadian national, 1966, was appointed as Head of North America and member of the Group Executive Committee of Holcim in January 2018. René joined the company in 1989 and has held various senior leadership roles in Europe, the Middle East, Africa and Canada. From 2009 he was in charge of the Aggregates and Concrete businesses in Western Canada and in 2012 he was appointed CEO Western Canada. René is a graduate of Queen's University in Civil Engineering and has completed the Advanced Management Program at Harvard Business School.

RISK AND CONTROL

Our risk management approach aims to support Holcim's "Strategy 2025 – Accelerating Green Growth" while protecting its assets and securing the achievement of its targets.

Holcim operates in an evolving environment which exposes the company to a variety of external, operational and financial risks. In full alignment with the Group's "Strategy 2025 – Accelerating Green Growth," we make continuous efforts to prevent and control the risks to which we are exposed. A comprehensive Enterprise Risk Management (ERM) and Internal Control framework is deployed throughout the company, supported by appropriate governance and tools. Through this process we identify, assess, mitigate and monitor the company's overall risk exposure while incorporating risk thinking into all strategic decisions, reducing the likelihood and impact of potential adverse events and ensuring the deployment of our Internal Control system in every country where we operate.

RISK MANAGEMENT

The Risk Management process is structured around several coordinated approaches, including bottom-up and top-down risk assessments, complemented with thematic analysis addressing all value drivers of our Group. These assessments are consolidated and used as a basis for the Group risk map, which is updated every year and reviewed by the Executive Committee and the Audit Committee. The Risk Management process includes several stages:

- Risk identification & assessment
  Management at the country and at the Group levels assesses and evaluates the potential impacts and likelihood of the key risks which could have a material adverse effect on the current or future operations of the business in the mid-term, in alignment with Holcim's 2025 strategy. For the sustainability and climate-related risks, the horizon has been extended to a longer time frame in order to consider various threats (e.g., regulatory discontinuity, acceleration of trends or significant changes in stakeholders expectations, physical impact of climate change, changes in the business environment) that might impair the achievement of our 2030 sustainability targets and our net zero pledge. Dedicated webinars have been delivered internally in order to educate our risk community on the assessment of sustainability-related risks (including climate risks), with detailed guidelines to address all potential weaknesses that might hinder the achievement of our sustainability commitments. We also compare our Group risk map with the materiality matrix in order to ensure consistency of our risk assessment with the management's insight and alignment with the expectations of external stakeholders.
- Risk mitigation
  Management defines actions and/or controls to mitigate the key risks. Risk transfer through insurance solutions and the Internal Control system forms an integral part of our Risk Management approach. This is complemented with Holcim's 'Minimum Control Standards' which clarify and reinforce the responsibility of businesses in the countries. Additionally, Holcim has a robust fraud prevention program in place to prevent, deter, and detect fraud. It includes the Holcim Integrity Line, which enables employees anywhere in the world to anonymously exercise their whistleblowing rights and report any breach of the rules laid down in our Code of Business Conduct. Further information is provided in Legal & Compliance risks (pages 113 and 114) and Internal Control section (page 120).
- Verification & Remediation
  Group Internal Audit performs independent assessments of the effectiveness of the Internal Control and the Risk Management process ; it also assesses the effectiveness of mitigating actions and controls. The annual audit plan drawn up by Group Internal Audit and approved by the Audit Committee takes into account the various analyses described above. Implementation of this plan and the summary of conclusions presented to the Group Executive Committee and Audit Committee lead to more in-depth analyses in certain areas and contribute to the continuous risk identification process.

- Monitoring & Reporting
  Regular progress on the action plans are followed up by risk leads at the country level and reported to the Group through the Holcim Risk Management tool. Updates on mitigating actions, controls and overall risk exposure are reported to the Audit Committee and other executive committees. Additional reports on the effectiveness of the Minimum Control Standards are submitted to the Group on a regular basis. Further information is provided in the Internal Control section on page 120.

ROLES AND RESPONSIBILITIES

Holcim has a clear organizational structure to ensure the implementation of the Risk Management and Internal Control system, following the governance, policies and framework defined by the Group. This organization is built on the "three lines" model.

Under the first line, operational management has ownership, responsibility and accountability for identifying, assessing, managing and mitigating risks. They are equally responsible and accountable for the deployment of the Minimum Control Standards defined by the Group. A risk lead is appointed in each entity we operate in order to facilitate and coordinate the whole ERM (Enterprise Risk Management) process at the country level. Risk leads receive specific training and are the main points of contact for all questions in relation to the ERM process at country level.

The second line consists of Group Corporate functions such as Legal, Compliance, Internal Control, Risk Management, Security and Resilience, IT, Sustainability and Health, Safety & Environment. These functions monitor and facilitate the implementation of effective Risk Management process and internal controls by operational management in order to ensure the first line is operating as intended. The second line also assists in the development of policies, processes and controls.

The third line is the Group Internal Audit (GIA). As an independent function, GIA provides assurance to the Board of Directors and Executive Committee on the effectiveness of the first and second lines and on governance, Risk Management process and internal controls.

Through the Audit Committee and the Health, Safety and Sustainability Committee (HSSC), the Board of Directors oversees the Holcim Risk Management and Internal Control process. The Audit Committee mandate includes the oversight of Compliance and Risk Management processes and the review of management and internal audit reports on the effectiveness of the Internal Control system and on the performance of the annual risk assessment process. The HSSC mandate is to support and advise the Board of Directors on promoting a healthy and safe environment for employees and contractors, as well as on sustainable development and social responsibility. The HSSC approves Holcim's sustainability and climate-related strategy and major initiatives, including climate-related plan and framework, Health and Safety performance and approach to Human Rights. All sustainability topics are overseen against key indicators. More details of the Audit Committee and HSSC are disclosed in the Corporate Governance section on page 86 and 87.

Ethics, Integrity & Risk Committee

The Risk Committee reports to the Audit Committee of the Board of Directors and meets quarterly. It is responsible for overseeing the Risk Management process and the activities performed by assurance functions such as Legal and Compliance, Internal Control, Risk Management, Internal Audit, Health, Safety & Environment, IT and Security and Resilience. It includes the Group CFO, the Group General Counsel and Chief Sustainability and Innovation Officer who report to the Group CEO and are members of the Executive Committee.

The Integrity Committee is responsible for the oversight of the effective investigation and remediation of Code of Business Conduct violations and the rigorous implementation of third-party due diligence and sanctions & export control programs that were launched in 2017. It is chaired by the Group General Counsel.

SUSTAINABILITY AND CLIMATE CHANGE

Our Risk Management process aims to fully supports the Group's acceleration to be the global leader in Innovative and Sustainable building solutions that works for people and the planet. Based on the most advanced international standards, our Group Risk Management team has tailored its framework in order to contribute to tackle the climate challenge.

Task force on Climate-related Financial Disclosures (TCFD)

As a business leader, we must ensure transparency and action around climate-related risks and opportunities. Holcim therefore supports the voluntary recommendations of the Financial Stability Board (FSB) Task force on Climate-related Financial Disclosures (TCFD). The identification, assessment and effective management of climate-related risks and opportunities are fully embedded in our Risk Management process, which is subject to continuous improvement. In the table on the next page we map where the recommended TCFD disclosures can be found in our report. Additional metrics and targets as well as the complete risk assessment are detailed in our submissions to the Carbon Disclosure Project (CDP). Documents are available on: *https://www.holcim.com/additional-esg-resources*

With the company being identified as a reference in providing effective climate-related financial disclosures, Holcim was invited to participate in the TCFD Preparer Forum for the Construction sector and contributed to the promotion of TCFD recommendations for better communication on climate change-related risks and opportunities. The report was launched by the World Business Council for Sustainable Development (WBCSD) in 2020. Documents are available on: *https://www.wbcsd.org/Programs/Redefining-Value/External-Disclosure/TCFD/Resources/Construction-and-Building-Materials-share-TCFD-implementation-experience.*

TASK FORCE ON CLIMATE-RELATED FINANCIAL DISCLOSURES (TCFD) ALIGNMENT

GOVERNANCE	STRATEGY	RISK MANAGEMENT	METRICS AND TARGETS
Disclose the organization's governance around climate related risks and opportunities.	Disclose the actual and potential impacts of climate-related risks and opportunities on the organization's businesses, strategy, and financial planning where such information is material.	Disclose how the organization identifies, assesses, and manages climate-related risks.	Disclose the metrics and targets used to assess and manage relevant climate-related risks and opportunities where such information is material.
BOARD OVERSIGHT Refer to "Holcim governance approach for climate-related risks and opportunities" and "Risk and Control" section > "Roles and Responsibilities," pages 88, 90 and 107	**RISKS AND OPPORTUNITIES OVER THE SHORT, MEDIUM AND LONG TERM** Refer to "Risk and Control" section, pages 110–111 and CDP response on *https://www.holcim.com/additional-esg-resources*	**CLIMATE CHANGE-RELATED RISKS IDENTIFICATION AND ASSESSMENT** Refer to "Risk and Control" section, pages 106–108, and pages 110–111	**REPORTING CO_2 METRICS** Refer to our net zero pledge, pages 36–41 and our Sustainability Performance Report (SPR) on *www.holcim.com/sustainability*
MANAGEMENT'S ROLE Refer to "Risk and Control" section > "Roles and Responsibilities," page 107	**IMPACT ON THE ORGANIZATION'S BUSINESS, STRATEGY AND FINANCIAL PLANNING** Refer to "Risk and Control" section, pages 110–111 and CDP response on *https://www.holcim.com/additional-esg-resources*	**CLIMATE CHANGE-RELATED RISKS MANAGEMENT** Refer to "Risk and Control" section pages 106–108 and "Information and control instruments of the Board of Directors," page 90	**DETAILS SCOPE 1, 2 AND 3** Refer to our net zero pledge, pages 36–41 and our Sustainability Performance Report (SPR) on *www.holcim.com/sustainability*
	SCENARIO PLANNING Refer to CDP response on *https://www.holcim.com/additional-esg-resources*	**INTEGRATION INTO OVERALL RISK MANAGEMENT** Refer to "Risk and Control" section and "Information and control instruments of the Board of Directors," page 90	**CO_2 TARGETS** Refer to our net zero pledge, pages 36–41

The risks on pages 109 to 119 are considered material to our strategy and our value creation. This list is not exhaustive and represents the principal risks and uncertainties faced by Holcim at the time of the preparation of the 2021 Integrated Annual Report.

Other risks may emerge in the future and/or the ones stated here may become less relevant. Further information is provided in the Corporate Governance section (pages 82 to 105), Management Discussion & Analysis (pages 148 to 170) and note 14.6 of the consolidated Financial Statements (page 234).

STRATEGY DRIVERS

STRATEGIC PRIORITIES

- Accelerating Growth
- Expanding Solutions & Products
- Leading in Sustainability & Innovation
- Delivering Superior Performance

OUR SUSTAINABILITY PILLARS

- Climate & Energy
- Circular Economy
- Nature
- People

KEY EXTERNAL RISKS

RISK	POTENTIAL IMPACT	OUR RESPONSE
MARKET CHANGES The risk that the economic environment in a given country can significantly change and have an influence on demand for construction and building materials. Strategic pillars impacted:	Demand for construction materials is fundamentally driven by economic growth (or contraction) in a given territory. These changes in underlying demand may impact sales volumes, prices and/or industry structure. In 2021, despite strong economic recovery in key markets where we operate, COVID-19 continues to be a major political and economic threat worldwide. In the medium term, stretched public budgets combined with the end of governmental stimulus might slow down economic recovery, potentially reducing sales volumes.	Holcim maintains a globally diversified portfolio with leading positions in all regions and a good balance between geographies which limits our exposure to any particular market. There is no single entity where net sales amount to 10% or more of the Group's net sales. The progressive development of the Solutions & Products business segment, while increasing our exposure to a particular geography (US), contributes to reinforce our diversification, with higher opportunities to profit from growing demand for repair & refurbishment and green investments. It also reduces our exposure to more volatile emerging markets. With regards to the COVID-19 pandemic, the successful implementation of mitigating measures during the crisis and limited impacts on the operations demonstrated the strong resilience of our company even in exceptional circumstances, resulting in limited impact on profitability. Lessons learned from the pandemic help us continue to improve our response capabilities in case of new restrictions impacting the global economy.
POLITICAL RISKS Holcim operates in many countries around the globe and is exposed, directly or indirectly, to the effects of economic, political and social instability such as trade protectionism, foreign exchange volatility, turmoil, terrorism, civil war and unrest. Strategic pillars impacted:	Economic, social and/or political instability (e.g. changes of government or increased political pressure, civil unrest, internal or international conflicts and tensions) can impact our people, environment, assets and business as well as our reputation. That impact may be direct (e.g. security consequences) or indirect (e.g. economic uncertainty) and might also increase our exposure to a large range of threats, including compliance, tax, access to raw materials and cash repatriation. In the specific context of the post COVID-19 crisis, we anticipate potential civil unrest and political instability in certain countries where the handling of the pandemic has sparked socio-political tensions, or where vaccination rates remain low, especially in emerging markets. In February 2022, the conflict between Russia and Ukraine worsened. The situation is changing rapidly creating high volatility in the energy markets, especially in Europe. Given the recent and rapid escalation of events and the imposition of additional sanctions, it is too early to determine the potential impact on the Group's operating results. The Group does not have any assets nor operations in Ukraine. The Group's Russian operations represented around one percent of the 2021 consolidated net sales.	Countries with the support of relevant Group functions actively scan and monitor the political environment in order to identify and anticipate any adverse scenario, from social activism and regulation changes to civil unrest and interstate conflicts. When necessary, mitigation measures are taken to adapt the Group's activities and to protect our people, environment, assets and reputation. Dedicated governance enforced across the Group as well as country-specific action plans have been implemented to enhance crisis management, security of people and assets and business resilience. The organization in place is fully embedded in our security and resilience program in order to enable swift and efficient response in case of a material risk to our people or assets. At a Group level, Holcim's broad geographic and diverse portfolio helps to limit our exposure to any particular market and currency.
PANDEMIC AND EPIDEMIC Pandemics, epidemics outbreaks of infectious diseases or any other serious public health concerns (such as COVID-19, Ebola, avian flu, H1N1, SARS) whether on a regional or global scale, can affect the health of our people as well as the communities in which we operate. It could also disrupt our operations due to operational constraints (e.g. travel disruption, closure of workplaces), disruption to our supply chains as well as material adverse macroeconomic effects. Strategic pillars impacted:	The emergence of pandemics and epidemics can heavily impact impact our people's health. In addition, it may cause disruption to global economic growth, therefore affecting the value of investment assets and reducing demand for the Group's products.	Our Security and Resilience Management System (SRMS) has been implemented in all our countries and sites. We proactively assess our exposure to a broad range of risks, including but not limited to, conflict and extreme tension, civil unrest, natural disasters, criminal incidents and health risks (i.e. pandemics/epidemics). This management system ensures Holcim is prepared to manage and respond to unwanted events at every level of the organization to protect our people, environment, assets and operations as well as reputation. As regards the new variants of the COVID-19, our teams closely monitor all markets looking at the evolving situation and the guidance provided by the local authorities in order to prepare our staff to promptly react in case of new adverse developments of the pandemic. Drawing on past experience and learnings from our successful COVID-19 response, our corporate culture as well as our resilience programme now has an enhanced capability to further improve the speed and effectiveness in identifying, resolving and learning from critical matters arising from major health incidents (e.g. pandemic, epidemic).

KEY OPERATIONAL RISKS

RISK

CLIMATE CHANGE

The cement industry is associated with high CO_2 intensity and Holcim is exposed to a variety of regulatory frameworks to reduce emissions, some of which may be under revision. These frameworks can affect the business activities of Holcim. In addition, a perception of the sector as a high emitter could impact our reputation, thus reducing our attractiveness to investors, employees and potential employees.

Strategic pillars impacted:

POTENTIAL IMPACT

Following the recommendations of the TCFD, the risks described below have been assessed in a time frame that is consistent with our strategy and our commitments.

Transition risks

Policy and regulatory

Following the agreement on climate at Paris COP21, signatory countries are required to commit on a reduction pathway. The likely effect of this is a growing number of CO_2 regulations which will increase the cost of emitting CO_2.

In the European Union (EU), entering phase IV of the Emission Trading System (ETS) in 2021 reduced CO_2 allowances and exposed Holcim to increased pricing of CO_2 emissions.

On 14 July 2021, the European Commission published a broad legislative package "Fit for 55" aiming to support the EU journey towards decarbonization and the objective to reach climate neutrality by 2050. Our pledge to net zero is fully aligned with this initiative. Nonetheless, if initiatives such as Carbon Border Adjustment Mechanism (CBAM) are not designed sufficiently to protect EU competitiveness our business may come under pricing pressure due to imports from regions with less stringent CO_2 regulations.

The most likely impacts would be the increase in production, operation and distribution costs caused by the rise in carbon taxes, price of emissions allowances and reduction of free allowances. In addition, the absence of efficient border adjustment mechanisms in the EU might bring more competition with imports of clinker and cement. In the longer term however, one of the possible side effects of more stringent CO_2 regulations and associated set of environmental measures, will be to reinforce the competitive advantage of our leading position as the most carbon effective player since our low-carbon footprint may be reflected in the final price of the product.

Market

As the carbon debate intensifies, cement or concrete could be challenged as the building material of choice. In the long term, should regulatory frameworks fail to incentivize consumption of low-carbon products, customers may be unwilling to pay for additional costs and the cement sector's low-carbon roadmap might be compromised. Moreover, high CO_2 prices could also encourage the preference for alternative building materials with both a lower price and a lower environmental footprint.

The impacts include reduced demand for products with volume or price decreases leading to revenue losses. At the same time however, and as long as there is no viable substitute to cement on a global scale that is affordable and local, those new market conditions might support a growing demand for low-carbon products and solutions, thus potentially increasing our market share in the range of green cement and sustainable solutions.

On the supply side, as the call for decarbonization impacts our whole supply chain beyond 2030, inflationary pressures in raw materials, energy and transportation are possible.

OUR RESPONSE

Transition risks

Our response is built around our industry-leading approach to the reduction of CO_2 emissions. Holcim has already reduced our net carbon scope 1 and 2 emissions per ton of cementitious material by 29% compared to 1990 and leads the industry among international peers. Our CO_2 reduction roadmap follows a best-in-class approach with our 2050 net-zero targets validated by SBTi and will contribute to transform the Group into a global leader in innovative and sustainable building materials and solutions, securing our long-term growth outlook and protecting our reputation. In addition, in order to recognize the role of sustainable finance in supporting the transition to a low-carbon and more resource efficient economy, Holcim has put in place a Sustainability-Linked Financing Framework to link funding with its sustainability objectives.

In line with our 2025 strategy and 2030 target, Holcim is maximizing existing technologies and processes, such as: reduced clinker content, increased use of waste-derived fuels and alternative raw materials, waste heat recovery, and renewable energy portfolio.

Significant work is underway. In 2019 Holcim decided to put in place a regional-wide decarbonization roadmap and to invest CHF 160 million until 2022 into around 80 emissions reduction projects across Europe (with a focus on low-carbon fuels, recycled materials and carbon-efficient solutions). Holcim is also investing CHF 100 million in waste heat recovery across six sites in India to reduce 0.5 million tons of CO_2 emissions per year.

Beyond 2030, Holcim is preparing the future today by piloting more than thirty CCUS projects in Europe and North America. Working with other multinationals as well as start-ups, our objective is to create a portfolio of diverse and cost-effective solutions that can be multiplied across the Group to advance our decarbonization journey and create new growth opportunities for the company.

Please refer to *https://www.holcim.com/climate-energy* for more details on our net zero roadmap and key actions to reduce CO_2 emissions.

Our response regarding the Market risk are presented in detail in the "Sustainable products, innovation and technology" risk and "Raw materials (including mineral components)" risk.

In parallel, Holcim proactively and transparently engages with external stakeholders and supports the following enhancements of the EU regulatory environment:

- Implementation of effective carbon pricing mechanisms in order to:
  - provide a level playing field on carbon costs between domestic producers and importers (e.g. carbon border adjustment mechanisms)
  - support the enforcement of reliable carbon prices and investments in low-carbon technologies (incl. regulatory stability)
  - develop carbon pricing mechanisms that encompass both supply (carbon emissions) and demand (carbon consumption)
- Market demand for low carbon products and solutions in order to:
  - integrate sustainability performance in building codes, public procurement, and product standards, alongside traditional criteria (safety, performance, durability and affordability)
  - ensure that construction policies and standards integrate harmonized lifecycle assessments for buildings to reflect the desired CO_2 and circularity performance and to respect the principles of material and technology neutrality
  - involve actors across the construction value chain in integrating lifecycle carbon performance and circularity principles in business models and in all decision-making processes

KEY OPERATIONAL RISKS CONTINUED

RISK

CLIMATE CHANGE CONTINUED

Strategic pillars impacted:

POTENTIAL IMPACT

Increase in prices of mineral component (MIC) such as slag and fly ash challenges the CO_2 reduction roadmap as the integration of MIC in our production process is a key lever for the reduction of clinker factor and thus reduction of our CO_2 footprint. Concurrently, this risk might also reduce Holcim's profitability.

Technology

The risk of the cost of technology or new investments being significantly higher than existing carbon pricing mechanisms and the lack of integrated deployment of carbon capture in the supply chain ecosystems (transportation, sequestration, etc.) could prevent Holcim from achieving its targets.

The pathway from 2030 to 2050 integrates new and advanced technologies including novel binders, zero-emission vehicles, low-clinker cements and scaling up Carbon Capture Utilization and Storage (CCUS). As of today, the development of those next-generation technologies especially CCUS relies on pilot projects which are still to be evaluated in terms of cost, technical feasibility, compatibility with CO_2 usage opportunities, and other aspects of viability and scalability.

Reputation

The risk of being perceived as a large carbon emitter could reduce our attractiveness to stakeholders such as customers, investors, and potential employees. The Group's inability to meet its commitments (net zero pledge), if materialized, compounds damage to the Group's reputation. In addition, litigation on the basis of climate action failure is emerging and could also damage our reputation. We may not have a sufficiently robust talent pipeline if we cannot attract and retain talent due to perceived weak environmental credentials.

Physical risks

The physical impact of climate change (such as flooding, changes in precipitation patterns or extreme variability in weather patterns) has the potential to disrupt our operations on both on-site operations and transportation activities leading to higher logistics and transportation costs and reduced production capacities (e.g. delayed planning approval, supply chain interruptions) and even reputational damages. Our business is particularly exposed to significant variations in river water levels affecting river-based supply chains and product delivery including when very low (Rhine in 2018) or very high (Mississippi in 2019). In addition, the Group operates in areas exposed to water scarcity which could lead to potential disruptions in our operations. Using the World Resource Institute Aqueduct Water Tool, 23% of our sites are already located in medium, high and very high water risk areas. Water scarcity is growing and the risk exposure is continuously monitored.

OUR RESPONSE

- Larger-scale deployment of carbon capture technologies (CCUS) in order to:
  - support the recognition, in carbon accounting and verification mechanisms, of both carbon capture and utilization (CCU) and storage (CCS) as carbon mitigation avenue for hard-to-abate sectors
  - continues research and innovation support for the development of CCUS technologies and CAPEX/OPEX support for the full industrial scaling-up of those technologies.
- Access to competitive non-fossil energy in order to:
  - improve access to abundant and competitively priced low-carbon energy.
  - recognize, in the regulatory framework, technologies such as co-processing which allows substituting fossil fuels and primary raw materials with non-recyclable residual and biomass waste.
  - enforce waste legislation and its management hierarchies (incl. landfill bans for waste that can be recovered and/or recycled in industry)
- Development of zero emission heavy duty vehicles is one of the key levers for Holcim to reduce CO_2 from transportation activities. We signed the Call for Action for Zero emissions heavy duty vehicles coordinated by the Transport Decarbonization Alliance" with the aim to demonstrate the demand for the zero emission trucks and ensure availability for our suppliers.

Physical risks

Holcim has introduced a risk-based Security and Resilience Management System (SRMS) to plan for, respond to and recover from all kinds of unwanted events through integrated emergency response, crisis management and business continuity activities.

To be prepared to deal with variations in respective river water levels, especially flooding events, our logistics departments have developed well prepared response plans which involve a change in product sourcing from our network of plants, additional storage options for inventory and an adaptation of the modes of transport used. This allows Holcim to better manage physical risks, and overcome the business interruptions in both cases and ensure the delivery of our services to our customers.

With regard to water scarcity, a Water Stewardship Program has been launched aiming to reduce our specific freshwater withdrawal as well as to return the water we use. As a result, Holcim is currently one of the lowest withdrawers of liters of freshwater per ton cementitious in the industry.

Additionally, we have significantly invested in the development of sustainable solutions, led by our Technology Center in Switzerland and in our Research and Development Center in Lyon, France. Today we have a broad portfolio of products specifically designed to decrease fresh water demand, increase water availability, improve water quality or preserve natural water flows.

KEY OPERATIONAL RISKS CONTINUED

RISK

SUSTAINABILITY

The risk that we do not effectively comply with regulatory, societal and investor expectations of corporate and environmental sustainability such as climate change and social responsibility. The nature of our activities and geographic footprint poses inherent economic, environmental, social and human rights risks, which are also subject to an evolving regulatory framework and societal expectations.

Sustainability-related risks include:

- Climate change
- Local community engagement, impact and value creation
- Human Rights
- Responsible sourcing
- Employee diversity and inclusion
- Waste-derived resources and circular economy
- Air emissions (including fugitive dust)
- Water Management
- Biodiversity management and quarry rehabilitation
- Internal waste management

Strategic pillars impacted:

POTENTIAL IMPACT

Failure to meet societal and regulatory expectations of environmental, social and governance (ESG) performance may expose us to fines, conflicts in the communities where we operate, potential business disruptions and even plant shutdown. It could also reduce our ability to access new resources and impact our social licence to operate. In addition, repetitive controversies can be escalated at a global level, damaging reputation and external assessments of our ESG performance, such as ratings agencies or NGOs. Our ESG performance is scrutinized by a large spectrum of stakeholders including investors and can influence investment decisions. **For more details on Climate change, please refer to Climate change risk.**

OUR RESPONSE

Responsibility for managing these risks is vested with site and country management, regional management, the Executive Committee and the Board of Directors. Sustainability risks are fully embedded in the risk assessment process conducted with all business units and stakeholders at the Group level. Country CEOs are ultimately responsible and accountable for implementation and compliance with Group policies and directives. Sustainability risks are subject to close monitoring at the country level, supported at Group level by the Sustainability team and other functions. Our articulated ambitions and Group targets are monitored and reported on regularly. We provide details of our ambitions and targets in the Annual Report (refer to page 21) and further information is published on our website.

A robust framework for mitigating those risks is in place as follows:

- Comprehensive set of mandatory policies and directives which clearly lay down expected practices, standards and responsibilities. They are additionally supported by the Code of Business Conduct and Supplier Code Of Cond uct, which both contain ESG provisions.
- Ongoing human rights due diligence, human rights impact assessments and stakeholder engagement are core elements of our human rights approach. 100% of our countries have a human rights assessment process in place, aiming to ensure systematic identification, prevention, mitigation, monitoring and remediation of potential risks and impact to people across our 2,300 sites, the value chain and in communities where we operate. We address complaints and grievances received through our global Integrity Line, as well as a number of site- and community-level grievance mechanisms (for more details, refer to the Human Rights and Social Policy as well as the Human Rights Directive, available on our website).
- Robust air emissions monitoring (covering dust, NO_X, SO_2 at 96% in 2021) and reporting standards across the Group, enforced rules for incident disclosure and site action plans and follow-up activities in case of deviation from Group standard have been rolled out. In 2021, the Board validated a broad multi-year investment plan aiming to reach our 2030 targets (refer to our website for further information regarding our targets).
- A nature strategy which sets industry-leading targets focusing on water and biodiversity (refer to page 42 of the Annual Report).
- Our sustainability performance is subjected to external assurance. The assurance statement can be found in the Sustainability Performance Report published on our website.

HUMAN RIGHTS

We have identified salient human rights risks from our business activities which we may cause or contribute to, and which we seek proactively to identify, cease, prevent or mitigate. At the end of 2021, all of our countries have a human rights assessment process in place and have defined action plans to address risks based on our methodology. Through our sustainable procurement program, 73% of the procurement spend with high ESG risk suppliers was done with qualified suppliers in 2021.

As part of our increased focus on human rights, we reviewed our salient human rights risks in 2021, following a global survey, interviews with senior management, and input from human rights experts and community members. The risks and associated set of mitigating actions for each of them have been identified as:

- **Health and Safety**: refer to H&S risk in the Risk and Control section
- **Working conditions in our operations and particularly our supply chain**: our approach and key policies and directives were strengthened in 2021 and are available on our website (Human Resources Policy, Supplier Code of Conduct, Sustainable Procurement Directive). We are a signatory of the WASH Pledge from the WBCSD and WASH4Work, which is a commitment to implementing access to safe water, sanitation and hygiene at the workplace at an appropriate level of standard.
- **Discrimination and harassment**: we promote an inclusive and fair workplace. In 2021 we signed the UN Women Empowerment Principles, elevating our efforts to promote gender equality and foster a fair workplace where all can be safe and thrive. Additional information is available on our ESG website.
- **Security-related abuses and violations**: we are committed to the protection of our people, assets and reputation, engaging security services on an “as needed” basis, following a strict risk-based approach and stringent rules of professionalism and integrity. When private security providers and public forces are engaged, Holcim’s markets follow our own robust governance, mainly the International Code of Conduct for private security service providers and the Voluntary Principles on Security and Human Rights. Holcim has joined the International Code of Conduct Association (ICoCA) as an Observer on the 27 July 2021.
- **Child-labour in high risk supply chains**: in 2021, we stepped up our long-term efforts to respect and promote the rights of people and children in our operations and supply chain, by further integrating child rights into Holcim’s human rights approach and sustainable procurement systems. The 2021 End Child Labour Action Pledge builds on our existing commitment to respect human rights.
- **Dust and other emissions:** we require all our cement sites to measure and manage air and other emissions. Following significant investments and plant upgrades, dust emissions (g/ton of clinker) were reduced by 18% in 2021 . We continue to make improvements across all sites. In 2021, to address other sources of dust, such as surrounding roads, we strengthened a program to consistently reduce fugitive emissions in all our plants, to preserve the local environment and minimize the impacts on the neighboring communities.
- **Climate change and its impacts**: we clearly acknowledge the link between climate change and human rights, and seek to address the impact of global warming on people. This is manifest in four distinct areas of action:
  - Commitment to net zero roadmap and emission reduction path validated by SBTi;
  - Supporting communities in climate resilience and adaptation;
  - Contributing to a just transition through our human rights due diligence and education and skills development;
  - Public advocacy for mandatory human rights and environmental due diligence.

KEY OPERATIONAL RISKS CONTINUED

RISK

LEGAL AND COMPLIANCE RISKS

The risk that the company is found to have violated laws and regulations covering business conduct such as those that combat bribery, corruption, fraud, unfair competition, breach of trade sanctions or export controls, and unauthorized use of personal data. In the ordinary course of its business, the Group is involved in lawsuits, claims of various natures, investigations and proceedings, including product liability, commercial,environmental, health and safety matters, etc.

Strategic pillars impacted:

POTENTIAL IMPACT

Impacts include investigation costs, financial penalties, debarment, profit disgorgement and reputational damage. The impact is compounded by the fact that local violations can have an effect on the entire Group.

OUR RESPONSE

The Group maintains a comprehensive risk-based compliance program which aligns with the legal requirements expressed through national legislation such as the US FCPA (Foreign Corrupt Practices Act), UK Bribery Act and French Sapin II laws. The Compliance program has dedicated resources at local, regional and Group Levels with central steering. The compliance program is structured over five elements that are aligned to an adequate procedures defense and approach to reduce compliance risk. The five elements of the compliance program include:

- **Risk Assessment** which is the starting point for identifying compliance risk in the business. It applies both at the global program level and country level (asking, for example, how and where the risk of bribery arises in the business) and in the development and application of specific controls, communication, training and monitoring. A specific compliance risk assessment is performed on a yearly basis, with a granular assessment of risky situations that might arise in the course of the business and the associated mitigations in place. A detailed action plan is defined each time it is required to reinforce our response to the risk. The compliance risk assessment is fully embedded in our ERM (Enterprise Risk Management) process in order to facilitate the integration of our risk and control reporting and follow up of action plans.
- **Controls** (policies, directives, Group Delegated Authorities, instructions and internal control elements) designed and implemented to mitigate specific risks. The Third Party Due Diligence Directive and related processes is an example of a control to mitigate a specific compliance risk. Mandatory requirements are all included in our Minimum Control Standards and effective implementation is closely monitored as part of our Internal Control framework.
- **Communication and training**, which speaks to the need to instruct employees on what is acceptable conduct and how it is delivered, set the tone at the top and, where necessary, train employees in risk identification and mitigation. The training also aims to raise awareness and reinforce commercial contract management practices by helping people to better understand the risks, how to enforce strict due diligence and the definition of thresholds which require the support and review of the Legal teams.
- **Monitoring and reporting,** including proactive monitoring of program-related metrics such as training delivery, closing out internal control and audit deficiencies and risk reduction activities such as the third party due diligence program. In addition to proactive monitoring, the compliance program includes a whistleblower line and internal auditing.
- **Organization**, establishing appropriate resources with roles and responsibilities to implement the compliance program, and the governance arrangements under which these resources perform.

KEY OPERATIONAL RISKS CONTINUED

RISK	POTENTIAL IMPACT	OUR RESPONSE
LEGAL AND COMPLIANCE RISKS CONTINUED Strategic pillars impacted. Strategic pillars impacted:		Several specific risk areas are within the scope of the compliance program: • **Business Integrity and Compliance:** anti-corruption activities centered on training, management of third party risk through targeted due diligence, and management of conflicts of interest. • **Pricing Integrity and Anti-Trust Compliance:** the program focuses heavily on training and the conduct of Fair Competition Reviews (in-depth assessments of risk, based on interviews, document and email reviews). In addition, specific actions (training, instructions) have been implemented to address four risk drivers: participation in trade associations, pricing decisions, market intelligence and contacts with competitors. Fair Competition controls, along with those of other risk areas (bribery, sanctions, data privacy) are updated yearly and included in the revised Minimum Control Standards for Group companies. • **Sanctions & Trade Restrictions:** our sanctions and trade restrictions program was further strengthened in 2020 taking into account the increased number of sanctioned parties and growing complexity of sanctions schemes across the globe. The requirements are set through the Sanctions Compliance Directive, which is implemented through dedicated training, communications and screening for potentially restricted transactions. We regularly conduct in-country assessments on sanctions risks and potential touchpoints with sanctioned persons in all exposed operations. In addition we have implemented state-of-the-art procedures for the screening and continuous monitoring of all suppliers and customers against worldwide sanctioned party and enforcement lists in those exposed operations. • **Data Protection and Privacy:** data privacy, and compliance with the European Union General Data Protection Regulation (GDPR) is also supported with specific training, controls, monitoring and reporting systems. The controls include website, employee, customer and supplier notifications and consents, data subject requests and data breach reporting mechanisms among others. Group Legal manages all competition investigations, information requests and enforcement cases through a central team. Group Legal also tracks all Group-relevant commercial litigation cases and provides support to the relevant operating companies in defense and dispute resolution. In addition, root cause analysis of disputes and enforcement cases is taken into account in our continuous improvement cycle.
ENERGY PRICES (INCLUDING ALTERNATIVE FUELS) The risk that the increase in prices for fuels, electricity or the inability to accomplish planned savings from alternative fuels will impact our production costs. Strategic pillars impacted:	An increase in energy prices has the potential to adversely impact the Group's financial performance, as the increase in such costs may not be passed on (fully or partially) in the sales prices charged to customers. In 2021, strong economic recovery post the COVID-19 crisis, with demand exceeding production capacities and supply chain bottlenecks in the energy sector, led to unprecedented increases in energy prices. Other underlying factors such as escalation in geopolitical tension and temporary shocks in energy demand (resulting from weather conditions or changes in economic activity) could also contribute to increases in energy prices. Further, energy prices might increase if additional carbon taxes are levied in countries outside Europe where governments look to balance the decrease in fiscal resources while addressing climate change at the same time.	Optimizing the fuel mix and energy efficiency, as well as the use of alternative fuels, is a key area of focus at all our plants. At the country level, we use fixed price contracts for part of our exposure to avoid volatility. We also develop long-term power purchase agreements/ on-site power generation projects to reduce volatility and increase consumption of renewable energy at competitive prices.

KEY OPERATIONAL RISKS CONTINUED

RISK	POTENTIAL IMPACT	OUR RESPONSE
RAW MATERIALS (INCLUDING MINERAL COMPONENTS) The risk that raw materials cannot be supplied at economical cost or suitable quality. Strategic pillars impacted:	Much of our business depends on the reliable supply of mineral resources, e.g. sand and limestone, as well as mineral additives such as slag and fly ash. Failure to secure long-term reserves or licences and permits as well as to obtain raw materials (including mineral components) from third parties at the expected cost and/or quality may adversely impact variable costs, financial performance and impair our long-term growth outlook. In addition, changing market conditions with long lasting increased cost of raw materials might limit our ability to reach our CO_2 reduction target in a cost effective manner. With the development of the Solutions and Products business segment, our need for certain raw material, especially oil-derived components, will grow, leading to a higher dependence on raw material prices or availability.	In locations where the supply of raw materials is at risk (due to own reserves depletion, permitting issues, poor quality, lack of suppliers and scarcity of certain raw materials), we apply a range of measures including monitoring of the permitting process, strategic sourcing and diversification, changing input mixtures and maintaining minimum long-term reserve levels. When required, we manage international seaborne sourcing, which is an alternative to offset local risks. In addition, our research is devoted to finding ways to mitigate this risk while lowering our environmental footprint, e.g. by using waste-derived materials.
SUSTAINABLE PRODUCTS, INNOVATION AND TECHNOLOGY The risk that insufficient innovation does not secure the competitive advantage of the company by delivering new products, solutions and technologies on a continuous basis. A growing focus on open innovation offers opportunities, especially in the pursuit of our goal of net zero emissions, as well as risks that collaboration with third parties does not provide the expected outcomes. Strategic pillars impacted:	Innovation is a key factor for long-term success of the company and crucial to maintain our competitive position and fulfill future customer needs, particularly when it comes to low carbon performance, energy efficiency and circular economy.	Our approach is to meet customer needs along the whole construction value chain by developing and delivering products, solutions and technologies that address today's major challenges of the construction business: achieving energy efficiency, lowering the cost of construction, reducing the environmental footprint and meeting high standards of aesthetics, health, comfort and well-being. Holcim already has an important range of products and brands which can be considered as sustainable low carbon products and solutions. From our sustainable cement Susteno to the ECOPact line of green concrete, Holcim offers global solutions with cutting-edge materials and innovation. The Group is continuously developing and introducing new products with lower CO_2 emissions, realizing opportunities of a circular economy and related sustainability performance of products and solutions. Leading the circular economy, Holcim will recycle 75 million tons of materials across its business including 10 million tons of construction and demolition waste by 2025. In line with our 2025 strategy, Holcim will remain at the forefront of green building solutions, with 25% of ready-mix net sales coming from ECOPact, ranging from a 30% to 100% lower CO_2 footprint. In parallel, growing closer to our customers with our Solutions and Products business segment, we will expand our range of integrated solutions and systems from construction and energy efficiency to repair and refurbishment. Also, we will continue to deploy smart technologies, from 3D printing using green mineral components like calcined clay and we will further develop next-generation technologies. As of today, more than 80% of the time spent by our researchers in our Technology Center in Switzerland and in our Research and Development Center in Lyon, France is dedicated to low-carbon products and sustainable solutions, with more than 65% of our patents currently in this area. In the pursuit of our commitment to decarbonization (2050), Holcim is exploring the potential of breakthrough technologies, such as carbon capture utilization and storage (CCUS) in line with our target to operate at least one net-zero plant by 2030 (refer to Climate change risk). In addition, the risk that collaboration with third parties on open innovation does not provide the expected outcomes is mitigated through appropriate legal frameworks and comprehensive project management. Non-protected and protected Intellectual Property (IP) is secured by knowledge management, patents and trademarks. Regular market and IP intelligence is done to avoid infringement of third-party IP rights.

KEY OPERATIONAL RISKS CONTINUED

RISK	POTENTIAL IMPACT	OUR RESPONSE
HEALTH AND SAFETY RISK The risk that the company does not adequately protect employees, contractors and third parties from injury, illness or fatality, during both on-site and off-site company related activities. Strategic pillars impacted:	Impacts includes injury, illness or fatality, reputational damage and the possibility of business interruption, with consequences on our finance and business performance. The impact is compounded by the fact that local incidents can have an effect on the entire Group.	We conduct our business in a manner that creates a healthy and safe environment for all stakeholders – our employees, contractors, communities and customers – built on a sound health and safety culture. We believe in visible leadership and personal accountability at all levels and throughout our organization. We maintain a global Health and Safety Management System designed to continuously improve our performance and actively minimize risks in our business. In 2021, we've introduced a new HSE (Health, Safety and Environment) operating model based on the three pillars of critical risk management, workforce engagement and continuous improvement (please refer to pages 68 and 69 for more details). HSE experts are employed in each country where we operate to support the implementation of the Holcim HSE standards. The Group HSE team conducts regular audits to ensure the full deployment of our HSE policy and internal standards in all Holcim countries. Through the Health, Safety & Sustainability Committee, the Board of Directors supports the development of a health and safety culture and oversees the resources and processes to be employed to minimize or eliminate risks related to health and safety (please see page 87 for more details). In addition, our Group Security and Resilience teams provide support each time the situation requires a cross-functional response that is managed through the Security and Resilience Management System (refer to Pandemic and epidemic risk).
INFORMATION TECHNOLOGY AND CYBER THREATS RISK The risk that arises from the unavailability of critical IT systems and the loss or manipulation of data resulting from cyber attacks, computer malware, infrastructure and network outages, natural disasters or human mistakes. Strategic pillars impacted:	An information technology or cybersecurity event could lead to financial loss, reputational damage, safety or environmental impact. Accelerated by the COVID-19 crisis, modified business processes, alternative working locations, development of home office, expose our company to a larger range of threats, increasing the risk of loss both from targeted cyber attacks/data fraud and from operational errors.	To prevent major risks related to critical IT infrastructure or applications either operated by the Group or its service providers, Holcim has established policies and procedures for IT security and governance as well as Internal Control standards that are followed Group wide for all applicable systems. These include alternative/redundant data centers per region, resilient architecture of critical IT systems, backup recovery procedures and cybersecurity measures to detect unusual activities in our networks. As constant vigilance and awareness throughout the organization is required, our personnel are continually trained to detect and mitigate cyber risks. Due to the fact that the risk landscape is evolving, the Group's IT risk register is regularly assessed and updated in full alignment with the ERM methodology. Additionally, the measures to prevent new risks and impacts from occurring are continuously improved and updated as well as regularly audited and controlled by the Internal Audit and Internal Control departments.
JOINT VENTURES AND ASSOCIATES Since the Group does not control joint ventures or associates in which it has invested, this may restrict the Group's ability to generate adequate returns and to implement the operating standards and compliance program. Strategic pillars impacted:	These limitations could impair the Group's ability to jointly control joint ventures and influence associates effectively and/or realize the strategic goals for these businesses. In addition this might hamper the ability of Holcim to implement organizational efficiencies and its controls framework, including its full compliance program. It can also impede the ability to transfer cash and assets between subsidiaries in order to allocate assets in the most effective way.	The Group Legal & Compliance function performs a comprehensive risk assessment covering all joint ventures and associates in order to identify any potential deviations from the Group's compliance program. Remediation plans are implemented in order to close residual gaps.
TALENT MANAGEMENT The risk that the company does not attract, select or retain skilled people in the right places and at the right time to reach its targets. Strategic pillars impacted:	Without the right people, Holcim will be unable to deliver its growth ambition. Besides, with the COVID-19 pandemic, some countries are facing a situation of labor shortage affecting a large range of positions, especially drivers and middle management (mainly in the US and Europe). While the short term triggers of this risk were directly in relation with the peak of the crisis (decreased cross-border mobility, government incentives encouraging slack work in some countries despite economic recovery, career changes), it is still difficult to assess the long-lasting effects of the crisis on the labor market. In addition to it, higher turn-over rates overall and in Holcim in particular are challenging the retention of talented professionals.	All countries deploy talent reviews and succession planning processes to evaluate current and future talents across the year. The outcomes are taken into consideration in the Group talent and succession review. We invest significantly in developing both functional and management skills. Core human resources processes, like a broad learning portfolio with new programs for young professionals (e.g. Early Career Leaders Program, One Young World) and the online learning platform (Percipio), performance management, leadership development, reward & recognition and talent management are implemented in all Holcim countries and corporate functions. Under the Employer Branding initiative launched in 2020, and expanded during 2021, the Group promotes its attractiveness to new talents and the engagement of our current employees through a strong and clarified communication. A structured onboarding model has been made available through our online Learning platform to support the welcome to new employees in all countries. Digital solutions to support communication to employees (Leena AI) have been implemented in some countries, like in all our Latin American teams, and it is planned to extend them globally. The Career website and our presence as employers in social media has opened important advantages for our talent development strategy. Group HR oversees the quality of deployment of these processes to keep improving the robustness of our talent pipeline; early careers leaders have been identified and followed up at Group level in close association with the countries (for more information, see pages 66 and 67).

KEY FINANCIAL RISKS

RISK	POTENTIAL IMPACT	OUR RESPONSE
ACQUISITIONS AND DIVESTMENTS The risk that the company does not identify opportunities in the market at a profitable cost, or fails to successfully carry out acquisitions, mergers, divestments resulting in financial losses and inability to achieve strategic objectives. Strategic pillars impacted:	As our company aims to reach 30% of our net sales in Solutions & Products, there is a risk that material acquisitions do not meet the expected results. There is also an uncertainty over the achievement of the expected synergies and the integration of the new entities in our operating model, organizational structure and governance (including our Internal Control framework and compliance program). In connection with disposals made in the past years, the Group provided customary warranties. Holcim and its subsidiaries may receive claims arising from these warranties.	Our M&A process is structured around a robust due diligence process (including, but not limited to, strategic, compliance, financial, environmental, legal, tax, commercial, human resources and pension plans streams). Key internal stakeholders are involved with the support of external expertise if needed. Our large geographical footprint combined with the strong cash position of our Group enables us to swiftly respond to identified targets as well as leveraging opportunities for synergies at local level throughout the merger process. In the newly acquired entities, our Minimum Control Standards are fully applicable and are implemented following an integration plan where the particularities and the risks are analyzed and taken into account in order to design efficient internal control activities. Our due diligence process also applies to disposals which are closely analyzed by our teams at Group level before the divestment transaction takes place and the warranties are issued. While our company is liable for events which are not under our direct control anymore, the Group closely monitors our exposure and any indication of potential liability is assessed.
RISK INVOLVING CREDIT RATINGS As in the course of our business we use external sources to finance a portion of our capital requirements, our access to global sources of financing is important. The cost and availability of financing are generally dependent on our short-term and long-term credit ratings. Strategic pillars impacted:	Factors that are significant in the determination of our credit ratings or that otherwise could affect our ability to raise short-term and long-term financing include: our level and volatility of earnings, our relative positions in the markets in which we operate, our global and product diversification, our risk management policies and our financial ratios, such as net debt to recurring EBITDA and cash flow from operations to net debt. We expect credit rating agencies to focus, in particular, on our ability to generate sufficient operating cash flows to cover the repayment of our debt. Deterioration in any of the previously stated factors or a combination of these factors may lead rating agencies to downgrade our credit ratings, thereby increasing our cost of financing. Conversely, an improvement in these factors may prompt rating agencies to upgrade our credit ratings. With the development of green finance and growing expectations of the investors community regarding the sustainability of our business model, we anticipate in the near future an increasing influence of ESG performance on investors' decision making process.	Our Executive Committee establishes our overall funding policies. The aim of these policies is to safeguard our ability to meet our obligations by maintaining a strong balance sheet. This policy takes into consideration our expectations concerning the required level of leverage, the average maturity of debt, interest rate exposure and the level of committed credit lines. These targets are monitored on a regular basis. As a result, a significant portion of our debt has long-term maturity. We constantly maintain unused credit lines to cover at least the next 12 months of debt maturities.
LIQUIDITY RISK The risk that the company will not generate sufficient cash and/or will not have access to external funding to meet its obligations. Strategic pillars impacted:	Lack of liquidity could impact our ability to meet our operational and/or financial obligations.	Subsidiaries are responsible for their own cash balances and the raising of internal and external funding to cover the liquidity needs, subject to guidance by the Group. The Group monitors its liquidity risk by using a recurring liquidity planning tool and maintains cash, readily realizable marketable securities and unused committed credit lines to meet its liquidity requirements. The Group also adjusts liquidity levels to changing market conditions (e.g. COVID-19 crisis, litigations) by organizing additional bank loans or issuing bonds. In addition, the strong credit worthiness of the Group allows it to access international financial markets. Please refer to Note 14.6 of the Consolidated Financial Statements page 234 for details on Holcim debt maturity profile.
INTEREST RATE RISK The risk that an investment's value will change due to a change in the absolute level of interest rates, in the spread between two rates, in the shape of the yield curve or in any other interest rate relationship. Strategic pillars impacted:	Movements in interest rates could affect the Group's Financial results and market values of its financial instruments. The Group is primarily exposed to fluctuations in interest rates on its financial liabilities and cash. The Group is also exposed to the evolution of interest rates and credit markets for its future refinancing, which may result in a lower or higher cost of financing.	The exposure is mainly addressed through the management of the fixed/floating ratio of financial liabilities. To manage this mix, the Group may enter into interest rate swap agreements in which it exchanges periodic payments based on notional amounts and agreed-upon fixed and floating interest rates. The Group constantly monitors credit markets. The aim of its financing strategy is to achieve a well-balanced debt maturity profile to reduce both the risk of refinancing and large fluctuations of its financing cost. Please refer to Note 14.6 of the Consolidated Financial Statements (Financial risks associated with operating activities, page 234) for additional details.

KEY FINANCIAL RISKS CONTINUED

RISK	POTENTIAL IMPACT	OUR RESPONSE
FOREIGN EXCHANGE RISK The Group's global footprint exposes it to foreign exchange risks. Strategic pillars impacted:	Movements in exchange rates could have an influence on the Group's business, results of operations and financial condition. Such translation into the Group's reporting currency leads to currency translation effects, which the Group does not actively hedge in the financial markets. In addition, the statement of financial position is only partially hedged by debt in foreign currencies and therefore a significant decrease in the aggregate value of such local currencies against the reporting currency may have a material effect on the Group's shareholders' equity. Currency fluctuations can also result in the recognition of foreign exchange losses on transactions, which are reflected in the Group's consolidated statement of income and statement of cash flows. The COVID-19 pandemic has increased political and economic uncertainty in several markets where the Group operates. The impact on the expected future economic growth and capital flows in some of these markets may lead to devaluations of the local currencies against the Group reporting currency.	With regard to transaction-based foreign currency exposures, the Group's policy is to hedge material foreign currency exposures through derivative instruments. The Group seeks to reduce the overall exposure by hedging such positions in the market with derivative instruments. These derivative instruments are generally limited to forward contracts or swaps and the Group does not enter into foreign currency exchange contracts other than for hedging purposes. Each subsidiary is responsible for managing the foreign exchange positions arising as a result of commercial and financial transactions performed in currencies other than its functional currency with the support of the treasury department. The Group's activities expose it to foreign exchange risk notably in countries with inflation indices reflecting a three-year cumulative inflation rate exceeding 100%. In these countries, qualified as "hyperinflationary countries", the Group applies a financing strategy that reduces the Group's exposure to a minimum by having the country manage its funding needs in an autonomous way. As of 31 December 2021, Argentina, Lebanon and Zimbabwe are considered as hyperinflationary countries. The Group is also exposed to countries with limited availability of hard currency where hedging and repatriation of cash is difficult or not possible.
CREDIT RISK The risk that our customers default on payment, resulting in collection costs and write-offs. Strategic pillars impacted:	The failure of counterparties to comply with their commitments could adversely impact the Group's financial performance.	The Group periodically assesses the financial reliability of customers. Credit risks, or the risk of counterparty default, are constantly monitored. Counterparties to financial instruments consist of a large number of established financial institutions. The Group does not expect any counterparty to be unable to fulfill its obligations under its respective financing agreements. At year-end, Holcim had no significant concentration of credit risk with any single counterparty or group of counterparties. The maximum credit risk exposure is represented by the carrying amount of each financial asset, including derivative financial instruments, in the consolidated statement of financial position. Please refer to Note 14.6 of the Consolidated Financial Statements (Financial risks associated with operating activities, page 234) for additional details. In the context of the post COVID-19 crisis, the Group closely monitors the risk of increase in bad debts especially in countries that have been impacted the most by the crisis and where government stimulus might not be able to balance the negative effects of the pandemic.
INSURANCE Our sector is subject to a wide range of risks,not all of which can be adequately insured.The Group obtains insurance cover for a broad range of risks to protect its assets and itself against third party liabilities, commensurate with the risk exposure. Strategic pillars impacted:	The Group could be impacted by losses where recovery from insurance is either not available or non-reflective of the incurred loss.	We place insurance with international insurers of high repute, together with our internal captive insurance companies. We continuously monitor our risk environment to determine whether additional insurances will need to be obtained.
GROUP'S PENSION COMMITMENTS The Group operates a number of defined benefit pension schemes and schemes with similar or contingent obligations in several of its countries. The assets and liabilities of those schemes may exhibit significant volatility. Strategic pillars impacted:	Cash contributions may be required to fund unrecoverable deficits. External factors might cause these contributions to increase materially from year-to-year. Similarly, the Group's financial results may be impacted.	Where possible, defined benefit pension schemes have been closed and frozen. Significant actions continue to take place to further reduce and eliminate those schemes and related risks. Specifically, actions focusing on deploying scheme-appropriate asset allocation in order to mitigate volatility and optimize investment returns, those intended to reduce and simplify plans' liabilities and exposure, and finally those intended to provide cash funding flexibility, are being implemented.

KEY FINANCIAL RISKS CONTINUED

RISK	POTENTIAL IMPACT	OUR RESPONSE
MULTI-EMPLOYER PENSION PLANS (MEPP) The Group participates in a number of union-sponsored multiemployer pension plans in the US. These plans are subject to substantial deficits due to market conditions and business actions, plan trustee decisions, plan failure, as well as actions and decisions of other contributing employers. The Group has essentially no control over how these plans are managed. Strategic pillars impacted:	There exists material risk that substantial cash contributions could be required in the future to satisfy any outstanding obligations under these plans. Moreover, satisfying the Group's obligations might have a material impact on the Group's reported financial results. The financial condition of these plans is not currently reported in the Group's financial reports.	The Group has undertaken a review of all these plans with the goal being to fully understand the plans' financial circumstances, as well as all the options available to mitigate risks and reduce the Group's actual and potential financial obligations. As the Group's participation in these plans is subject to negotiations with bargaining unions, the Group's ability to take action is limited.
GOODWILL AND ASSET IMPAIRMENT Significant underperformance in any of the Group's major cash-generating units or the divestment of businesses in the future may give rise to a material write-down of goodwill or assets. Strategic pillars impacted:	A write-down of goodwill or assets could have a substantial impact on the Group's net income and equity.	Indicators of goodwill or asset impairment are monitored closely through our reporting process to ensure that potential impairment issues are addressed on a timely basis. Detailed impairment testing for each cash-generating unit within the Group is performed prior to year-end or at an earlier stage when a triggering event materializes. The Audit Committee regularly reviews the goodwill and asset impairment process. In the context of growing challenges posed by the transition to a low carbon economy, the Group makes estimates and assumptions on climate change and how it might impact our operations and cash-flow projections. We continuously reevaluate those assumptions in a way that is consistent with our assessment of climate-related risks, our commitments to investors and other stakeholders and the climate-related regulations in place. Our cash flow projections are aligned with the commitment to reach our 2030 sustainability targets and in accordance with the climate-related regulations currently in place notably in Europe.
TAX Our business operations are subject to numerous income taxes as well as duties and other taxes that are not based on income such as sales or value-added taxes, payroll taxes,etc. imposed by state and local governments. Significant judgment is often required in determining our annual tax charges and in evaluating our tax positions. Although we believe our tax estimates are reasonable, the final determination of tax audits and any related disputes could be materially different from our historical tax provisions and accruals. Strategic pillars impacted:	Due to the uncertainty associated with tax matters, it is possible that, at some future date, liabilities resulting from changes in legislation, interpretation of existing tax rules and regulations, and /or audits or litigations could have a material adverse impact on our financial results and cash flow. Governmental authorities in the countries where the Group operates may increase or impose new income taxes or indirect taxes, or revise interpretations of existing tax rules and regulations, including as a means of financing the costs of stimulus and other measures enacted because of the COVID-19 pandemic. In addition, major changes to the international tax system are expected to take place further to the implementation of the OECD Tax Challenges Arising from the Digitalisation of the Economy (the so-called Pillar 1 and Pillar 2 projects).	Risks are reviewed and assessed on a regular basis in light of ongoing developments with respect to tax audits and tax cases, as well as ongoing changes in legislation and tax laws. The Holcim Tax Directives provide binding rules for all countries where we operate, and the Group Tax team continuously works with Internal Control on aligning, improving and implementing processes and controls within Group Tax and countries. It is also continuously developing the right in-house skills. In full alignment with the Group's strategy to contribute to economic development, improve our social impact and demonstrate the robustness of our approach to tax, the Group released on 30 November 2021 its first Tax transparency Annual Report.

INTERNAL CONTROL

Holcim's Internal Control framework defines 'Minimum Control Standards' to clarify and reinforce the responsibility of businesses in the countries. These standards encompass controls on Governance and Compliance, Accounting and Consolidation, Tax, Treasury, Fixed Assets, Inventory, Revenue, Expenditure, Human Resources, IT and Sustainability. Every operating company and business in our organization must follow these standards; there is clear guidance and consequence management if they are not met completely. Minimum Control Standards are managed and checked independently by our Internal Control team along with business process owners and control owners in all our businesses across the globe. Our Internal Control process is in accordance with the Swiss Code of Obligations and Swiss Code of Best Practices for Corporate Governance. The Holcim Internal Control system aims at giving the Board of Directors and management reasonable assurance concerning the reliability of financial reporting, compliance with laws and internal regulations, and the effectiveness and efficiency of major company processes and controls. Each Holcim employee has an important role in running the Internal Control System to ensure the implementation and the effectiveness of internal controls.

Group Internal Control Environment

Holcim aims to have an effective Internal Control system at each level of responsibility and promotes a culture of robust internal control, supported by the commitment of the Board of Directors and management. The Minimum Control Standards are used as a baseline for mandatory compliance within the Group and the main reference for the Holcim Corporate Governance Framework. The following key documents are part of the Minimum Control Standards and support the internal control environment:

- The Group Delegated Authorities which define approving authorities and thresholds within the Group.
- The Code of Business Conduct which covers guidance and provides examples to help employees when confronted with challenging situations.
- The Supplier Code of Conduct

Risk identification and analysis

The approach implemented by the Group relating to identification and analysis of risks is described on pages 106–108.

Minimum Control Standards

The Minimum Control Standards cover the following core business processes, going beyond accounting and finance:

Governance & Compliance: Compliance with laws, regulations and Code of Business Conduct, BOD secretarial, Health & Safety, risk assessment and mitigation, segregation of duties, delegation of authorities, review of litigation, disputes, and personal data protection.

Accounting & Consolidation: Compliance with accounting principles including best practices from the reconciliation of accounts to consolidation of financial statements and submission of Group reporting requirements and statutory financial statements.

Tax: Tax risk assessment and reporting, tax filings & payments, deferred and income tax calculations, transfer pricing and non-income (indirect) taxes.

Treasury: Bank relations, secure handling of payments, financial instruments, borrowings & commitments and foreign exchange, interest rate, commodities risks monitoring and hedging.

Fixed Assets: Management of titles, licenses and permits, rehabilitation and restoration provisions, classification and depreciation of property plant & equipment and physical verification.

Inventory: Physical stock take (spare parts and materials) and inventory provisions and write-offs.

Revenue: Master data, price management, customer credit limits, accounts receivable.

Expenditure: Master data, supplier qualification, 3-way match and direct vendor invoices, supplier payments and accruals for expenditures.

HR: Employee management (onboarding, transfers, offboarding), payroll, compliance with local labor laws and employee pension & benefit plans.

IT: Information security management and IT service management

Sustainability: Environmental impact and Social impact.

Internal Control monitoring throughout the Group

The Group is committed to maintaining high standards of internal control. It tests and documents adherence to Minimum Control Standards. These activities are implemented at country and at Group levels and encompasses:

- A description of key processes affecting the reliability of the Group's financial reporting, and that of the parent company
- A detailed description of mandatory controls defined in the Group's Minimum Control Standards
- Tests of controls to check the operational effectiveness. Group Internal Control provides each entity with clear guidance and testing methodology
- An annual internal certification process to review the main action plans in progress and to confirm management responsibility at country and Group levels for the quality of both internal control and financial reporting
- A formal reporting, analysis and control process for the information included in the Group's Integrated Report

The implementation of action plans identified through the activities described above, as well as through internal and external audits are followed up by relevant Senior Management. The outcome of such procedures is presented to the Audit Committee. Internal control is monitored at all levels of the Group. The roles of key stakeholders are described below:

Board of Directors and Board Committees

The Board of Directors through the Audit Committee reviews management's and the internal auditor's reports on the effectiveness of the systems for internal control. The Audit Committee shall form its own opinion on the Internal Control system, Risk Management and on the state of compliance within the Company.

Executive Committee

The Executive Committee steers the effective implementation of the Group's Internal Control system, through:

- The monitoring and follow-up of internal control procedures performed throughout the Group, and in particular the follow-up of identified action plans. Periodic presentations on internal control are submitted to the Executive Committee
- The review of the country's Minimum Control Standards and certification twice a year

Group functions

Group function leaders, including in particular managers of the Group Finance function, have been designated at Group level as business process owners, with the responsibility of:

- Documenting their processes at Group level including product line specifics and verifying that the Internal Control Standards for such processes are effectively implemented
- Defining and updating the standards of internal control applicable to countries.

Countries

Internal Control is under the direct responsibility of the Executive Committee of each country.

Internal Control Managers are appointed in each country to support the identification of risks, the implementation of the Minimum Control Standards and to ensure procedures related to internal control over financial reporting are implemented. Their activities are coordinated by the Group Internal Control department. Countries report their Internal Control assessments to the Group twice a year through the Internal Control system and sign certification letters. Any exception to the Minimum Control Standards needs to be documented, mitigated and approved by the relevant Group Function and Group Internal Control.

MINIMUM CONTROL STANDARDS THAT EVERY COUNTRY AND BUSINESS IN OUR ORGANIZATION MUST FOLLOW

Group Internal Control department

The Group Internal Control department is in charge of overseeing Internal Control and monitoring all procedures related to internal control over financial reporting. This department manages the Minimum Control Standards mentioned above and coordinates the network of Internal Control Managers within countries. It supports countries and the Group functions in the implementation of such standards as well as the documentation and tests of Minimum Control Standards. Group Internal Control designs and coordinates the annual certification process to confirm management responsibility at each relevant level of the Group organization on the quality of both internal control and financial reporting. The outcome of this certification process is presented to the Group Chief Financial Officer and Chief Executive Officer for validation prior to presenting it to the Executive Committee and Audit Committee.

Group Internal Audit

The Group Internal Audit department is responsible for performing an independent assessment of the quality of internal control at all levels of the organization following the annual audit plan approved by the Audit Committee. The main observations and findings observed during the audit assignments are reported periodically to the Audit Committee and the Executive Committee. For more information, please refer to Corporate Governance on page 86.

COMPENSATION REPORT

Executive compensation is designed to reinforce the Holcim strategy by supporting the company to attract, motivate and retain talent while aligning their interests with those of shareholders.

The executive compensation structure balances rewards for short-term performance and long-term success by combining absolute and relative as well as financial and non-financial performance objectives, and by delivering compensation through a mix of cash and equity. To provide further alignment with shareholders, executives are expected to build a minimum level of Holcim share ownership over time.

The Compensation Report provides detailed information on the compensation programs at Holcim, on the compensation awarded to the members of the Board of Directors and the Executive Committee for 2021 and on the governance framework around compensation. It is written in accordance with the Ordinance against Excessive Compensation in Listed Stock Corporations (OaEC), the Directive on information relating to Corporate Governance of the SIX Swiss Exchange and the principles of the Swiss Code of Best Practice for Corporate Governance of economiesuisse.

DEAR SHAREHOLDERS,

I am pleased to share with you the Holcim Compensation Report for the financial year 2021, which was prepared in accordance with applicable laws, rules and regulations. As a leading global provider of innovative and sustainable building solutions, we aim to be an employer of choice. This is supported by a compensation framework that is designed to attract, motivate and retain the qualified talent needed to succeed globally and to provide excellent returns to you, our shareholders.

2021 was a record year for Holcim reaching new levels of performance across our financial and ESG targets. We delivered record financial performance across all our key metrics, with net sales at CHF 26.8 billion and over-proportional Recurring EBIT growth of 25.7% like-for-like, reaching CHF 4.6 billion, and a debt leverage ratio of 1.4x. We achieved these unprecedented results, while accelerating the expansion of Solutions & Products, advancing our vision to become the global leader in innovative and sustainable building solutions. We delivered our Strategy 2022 one year in advance, setting solid foundations for our next era of growth. Putting sustainability at the core of our strategy, we accelerated the deployment of our green building solutions. We delivered this record performance while keeping our people and communities safe, navigating the COVID pandemic with extraordinary resilience and agility.

We will explain in this report how our performance in 2021 impacted the compensation awarded to the members of the Executive Committee under the incentive plans.

The NCGC performed its regular activities throughout the reporting year such as the succession planning for the Board of Directors and the Executive Committee, the performance objective setting at the beginning of the year and the performance assessment at year end, the determination of compensation for members of the Board of Directors and the Executive Committee, as well as the preparation of the Compensation Report and of the say-on-pay vote at the Annual General Meeting.

In particular, the NCGC reviewed the peer groups used for benchmarking, the performance indicators and target setting for the purpose of the incentive plans (with a focus on ESG), the share usage for equity plans, the compensation levels and the overall design of the compensation programs. The NCGC concluded that the compensation system continues to be aligned with the overall business strategy and shareholder interests and is well balanced. Therefore, no changes were implemented in 2021. Going forward, the NCGC is keen to maintain continuity and stability in the compensation system and does not intend to introduce fundamental amendments.

You will find further details about the NCGC's activities and the compensation decisions during the reporting year in this report. You will have the opportunity to express your opinion about this Compensation Report in a consultative shareholder vote at the Annual General Meeting 2022.

HANNE BIRGITTE BREINBJERG SØRENSEN
Chairperson of the NCGC

We are convinced that the compensation framework supports our commitment to creating both financial and non-financial value over the long term and is well-aligned with our shareholders' interests. In the future, we will continue to review and assess our compensation programs and to maintain an open dialogue with our shareholders and their representatives.

Thank you for sharing your perspectives on executive compensation with us. We trust that you will find this report informative.

HANNE BIRGITTE BREINBJERG SØRENSEN
Chairperson of the Nomination, Compensation and Governance Committee (NCGC)

COMPENSATION AT A GLANCE

SUMMARY OF COMPENSATION OF THE BOARD OF DIRECTORS IN 2021

To ensure their independence in their supervisory function, members of the Board of Directors receive a fixed compensation only, delivered in the form of cash and shares blocked for five years. The compensation system for the Board of Directors does not contain any performance-related components.

Annual retainer (gross)	Cash (CHF)	Shares (CHF)	Expense allowance (CHF)	Committee fees (gross)	Chairperson (CHF)	Member (CHF)
Board chairperson[1]	825,000	825,000	70,000[2]	AC	160,000	40,000
Board vice-chairperson[1]	200,000	200,000	10,000	NCGC	125,000	40,000
Board member	100,000	100,000	10,000	HSSC	125,000	40,000

[1] The Board chairperson and vice-chairperson are not eligible for committee fees.
[2] Includes a secretarial allowance of CHF 60,000 p.a.

SUMMARY OF COMPENSATION OF THE EXECUTIVE COMMITTEE IN 2021

The executive compensation framework is designed to reinforce the Holcim strategy by supporting the company to attract, motivate and retain talent while aligning their interests with those of the shareholders and stakeholders. The compensation structure is well-balanced: it rewards short-term and long-term performance, it combines absolute and relative as well as financial and non-financial performance objectives and it delivers compensation through a mix of cash and equity.

The compensation of the Executive Committee consists of fixed and variable elements. Fixed compensation includes base salary and benefits based on prevalent market practice. Variable compensation comprises short-term and long-term elements as described below. It is based on ambitious and stretched performance objectives and it rewards Group and regional results. Clawback and malus provisions apply to the annual and the long-term incentive (LTI) plans. Executive Committee members are subject to a share ownership guideline: the CEO must hold at least 500% of his annual base salary in shares, other Executive Committee members 200%.

Compensation element	Purpose	CEO	Other Executive Committee members
Base salary	Reward for the role		
Pension and benefits	Protect against risks, attract and retain		
Annual incentive	Reward short-term performance • Group relative Sales growth (15%) • Group relative Recurring EBIT growth (15%) • Recurring EBIT (20%) • Free Cash Flow after leases (35%) • Health, Safety and Environment (15%)	**Target:** 125% of salary **Maximum payout:** 200% of target (250% of salary)	**Target:** 75% of salary **Maximum payout:** 200% of target (150% of salary)
Long-term incentive	Reward long-term performance (3–5 years) and align with shareholders' interests: • Performance shares: EPS before impairment and divestments, ROIC and sustainability • Performance options: relative TSR	**Performance shares:** Grant value: 125% of salary Maximum vesting: 200% of target **Performance Options:** Grant value: 52.4% of salary Maximum vesting: 100% of target	**Performance shares:** Grant value: 70% of salary Maximum vesting: 200% of target **Performance Options:** Grant value: 26.3% of salary Maximum vesting: 100% of target

COMPENSATION OF THE BOARD OF DIRECTORS FOR 2021

The compensation awarded to the Board of Directors in financial year 2021 is within the limits approved by the shareholders at the Annual General Meeting. Since the compensation period is not yet completed, a definitive assessment will be provided in the 2022 Annual Report.

Compensation period	Approved amount (CHF)	Effective amount (CHF)
AGM 2020 – AGM 2021	5,400,000	5,011,202
AGM 2021 – AGM 2022	5,200,000	To be determined[1]

[1] The compensation period is not yet completed; a definitive assessment will be provided in the Compensation Report 2022

COMPENSATION OF THE EXECUTIVE COMMITTEE FOR 2021

The compensation awarded to the Executive Committee for the financial year 2021 is within the limits approved by the shareholders at the Annual General Meeting 2020.

Compensation period	Approved amount (CHF)	Effective amount (CHF)
Financial year 2021	42,500,000	36,393,130

SUMMARY OF PERFORMANCE IN 2021

2021 was a record year for Holcim reaching new levels of performance across our financial and ESG targets. We delivered record financial performance across all our key metrics, with net sales at CHF 26.8 billion and over-proportional Recurring EBIT growth of 25.7% like-for-like, reaching CHF 4.6 billion, and a debt leverage ratio of 1.4x. We achieved these unprecedented results, while accelerating the expansion of Solutions & Products, advancing our vision to become the global leader in innovative and sustainable building solutions.

- Annual incentive 2021: payout of 182% of target on average for the Executive Committee.
- Long-term incentive 2019: vesting level of 200% for the performance shares granted in 2019.

COMPENSATION AWARDED FOR 2021

CEO

EXECUTIVE COMMITTEE MEMBERS

COMPENSATION GOVERNANCE

- Authority for decisions related to compensation are governed by the Articles of Incorporation and the Organizational Regulations of Holcim Ltd as described in the Corporate Governance section.
- The prospective maximum aggregate amounts of compensation of the Board of Directors and of the Executive Committee are subject to binding shareholders' votes at the Annual General Meeting.
- The Compensation Report is subject to a consultative vote by the shareholders at the Annual General Meeting.

The Board of Directors is supported by the NCGC for all matters related to compensation and governance. The NCGC members are elected annually by the shareholders at the Annual General Meeting.

COMPENSATION SYSTEM: BOARD OF DIRECTORS

To guarantee their independence in exercising their supervisory duties, the members of the Board of Directors receive fixed compensation only and do not participate in Holcim's employee benefits plan. Part of the compensation is paid in blocked shares to strengthen the alignment with shareholders' interests.

Board compensation consists of an annual retainer for the Board chairperson, Board vice-chairperson and Board members plus additional fees for assignments to the committees of the Board of Directors either as chairperson or member. The Board chairperson and vice-chairperson are not eligible for committee fees. The annual retainer is paid half in cash and half in shares subject to a five-year restriction period (prohibition of sale or pledging). Committee fees are paid in cash.

Additionally, a lump sum expense allowance is paid in cash and the Board chairperson receives a secretarial allowance. The members of the Board of Directors receive no additional reimbursements of business expenses beyond travel costs from abroad.

Cash compensation is paid quarterly for the Board members and monthly for the Board chairperson. The shares are transferred in March for the current year of office.

In exceptional circumstances, additional fees are payable to Board members when an exceptional workload beyond the regular function of the Board of Directors is required. No such fees were paid in the reporting year.

2022 onwards

The compensation of the Board of Directors is benchmarked regularly, last time in 2019, based on the Board compensation of other industrial SMI companies including ABB, Givaudan, Lonza, Nestle, Novartis, Richemont, Roche, SGS, Sika and Swatch Group (refer to section "Compensation Governance" for further details on the benchmarking peer group).

The analysis showed that the compensation structure is aligned with prevalent market practice. In terms of compensation levels, the annual retainer and the committee fees for the chairperson functions are above market median, while they are below market for the Board and committee members without chairperson function.

Considering the complexity of the work of the Board of Directors and its committees, as well as the substantial additional requirements on the Board and committee chairpersons, the NCGC decided not to make any change to the compensation system. The compensation system remains unchanged for 2022 as well.

Compensation model of the Board of Directors

Annual retainer (gross)	Cash compensation in CHF	Share-based compensation[2] in CHF	Expense allowance in CHF	Secretarial allowance in CHF
Board chairperson[1]	825,000	825,000	10,000	60,000
Board vice-chairperson[1]	200,000	200,000	10,000	
Board member	100,000	100,000	10,000	

Committee fees (gross)[1]	Cash compensation in CHF
Audit Committee chairperson	160,000
Other Committee chairpersons (NCGC, HSSC)	125,000
Committee member	40,000

[1] The Board chairperson and vice-chairperson are not eligible for committee fees.
[2] Converted into shares based on the average share price between 1 January 2022 and 15 February 2022.

COMPENSATION SYSTEM: EXECUTIVE COMMITTEE

Compensation principles

Executive compensation is designed to reinforce the Holcim strategy by supporting the company to attract, motivate and retain talent, while aligning their interests with those of shareholders. The compensation programs are built around the following principles:

Principle	Description
Pay-for-performance	Rewards for short-term performance and long-term success, by a balanced combination of absolute and relative performance objectives, as well as of financial and non-financial metrics.
Alignment with shareholders	Part of compensation is delivered in equity of the company, thus strengthening the alignment with shareholders' interests. Further, executives are expected to build a minimum level of Holcim share ownership over time.
Market competitiveness	Compensation is competitive with other companies against which Holcim competes for talent.
Internal equity	Compensation decisions are taken with consideration to internal equity and consistency.
Transparency	Compensation programs are straightforward and transparent.

Compensation model of the Executive Committee

The compensation for members of the Executive Committee includes the following elements:

- Annual base salary
- Pensions and benefits
- Variable compensation: annual and long-term incentive

Base salaries

Annual base salaries are established on the basis of the following factors:

- Scope, size, and responsibilities of the role; skills required to perform the role
- External market value of the role
- Skills, experience and performance of the individual in the role

To ensure market competitiveness, base salaries of the Executive Committee are reviewed annually taking into consideration the company's affordability, benchmark information, internal consistency and individual performance. The objective is to provide salaries broadly in line with the competitive market practice of selected comparable SMI companies (refer to section "Compensation Governance" for further details on the benchmarking peer group).

Compensation model of the Executive Committee

Element	Purpose	Structure	Drivers	Performance objectives
Base salary	Attract and retain	Fixed amount paid monthly in cash	• Role & responsibilities • Market value • Experience	
Pensions and insurances	Protect against risks	Pension contributions and benefits, insurances	• Market practice • Role	
Benefits	Attract and retain	• Perquisites • Car or allowance • Relocation benefits	• Market practice • Role	
Annual incentive	Reward for short-term performance	Annual variable amount paid half in cash and half in shares blocked for three years	Annual financial and non-financial performance	• Group relative Sales growth • Group relative Recurring EBIT growth • Recurring EBIT • Free Cash Flow after leases • Health, Safety and Environment
Long-term incentive (LTI)	• Reward for long-term performance • Align with shareholders' interests • Retain	• Performance shares subject to a three-year vesting • Performance options subject to a five-year vesting	Long-term financial and non-financial performance	• EPS before impairment and divestments • ROIC • Sustainability • Relative TSR

Pension
Executive Committee members participate in the benefits plans available in the country of their employment. Benefits consist mainly of retirement, insurance and healthcare plans that are designed to provide a reasonable level of protection for the employees and their dependents with regards to health, retirement, death and disability. The members of the Executive Committee with a Swiss employment contract participate in Holcim's defined benefit pension scheme applicable to Swiss-based senior management, which is set up to achieve, for executives retiring from Holcim at age 62 and assuming 10 years of service in senior management and 20 years of service with the Group, an amount of 40% of the average of the last 3 years' base salaries, inclusive of all other pension incomes participants may benefit from. Early or deferred retirement pensions are adjusted based on actuarial calculations. The members of the Executive Committee under foreign employment contracts are insured commensurately with market conditions and with their position. Each plan varies in line with the local competitive and legal environment and is, as a minimum, in accordance with the legal requirements of the respective country.

Benefits and perquisites
Members of the Executive Committee may receive certain executive perquisites such as a company car or allowances and other benefits in kind, in line with competitive market practice in their country of employment. Executives who are relocating may also be provided with expatriate benefits such as housing, schooling, travel benefits and tax advice, in line with the Holcim international mobility policy. These other compensation elements are included in the compensation table at fair value.

Annual incentive
The annual incentive rewards the financial results as well as the achievement of a Health, Safety and Environment (HSE) objective at Group and regional level (depending on the function) over a time horizon of one year.

The annual incentive target (i.e. incentive amount at 100% target achievement) is expressed as a percentage of base salary and amounts to 125% for the CEO and 75% for the other members of the Executive Committee. The payout is capped at 200% of target, i.e. 250% of base salary for the CEO and 150% of the base salary for the other Executive Committee members.

The financial performance is measured both in absolute terms (against own-set targets) and in relative terms compared to a peer group of companies that are exposed to similar market cycles.

- The absolute financial performance includes Recurring EBIT as a measure of Group and regional operational profitability, as well as Free Cash Flow after leases as a measure of the company's ability to generate cash. For those objectives, the NCGC determines a target level of expected performance (corresponding to a 100% payout), as well as a threshold level of performance below which there is no payout, and a maximum level of performance above which the payout is capped.
- The relative financial performance includes Group sales growth and Group Recurring EBIT growth. The intention is to reward the relative performance of the company to neutralize factors outside of management control. The objective is to reach at least median performance within the peer group, which corresponds to a 100% payout factor. The peer group includes companies that were chosen for their comparable products, technologies, customers, suppliers or investors and are thus exposed to similar market cycles. The companies of the peer group are listed below. The measurement of the relative Group performance is provided by Obermatt, an independent Swiss financial research firm focused on indexing company performance.

The achievement of the Health, Safety and Environment objective is measured as a scorecard including both leading and lagging performance objectives and based on four elements.

- Health, Safety and Environment Improvement Plan (HSE-IP): the HSE-IP is determined at country level and includes strategic objectives such as key risk control and process safety management, health & well-being, industrial hygiene, road safety and incident elimination control. For the regions and the Group, an average of the HSE-IP scores of the countries, respectively the regions, is used to determine the achievement level.
- Critical Risk Elimination (CRE): CRE objectives include action closure based on the findings of Health, Safety and Environment audit and of the safety management process for each country. For the regions and the Group, an average of the CRE scores of the countries, respectively the regions, is used to determine the achievement level.
- Lost-Time Injury Frequency Rate (LTIFR): LTIFR score reflecting improvements in the Lost-Time Injury Frequency Rate at country, regional and Group level.

Cement producers	Building materials	Construction
Boral	Carlisle	Acciona
Buzzi Unicem	James Hardie	ACS
Cemex	RPM	Bouygues
CRH	Saint-Gobain	Vinci
Heidelberg Cement Vicat	Sika	

Performance objective	Weighting
Group relative Sales growth	15%
Group relative Recurring EBIT growth	15%
Recurring EBIT	20%
Free Cash Flow after leases	35%
Health, Safety and Environment	15%

- Management evaluation criteria: evaluation of the overall outcome during the year with regards to workplace safety.

The annual incentive is paid half in cash and half in shares subject to a three-year blocking period.

The annual incentive design applicable to the Executive Committee is summarized on page 131.

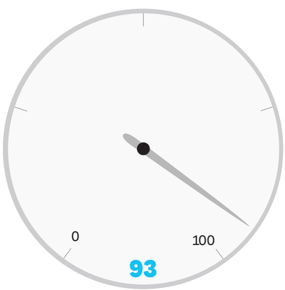
The annual incentive is subject to clawback and malus provisions. In case of financial restatement due to non-compliance to the accounting standards and/or fraud, or in case of violation of law and/or internal rules, the Board of Directors may deem all or part of the annual incentive to forfeit (malus) or may seek reimbursement of all or part of any paid annual incentive (clawback). Those provisions may be enforced within three years of any year subject to a financial restatement or during which the fraudulent behavior happened.

In case of termination of employment, any potential payment of the annual incentive is paid pro-rata and based on the effective performance (determined after year end) capped at the target amount (pro-rata).

2022 onwards
The design of the annual incentive remains unchanged for 2022.

Health, Safety and Environment scorecard

Overall HSE Continuous Improvement Score (CIS)



	Threshold	Target	Stretch
CIS	55	85	100
Payout	50%	100%	200%

Health, Safety and Environment Improvement Plan (HSE-IP)

At country level: strategic objectives in the areas of
- Leadership and competence
- Key risk control and process safety management
- Systems & processes
- Health, well-being and industrial hygiene
- Road safety: on-site and off-site traffic safety
- Incident elimination control

HSE-IP score based on percentage completion of strategic objectives (score of 85 if all objectives are achieved)

Critical Rist Elimination (CRE)

At country level: Group HSE audit and Process Safety Management (PSM) inspection

CRE score based on action closure (score of 100% if action closure of audit + PSM findings completed on time)

Lost-Time Injury Frequency Rate (LTIFR)

Number of on-the-job injuries that require a person to stay away from work for a day or more per one million hours worked, goal to improve versus previous year

LTIFR score based on specific target set at country, region or Group level

Management evaluation criteria

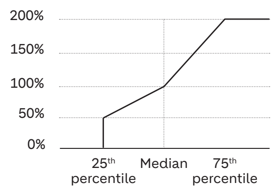
Evaluation of the overall outcome during the year with regards to workplace safety at country, region or Group level

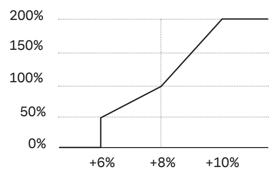
Design of the annual incentive 2021

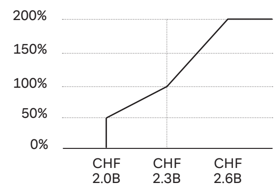
Role	CEO	Other Executive Committee members
Target opportunity	125% of salary	75% of salary
Maximum opportunity	250% of salary	150% of salary

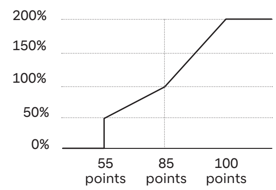
Performance objectives	Relative Group performance	Recurring EBIT growth (Group or region)*	Free Cash Flow after leases (Group or region)*	Health, Safety and Environment (HSE) (Group or region)*
Purpose	Measures Group's performance compared to peer companies exposed to similar market cycles	Measures Group or regional operational profitability	Measures the company's ability to generate cash	Measures health, safety and environment indicators to ensure a safe workplace
Definition	Relative Group sales growth (50%) and relative Group Recurring EBIT growth (50%) expressed as percentile ranking in the peer group of companies	Growth versus prior year of the Operating profit before impairment of operating assets and before restructuring, litigation and other non-recurring costs, at constant FX rate, adjusted for changes in scope	Cash flow from operating activities, adjusted for net maintenance and expansion capital expenditures and repayment of long-term lease liabilities	Scorecard over 100 points based on four elements: Health, Safety and Environment Improvement Plan (HSE-IP), Critical Risk Elimination (CRE), Lost-Time Injury Frequency Rate (LTIFR) and management evaluation criteria
Weighting	30%	20%	35%	15%
Targets for 2021	Ranking at the median of the peer group. This is unchanged compared to the ranking target applicable in 2020 and is in line with our ambition to outperform our peers on top-line and bottom-line growth	Recurring EBIT growth of 8%. This is a substantial increase compared to the target of 7% growth in 2020, which is driven by the Strategy 2022 – "Building for Growth"	Free cash flow after leases of CHF 2.3 billion. This is a slight decrease compared to the target of CHF 2.4 billion for 2020, which is driven by the Strategy 2022 – "Building for Growth"	85 points on the HSE scorecard. This is unchanged compared to the HSE targets applicable in 2020 and is in line with our ambition to improve health, safety and environment globally

Payout formula (threshold, target and cap for the Group)









* Group level for corporate Executive Committee roles, regional level for regional Executive Committee roles

LONG-TERM INCENTIVES

Our compensation philosophy is to align a significant portion of compensation of the Executive Committee with long-term company performance and to strengthen alignment with shareholders' interests. To support "Strategy 2022 – Building for Growth", the grant awarded under the long-term incentive consists of both performance shares and performance options.

PERFORMANCE SHARES

Performance shares are subject to a three-year vesting period based on three equally weighted performance objectives: Group earnings per share (EPS) before impairment and divestments, Group return on invested capital (ROIC) and sustainability. These performance objectives have been chosen as they reflect the strategic priorities of the Group to increase profitability through strong operating leverage (EPS), to improve how the company generates profits relative to the capital it has invested in its business (ROIC) and to mitigate the company's impact on the environment (sustainability). The sustainability objective encompasses three pillars of the company's sustainability strategy in line with Holcim's commitment to build a net-zero future with science based targets (see also box on the right):

- Climate and energy: reduction of CO_2 emissions per ton of cementitious material produced (50% weight).
- Circular economy: quantity of recycled waste derived resources (25% weight).
- Environment: reduction of freshwater withdrawal per ton of cementitious material produced (25% weight).

For all three objectives, the NCGC determines a threshold performance level (below which there is no vesting), a target level (vesting of 100%) and a stretch performance level (vesting of 200%). Between these levels, vesting is calculated on a straight-line basis.

PERFORMANCE OPTIONS

Performance options are subject to a five-year vesting period based on Holcim's relative total shareholder return (TSR) compared to a group of peer companies, and have a maturity of ten years. Threshold vesting (25% of maximum) will be achieved if the median of the peer group is reached, target vesting (50% of maximum) will be achieved if the 60th percentile is reached, and full vesting (100%) will be achieved if the 75th percentile is reached on average during the five-year vesting period. There will be no vesting for performance below the median of the peer group. The vesting level between threshold, target and full vesting is calculated on a straight-line basis. The companies of the peer group are the same as for the annual incentive and are listed on page 128.

Once vested, the LTI awards (performance shares and performance options) are not subject to a further holding period. The performance option can be exercised during a period of five years after the vesting.

The unvested LTI awards forfeit upon termination of employment, except in case of retirement, ill-health, disability, by reason of the employment being with a company/business which ceases to be a Group member, termination by the employer within 18 months from a relevant merger & acquisition transaction or any other cases at the discretion of the NCGC. In such circumstances, unvested LTI awards are subject to a pro-rata vesting (for the number of full months between grant date and termination date), without acceleration, i.e. the vesting of the pro-rated number of awards will continue to occur at the regular vesting date, subject to performance measurement over the entire performance period. In the event of death and change of control (unless the unvested LTI awards are replaced by an equivalent award following the change of control) unvested LTI awards vest immediately on a pro-rata basis assuming that performance conditions are met. For the avoidance of doubt, LTI awards always lapse when termination is due to voluntary resignation or gross misconduct.

The LTI awards are subject to clawback and malus provisions for a period of three years after vesting in case of financial restatement, error or inaccurate or misleading information to assess the fulfillment of performance conditions or a termination for cause.

The long-term incentive design applicable to the Executive Committee is summarized on the next page.

Science based targets

Holcim's commitment to a net-zero pledge with science based targets include ambitious targets related to climate, waste and water consumption. Holcim was the first global building materials company to sign the Business Ambition for 1.5°C pledge with the Science Based Target initiative (SBTi) to develop a roadmap for a 1.5°C future in the cement sector.

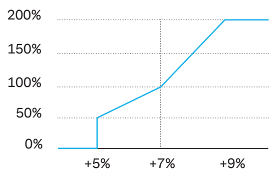
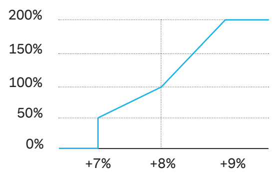
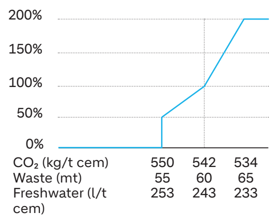
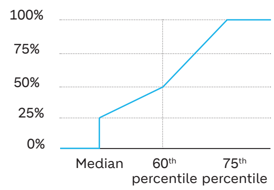
The CO_2 target included in the performance objectives of the long-term incentive are based on CO_2 targets validated by the SBTi. For more details on the net-zero pledge and the SBTi targets, pleaserefer to pages 40-41.

2022 onwards

The design of the LTI remains unchanged for 2022.

Design of the long-term incentive

Role	CEO	Other Executive Committee members
Grant size in 2021	177.4% of salary (125% in performance shares, 52.4% in performance options)	96.3% of salary (70% in performance shares, 26.3% in performance options)

Performance objectives	EPS growth before impairment and divestments (performance shares)	ROIC (performance shares)	Sustainability (performance shares)	Relative TSR (performance options)
Purpose	Measures the company's profitability to investors	Measures the company's ability to generate returns from invested capital	Measures the company's improvement in mitigating the impact of its operations on the environment	Measures the company's ability to provide investors with strong returns
Definition	EPS adjusted for after tax gains and losses on disposals of Group companies and impairments of goodwill and long-term assets	ROIC at year end 2023, adjusted for changes in scope between 2021 and 2023	Climate and energy: CO_2 emission measured in kg CO_2/t cementitious (50% weight); circular economy: quantity of waste recycled in million tons (25% weight); environment: freshwater withdrawn in liters freshwater/t cem (25% weight)	Holcim's TSR over the five-year performance period, starting on 1 January 2021, and ending on 31 December 2025 expressed as a percentile ranking in a peer group of companies
Weighting	33⅓% of performance share	33⅓% of performance share grant	33⅓% of performance share grant	100% of performance option grant
Performance period	2021–2023	2023	2023	2021–2025
Targets for the 2021 grant	EPS growth of 7% p.a.. This is unchanged compared to the EPS target applicable to the performance shares granted in 2020 and is in alignment with the Strategy 2022 – 'Building for Growth'	ROIC of 8% in 2023. This is unchanged compared to the ROIC target for 2022 applicable to the performance shares granted in 2020 and is in alignment with the Strategy 2022 – 'Building for Growth'	CO_2 emissions of 542 kilograms per ton of cement produced in 2023. Waste of 60 million tons recycled in 2023. Freshwater withdrawal of 243 liters per ton of cementitious material produced in 2023. Those targets are substantial improvements compared to the targets applicable to the performance shares granted in 2020 and are in line with our long-term net-zero ambition	Ranking at the 60th percentile of the peer group. This is unchanged compared to the ranking target applicable to the performance options granted in 2020 and is in line with our ambition to outperform our peers in terms of shareholder return
Performance vesting				
Maximum vesting level	200%	200%	200%	100%
Vesting and holding periods	Three-year cliff vesting No further holding period	Three-year cliff vesting No further holding period	Three-year cliff vesting No further holding period	Five-year cliff vesting No further holding period 10-year maturity (in total)

EXECUTIVE SHARE OWNERSHIP GUIDELINES

To reflect the importance the NCGC places on aligning their interests with shareholders, Executive Committee members are required to own at least a minimum multiple of their annual base salary in Holcim shares as set out below:

- CEO: 500% of annual base salary
- Other Executive Committee members: 200% of annual base salary

Members of the Executive Committee are expected to meet the minimum shareholding requirements within four years of their appointment to the Executive Committee (or within four years of the implementation of the new guideline). To calculate whether the minimum shareholding requirement is met, all shares purchased on the market and vested shares from incentive plans are considered. However, unvested performance shares and options are excluded. In case of non-compliance to the minimum requirements at the required date, Executive Committee members are prohibited to sell any shares held. Further, their annual incentive (net of statutory deductions) will be paid entirely in shares. The compliance to the share ownership guidelines is monitored on an annual basis. The current shareholdings of the members of the Executive Committee can be found on page 141.

EMPLOYMENT CONTRACTS FOR THE EXECUTIVE COMMITTEE

The contracts of employment of the Executive Committee members are concluded for an indefinite period and may be terminated with one year's notice. Contracts of employment do not include severance compensation or change of control clauses except the vesting provisions of the LTI awards as described above. They may include non-competition provisions that are limited in time to maximum of one year and which may allow a compensation up to a maximum of 50% of the last paid total annual compensation.

COMPENSATION FOR THE FINANCIAL YEAR 2021

The tables on page 134 and 135 were audited according to Article 17 of the Ordinance against Excessive Compensation in Listed Stock Corporations.

↘

C: Commitee chair
M: Member

AC: Audit Committee
NCGC: Nomination, Compensation and Governance Committee
HSSC: Health, Safety & Sustainability Committee

Board of Directors

	Positions as per 31 December				Share-Based compensation						
Name	AC	NCGC	HSSC	Cash compensation CHF gross	Number	Value CHF gross	Other[5] CHF gross	Subtotal CHF gross	Social Security[6] CHF	**2021 Total CHF gross**	2020 Total CHF gross
Beat Hess				825,000	16,418	825,000	70,000	1,720,000	0	**1,720,000**	1,720,000
Oscar Fanjul[3]				83,333	1,659	83,333	4,167	170,833	0	**170,833**	410,000
Dieter Spälti	M	M		191,668	3,151	158,334	10,000	360,002	4,560	**364,562**	294,501
Philippe Block[1,7]			M	149,375	1,991	100,000	10,000	259,375	4,560	**263,935**	158,334
Paul Desmarais, Jr.[2]				0	0	0	0	0	0	**0**	104,167
Kim Fausing[1]	M			140,000	1,991	100,000	10,000	250,000	0	**250,000**	150,334
Colin Hall		M		140,000	1,991	100,000	10,000	250,000	0	**250,000**	250,000
Jan Jenisch[4]				0	0	0	0	0	0	**0**	0
Patrick Kron	C		M	300,000	1,991	100,000	10,000	410,000	0	**410,000**	410,000
Naina Lal Kidwai			M	140,000	1,991	100,000	10,000	250,000	0	**250,000**	250,000
Adrian Loader		M	C	265,000	1,991	100,000	10,000	375,000	0	**375,000**	375,000
Jürg Oleas	M			140,000	1,991	100,000	10,000	250,000	4,560	**254,560**	254,501
Claudia Sender Ramirez		M	M	163,333	1,991	100,000	10,000	273,333	0	**273,333**	233,333
Hanne B. Sørensen	M	C		229,584	1,991	100,000	10,000	339,584	0	**339,584**	290,000
Total				**2,767,293**	**39,147**	**1,966,667**	**174,167**	**4,908,127**	**13,680**	**4,921,807**	**4,900,170**

1 Board member since 12 May 2020.
2 Board member until 12 May 2020.
3 Board member until 4 May 2021.
4 Board member since 4 May 2021. Does not receive compensation for his function on the Board of Directors.
5 Expense allowances and secretarial allowance for the Board chair.
6 This amount includes social security contributions to the extent that they result in a future benefit entitlement. Additional contributions that do not result in an increase of the benefit entitlement are excluded (additional contributions in the amount of CHF 97,058 are excluded).
7 Includes CHF 9,375 as compensation for participation in the Holcim Foundation for Sustainable Construction.

EXPLANATIONS

In 2021, twelve non-executive members of the Board of Directors received in total compensation of CHF 4.9 million (2020: CHF 4.9 million) of which CHF 2.7 million was paid in cash (2020: CHF 2.7 million), CHF 0.01 million in the form of social security contributions (2020: CHF 0.02 million), and CHF 2.0 million in shares (2020: CHF 2.0 million). Other compensation paid totaled CHF 0.2 million (2020: CHF 0.2 million).

The total compensation of the Board of Directors as well as the compensation structure and levels remained unchanged from the previous year.

At the Annual General Meeting 2020, shareholders approved a maximum aggregate amount of compensation of CHF 5,400,000 for the Board of Directors for the term until the Annual General Meeting 2021. The compensation paid to the Board of Directors for this term was CHF 5,011,202 and is therefore within the approved limits.

At the Annual General Meeting 2021, shareholders approved a maximum aggregate amount of compensation of CHF 5,200,000 for the Board of Directors for the term until the Annual General Meeting 2022. The compensation paid to the Board of Directors for this term is anticipated to be approximately CHF 4.9 million. The final amount will be disclosed in the 2022 Annual Report.

Executive Committee

Executive	Base salary CHF gross	Other fixed pay[1] CHF gross	Annual incentive CHF gross	Performance shares[2] Fair value at grant CHF gross	Performance options[3] Fair value at grant CHF gross	Replacement Award[4] Fair value at grant CHF gross	Social/pension contributions[5] CHF	**Total 2021 CHF gross**	Total 2020 CHF gross
Jan Jenisch 01.01.2021 until 31.12.2021	1,700,000	26,000	3,903,625	2,159,559	890,001	0	364,958	**9,044,143**	7,942,553
Other members 01.01.2021 until 31.12.2021	7,079,612	926,174	9,677,058	4,421,102	1,634,429	1,040,053	2,570,559	**27,348,987**	22,542,234
Total	**8,779,612**	**952,174**	**13,580,683**	**6,580,661**	**2,524,430**	**1,040,053**	**2,935,517**	**36,393,130**	**30,484,787**

1 Includes the value of benefits in kind: car allowance and benefits for internationally mobile members (expatriates) such as housing, schooling and tax consulting.
2 Performance shares granted under the long-term incentive plan, subject to a three-year performance-based vesting period. The disclosed amount corresponds to the fair value at grant.
3 Performance options granted under the long-term incentive plan, subject to a five-year performance-based vesting period. The disclosed amount corresponds to the fair value at grant.
4 The replacement award granted to a new Executive Committee member is a combination of performance shares and restricted shares, matching the equity plans forfeited from his previous employer on a strict like-for-like basis.
5 Includes contribution to social security and occupational pension plans. Contributions to social security plans for members employed in Switzerland include social security contributions to the Swiss old age, survivors and disability insurance (OASI/AHV/IV/EO) to the extent that they result in a future benefit entitlement. Additional contributions that do not result in an increase of the benefit entitlement are excluded (additional contributions in the amount of CHF 869,907 are excluded). Contributions to social security plans for members employed outside of Switzerland include the contributions effectively paid in the reporting year.

EXPLANATIONS

The total annual compensation for the ten members of the Executive Committee for 2021 amounted to CHF 36.4 million (2020: CHF 30.5 million). This amount comprises base salaries, other fixed pay and annual incentive of CHF 23.3 million (2020: CHF 18.4 million), equity-based long-term incentive of CHF 10.2 million (2020: CHF 9.0 million), employer contributions to social security and pension plans of CHF 2.9 million (2020: CHF 3.1 million).

The compensation changes for 2021 compared to 2020 are mainly caused by the following factors:

- The composition of the Executive Committee has changed compared to previous year. Two new members were appointed to the Executive Committee. Two members left the Executive Committee, however their compensation is included on a full-year basis considering that they are still in the notice period. Therefore, the compensation table includes 12 Executive Committee members in 2021, of which 10 on a full-year basis, compared to 10 members on a full-year basis in 2020.
- The base salary of one Executive Committee member was increased between 2020 and 2021. The base salary of all other Executive Committee members, including the CEO, have not been adjusted. Considering that the target STI and LTI are defined as a fixed percentage of the base salary, the target STI and LTI as monetary amounts increased for the said member who received a salary increase and remained unchanged for all other members.
- 2021 was a record year for Holcim, leading to a higher performance achievement under the annual incentive than in previous year. Further details are provided on the next page.

The compensation awarded to the Executive Committee members for 2021 in the amount of CHF 36,393,130 is within the total maximum amount of compensation for the Executive Committee for the financial year 2021 of CHF 42,500,000 approved at the Annual General Meeting 2020.

PERFORMANCE IN 2021

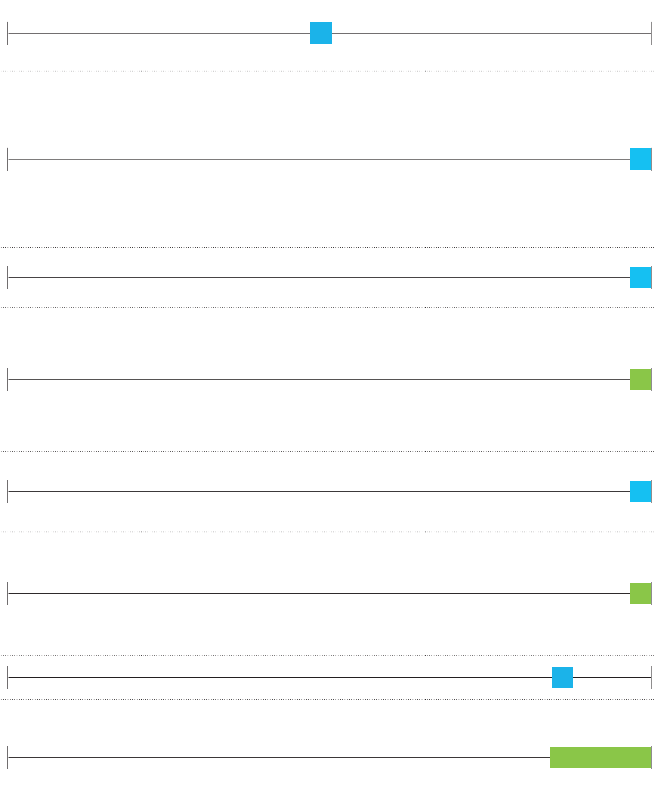
2021 was a record year for Holcim reaching new levels of performance across our financial and ESG targets. We delivered record financial performance across all our key metrics, with net sales at CHF 26.8 billion and over-proportional Recurring EBIT growth of 25.7% like-for-like, reaching CHF 4.6 billion, and a debt leverage ratio of 1.4x. We achieved these unprecedented results, while accelerating the expansion of Solutions & Products, advancing our vision to become the global leader in innovative and sustainable building solutions.

With those results, the Group outperformed the peer companies in terms of relative performance and exceeded its Recurring EBIT growth and free cash flow after leases targets by far, reaching the maximum payout. All regions also reached the stretch level of performance on Recurring EBIT growth and free cash flow after leases. With regards to HSE, the safety of the workplace was again substantially improved year on year and the performance targets were exceeded as well.

Overall, the annual incentive amounted to 184% of target for the CEO (230% of salary) and 182% on average for the other members of the Executive Committee (136% of salary). The ratio of variable versus fixed compensation amounted to 333% for the CEO and to 159% on average for the other members of the Executive Committee.

Payout of the annual incentive in 2021

Performance objectives	Results		Payout Percentage (Threshold – Target – Stretch)
Relative Group performance (30%)[1]	With a Net Sales growth of 10.2% (adjusted basis), Holcim achieved the 50th percentile in the peer group. With a Recurring EBIT growth of 3.8% (adjusted basis), Holcim achieved the 79th percentile in the peer group. On a combined basis Holcim achieved the 64.5th percentile (158% payout factor).	Net Sales growth	
		Recurring EBIT growth	
Recurring EBIT (20%) (Group or regional)	The 2021 Group Recurring EBIT growth like-for-like was 25.7% compared to a target of 8%, which corresponds to a payout factor of 200%. The Recurring EBIT performance of all regions exceeded the stretch (200% payout factor).	Group Recurring EBIT	
		Regional Recurring EBIT	
Free Cash Flow after leases (35%) (Group or regional)	The Group Free Cash Flow (FCF) after leases was CHF 3.26 billion compared to a target of CHF 2.30 billion, which corresponds to a payout factor of 200%. The FCF after leases performance of all regions exceeded the stretch (200% payout factor).	Group FCF after leases	
		Regional FCF after leases	
Health, Safety and Environment (HSE) (15%) (Group or regional)	At Group level, the Group HSE score reached 96.3 points, resulting in a payout factor of 175% and all regional HSE scores were above target once again.	Group HSE score	
		Regional HSE score	
Total		**Overall payout of 184% for the CEO and of 182% on average for the other Executive Committee members**	



The relative Group performance assessment is based on a best estimate at time of publication (i.e. includes an estimate for companies that did not yet published their annual results). The final achievement level will be calculated by Obermatt before the payout date in March 2022 based on the annual report publications of the peer companies.

Performance shares granted in 2018 vested in March 2021 conditional upon EPS before impairment and divestments and ROIC, both measured over the year 2020. The vesting of this grant applies to eight current Executive Committee members and is disclosed in the first table below.

Performance shares granted in 2019 will vest in March 2022 conditional upon EPS before impairment and divestments and ROIC, both measured over the year 2021.

The performance period applying to this grant is therefore already completed and the payout of the plan can already be assessed. The vesting of this grant applies to seven current Executive Committee members and is disclosed in the second table below.

Performance options granted in 2018 are subject to a five-year vesting period based on total shareholder return (TSR) and will vest in 2023. There are no performance options vesting before 2023.

Vesting of the long-term incentive in 2021: performance shares granted under the long-term incentive in 2018

Grant	Performance objectives	Definition	Result and payout	Payout calculation
2018 Performance shares	**EPS growth (60%)**	Earnings per share before impairment and divestments in 2020: adjusted for after tax gains and losses on disposals of Group companies and impairments of goodwill and long-term assets in 2020	EPS of CHF 3.07 leads to a 117.1% payout	60% * 117.1%
	ROIC (40%)	Return on invested capital at year end 2020, adjusted for changes in scope between 2018 and 2020	ROIC of 7.4% leads to a 70% payout	40% * 70.0%
	Total			**= overall vesting of 98.3%**

Vesting of the long-term incentive in 2022: performance shares granted under the long-term incentive in 2019

Grant	Performance objectives	Definition	Result and payout	Payout calculation
2019 Performance shares	**EPS growth (60%)**	Earnings per share before impairment and divestments in 2021: adjusted for after tax gains and losses on disposals of Group companies and impairments of goodwill and long-term assets in 2021	EPS of CHF 3.98 leads to a 200% payout	60% * 200%
	ROIC (40%)	Return on invested capital at year end 2021, adjusted for changes in scope between 2019 and 2021	ROIC of 9.2% leads to a 200% payout	40% * 200%
	Total			**= overall vesting of 200%**

LOANS GRANTED TO MEMBERS OF GOVERNING BODIES

There were no loans to members of the Executive Committee, members of the Board of Directors or to parties closely related to members of governing bodies outstanding on 31 December 2021.

As at 31 December 2020, there was one loan in the amount of CHF 0.1 million outstanding from René Thibault, member of the Executive Committee. This loan had been granted before the nomination to the Executive Committee.

COMPENSATION FOR FORMER MEMBERS OF GOVERNING BODIES

During 2021 and 2020, no payments were made to former members of the Executive Committee.

During 2021 and 2020, no payments were made to parties closely related to members of the governing bodies.

SHARE OWNERSHIP INFORMATION

BOARD OF DIRECTORS

On 31 December 2021, members of the Board of Directors held a total of 630,389 registered shares in Holcim Ltd. This number comprises privately acquired shares and those allotted under participation and compensation schemes. Until the announcement of market-relevant information or projects to the public, the Board of Directors, the Executive Committee and any employees possessing such market-relevant information are prohibited from effecting transactions with equity securities or other financial instruments of Holcim Ltd, exchange-listed Group companies or potential target companies (trade restriction period).

Shares held by the Board of Directors

Name	Position	**Shares held as of 31 December 2021**	Shares held as of 31 December 2020
Beat Hess	Chairperson	**100,510**	84,115
Dieter Spälti	Vice-Chairperson (since 4 May 2021)	**58,653**	88,386
Oscar Fanjul	Vice-Chairperson (until 4 May 2021)	**n/a**	19,612
Philippe Block	Member (since 12 May 2020)	**1,159**	0
Kim Fausing	Member (since 12 May 2020)	**1,159**	0
Jan Jenisch	Member (since 4 May 2021)	**400,000**	n/a
Colin Hall	Member	**3,126**	1,139
Patrick Kron	Member	**7,285**	5,298
Naina Lal Kidwai	Member	**3,126**	1,139
Adrian Loader	Member	**25,527**	23,540
Jürg Oleas	Member	**11,594**	9,607
Claudia Sender Ramirez	Member	**3,126**	1,139
Hanne B. Sørensen	Member	**15,124**	13,137
Total		**630,389**	**247,112**

OWNERSHIP OF SHARES AND OPTIONS: EXECUTIVE COMMITTEE

As of 31 December 2021, members of the Executive Committee held a total of 684,513 registered shares in Holcim Ltd. This figure includes both privately acquired shares and those allocated under the Group's compensation schemes.

Furthermore, at the end of 2021, the Executive Committee held a total of 1,837,411 performance options and 352,319 performance shares (at target); these arose as a result of the participation and compensation schemes of various years. Options are issued solely on registered shares in Holcim Ltd. One option entitles the holder to buy one registered share in Holcim Ltd.

Number of shares and options held by Executive Committee members as of 31 December 2021

Name	Position	Total number of shares owned	Total number of performance options held (at target)	Total number of performance options held (at maximum)	Total number of performance shares held (at target)	Total number of performance shares held (at maximum)
Jan Jenisch	CEO	400,000	757,971	1,515,941	130,760	261,520
Magali Anderson	Member	20,444	94,027	188,053	20,084	40,168
Mathias Gärtner	Member	0	0	0	4,502	9,004
Jamie Gentoso	Member	1,500	24,549	49,097	11,072	22,144
Feliciano González Muñoz	Member	25,050	135,927	271,853	27,999	55,998
Miljan Gutovic	Member	30,334	139,819	279,637	28,978	57,956
Martin Kriegner	Member	52,821	165,377	318,153	30,454	60,908
Oliver Osswald	Member	26,284	157,388	314,776	30,152	60,304
Géraldine Picaud	Member	88,710	216,822	433,643	41,673	83,346
René Thibault	Member	39,370	145,531	278,461	26,645	53,290
Total		**684,513**	**1,837,411**	**3,649,614**	**352,319**	**700,136**

Number of shares and options held by Executive Committee members as of 31 December 2020

Name	Position	Total number of shares owned	Total number of performance options held (at target)	Total number of performance options held (at maximum)	Total number of performance shares held (at target)	Total number of performance shares held (at maximum)
Jan Jenisch	CEO	340,000	605,574	1,211,146	125,089	250,177
Magali Anderson	Member	12,305	64,754	129,508	12,349	24,698
Keith Carr	Member	27,890	106,654	213,308	21,389	42,778
Marcel Cobuz	Member	32,778	141,154	276,008	31,459	62,919
Feliciano González Muñoz	Member	17,024	106,654	213,308	20,264	40,528
Miljan Gutovic	Member	20,291	108,295	216,589	21,683	43,366
Martin Kriegner	Member	38,399	133,262	260,223	30,100	60,200
Oliver Osswald	Member	20,666	125,864	251,728	29,362	58,724
Géraldine Picaud	Member	56,452	171,787	343,574	49,817	99,633
René Thibault	Member	27,325	118,226	230,152	26,229	52,458
Total		**593,130**	**1,682,224**	**3,345,544**	**367,741**	**735,481**

The share options outstanding held by the Executive Committee (including former members) at year end 2021 have the following expiry dates and exercise prices:

Option grant date	Expiry date		Exercise price	Number 2021	Number 2020
2010	2022	CHF	70.30	**33,550**	33,550
2013	2021	CHF	67.40	**0**	122,770
2014	2022	CHF	64.40	**99,532**	99,532
2015	2023	CHF	66.85	**144,970**	144,970
2015	2023	CHF	63.55	**47,333**	47,333
2015[1]	2025	CHF	50.19	**18,900**	18,900
2018[1]	2028	CHF	55.65	**232,150**	236,866
2019[1]	2029	CHF	49.92	**1,095,619**	1,166,760
2020[1]	2030	CHF	45.62	**1,785,497**	1,942,068
2021[1]	2031	CHF	51.07	**822,574**	0
Total				**4,280,125**	**3,812,749**

[1] Options granted after the merger of Lafarge and Holcim in July 2015.

EQUITY OVERHANG AND DILUTION AS OF DECEMBER 31, 2021

In total as of 31 December 2021, the equity overhang, defined as the total number of unvested share units and options divided by the total number of shares issued amounts to 0.78%.

The company's gross burn rate defined as the total number of equities (shares, share units and options) granted in 2021 divided by the total number of shares issued amounts to 0.22%.

COMPENSATION GOVERNANCE

RULES RELATING TO COMPENSATION IN THE HOLCIM ARTICLES OF INCORPORATION

The Articles of Incorporation contain provisions regarding the approval of compensation of the Board of Directors and the Executive Management (Art. 23), the supplementary amount for new members of the Executive Committee (Art. 24), the general compensation principles (Art. 25) as well as provisions regarding the agreements with members of the Board of Directors and the Executive Committee (Art. 26). Moreover, the Articles of Incorporation contain provisions regarding the roles of the Board of Directors and the NCGC (Art. 16 to 21). The Articles of Incorporation are approved by the shareholders and are available at *https://www.holcim.com/articles-association*.

ANNUAL GENERAL MEETING – SHAREHOLDER INVOLVEMENT

According to Art. 23 of the Articles of Incorporation, the Annual General Meeting approves annually the maximum aggregate compensation of the Board of Directors for the period from the Annual General Meeting to the next Annual General Meeting as well as the maximum aggregate compensation of the Executive Committee for the following financial year. In addition, the Compensation Report is submitted to the Annual General Meeting for an advisory vote on a yearly basis.

Art. 24 of the Articles of Incorporation provides for a supplementary amount for Executive Committee members who become members of, or who are promoted to the Executive Committee during a compensation period for which the Annual General Meeting has already approved the aggregate compensation of the Executive Committee and if the compensation amount approved is not sufficient to cover the compensation of the new members. The supplementary amount per compensation period shall not exceed 40 percent of the aggregate amount of compensation last approved by the Annual General Meeting and does not require further shareholders' approval.

NOMINATION, COMPENSATION & GOVERNANCE COMMITTEE

In accordance with Article 21 of the Articles of Incorporation, the NCGC supports the Board of Directors in establishing and reviewing Holcim's nomination, compensation and governance strategy and guidelines as well as in preparing the motions to the Annual General Meeting regarding the nomination and compensation of the members of the Board of Directors and of the Executive Committee. In particular, the NCGC performs the following duties:

- Nomination: Review of the composition and size of the Board of Directors to ensure appropriate expertise, diversity and independence; succession planning for the Board of Directors and its committees; preparation of the motions to the Annual General Meeting for (re-) election of candidates for positions on the Board of Directors and in the NCGC; succession planning and nominations for positions on the Executive Committee.
- Compensation: Planning and preparation of the compensation of the Board of Directors and the Executive Committee; preparation of the motions to the Annual General Meeting regarding compensation of the Board of Directors and of the Executive Committee; determination of compensation strategy and design of compensation programs including incentive plans; planning and preparation of the targets and performance assessment of the CEO and other members of the Executive Committee; preparation of the Compensation Report.
- Governance: Dealing with all corporate governance related matters; review of the proposals to be made to the Board of Directors for the amendment of the Articles of Incorporation, the organizational rules, the committees charter, the code of conduct, the overall policy landscape and the policies and directives approved by the Board of Directors; review of the criteria for the determination of the independence of members of the Board of Directors; approval of external mandates for the CEO and other Executive Committee members; review of the annual assessment of the functioning and effectiveness of the Board of Directors; review of the corporate governance section of the Annual Report.

The following table summarizes the decision authorities between the NCGC, the Board of Directors and the Annual General Meeting on compensation matters.

Decision authorities

	NCGC	Board of Directors	Annual General Meeting
Compensation strategy and design	Proposes	Approves	
Compensation Report	Proposes	Approves	Advisory vote
Maximum aggregate compensation amount of the Board of Directors	Proposes	Reviews	Approves (binding vote)
Individual compensation of members of the Board of Directors	Proposes	Approves (within the budget approved by the AGM)	
Maximum aggregate compensation amount of the Executive Committee	Proposes	Reviews	Approves (binding vote)
Individual compensation of members of the Executive Committee	Proposes	Approves (within the budget approved by the AGM)	
Performance objectives setting for the purpose of the incentive plans	Proposes	Approves	

The NCGC is composed of five members of the Board of Directors that are elected individually by the Annual General Meeting for a period of one year. At the Annual General Meeting 2021, Ms. Hanne Birgitte Breinbjerg Sørensen (chairperson), Mr. Colin Hall, Mr. Adrian Loader and Mrs. Claudia Sender Ramirez were elected to the NCGC. A new member, Mr. Dieter Spälti, was elected to the NCGC.

The NCGC holds ordinary meetings at least four times a year. In 2021, the NCGC held four ordinary meetings according to the annual schedule below.

Annual NCGC meeting schedule

	February	July	October	December
Nomination	• Proposal of elections to the Board of Directors • Proposal of the Board of Directors composition for coming term (committees)	• Selection criteria and succession planning of the Board of Directors • Selection criteria and succession planning of the Executive Committee and senior management	• Diversity & inclusion • Talent development and engagement • Learning strategy review • Social dialogue update	• Update on succession planning of the Board of Directors and the Executive Committee
Compensation	• Proposal of AGM motions (amounts to be submitted to shareholder vote) • Performance assessment and incentive payouts for the Executive Committee (previous period) • LTI grant of the Executive Committee and senior management (current year) • Review of compliance of the Executive Committee with shareholding requirements • Review of the compensation benchmarking peer groups	• Review of the compensation strategy and system (design) • Review of the disclosure approach (feedback from shareholders) • Validation of the performance peer group	• Benchmarking of the Board compensation (every 2-3 years) and Executive Committee compensation (annually) • Review of the incentive plan design for the coming year • Forecast on expected incentive payouts (current year)	• Proposal on Board compensation for the coming term • Determination of target compensation of the Executive Committee for the coming year • Determination of performance targets of the Executive Committee for the coming year (annual incentive, LTI) • Forecast on expected incentive payouts (current year)
Governance	• Board and committee assessments • Governance Report • Compensation Report (final) • Proposal of AGM motions (other than compensation) • Governance update	• AGM retrospective: review of shareholders' feedback • Review of independence of Board and committee members • Governance update	• Governance update	• Review of governance documents: Articles of Incorporation, organizational rules, committee charters, code of conduct • Compensation Report (draft) • Validation of NCGC schedule for coming year • Governance update

In 2021, four NCGC members attended all meetings while one member apologized for one meeting. Further information on meeting attendance is provided in the Corporate Governance Report on page 88.

The NCGC chairperson may invite members of the Executive Committee, other officers of the Group or third parties to attend the meetings. They will however not be present when their own performance or compensation is discussed or determined. After each NCGC meeting, the Board of Directors is informed of the topics discussed, decisions taken and recommendations made. The NCGC minutes are available to all members of the Board of Directors.

EXTERNAL ADVISORS

The NCGC may decide to consult an external advisor from time to time for specific compensation matters. In 2021, Agnès Blust Consulting continued to act as independent compensation advisor to the NCGC and Obermatt continued to provide the measurement of the relative performance of Holcim for the purpose of the incentive plans. These companies do not have other mandates with Holcim. In addition, support and expertise are provided by internal experts such as the Head of Human Resources and the Head of Compensation & Benefits.

METHOD FOR DETERMINING COMPENSATION: BENCHMARKING

In order to benchmark the compensation structure and levels of the Board of Directors and the Executive Committee, the NCGC determines relevant peer companies. In 2021, the NCGC conducted a thorough review of the existing peer groups to assess whether they are still relevant and appropriate.

The Swiss peer group includes Swiss listed multinational companies of the SMI: ABB, Givaudan, Lonza, Nestle, Novartis, Richemont, Roche, SGS, Sika and Swatch Group. Swatch Group is no longer part of the SMI since September 2021. The peer group review was conducted in spring, therefore, was not impacted by the subsequent changes in the SMI. Those will be considered in the context of the next peer group review in 2022. Holcim is positioned slightly above the peer group median on revenue, at median on headcount and below median on market capitalization. The NCGC evaluated alternative peer companies, in particular the potential inclusion of companies with lower market capitalization and/or the exclusion of companies with much higher market capitalization, but this would have resulted in Holcim being positioned above the upper quartile on revenues.

The challenge resides in the limited number of Swiss listed companies of a similar size and complexity as Holcim. The NCGC concluded that the companies of the existing peer group represent the most relevant peer universe for Holcim.

The international peer group consists of cement producers, building material and construction companies: Acciona, ACS, Boral, Bouygues, Buzzi Unicem, Carlisle, Cemex, CRH, Heidelberg Cement, James Hardie, RPM, Saint Gobain, Sika, Vicat, and Vinci. These companies operate in similar and related sectors and are exposed to similar market cycles as Holcim. This peer group is annually reviewed and validated by the NCGC, with the support of Obermatt as independent third-party advisor.

The compensation of the Board of Directors is regularly reviewed against prevalent market practice. The last benchmarking analysis was conducted in 2019 by Agnès Blust Consulting on the basis of the Swiss peer group as described above.

The compensation of the Executive Committee is annually benchmarked against market practice. In 2021, a benchmarking analysis of the compensation levels was conducted again with the support of Willis Towers Watson. For this purpose, Executive Committee members who are on a Swiss employment contract were benchmarked against the Swiss peer group described above. For Executive Committee members who are on a foreign employment contract, an industrial cut was made to the general industry data included in the database of Willis Towers Watson of the respective country of employment. The benchmarking analyses serve as basis for the NCGC to monitor the compensation of the CEO and the Executive Committee and to set their target compensation levels. The policy of Holcim is to target market median compensation for on-target performance, with significant upside for above target performance.

Overview and purpose of the peer groups

	Swiss listed peers	International peers
Board of Directors compensation	Compensation structure and levels	
Executive compensation	Compensation structure and levels	Compensation structure Relative performance (STI and LTI)

PAY EQUALITY

Pay equality is strongly embedded in Holcim's compensation principles. We conduct internal analyses to ensure that employees are paid fairly and to address any potential pay gap. In 2021, we completed the equal pay analysis in Switzerland as required by the Swiss Federal Act on Gender Equality introduced in 2020. The results of the analysis confirm that Holcim is fully compliant with Swiss equal pay standards, with a statistical wage difference significantly below the 5% regulatory requirement. Deloitte audited the results of the analysis and confirmed Holcim's compliance with the legal requirements. This achievement reflects our ongoing commitment to pay equality and fairness.

TO THE GENERAL MEETING OF HOLCIM LTD

ZURICH, 24 FEBRUARY 2022

REPORT OF THE STATUTORY AUDITOR ON THE COMPENSATION REPORT

We have audited the compensation report of Holcim Ltd for the year ended December 31, 2021. The audit was limited to the information according to Articles 14–16 of the Ordinance against Excessive Compensation in Listed Stock Corporations (Ordinance) contained in tables on pages 134 and 135 of the compensation report.

Responsibility of the Board of Directors

The Board of Directors is responsible for the preparation and overall fair presentation of the compensation report in accordance with Swiss law and the Ordinance. The Board of Directors is also responsible for designing the compensation system and defining individual compensation packages.

Auditor's responsibility

Our responsibility is to express an opinion on the accompanying compensation report. We conducted our audit in accordance with Swiss Auditing Standards. These standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the compensation report complies with Swiss law and Articles 14–16 of the Ordinance.

An audit involves performing procedures to obtain audit evidence on the disclosures made in the compensation report with regard to compensation, loans and credits in accordance with Articles 14–16 of the Ordinance. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatements in the compensation report, whether due to fraud or error. This audit also includes evaluating the reasonableness of the methods applied to value components of compensation, as well as assessing the overall presentation of the compensation report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion, the compensation report for the year ended December 31, 2021 of Holcim Ltd complies with Swiss law and Articles 14–16 of the Ordinance.

Deloitte AG

David Quinlin
Licensed Audit Expert
Auditor in charge

Alexandre Dübi
Licensed Audit Expert

MANAGEMENT DISCUSSION & ANALYSIS

INSIDE THIS SECTION

Gasholders renovation in King's Cross, London with Ductal slabs

This management discussion and analysis should be read in conjunction with the shareholders' letter and the individual reports for the Group regions.

GROUP

		2021	2020	±%	±% like-for-like
Sales of cement	million t	**200.8**	190.4	+5.5%	+5.0%
Sales of aggregates	million t	**269.9**	256.3	+5.3%	+3.9%
Sales of ready-mix concrete	million m^3	**46.5**	42.3	+10.0%	+7.3%
Net sales	million CHF	**26,834**	23,142	+16.0%	+11.3%
Recurring Operating costs	million CHF	**(20,747)**	(17,974)	+15.4%	+9.4%
Recurring EBITDA after leases	million CHF	**6,562**	5,616	+16.8%	+16.6%
Recurring EBIT	million CHF	**4,612**	3,676	+25.5%	+25.7%
Recurring EBIT margin	%	**17.2**	15.9	+8.2%	
Operating profit (EBIT)	million CHF	**4,401**	3,371	+30.5%	
Net income Group share	million CHF	**2,298**	1,697	+35.4%	
Net income before impairment and divestments Group share	million CHF	**2,448**	1,900	+28.8%	
Earnings per share before impairment and divestments	CHF	**3.98**	3.07	+29.6%	
Cash flow from operating activities	million CHF	**5,045**	4,618	+9.3%	
Capex	million CHF	**1,420**	1,026	+38.3%	
Free cash flow after leases	million CHF	**3,264**	3,249	+0.4%	
Return on Invested Capital (ROIC)	%	**8.9**	7.4	+1.5%	
Net financial debt	million CHF	**9,977**	8,483	+17.6%	
Debt leverage	times	**1.4**	1.4		

Strategy 2022: Targets achieved one year in advance

STRATEGY 2022		2021
NET SALES	3%–5% LIKE-FOR-LIKE P.A.	+11.3% LFL
RECURRING EBIT	AT LEAST 7% LIKE-FOR-LIKE P.A.	+25.7% LFL
CASH CONVERSION	> 40%	50%
ROIC	> 8%	8.9%
LEVERAGE	BELOW 2×	1.4×

FINANCIAL HIGHLIGHTS

CHF

26,834M
+11.3%

Net sales[1]
2020: 23,142m

4,612M
+25.7%

Recurring EBIT[1]
2020: 3,676m

3,264M

Free Cash Flow after leases
2020: 3,249m

50%

Cash conversion

9,977M
+17.6%

Net financial debt
2020: 8,483m

[1] Percentage change figures compare 2021 and 2020 on a like-for-like basis.

RECORDS RESULTS, STRATEGY 2022 ACHIEVED ONE YEAR IN ADVANCE:

Net sales of CHF 26,834 million for the full year of 2021 were up by 11.3 percent on a like-for-like basis compared to the prior year. The record increase was driven by volume growth and strong pricing. Net sales growth was further supported by 6.9 percent of positive scope impact, mostly driven by the acquisition of Firestone Building Products (Firestone).

The appreciation of the Swiss franc against several currencies negatively affected Net sales by 2.2 percent.

Recurring EBIT reached a record CHF 4,612 million for the full year 2021, up by 25.7 percent on a like-for-like basis compared to the prior year. This record result was driven by significant margin improvement in all business segments. Recurring EBIT growth was further supported by 4.2 percent of positive scope impact, mostly driven by the acquisition of Firestone.

The appreciation of the Swiss Franc against several currencies negatively affected Recurring EBIT by 4.4 percent.

Earnings per share before impairment and divestments increased by 30 percent to reach the record level of CHF 3.98 for the full year 2021 compared to CHF 3.07 in 2020.

Holcim delivered a Free Cash Flow after leases above CHF 3 billion for the third consecutive year. In 2021, the Free Cash Flow after leases reached the record level of CHF 3,264 million, representing a cash conversion of 50 percent.

In 2021, Holcim maintained its financial strength with a stable ratio of Net financial debt to Recuring EBITDA at 1.4 times, while closing the acquisition of Firestone. The Net financial debt amounted to CHF 9,977 million as at the end of 2021.

Return on Invested Capital (ROIC) was 8.9 percent in 2021, over-achieving Holcim's Strategy 2022 target of above 8 percent.

EXPANSION OF SOLUTIONS & PRODUCTS; ACCELERATING TRANSFORMATION & GROWTH

With the acquisition of Firestone officially closed as of 31 March 2021, the Net sales in the Solutions & Products segment increased by 90.8 percent in 2021 compared to the prior year to CHF 3,612 million. In 2021, the Solutions & Products segment accounted for 13 percent of Group Net sales, up from 8 percent in 2020. The Solutions & Products share of Group Net sales is targeted to reach 30 percent by 2025 under "Strategy 2025 – Accelerating Green Growth".

The milestone acquisition of Firestone was followed by the announcements to acquire Malarkey Roofing Products and PRB Group. Malarkey Roofing Products is a leading provider of residential roofing solutions in the US, and is fully complementary to Firestone's leadership in the commercial segment, positioning Holcim as a full roofing provider. This acquisition is expected to close in the first quarter of 2022. PRB Group is the biggest independent specialty building solutions business in France. Its products and solutions are highly complementary to Holcim's and will expand the Group's reach in the high growth repair & refurbishment market. The acquisition of PRB Group is expected to close in the second quarter of 2022. Both businesses will be part of the Solutions & Products segment.

Holcim continued to expand its aggregates and ready-mix concrete portfolio in mature European and North American markets with twelve bolt-on acquisitions in 2021.

Further pursuing its ongoing portfolio optimization in 2021, Holcim has divested cement operations in Malawi, Zambia, the Indian Ocean and has signed an agreement to divest its business in Brazil. In January 2022, Holcim divested its Cement operations in Northern Ireland.

SUSTAINABILITY KPIS

CLIMATE AND ENERGY

553 KG

Net CO_2 emitted per ton of cementitious material (scope 1)

CLIMATE AND ENERGY

54 M

Tons of waste recycled in operations

ENVIRONMENT

259 L

Liters of fresh water withdrawn per ton of cementitious material

COMMUNITIES

CHF

43 M

Contribution in social initiatives

HEALTH & SAFETY

In 2021, Holcim continued to improve its Health & Safety performance, with strong progress in the long-term injury frequency rate which reached 0.39 representing a decrease by over 20 percent versus 2020. The frequency of lost time injuries (LTIs) has reached world class levels with over 95 percent of the sites reporting zero lost time incidents.

Although it will not be satisfied until it reaches zero harm, the Group is pleased to report that its Strategy Ambition “0” is working and producing the desired results.

SUSTAINABILITY AT THE CORE OF OUR STRATEGY

"Strategy 2025 – Accelerating Green Growth” outlined Holcim’s plans on the journey to being the Global Leader in Innovative and Sustainable building solutions. This placed sustainability at the core of Holcim’s business with ambitious targets in its pillars. Holcim continued its industry leadership in climate by being one of the first 7 companies in the world to have direct and indirect emissions (scopes 1, 2 and 3) validated for both 2030 and 2050 by Science Based Targets Initiative (SBTi).

Furthermore, Holcim continued to lead the building materials industry in sustainability-linked financing with two inaugural sustainability-linked bonds issued in the Swiss franc market in January 2022 linked to the 2025 and 2030 CO_2 reduction targets.

SUSTAINABILITY-LINKED FINANCING FRAMEWORK

Recognizing the role of sustainable finance in supporting the transition to a low-carbon and more resource efficient economy, Holcim has put in place a sustainability-linked financing framework to link funding activities with its sustainability objectives. It started with CO_2 reduction, in line with the company’s 2030 climate targets and updated with the full 2050 net-zero pathway endorsed by the Science Based Targets initiative (SBTi). Following Holcim’s nature-positive strategy launch, it also added “specific freshwater withdrawal” in its cement operations. A third party opinion was provided by ISS ESG and confirmed the alignment of the framework with the sustainability-linked bond principles, which are published by the International Capital Markets Association (ICMA). The framework is also aligned with the United Nations Sustainable Development Goals 6 “Clean Water and Sanitation”, 9 “Industry, Innovation and Infrastructure”, 11 “Sustainable Cities and Communities” and 13 “Climate Action”.

Holcim intends to pursue its journey with sustainability-linked finance instruments in the capital, money and loan markets and the company is committed to reaching more than 40% of sustainable financing by the end of 2025.

In 2021, Holcim completed further sustainability-linked financing transactions which include (i) the sustainability-linked syndicated revolving credit facility signed in August for an amount of EUR 3 billion and a maturity of 5 years, with two one year extension options and environmental and social KPIs and (ii) a new ten-year USD 100 million sustainability-linked private placement, issued in September and based on its 2030 CO_2 scope 1 reduction target. Additionally, costs for all new or refinanced committed corporate bilateral bank facilities have been linked to Holcim's ESG performance. At the end of 2021, the sustainable financing ratio stands at 30%.

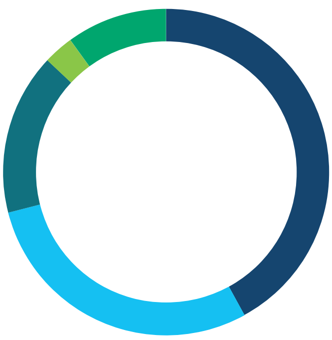
FINANCING ACTIVITY

In the year under review, capital market issuances of CHF 4.2 billion were undertaken. The main capital market transactions were the following:

Nominal Value	Description	Issued	Coupon	Maturity
EUR 500 million	Bond	Jan 2021	0.13%	2027
EUR 650 million	Bond	Jan 2021	0.63%	2033
CHF 300 million	Bond	Mar 2021	0.25%	2027
EUR 500 million	Bond	Apr 2021	0.63%	2030
CHF 145 million	Bond	Aug 2021	0.13%	2027
CHF 185 million	Bond	Aug 2021	0.50%	2031
USD 100 million	Sustainability-linked private placement	Sep 2021	2.24%	2031
EUR 1 billion	Bond	Sep 2021	0.50%	2030
GBP 250 million	Bond	Oct 2021	2.25%	2034
EUR 120 million	Private placement	Oct 2021	1.38%	2036
EUR 180 million	Private placement	Dec 2021	1.38%	2036

For more information, please refer to note 14.4 from the notes to the consolidated financial statements.

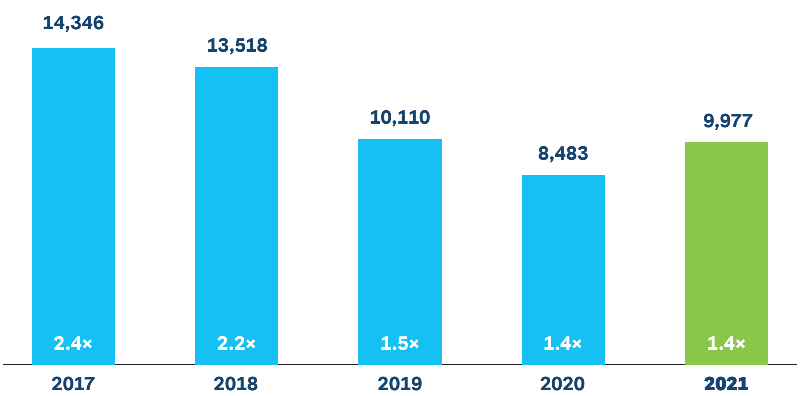
CAPITAL MARKET FINANCING AS PER 31 DECEMBER 2021



[1] AUD bond, private placements and commercial paper notes

1.4x

LEVERAGE RATIO (x) AND NET FINANCIAL DEBT (CHF M)



FINANCING PROFILE

Holcim has a strong financing profile with 85 percent of financial liabilities financed through various capital markets and 15 percent through banks and other lenders. There are no major positions with individual lenders. The average maturity of financial liabilities was at 7.0 years on 31 December 2021. The Group's maturity profile is well balanced with a large share of mid- to long-term financing.

Maintaining a favorable credit rating is one of the Group's objectives and Holcim therefore gives priority to achieving its financial targets and retaining a solid investment grade rating (current rating information is included on page 77). The average nominal interest rate on Holcim financial liabilities decreased from 2.7 percent at 31 December 2020 to 2.1 percent at 31 December 2021, and the proportion of financial liabilities at fixed interest rates was at 59 percent as at 31 December 2021.

Note 14 contains detailed information on financial liabilities.

LIQUIDITY

To secure liquidity, the Group held cash and cash equivalents of CHF 6,682 million on 31 December 2021. This cash is mainly invested in term deposits held with a large number of banks on a broadly diversified basis and in short-term money market funds. The counterparty risk is continually monitored on the basis of clearly defined principles as part of the risk management process. As of 31 December 2021, Holcim had unused committed credit lines of CHF 5,299 million (see note 14 for further details).

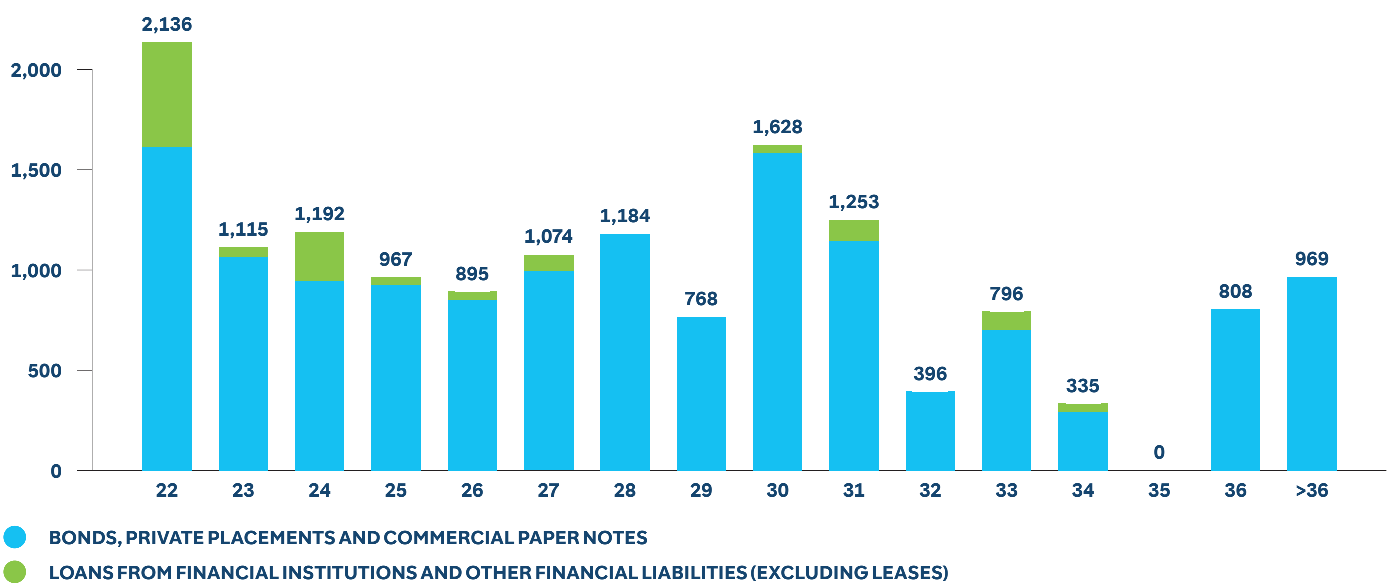
Current financial liabilities as at 31 December 2021 of CHF 2,391 million are comfortably covered by existing cash, cash equivalents and unused committed credit lines. Holcim has USD and EUR commercial paper programs. The aim of these programs is to fund short-term liquidity needs on attractive terms. As per 31 December 2021, commercial papers of CHF 340 million were outstanding.

FOREIGN EXCHANGE SENSITIVITY

The Group has a global footprint, generating the majority of its results in currencies other than the Swiss franc. Only about 2 percent of net sales are generated in Swiss francs.

Foreign currency volatility has little effect on the Group's operating profitability. As the Group produces a very high proportion of its products locally, most sales and costs are incurred in the respective local currencies. The effects of foreign exchange movements are therefore largely restricted to the translation of local financial statements for the consolidated statement of income. As a large part of the foreign capital is financed with matching transactions in local currency, the effects of foreign currency translation on local balance sheets for the consolidated statement of financial position have not, in general, resulted in significant distortions in the consolidated statement of financial position.

MATURITY PROFILE (CHFM)



The following sensitivity analysis presents the effect of the main currencies on selected key figures of the consolidated financial statements. The sensitivity analysis only factors in effects that result from the conversion of local financial statements into Swiss Francs (translation effect). Currency effects from transactions conducted locally in foreign currencies are not included in the analysis.

The following table shows the effects of a hypothetical 5 percent depreciation of the respective foreign currencies against the Swiss franc.

SENSITIVITY ANALYSIS

Million CHF	2021	EUR	GBP	USD	CAD	Latin American basket (MXN, BRL, ARS, COP)	INR	Asian basket (AUD, CNY, PHP)	Middle East African basket (NGN, DZD, EGP)
		Assuming a 5% strengthening of the Swiss Franc the impact would be as follows:							
Net sales	**26,834**	(208)	(87)	(309)	(112)	(92)	(178)	(103)	(53)
Recurring EBIT	**4,612**	(16)	(10)	(64)	(16)	(28)	(32)	(33)	(10)
Cash flow from operating activities	**5,045**	(23)	(8)	(59)	(19)	(22)	(34)	(22)	(15)
Net financial debt	**9,977**	(254)	(30)	(181)	8	5	62	(12)	4

MEASURING OUR VALUE

Holcim is one of the pioneers in the growing discipline of impact valuation. The Group's journey started in 2014 when it published its first Global Integrated Profit & Loss statement.

Since then the Group assesses annually its Economic, Social and Environmental impacts (Triple Bottom Line) in monetized terms and discloses it through its Integrated Profit & Loss statement (IP&L). The IP&L complements the traditional financial and sustainability metrics. It enhances the understanding of long-term value creation for shareholders, society, and the environment, allowing Holcim to understand and share with its stakeholders the extent of its impacts.

THE GROWING DISCIPLINE OF IMPACT VALUATION

Economic, social, and environmental forces transform the operating landscape of business and have a growing influence on a company's cash flow and risk profile. So to protect shareholders and society, it is essential to identify and quantify these impacts in a transparent and comparable way. In June 2019, together with a diverse group of multinational companies, Holcim founded the Value Balancing Alliance to collectively develop a global impact measurement and valuation (IMV) standard for monetizing and disclosing the impacts companies have on society. This new sustainability measurement methodology will support the comparability of the long-term value contributions of each company.

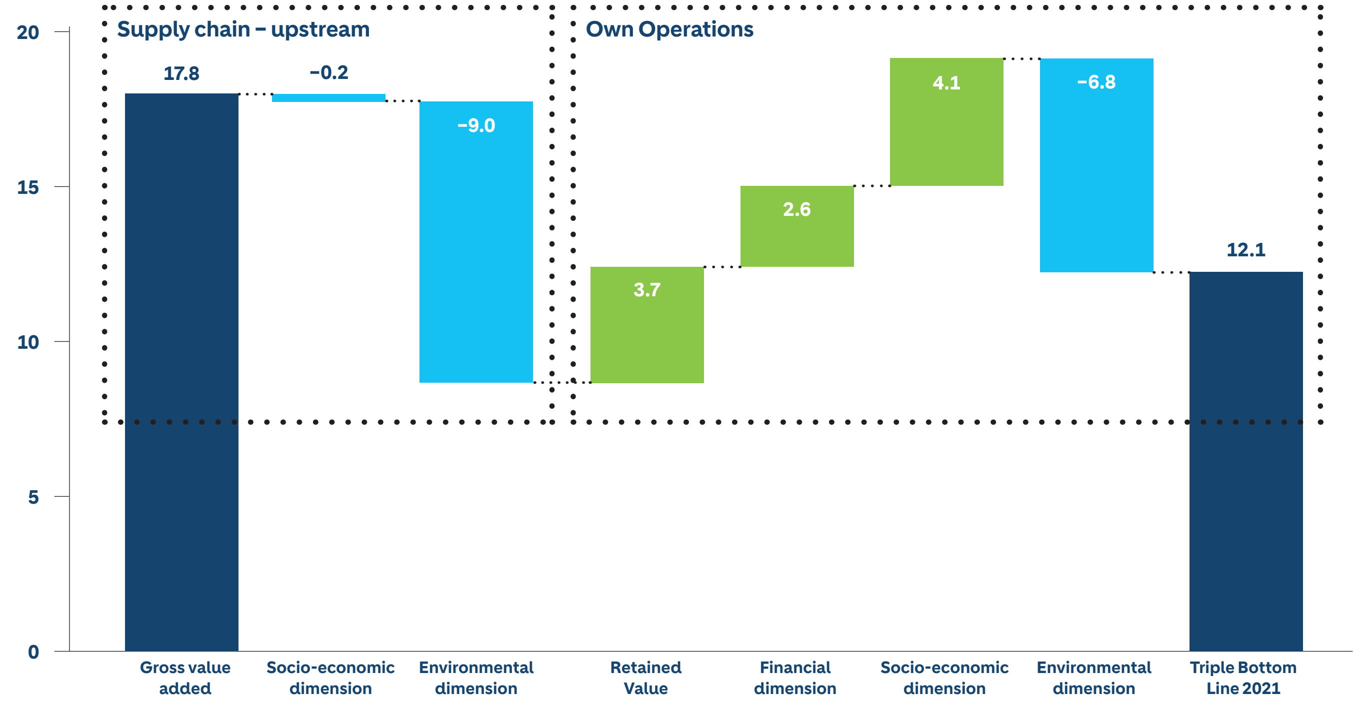
TRIPLE BOTTOM LINE

The triple bottom line calculation is designed to show the cumulative effect of positive or negative monetized environmental, and social impacts. It starts with the gross value added (GVA) derived from the total procurement spend with suppliers and calculates the impacts related to upstream supply chain and to the own operations to value total triple bottom line of the company.

SUPPLY CHAIN – UPSTREAM

As an organization that purchases goods and services on a global scale, Holcim is committed to determining the impact it is generating throughout its supply chain.

THE TRIPLE BOTTOM LINE (TBL)
INTEGRATED PROFIT & LOSS BRIDGE (BILLION CHF)



Gross value added
The most positive impact occurs due to the economic value added to society through the procurement activities.

Socio-economic dimension
The monetized impact of health and safety incidents in the supply chain.

Environmental dimension
This includes the monetized impact in the supply chain from:

- CO_2 emissions (Scope 3)
- air emissions of potentially noxious substances such as NO_x, SO_x and dust
- freshwater consumption and pollution
- net biodiversity impact of land disturbed
- waste created.

OWN OPERATIONS

Retained value
The sum of capital retained in the business calculated by taking Recurring EBITDA after leases and subtracting taxes, interest and dividends.

Financial dimension
Payments to Governments for income taxes, payments to creditors for financing and payments to shareholders in the form of dividends.

Socio-economic dimension
This includes the monetized impact from

- Payment to Holcim employees through salaries.
- Corporate social responsibility (CSR) spending on community related projects and donations
- The monetized impact of health and safety incidents in the operations
- Spending on talent development and education.

Environmental dimension
This includes the monetized impact in the operations from:

- CO_2 emissions (Scope 1 and 2)
- air emissions of potentially noxious substances such as NO_x, SO_x and dust
- freshwater consumption net biodiversity impact of land disturbed and land rehabilitated
- net impact of waste recycled in the products and processes and the waste created.

Further details and explanations can be found in the *2021 Integrated Profit & Loss Statement*.

EU TAXONOMY

The EU Taxonomy regulation entered into force on 12 July 2020. This regulation establishes a classification of economic activities that differentiates which economic activities contribute, harm or comply with minimum safeguards of sustainability. This classification of the economic activities based on their contribution to sustainability is intended to create transparency and certainty for investors, and direct sustainable investment.

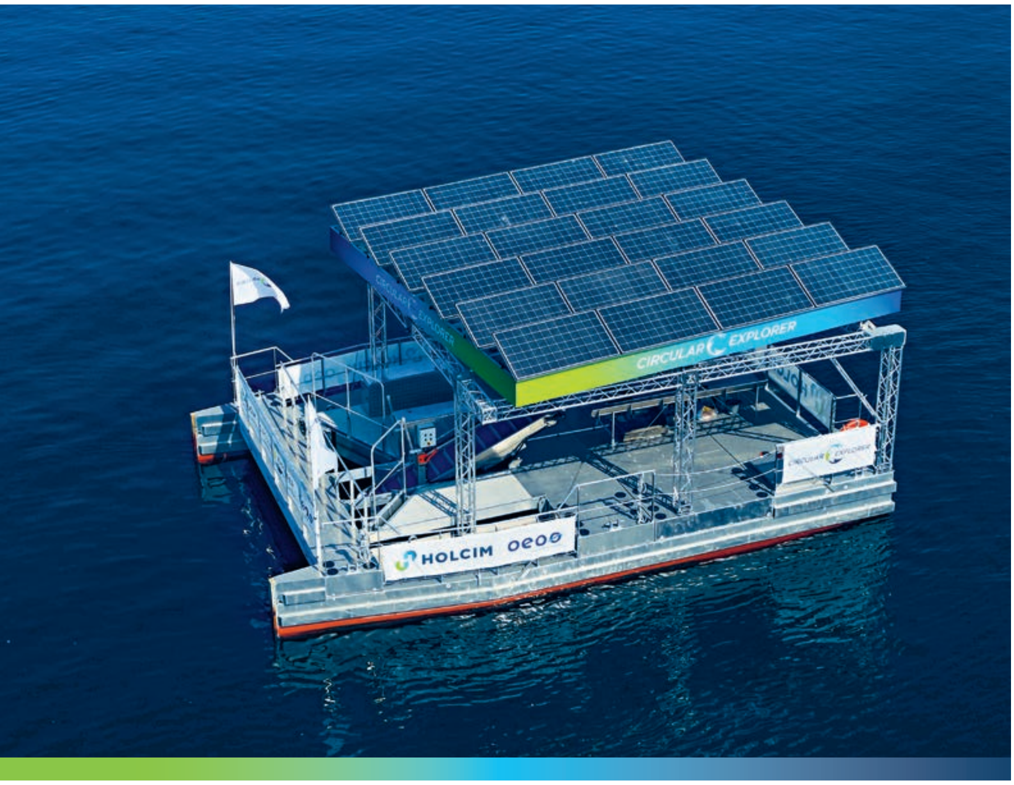
The EU Taxonomy identifies six environmental objectives, namely:

- climate change mitigation
- climate change adaptation
- protection of water resources
- transition to a circular economy
- pollution prevention and control
- biodiversity protection.

According to this regulation, an economic activity is defined as environmentally sustainable if:

- it makes a substantial contribution to at least one of the six environmental objectives.
- it does no significant harm (DNSH) to the other five environmental objectives.
- it meets minimum safeguards.

Holcim is building a net-zero future and climate action is at the heart of its strategy to be the global leader in innovative and sustainable building solutions. The Group takes a rigorous and science-driven approach to climate action and is one of the first 7 companies globally to have 2030 and 2050 carbon reductions targets validated by SBTi. It has also committed that by 2025 more than 40% of financing will be linked to sustainability objectives, including climate, water and safety. It, therefore, welcomed the European Commission's work and the establishment of the EU Taxonomy regulation, which brings the same aim of rigor and transparency as the Group has internally.



Holcim is voluntarily reporting key financial metrics relating to its eligibility to the EU Taxonomy framework. Holcim's activities that fall within the scope of taxonomy are not limited to cement manufacturing, but also include roofing and asphalt. This disclosure is driven by its belief in the importance of disclosure rigor and transparency to the financial community, policy makers and Holcim's role in this positive transformation.

The Group analyzed its business segments and the economic activities within these segments, according to EU Taxonomy guidelines. It is important to note that as the work on EU Taxonomy evolves, both on the policymaking side and within the company, the Group's assessment may evolve as well. Based on this analysis, the following eligible economic activities were identified in Holcim.

Cement Manufacturing

Holcim provides the widest range of high quality cements on the market and offers many benefits to retailers, precasters, masons, contractors, and infrastructure specialists: improved worksite productivity with high early strength cements, consistent highly technical oil well cements, enhanced environmental performance with low CO_2 cements, strong and cost-effective road binders, as well as other value-added specialty cements such as masonry cements. Holcim launched ECOPlanet, its global range of green cement delivering at least 30% lower carbon footprint with equal to superior performance compared to ordinary cement, with the objective of enabling low-carbon construction at scale.

Holcim's cement manufacturing business is fully integrated with a number of additional EU Taxonomy eligible activities which include, but are not limited to:

- Manufacture of cement clinker, cement or alternative binder.
- Electricity generation using solar photovoltaic technology and Electricity generation from wind power. In 2021, over 20% of the electrical energy consumed by Holcim's cement business was provided by renewable sources including wind turbines and solar panel farms.
- Production of heat from bioenergy. In 2021, 8% of the thermal energy consumed by Holcim's cement business was provided by biomass waste.
- Production of heat using waste heat. The Group has programs in place installing waste heat recovery units to use excess heat from cement kilns to generate electricity. Currently eight waste heat recovery units are operating in five countries, with a clear plan to triple this number by 2030.
- Collection and transport of non-hazardous waste in source segregated fractions and Material recovery from non-hazardous waste. Holcim is already one of the largest recycling companies in the world. Its circularity ratio in cement was 24% in 2021 which includes recovering waste from other industries and using as alternative raw materials and fuels or Industrial Mineral Components in cement manufacturing.

All the above eligible activities are not considered separately but fully integrated into the revenue, taxonomy operating expenditure and capital expenditure reported for cement.

Other eligible activities include Roofing and Asphalt:

Roofing
This includes the roofing systems manufactured by Firestone Roofing Products. Up to 60% of a building's energy is lost through its roof, so choosing the right roof is a key factor in building. The range of Firestone Building Products offers insulating, cool and green roofing systems.

Asphalt
Asphalt is most commonly used for road surfacing, base courses, parking lots, airfields and runways. It consists of high quality aggregates mixed with a bitumen binder (or liquid asphalt). While consistency of aggregates is essential to the final results, the properties of bitumen allow for effective recycling, making asphalt concrete one of the most recycled materials.

In 2021, Holcim's asphalt business recovered approximately 1.8 million tons of asphalt for reuse.

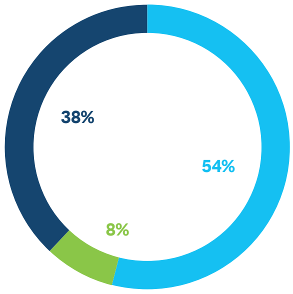
HOLCIM'S APPROACH
Holcim's business portfolio was reviewed at the Business Segment and sub-segment level, as it was not possible to associate all the financial metrics required by the EU Taxonomy with each individual product line. Conservatively, only the Business Segments and sub-segments that fully meet the criteria were designated as eligible, excluding individual product lines or individual Research & Development projects.

FINANCIAL AND REPORTING
The financial graphs illustrate:

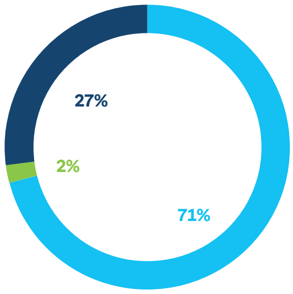
- Revenue representing the Net sales, split between eligible and non-eligible activities.
- Taxonomy Operating Expenditure including but not limited to Research & Development and Maintenance expenses as per the eligibility criteria defined for the Net sales.
- Capital Expenditure as per the eligibility criteria defined for the Net sales and Capital Expenditure relating to transportation fleet for all activities.

In parallel, processes are being put in place to collect the necessary data for the implementation of the next phase of EU Taxonomy reporting for the year ending 31 December 2021. Holcim will also actively follow the development of the next pillars of EU Taxonomy, namely protection of water resources, transition to a circular economy, pollution prevention and control and biodiversity protection which are all fully embedded in Holcim's strategy and management system.

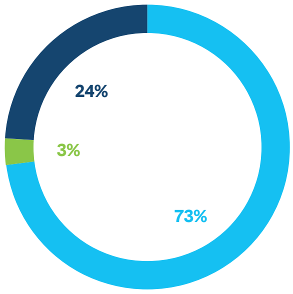
REVENUE



TAXONOMY OPERATING EXPENDITURE



CAPITAL EXPENDITURE



CEMENT MANUFACTURING
OTHER ELIGIBLE ACTIVITIES
NON-ELIGIBLE ACTIVITIES

EUROPE

		2021
Sales of cement	million t	46.0
Sales of aggregates	million t	115.9
Sales of ready-mix concrete	million m^3	20.0
Net sales to external customers	million CHF	8,032
Like-for-like growth	%	+9.2%
Recurring EBITDA after leases	million CHF	1,697
Like-for-like growth	%	+10.4%
Recurring EBIT	million CHF	1,114
Like-for-like growth	%	+17.7%

During the year, the Health and Safety of employees and contractors remained the key priority especially in view of the ongoing pandemic. The Europe region showed good momentum throughout the year as a result of volume growth and demonstrated its ability to deliver positive price over cost with sales price increases more than offsetting the impacts of CO_2 costs and the inflation of energy prices starting from the summer of 2021. Following a strong first half of the year and, despite a more challenging base of comparison in the second half, the region delivered continuous top line growth owing to increasing price realization momentum.

Cement volumes grew by 3.3 percent on a like-for-like basis versus 2020 with particularly strong growth in France, Poland and Russia. Aggregates volumes grew by 3.6 percent versus the prior year on a like-for-like basis driven by a broad based market recovery and infrastructure investment with a particularly strong performance in the United Kingdom. The Ready-Mix Concrete segment showed the same trend with volumes growing by 7.6 percent on a like-for-like basis and the primary performers were France, Italy and Poland.

The good industrial performance and strong actions on prices and costs drove the Recurring EBITDA after leases to expand by 10.4 percent on a like-for-like basis and Recurring EBIT to grow 17.7 percent on a like-for-like basis, with a 0.8 percentage point improvement in the Recurring EBIT margin.

The plant modernization in Martres, France, remains on track with the start of the new kiln line expected in the first quarter of 2022. It will allow the substitution of fossil fuels by up to 75 percent, of which a significant share will be biomass, and a reduction in CO_2 emissions. The region continued to expand new and innovative offers and ECOPact green concrete is now sold in eleven countries. In order to boost the growth of ECOPlanet green products, several new and innovative projects have started including the commissioning of the first calcined clay project in France. The region has advanced pilot projects in Carbon Capture Usage & Storage (CCUS) with Westküste 100 in Germany, the Carbon2Product in Austria and $ECCO_2$ in Spain.

The acquisition of Firestone Building Products closed on 31 March 2021 adding two sites in Europe. In addition, seven bolt-on acquisitions were completed across Europe. Notable bolt-ons include Edile Commerciale and Cemex Rhone Alpes, both suppliers of ready-mix concrete and aggregates, ideally located in two of Europe's largest metropolitan areas, Milan, Italy, and Lyon, France. With HALYPS Domika Ylika in Greece, Buhler in Switzerland, Heinrich Teufel in Germany, and Polcalc in Poland, the region continued to strengthen its Ready-Mix and Aggregates positions in key markets. With the acquisition of PTB-Compaktuna in December 2021, the region also expanded its portfolio of Solutions & Products.

KEY

GRINDING PLANT

CEMENT PLANT

CONSOLIDATED CEMENT GRINDING CAPACITY (MILLION TONS PER YEAR)

73.2

Countries	2021
France	9.6
Russia	9.6
Spain	7.6
Germany	7.1
Poland	7.0
Romania	5.7
Greece	4.8
Switzerland	3.3
Italy	2.4
Austria	2.1
Belgium	2.1
Azerbaijan	1.9
United Kingdom	1.9
Hungary	1.5
Moldova	1.7
Serbia	1.5
Bulgaria	1.3
Czech Republic	1.2
Croatia	0.9

NORTH AMERICA

		2021
Sales of cement	million t	20.6
Sales of aggregates	million t	108.8
Sales of ready-mix concrete	million m^3	10.4
Net sales to external customers	million CHF	7,316
Like-for-like growth	%	+4.6%
Recurring EBITDA after leases	million CHF	1,940
Like-for-like growth	%	+10.5%
Recurring EBIT	million CHF	1,333
Like-for-like growth	%	+16.5%

North America has delivered a solid performance due to price discipline, continued operational improvements and favorable conditions in the Canadian markets. Following the extreme weather events in the early part of the year, the second half of 2021 showed a strong momentum and a clear acceleration in demand.

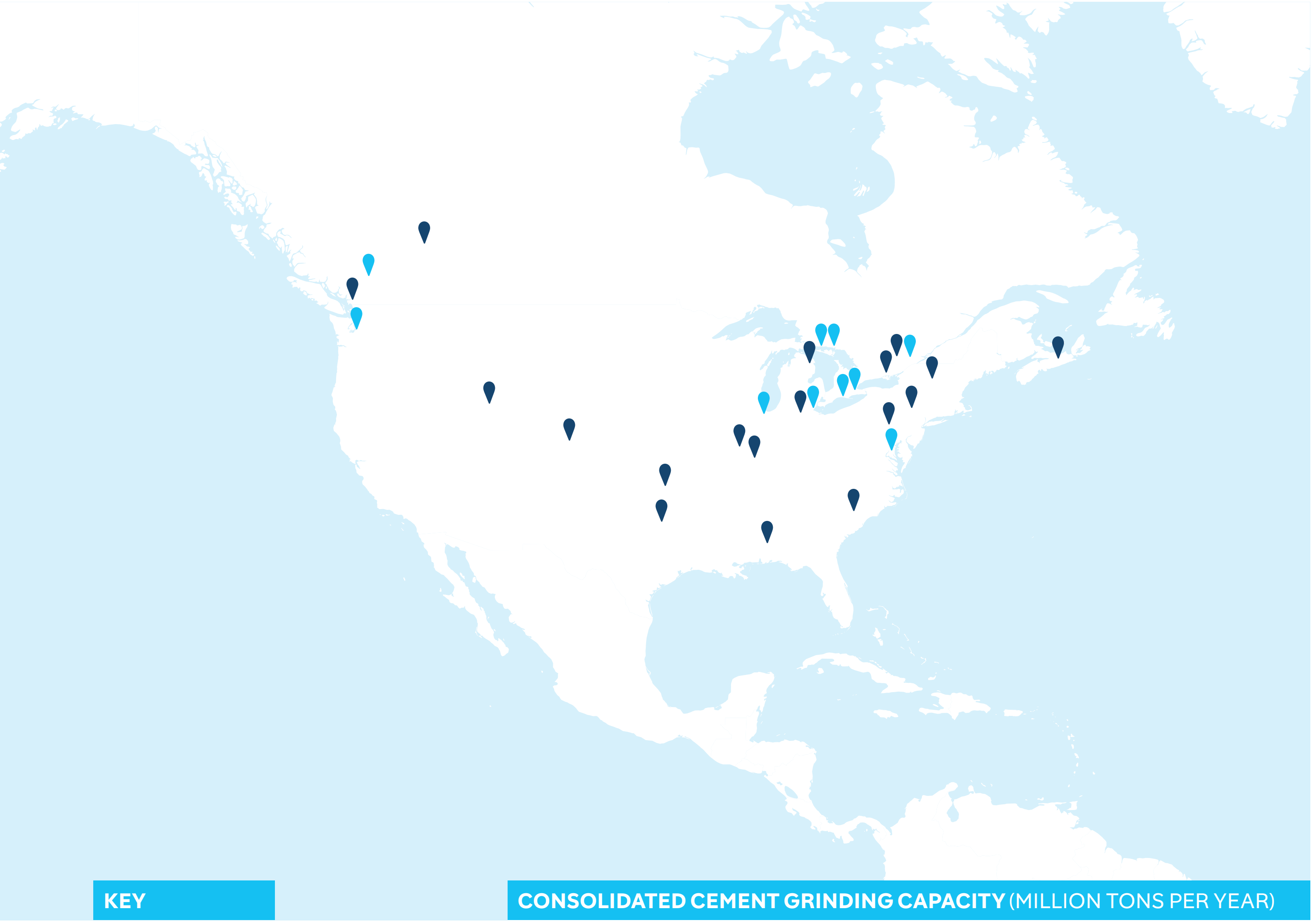
Cement volumes sold reached 20.6 million tons, or 3.8 percent higher on a like-for-like basis with double-digit growth in Canada. Aggregates volumes sold were 108.8 million tons reflecting a like-for-like increase of 0.1 percent but with robust performance in Eastern Canada. Volumes of Ready-Mix Concrete sold were 10.4 million cubic meters, reflecting a like-for-like increase of 2.6 percent with strong results in Canada. The growth strategy was further supported by five bolt-on acquisitions completed in 2021. Acquisitions are focused on attractive assets with significant synergy potential. The region is accelerating its ready-mix concrete strategy to portable solutions and to increase technical concrete offerings for high-profile projects, including the expansion of green concrete products with the launch of ECOPact in 2021.

Net sales to external customers grew by 4.6 percent on a like-for-like basis compared to 2020, driven by volumes growth and a strong pricing performance.

Recurring EBIT increased by 16.5 percent on a like-for-like basis: effective price management and a strong focus on keeping costs under control led to an increase in Recurring EBIT margin.

Firestone Building Products joined the Group effective from 31 March 2021 and saw a strong performance under its new ownership with double digit growth in its net sales in the nine months following acquisition. A number of investments are underway which will fuel the growth of the Firestone business, including a new polyiso insulation plant in Salt Lake City.

In December 2021, Holcim signed an agreement to acquire Malarkey Roofing Products, a leading company in the United States residential roofing market with estimated 2022 Net Sales of USD 600 million and estimated EBITDA of USD 120 million.



KEY

- GRINDING PLANT
- CEMENT PLANT

CONSOLIDATED CEMENT GRINDING CAPACITY (MILLION TONS PER YEAR)

32.0

Countries	2021
United States	23.6
Canada	8.4

ASIA PACIFIC

		2021
Sales of cement	million t	69.7
Sales of aggregates	million t	34.6
Sales of ready-mix concrete	million m^3	7.9
Net sales to external customers	million CHF	5,947
Like-for-like growth	%	+13.5%
Recurring EBITDA after leases	million CHF	1,660
Like-for-like growth	%	+13.3%
Recurring EBIT	million CHF	1,330
Like-for-like growth	%	+19.9%

In 2020, the construction industry was impacted in Asia Pacific due to severe lockdowns in response to the pandemic. 2021 has seen the region rebound strongly with cement volumes 10.7 percent like-for-like above 2020. The region has focused heavily on cost control, having put strong measures in place during the pandemic to contain all spend. Additionally, there has been focus on commercial actions, boosted further by the successful launch of the Group's green concrete range, ECOPact, which recorded its first sales in 2021 in India and Australia. ECOPlanet green cement has been launched in the Philippines in 2021 and will be launched in India in early 2022.

Net sales for the Asia Pacific region grew by 13.5 percent on a like-for-like basis, with growth in all markets and, in particular, in India. Cement net sales grew by 15.7 percent on a like-for-like basis with organic growth in all markets and further boosted by the new greenfield integrated plant in Marwar Mundwa, India which commenced production in the third quarter of 2021. In addition, with the capacity expansion at the Sindri grinding plant, India has further strengthened its position in the market.

The region is also increasing the share of green power utilised with the installation of additional Waste Heat Recovery Systems across the operations in India. With new capacity in China, Aggregates total net sales expanded 5.4 percent on a like-for-like basis. Ready-Mix Concrete total net sales grew by 2.7 percent on a like-for-like basis with a rebound in India after the urban restrictions seen in 2020.

Recurring EBITDA after leases ended the year 13.3 percent above the prior year on a like-for-like basis and Recurring EBIT grew 19.9 percent also on a like-for-like basis. The strong cost saving and commercial actions drove the Recurring EBIT margin to expand from 21.0 percent in 2020 to 22.4 percent in 2021. The Group's share of the Huaxin joint-venture profits in China was recognized in the region's results and the total contribution to Recurring EBITDA after leases from China (including the wholly owned operations) was CHF 443 million and the total contribution to Recurring EBIT was CHF 418 million.

KEY

GRINDING PLANT

CEMENT PLANT

CONSOLIDATED CEMENT GRINDING CAPACITY (MILLION TONS PER YEAR)

91.1

(210.4 Including joint ventures)

Countries	2021
China (joint venture)	113.8
India	70.0
Philippines	9.4
China	7.7
Australia (joint venture)	5.5
Bangladesh	4.0

LATIN AMERICA

		2021
Sales of cement	million t	27.3
Sales of aggregates	million t	6.4
Sales of ready-mix concrete	million m^3	4.7
Net sales to external customers	million CHF	2,611
Like-for-like growth	%	+30.2%
Recurring EBITDA after leases	million CHF	1,007
Like-for-like growth	%	+33.0%
Recurring EBIT	million CHF	865
Like-for-like growth	%	+38.9%

A strong performance was seen in 2021 compared to 2020 with all countries delivering double digit sales growth. Mexico's growth was boosted by iconic infrastructure projects. The Brazilian market has revived and saw growth in both volumes and prices confirming the turnaround. Argentina, Ecuador and Central America witnessed strong growth compared to 2020 despite some minor effects from COVID-19.

Total Cement volumes sold increased by 14.1 percent on a like-for-like basis: after a strong first half with growth of 28.3 percent, the second half growth was 3.3 percent with all the major countries growing. Bagged cement volumes increased fueled by the growing Disensa network of construction materials stores as part of the commercial strategy to combine Holcim's resources with the entrepreneurial spirit of the store owners. Key cement capacity expansion projects were concluded, including a new clinker and cement line in Cordoba in Argentina and a cement mill in Merida in Mexico. A new clinker line in Metapan in El Salvador was commissioned in the first quarter of 2022.

Following the acquisition of Firestone Building Products effective from 31 March 2021, the product portfolio has expanded to support the Group's growth strategy: Mexico launched GacoFlex TechoProtec, the first range of roofing system products in the second quarter of 2021 and Colombia, Ecuador and Argentina followed in the second half of the year. Volumes in the Ready-Mix Concrete segment increased by 19.8 percent on a like-for-like basis due to market recovery after the COVID-19 restrictions in all major urban areas in 2020. Superior technical capabilities in Mexico drove growth through the participation in iconic infrastructure projects such as the Dos Bocas oil refinery in Tabasco, the Santa Lucia/ AIFA airport in Mexico City and the La Libertad Dam in Monterrey. In addition, the ECOPact line of sustainable products was introduced across the region enabling hundreds of green buildings and including key infrastructure projects like the Aña Cuá Dam in Argentina. Aggregates volumes sold increased by 31.8 percent on a like-for-like basis mainly due to new operations in Mexico, Colombia and Ecuador.

For the year, net sales to external customers increased 30.2 percent on a like-for-like basis driven by strong pricing and double-digit cement volume growth in all countries. Recurring EBITDA after leases increased 33.0 percent on a like-for-like basis, supported by the increase in net sales as well as driven by strong operational performance, which led to an increase in margin. Recurring EBIT increased 38.9 percent on a like-like-basis.

In 2021, Holcim has signed an agreement with CSN (Companhia Siderúrgica Nacional) for the divestment of its business in Brazil, which is expected to close in 2022.

KEY

GRINDING PLANT

CEMENT PLANT

CONSOLIDATED CEMENT GRINDING CAPACITY (MILLION TONS PER YEAR)

40.1

Countries	2021
Mexico	12.9
Brazil	10.2
Ecuador	5.5
Argentina	5.5
Colombia	2.1
El Salvador	1.7
Costa Rica	1.1
French West Indies	0.7
Nicaragua	0.4

MIDDLE EAST AFRICA

		2021
Sales of cement	million t	36.2
Sales of aggregates	million t	4.2
Sales of ready-mix concrete	million m^3	3.5
Net sales to external customers	million CHF	2,430
Like-for-like growth	%	+14.0%
Recurring EBITDA after leases	million CHF	595
Like-for-like growth	%	+22.3%
Recurring EBIT	million CHF	388
Like-for-like growth	%	+37.9%

During the year, the Health and Safety of employees and contractors remained the key priority especially in view of the ongoing pandemic. The Middle East Africa region delivered volume growth across all business segments in 2021 with double-digit Recurring EBIT growth and significantly higher EBIT margin as a result of strong commercial actions across the region, solid market share positions in branded products, combined with continuous strict discipline in the allocation of cash.

The region returned to cement volume growth driven by record-high exports in Algeria, good trends in Nigeria and Iraq, strong positions in infrastructure spending in Kenya and recovery in East Africa, offsetting softer market conditions in Algeria and Egypt. The region maintained a strong positive price over cost throughout the year despite the increasing cost inflation, especially in respect of fuel, in the second half of the year and successfully implemented a turnaround plan in South Africa.

Cement and Clinker volumes grew 4.1 percent on a like-for-like basis. Volumes in the Ready-Mix Concrete and Aggregates segments were up 8.5 percent and 23.2 percent on a like-for-like basis, respectively, benefiting from major infrastructure construction projects and strong commercial positions, with particularly high growth in Iraq in the Ready-Mix segment and South Africa in Aggregates.

Net sales to external customers grew 14.0 percent on a like-for-like basis. Recurring EBITDA after leases grew 22.3 percent and Recurring EBIT 37.9 percent, both on a like-for-like basis, which resulted in a Recurring EBIT margin gain of 1.3 percentage points.

During the year, the region focused on improving its environmental footprint, by investing in the infrastructure of key plants to reduce emissions including those in Nigeria, Algeria, Egypt and Kenya. Further, the region increased the use of alternative fuels with a record-high thermal substitution rate achieved in Egypt in 2021. This will remain a key focus in the year to come. During 2021, new mortar plants were launched in Iraq and Zimbabwe, expanding the Solutions & Products segment and adding to the businesses already established in Algeria and Morocco. The 14Trees joint-venture also announced Africa's largest 3D-printed affordable housing project, in Kilifi, Kenya to start in early 2022.

The divestment of the business in the Indian Ocean was closed in October 2021, while Zambia and Malawi were closed in November and in December 2021, respectively.

KEY

GRINDING PLANT
CEMENT PLANT

CONSOLIDATED CEMENT GRINDING CAPACITY (MILLION TONS PER YEAR)

56.5

(74.7 Including joint ventures)

Countries	2021
Morocco (joint venture)	**13.5**
Algeria	**11.7**
Nigeria	**10.6**
Egypt	**8.9**
Iraq	**5.7**
Jordan	**3.9**
South Africa	**3.2**
Kenya	**3.2**
United Arab Emirates	**2.7**
Lebanon (including Cyprus)	**2.5**
Ivory Coast (joint venture)	**2.0**
Uganda	**2.0**
Cameroon (joint venture)	**1.8**
Tanzania	**1.1**
Guinea (joint venture)	**0.9**
Qatar	**0.6**
Zimbabwe	**0.4**

RESPONSIBILITY STATEMENT

We certify that, to the best of our knowledge and having made reasonable inquiries to that end, the financial statements have been prepared in accordance with applicable accounting standards and give a true and fair view of the assets and liabilities, and of the financial position and results of the Company and of its consolidated subsidiaries, and that this Annual Report provides a true and fair view of the evolution of the business, results and financial condition of the Company and of its consolidated subsidiaries, and a description of the main risks and uncertainties the Company and its consolidated subsidiaries are subject to.

Zug, 24 February 2022

BEAT HESS
Chairman

JAN JENISCH
Chief Executive Officer

GÉRALDINE PICAUD
Chief Financial Officer

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FINANCIAL INFORMATION

CONTENT

CONSOLIDATED STATEMENT OF INCOME OF HOLCIM

Million CHF	Notes	2021	2020
Net sales	3.3	**26,834**	**23,142**
Production cost of goods sold	4.3	**(15,298)**	(13,453)
Gross profit		**11,536**	**9,689**
Distribution and selling expenses		**(6,232)**	(5,558)
Administration expenses		**(1,377)**	(1,207)
Share of profit of joint ventures	6.4	**474**	448
Operating profit		**4,401**	**3,371**
Profit on disposals and other non-operating income	5.2	**36**	15
Loss on disposals and other non-operating expenses	5.3	**(231)**	(60)
Share of profit (loss) of associates	6.9	**(7)**	15
Financial income	7.2	**96**	101
Financial expenses	7.3	**(652)**	(723)
Net income before taxes		**3,644**	**2,719**
Income taxes	8.2	**(963)**	(717)
Net income		**2,681**	**2,002**
Net income attributable to:			
Shareholders of Holcim Ltd		**2,298**	1,697
Non-controlling interest		**383**	305
Earnings per share in CHF			
Earnings per share	9	**3.73**	2.74
Fully diluted earnings per share	9	**3.72**	2.74

The non-GAAP measures used in this report are defined on page 282.

FINANCIAL INFORMATION

CONSOLIDATED STATEMENT OF COMPREHENSIVE EARNINGS OF HOLCIM

Million CHF	Notes	**2021**	2020
Net income		**2,681**	2,002
Items that will be reclassified to the statement of income in future periods			
Currency translation effects			
– Exchange differences on translation[1]		**(110)**	(3,310)
– Realized through statement of income[2]		**119**	0
– Tax effect		**(3)**	14
Cash flow hedges			
– Change in fair value		**85**	68
– Realized through statement of income		**109**	(54)
– Tax effect		**(47)**	(3)
Net investment hedges in subsidiaries			
– Change in fair value		**(2)**	(2)
– Realized through statement of income		**1**	15
– Tax effect		**0**	0
Subtotal		**152**	**(3,273)**
Items that will not be reclassified to the statement of income in future periods			
Defined benefit plans			
– Remeasurements	15.3	**693**	46
– Tax effect	8.4	**(153)**	(13)
Strategic equity investments at fair value through other comprehensive earnings			
– Change in fair value		**0**	(48)
– Tax effect		**0**	12
Subtotal		**540**	**(3)**
Total other comprehensive earnings		**692**	**(3,275)**
Total comprehensive earnings		**3,373**	**(1,273)**
Total comprehensive earnings attributable to:			
Shareholders of Holcim Ltd		**2,992**	(1,206)
Non-controlling interest		**381**	(67)

[1] The negative impact in Exchange differences on translation in 2020 is due to the strong appreciation of the Swiss franc against all currencies in the context of the global crisis.
[2] Related to the divestment of the businesses in Middle East Africa (see note 2.3)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION OF HOLCIM

Million CHF	Notes	**31.12.2021**	31.12.2020
Cash and cash equivalents	14.3	**6,682**	5,190
Short-term derivative assets	14.5	**186**	30
Current financial receivables	12.3	**261**	247
Trade accounts receivable	10.2	**2,677**	2,305
Inventories	10.3	**2,608**	1,983
Prepaid expenses and other current assets	10.4	**1,178**	1,017
Assets classified as held for sale	13.2	**104**	114
Total current assets		**13,696**	**10,886**
Long-term financial investments and other long-term assets	12.2	**968**	859
Investments in associates and joint ventures	6.4, 6.9	**3,714**	3,473
Property, plant and equipment	11.2	**24,441**	24,220
Goodwill	11.3	**13,954**	12,413
Intangible assets	11.3	**1,446**	533
Deferred tax assets	8.4	**783**	513
Pension assets	15.3	**823**	257
Long-term derivative assets	14.5	**59**	70
Total non-current assets		**46,188**	**42,338**
Total assets		**59,885**	**53,224**

Million CHF	Notes	**31.12.2021**	31.12.2020
Trade accounts payable	10.5	**4,059**	3,351
Current financial liabilities	14.4	**2,391**	2,064
Current income tax liabilities		**484**	473
Other current liabilities		**2,398**	1,967
Short-term provisions	16.2	**413**	323
Total current liabilities		**9,745**	**8,178**
Long-term financial liabilities	14.4	**14,514**	11,710
Defined benefit obligations	15.3	**735**	1,091
Long-term income tax liabilities	8.6	**389**	348
Deferred tax liabilities	8.4	**2,320**	1,885
Long-term provisions	16.2	**1,707**	1,389
Total non-current liabilities		**19,666**	**16,422**
Total liabilities		**29,411**	**24,600**
Share capital	17.2	**1,232**	1,232
Capital surplus		**20,386**	21,597
Treasury shares	17.2	**(381)**	(197)
Reserves		**6,449**	3,439
Total equity attributable to shareholders of Holcim Ltd		**27,685**	**26,071**
Non-controlling interest	2.5	**2,788**	2,553
Total shareholders' equity		**30,473**	**28,625**
Total liabilities and shareholders' equity		**59,885**	**53,224**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY OF HOLCIM

Million CHF	Share capital	Capital surplus	Treasury shares
Equity as at 1 January 2021	**1,232**	**21,597**	**(197)**
Net income			
Other comprehensive earnings			
Total comprehensive earnings			
Payout		(1,222)	
Subordinated fixed rate resettable notes[1]			
Hyperinflation[2]			
Change in treasury shares			(185)
Share-based remuneration		10	
Net capital paid in by non-controlling interest			
Acquisition of participation in Group companies			
Change in participation in existing Group companies			
Equity as at 31 December 2021	**1,232**	**20,386**	**(381)**
Equity as at 1 January 2020	**1,232**	**22,811**	**(121)**
Net income			
Other comprehensive earnings			
Total comprehensive earnings			
Payout		(1,224)	
Subordinated fixed rate resettable notes[1]			
Assets and liabilities revaluation including hyperinflation			
Change in treasury shares			(76)
Share-based remuneration		11	
Capital repaid to non-controlling interest			
Disposal of participation in Group companies			
Change in participation in existing Group companies			
Equity as at 31 December 2020	**1,232**	**21,597**	**(197)**

[1] See more information in note 17.1.
[2] See more information in note 2.2.

	Currency translation adjustments	Other Reserves and Retained earnings	Total equity attributable to shareholders of Holcim Ltd	Non-controlling interest	Total shareholders' equity
	(17,452)	20,891	26,071	2,553	28,625
		2,298	2,298	383	2,681
	19	675	694	(2)	692
	19	2,973	2,992	381	3,373
			(1,222)	(143)	(1,365)
		(23)	(23)		(23)
		47	47	8	55
		5	(180)		(180)
			10		10
				1	1
				(22)	(22)
	(2)	(8)	(10)	9	(1)
	(17,435)	23,884	27,685	2,788	30,473
	(14,527)	19,172	28,566	2,933	31,499
		1,697	1,697	305	2,002
	(2,918)	15	(2,903)	(372)	(3,275)
	(2,918)	1,712	(1,206)	(67)	(1,273)
			(1,224)	(282)	(1,507)
		(23)	(23)		(23)
		27	27	(19)	8
		(4)	(80)		(80)
			11		11
				(4)	(4)
				(1)	(1)
	(7)	7		(6)	(6)
	(17,452)	20,891	26,071	2,553	28,625

CONSOLIDATED STATEMENT OF CASH FLOWS OF HOLCIM

Million CHF	Notes	2021	2020
Net income		**2,681**	2,002
Income taxes	8.2	**963**	717
Loss on disposals and other non operating items		**183**	43
Share of profit of associates and joint ventures	6.3, 6.9	**(467)**	(463)
Financial expenses net	7.2, 7.3	**556**	623
Depreciation, amortization and impairment of operating assets	4.5	**2,337**	2,515
Employee benefits and other operating items		**(187)**	(274)
Change in inventories		**(468)**	302
Change in trade accounts receivables		**(112)**	396
Change in trade accounts payable		**650**	17
Change in other receivables and liabilities		**(109)**	(279)
Cash generated from operations		**6,026**	5,598
Dividends received		**266**	214
Interest received		**84**	93
Interest paid		**(503)**	(572)
Income taxes paid	8.3	**(828)**	(715)
Cash flow from operating activities (A)		**5,045**	4,618
Purchase of property, plant and equipment		**(1,532)**	(1,114)
Disposal of property, plant and equipment		**112**	88
Acquisition of participation in Group companies[1]	19	**(3,409)**	(135)
Disposal of participation in Group companies	19	**209**	18
Purchase of financial assets, intangible and other assets		**(264)**	(190)
Disposal of financial assets, intangible and other assets		**173**	103
Cash flow from investing activities (B)	19	**(4,710)**	(1,231)
Payout on ordinary shares	9	**(1,222)**	(1,224)
Dividends paid to non-controlling interest		**(139)**	(279)
Capital repaid to non-controlling interest		**(1)**	(4)
Movements of treasury shares		**(211)**	(106)
Coupon paid on subordinated fixed rate resettable notes		**(23)**	(22)
Net movement in current financial liabilities		**104**	175
Proceeds from long-term financial liabilities		**4,220**	1,731
Repayment of long-term financial liabilities		**(1,249)**	(1,809)
Repayment of long-term lease liabilities		**(362)**	(342)
Increase in participation in existing Group companies		**(2)**	(12)
Cash flow from financing activities (C)		**1,114**	(1,891)
Increase in cash and cash equivalents (A + B + C)		**1,450**	1,496
Cash and cash equivalents as at the beginning of the period (net)		**5,101**	4,014
Increase in cash and cash equivalents		**1,450**	1,496
Currency translation effects		**65**	(408)
Cash and cash equivalents as at the end of the period (net)	**14.3**	**6,615**	**5,101**

[1] Mainly related to the acquisition of Firestone Building Products (see note 2.3).

FINANCIAL INFORMATION

PRINCIPAL EXCHANGE RATES

The following table summarizes the principal exchange rates that have been used for translation purposes.

		Statement of income Average exchange rates in CHF		Statement of financial position Closing exchange rates in CHF	
		2021	2020	**31.12.2021**	31.12.2020
100 Argentinian Peso	ARS	**0.45**	1.05	**0.45**	1.05
1 Australian Dollar	AUD	**0.69**	0.65	**0.66**	0.68
1 Canadian Dollar	CAD	**0.73**	0.70	**0.72**	0.69
1 Chinese Renminbi	CNY	**0.14**	0.14	**0.14**	0.13
100 Algerian Dinar	DZD	**0.68**	0.74	**0.66**	0.67
1 Euro	EUR	**1.08**	1.07	**1.03**	1.08
1 British Pound	GBP	**1.26**	1.20	**1.23**	1.20
100 Indian Rupee	INR	**1.24**	1.27	**1.23**	1.21
100 Mexican Peso	MXN	**4.51**	4.39	**4.47**	4.43
100 Nigerian Naira	NGN	**0.17**	0.23	**0.16**	0.19
100 Philippine Peso	PHP	**1.86**	1.89	**1.79**	1.83
1 Poland Zloty	PLN	**0.24**	0.24	**0.23**	0.24
1 Romanian Leu	RON	**0.22**	0.22	**0.21**	0.22
1 US Dollar	USD	**0.91**	0.94	**0.91**	0.88

For more information see note 2.2.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As used herein, the terms “Holcim” or “Group” refer to Holcim Ltd (Switzerland) together with the companies included in the scope of consolidation.

1. ACCOUNTING POLICIES

1.1 Basis of preparation

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board.

At the Annual General Meeting of the Group on 4 May 2021, the General Assembly approved the name change of LafargeHolcim Ltd to Holcim Ltd.

Due to rounding, numbers presented throughout this report may not add up precisely to the totals provided. All ratios and variances are calculated using the underlying amount rather than the presented rounded amount.

Critical estimates and assumptions

The preparation of financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the reported amounts of revenues, expenses, assets, liabilities and related disclosures at the date of the financial statements.

Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

As the Group makes estimates and assumptions concerning the future, the resulting accounting estimates could differ from the related actual results.

Management also uses judgment in applying the Group’s accounting policies.

The following details the judgments, apart from those involving estimations, that management has made in the process of applying the Group’s accounting policies and that have the most significant effect on the amounts recognized in the financial statements:

- The classification of a subsidiary or a disposal group as held for sale, especially as to whether the sale is expected to be completed within one year from the date of classification as held for sale, and whether the proceeds expected to be received will exceed the carrying amount (note 13).
- Certain lease contracts entered into by the Group include extension options which require an assessment of whether such options will be exercised. If it is reasonably certain that an extension option will be exercised, the period covered by the extension option is included in the lease liability. As part of its judgment, the Group considers all relevant facts and circumstances that create an economic incentive for it to exercise an extension option, including any expected changes in facts and circumstances from the commencement date until the exercise date of the option. Note 14.7 includes additional information about future payments covered by an extension option not included in the lease term.

The following details the assumptions the Group makes about the future, and other major sources of estimation uncertainty at year end, that could have a significant risk of resulting in a material adjustment to the carrying amounts of assets and liabilities within the next financial year:

- Assumptions underlying the estimation of value in use in respect of cash-generating units for impairment testing purposes require the use of estimates such as long-term discount rates and growth rates, price, costs and sustainability related key assumptions (note 11.3).
- For all acquisitions of subsidiaries the fair value of the consideration transferred (including any contingent consideration) and the fair value of the assets acquired and liabilities assumed involves a high degree of estimation and judgment.
- Liabilities and costs for defined benefit pension plans and other post-employment benefits are determined using actuarial valuations. The actuarial valuations involve making assumptions about discount rates, expected future salary increases and mortality rates which are subject to significant uncertainty due to the long-term nature of such plans (note 15.3).
- The measurement of site restoration and other environmental provisions requires long-term assumptions regarding the completion of raw material extraction, the costs of restoration and the phasing of the restoration work to be carried out (note 16.1).
- The recognition and measurement of provisions such as litigation provisions or indemnification provisions requires an estimate of the expenditure and timing of the settlement. The litigations and claims to which the Group is exposed are assessed by management with the assistance of the legal department and in certain cases with the support of external specialized lawyers (note 16.2). Disclosures related to such provisions, as well as contingent liabilities, also require significant judgment (note 16.3).

- The recognition of deferred tax assets from tax losses carried forward requires an assessment of whether it is probable that sufficient future taxable profit will be available against which the unused tax losses can be utilized (note 8).
- The Group is subject to income taxes in numerous jurisdictions and the calculation of the Group's tax charge involves a degree of estimation and judgment in respect of certain items. There are many transactions and calculations where the ultimate tax determination is uncertain during the ordinary course of business. The Group recognizes liabilities for potential tax audit issues and uncertain tax positions based on management's estimate of whether additional taxes will be due and on the requirements of IFRIC 23 Uncertainty over Income Tax Treatments.

The critical estimates and assumptions related to the impact from COVID-19 are presented in note 1.3.

The critical estimates and assumptions related to climate change-related impacts are presented in note 1.4.

1.2 Adoption of amended International Financial Reporting Standards

In 2021, Holcim adopted the following amended standards relevant to the Group:

Amendments to IFRS 9, IAS 39 and IFRS 7, IFRS 4 and IFRS 16	Interest Rate Benchmark Reform (Phase 2)

Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 – Interest Rate Benchmark Reform (Phase 2)

In the prior year, the Group adopted the Phase 1 amendments to IFRS 9/IAS 39 and IFRS 7 - Interest Rate Benchmark Reform. These amendments provide a number of temporary reliefs, which apply to all hedging relationships that are directly affected by interest rate benchmark reform.

In August 2020, the IASB issued the Phase 2 amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 – Interest Rate Benchmark Reform, effective for annual periods beginning on or after 1 January 2021.

These amendments provide temporary reliefs which address the financial reporting effects when an interbank offered rate (IBOR) is replaced with an alternative risk-free interest rate (RFR). The amendments include the following practical expedients:

- Contractual changes, or changes to cash flows that are directly required by the reform, to be treated as changes to a floating interest rate, equivalent to a movement in a market rate of interest.
- No discontinuation of hedging relationship following changes required by IBOR reform to be made to hedge designations and hedge documentation.
- Provide temporary relief to entities from having to meet the separately identifiable criteria when an RFR instrument is designated as a hedge of a risk component.

Both the Phase 1 and Phase 2 amendments are relevant to the Group because it applies hedge accounting to its interest rate benchmark exposures (see note 14.6). However, these amendments had no significant impact on the consolidated financial statements of the Group as no modifications in response to the reform have been made to any of the Group's derivative and non-derivative financial instruments. The Group intends to use the practical expedients in future periods if they become applicable.

See note 14.6 for related disclosures about risks, financial assets and financial liabilities indexed to IBOR and hedge accounting.

In 2022, Holcim will adopt the following amended standards relevant to the Group:

Amendments to IAS 16	Property, Plant and Equipment: Proceeds before Intended Use
Amendments to IAS 37	Onerous Contracts – Cost of Fulfilling a Contract
Improvements to IFRS	Clarifications of existing IFRS (issued in May 2020)

Amendments to IAS 16 – Property, Plant and Equipment: Proceeds before Intended Use

In May 2020, the IASB issued an amendment to IAS 16 which will not permit an entity to deduct from property, plant and equipment the net proceeds from selling any items produced while bringing the asset to the location and condition intended by management (e.g. samples produced when testing property, plant and equipment). Instead, the proceeds from selling such items, and the related cost, must be recognized in profit or loss in accordance with the applicable standards. The amendments are to be applied retrospectively, but only to items of property, plant and equipment that are brought to the location and condition necessary for them to be capable of operating in the manner intended by management on or after the beginning of the earliest period presented in the financial statements in which the entity first applies the amendments. The adoption of the amendments to IAS 16 will not materially impact the Group financial statements.

Amendments to IAS 37 – Onerous Contracts – Cost of Fulfilling a Contract

In May 2020, the IASB issued an amendment to IAS 37 clarifying the costs to be included in a provision for an onerous contract (i.e. costs of fulfilling a contract) which are incremental direct costs such as labor and materials and an allocation of direct costs such as depreciation of property, plant and equipment used in fulfilling a contract. The amendments shall be applied to contracts for which it has not yet fulfilled all its obligations at the beginning of the annual reporting period in which it first applies the amendments. The adoption of the amendments to IAS 37 will not materially impact the Group financial statements.

Improvements to IFRS – Clarifications of existing IFRS (issued in May 2020)

The adoption of the improvements to IFRS will not materially impact the Group financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

In 2023, Holcim will adopt the following amended standards relevant to the Group:

Amendments to IAS 1	Classification of Liabilities as Current or Non-current
Amendments to IAS 8	Definition of Accounting Estimates
Amendments to IAS 1	Disclosure of Accounting Policies
Amendments to IAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction

Amendments to IAS 1 – Classification of Liabilities as Current or Non-current

In January 2020, the IASB issued amendments to IAS 1 which clarify that the classification of liabilities as current or non-current is based on rights that are in existence at the end of the reporting period. Furthermore, the amendment also clarifies that the classification is unaffected by expectations about whether an entity will exercise its right to defer settlement of a liability and makes clear that settlement refers to the transfer to the counterparty of cash, own equity instruments, goods or services. In July 2020, the IASB issued an additional amendment which deferred the effective date of the amendments to 2023. The adoption of the amendments to IAS 1 will not materially impact the Group financial statements.

Amendments to IAS 8 – Definition of Accounting Estimates

In February 2021, the IASB issued amendments to IAS 8 which clarifies that accounting estimates are monetary amounts in financial statements that are subject to measurement uncertainty. Examples provided include the recognition of a loss allowance for expected credit losses and the depreciation expense for an item of property, plant and equipment. The adoption of the amendments to IAS 8 will not materially impact the Group financial statements.

Amendments to IAS 1 – Disclosure of Accounting Policies

In February 2021, the IASB issued amendments to IAS 1 which clarifies when an entity is likely to consider accounting policy information to be material to its financial statements. In addition, the amendments also make it clear that entity-specific disclosures provide more useful information to users of financial statements than standardized (boilerplate) information, or information that only duplicates or summarizes the requirements of IFRS. The adoption of the amendments to IAS 1 will not materially impact the Group financial statements.

Amendments to IAS 12 – Deferred Tax related to Assets and Liabilities arising from a Single Transaction

In May 2021, the IASB issued amendments to IAS 12 which clarifies that deferred taxes are to be recognized in the situation where the deductible temporary difference is equal to the taxable temporary difference at the time of the initial recognition of an asset and liability arising from a single transaction. Although the Group applied this guidance to the initial recognition of leases under IFRS 16 when it first implemented that standard in 2019, the Group is currently assessing whether the amendment, which is to be applied on a retrospective basis at the beginning of the earliest comparative period presented, will have any impact on the initial recognition of site restoration provisions and its related property, plant and equipment components that arose from single transactions in current and prior periods.

1.3 Impact from COVID-19

Since the beginning of the COVID-19 crisis in 2020, the local market conditions were disrupted and impacted by various factors beyond the Group's control, including a prolonged spread of the pandemic, government measures affecting the Group's operations and customers' behaviours.

As a response to the crisis, the Group implemented in 2020 its action plan HEALTH, COST & CASH which aimed to protect the health of its employees, customers, suppliers and other stakeholders while limiting the impact on profitability. Mitigating measures have been implemented to enhance the preparedness of the Group including close monitoring of all markets according to the evolving situation and to the guidance provided by the local authorities. During 2021, the COVID-19 situation has started to normalize across the Group's operations and although the unprecedented challenges caused by the COVID-19 outbreak have created uncertainties in the short-term, the Group does not expect these to materially impact future profitability.

1.4 Climate change-related impacts

The Group makes estimates and assumptions concerning the future, including climate-related matters. There is considerable uncertainty over these assumptions and how they will impact the Group's business operations and the cash flow projections. Holcim constantly assesses its assumptions to be consistent with the risk management and commitments made by the company to investors and other stakeholders.

The estimates and assumptions, notably those relating to assets and goodwill impairments, useful lives of assets, CAPEX and Research & Development, inventory valuation, financial expenses, recoverability of deferred tax assets, provisions and contingent liabilities and insurance costs have been based on the available information and regulations in place as of 31 December 2021.

Risk Management

The cement industry is associated with high CO_2 intensity and Holcim is exposed to a variety of regulatory frameworks to reduce emissions, some of which may be under revision. These frameworks can affect the business activities of Holcim. Based on Taskforce for Climate-related Financial Disclosures (TCFD) recommendations, Holcim assesses in a systematic way all potential impacts of climate-related risks: transition risks and physical risks.

The transition risks include the growing number of climate policy frameworks which will lead to increased cost of emitting CO_2 and associated costs of fuels coupled with more stringent obligations relating to the products brought to market (carbon footprint of final products over their lifecycle). The physical risks due to the impact of climate change such as flooding, changes in precipitation patterns or extreme variability in weather patterns might lead to higher logistics and transportation costs and reduced production capacities.

With “Strategy 2025 – Accelerating Green Growth”, the Group has begun its journey to become the global leader in innovative and sustainable building solutions and reach net zero by 2050. Holcim was the first in its industry with 2050 net zero targets, validated by the Science Based Targets initiative (SBTi) in October 2021, building on its 2030 commitments validated in September 2020. Furthermore, recognizing the role of sustainable finance in supporting the transition to a low-carbon and more resource efficient economy, Holcim has put in place a sustainability-linked financing framework to link funding with its sustainability objectives. Holcim intends to pursue its journey with sustainability-linked finance instruments in the capital, money and loan markets, putting core sustainability indicators such as climate, water and safety at the heart of its financing strategy To make a bigger impact, the Group is committed to reaching more than 40% of sustainable financing by the end of 2025.

In the longer term (beyond 2030), the Group is considering innovation, research and development into breakthrough technologies such as carbon capture utilisation and storage (CCUS); the Group's approach is to leverage early benefits by piloting projects in Europe and North America. Over the next 10 years, Holcim will explore CCUS technologies to reach the scalable and cost effective solutions to support its net zero ambition. The Group’s 2025 and 2030 target do not depend on CCUS.

In addition, Holcim proactively and transparently engages with external stakeholders. Some of the short/long-term policy priorities that Holcim has identified as the cornerstone of the net zero transition are the following:

- Implementation of effective carbon pricing mechanisms in order to:
  - provide a level playing field on carbon costs between domestic producers and importers (e.g. carbon border adjustment mechanisms)
  - support the enforcement of reliable carbon prices and investments in low-carbon technologies (incl. regulatory stability)
  - develop carbon pricing mechanisms that encompass both supply (carbon emissions) and demand (carbon consumption)
- Market demand for low carbon products and solutions in order to:
  - integrate sustainability performance in building codes, public procurement, and product standards, alongside traditional criteria (safety, performance, durability and affordability)
  - ensure that construction policies and standards integrate harmonized lifecycle assessments for buildings to reflect the desired CO_2 and circularity performance and to respect the principles of material and technology neutrality
  - involve actors across the construction value chain in integrating lifecycle carbon performance and circularity principles in business models and in all decision-making processes
- Larger-scale deployment of carbon capture technologies (CCUS) in order to:
  - support the recognition, in carbon accounting and verification mechanisms, of both carbon capture and use (CCU) and storage (CCS) as carbon mitigation avenue for hard-to-abate sectors
  - continues research and innovation support for the development of CCUS technologies and CAPEX/OPEX support for the full industrial scaling-up of those technologies.
- Access to competitive non-fossil energy in order to:
  - improve access to abundant and competitively priced low-carbon energy
  - recognize, in the regulatory framework, technologies such as co-processing which allows substituting fossil fuels and primary raw materials with non-recyclable residual and biomass waste
  - enforce waste legislation and its management hierarchies (incl. landfill bans for waste that can be recovered and/or recycled in industry)
- Development of zero emission heavy duty vehicles is one of the key levers for Holcim to reduce CO_2 from transportation activities. The Group signed the “Call for Action for Zero emissions heavy duty vehicles” coordinated by the Transport Decarbonization Alliance” with the aim to demonstrate the demand for the zero emission trucks and ensure availability for the Group's suppliers.

Impairment testing
Cash flow projections used in the impairment process are generally based upon a three-year financial planning period using business plans approved by Management. At year end 2021, cash flow projections were based on a four-year financial planning period to align with the Group’s Strategy 2025 – accelerating green growth. Cash flows beyond the planning period are extrapolated based on increasing sustainable cash flows.

Useful lives of assets
Useful lives of assets may be affected by the climate-related matters because of transitional risks such as obsolescence and legal restrictions or physical risks as there is the potential for operations to be adversely impacted by extreme variability in weather patterns. The change in useful lives has

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

a direct impact on the amount of depreciation or amortization recognized each year. Management's review of useful lives has taken into consideration the impacts of the Group's 2030 targets.

CAPEX and Research & Development
The transition to lower emission technologies will impact the allocation of the future CAPEX. The Group's Research & Development expenditures will be aligned with the Group's Research & Development strategy focusing on new and alternative technologies as a result of diverse research initiatives that will either impact CAPEX or Research & Development costs in the statement of income depending on the success of the initiatives.

Inventory valuation
The climate-related matters may affect the value of inventories as they may become obsolete as a result of decline in selling prices or increase of costs. In application of IAS 2, the cost of inventories that are not recoverable must be written down to their net realizable value.

Financial expenses
The increased diversification of financial assets with sustainability-linked financing framework to link funding activities with its sustainability objectives could have an impact on the Group's financial expenses in case the Group is not reaching the targets that have been set.

Taxes
The impact of climate-related matters could result in higher costs and reduced revenues affecting the future taxable profits on which the recognition of deferred tax assets are based. Business plans used for the recognition of deferred tax assets have been aligned with those used in the impairment process taking into account climate related impacts.

Provisions and contingent liabilities
The climate-related matters may affect the level of provisions recognized such as site restoration provision and litigation provision as a result of the levies imposed by the governments for failure to meet climate-related targets or new regulations, requirements to remediate environmental damages on Holcim's sites or due to existing obligations now being considered probable. Some contracts may become onerous as a result of climate-related changes which would potentially decrease the Group's revenue or increase its operating costs.

Insurance
The change in the climate may imply more regular and intense climate events which can have a significant impact on the Group's production with business interruption, accident or damages. This may increase the Group's insurance costs due to the higher amounts at stake or more frequent insured cases.

2. FULLY CONSOLIDATED COMPANIES AND NON-CONTROLLING INTERESTS

2.1 Scope of consolidation
The consolidated financial statements comprise those of Holcim Ltd and of its subsidiaries. The list of principal consolidated companies is presented in note 2.4.

2.2 Accounting principles
Principles of consolidation
The Group consolidates a subsidiary if it has an interest of more than one half of the voting rights or otherwise it considers that it has power over the subsidiary when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the subsidiary unilaterally. Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured at the fair value of the consideration given at the date of exchange.

For each business combination, the Group measures the non-controlling interest in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition costs incurred are expensed in the statement of income. Identifiable assets acquired and liabilities assumed in a business combination are measured initially at fair value at the date of acquisition.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as of the acquisition date.

If the business combination is achieved in stages, the carrying amount of the Group's previously held equity interest in the acquiree is remeasured to fair value as at the acquisition date with any resulting gain or loss recognized in the statement of income.

Any contingent consideration to be transferred by the Group is recognized at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration are recognized in the statement of income.

Contingent liabilities assumed in a business combination are recognized at fair value and subsequently measured at the higher of the amount that would be recognized as a provision and the amount initially recognized.

Subsidiaries are consolidated from the date on which control is transferred to the Group and are no longer consolidated from the date that control ceases.

All intercompany transactions and balances between Group companies are fully eliminated.

Changes in the ownership interest of a subsidiary that does not result in loss of control are accounted for as an equity transaction. Consequently, if Holcim acquires or partially disposes of a non-controlling interest in a subsidiary, without losing control, any difference between the amount by which the non-controlling interest is adjusted and the fair value of the consideration paid or received is recognized directly in retained earnings. However, if the Group loses control of a subsidiary, it derecognizes all the assets (plus goodwill) and liabilities of the subsidiary including the carrying amount of any non-controlling interests.

Additionally, it reclassifies the currency translation adjustments relating to that subsidiary recognized in equity and records the resulting difference as a gain or loss on disposal in the statement of income.

It is common practice for the Group to write put options and acquire call options in connection with the remaining shares held by the non-controlling shareholders, mainly as part of a business combination. If the Group has acquired a present ownership interest as part of a business combination, the present value of the redemption amount of the put option is recognized as a financial liability with any excess over the carrying amount of the non-controlling interest recognized as goodwill. In such a case, the non-controlling interest is deemed to have been acquired at the acquisition date and therefore any excess arising should follow the accounting treatment as in a business combination. All subsequent fair value changes of the financial liability are recognized in the statement of income and no earnings are attributed to the non-controlling interest. However, where the Group has not acquired a present ownership interest as part of a business combination, the non-controlling interest continues to receive an allocation of profit or loss and is reclassified as a financial liability at each reporting date as if the acquisition took place at that date. Any excess over the reclassified carrying amount of the non-controlling interest and all subsequent fair value changes of the financial liability are recognized directly in retained earnings.

Foreign currency translation

The assets and liabilities of each of the Group's companies are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). Statements of income of foreign entities are translated into the Group's reporting currency at average exchange rates for the year and statements of financial position are translated at the exchange rates prevailing on 31 December.

Goodwill arising from the acquisition of a foreign operation is expressed in the functional currency of the foreign operation and is translated at the closing rate of the reporting period (for more information see note 11.3).

Foreign currency transactions translated into the functional currency are accounted for at the exchange rate prevailing at the date of the transactions; gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies are recognized in the statement of income, except when deferred outside the statement of income as qualifying cash flow hedges or net investment hedges.

Exchange differences arising on monetary items that form part of a company's net investment in a foreign operation are recognized in other comprehensive earnings (currency translation adjustment) and are fully reclassified to the statement of income should the Group lose control of a subsidiary, lose joint control over an interest in a joint arrangement or lose significant influence over an associate. When a foreign operation is partially disposed of or sold, exchange differences that were recorded in equity are recognized in the statement of income as part of the net gain or loss on sale, except for a partial disposal of a subsidiary without loss of control, where a proportionate share of the cumulative currency translation adjustments are re-attributed to non-controlling interest and not recognized in the statement of income.

In countries with limited foreign currency availability and where several exchange rates are available the Group has applied the rate at which the future cash flows represented by the transaction or balance could have been settled if those cash flows had occurred at the measurement date. If exchangeability between two currencies is temporarily lacking, the rate used is the first subsequent rate at which exchanges could be made.

Hyperinflation

Since 31 December 2018, the Group applied IAS 29 Financial Reporting in Hyperinflationary Economies for Argentina. In accordance with IAS 29, the financial statements of Argentina are expressed in terms of the measuring unit current as of 31 December 2020 and 2021. Monetary assets and liabilities are not restated as they are already expressed in the measuring unit current at the end of the reporting period, whereas all non-monetary items such as inventory, property, plant and equipment and equity recorded at historical rates are restated in terms of the measuring unit current at the end of December 2020 and 2021.

The resulting gain of CHF 9 million (2020: CHF 12 million) on the net liability monetary position was recorded as part of production cost of goods sold in the consolidated statement of income.

The restatement of equity by CHF 55 million (2020: CHF 69 million) was reflected as an increase in retained earnings, of which CHF 8 million (2020: CHF 11 million) was attributable to the non-controlling interest. The restated financial statements of Argentina are translated into Swiss francs at the exchange rate applicable as of 31 December 2020 and 2021.

Inflation in Lebanon has increased significantly, and the three-year cumulative inflation exceeded 100 percent in July 2020. No hyperinflation accounting was applied for the consolidated financial statements as of 31 December 2021 and 2020, as the impact is considered immaterial.

In Zimbabwe, inflation has increased significantly since the return to a national currency in February 2019 and cumulative inflation has exceeded 100 percent. No hyperinflation accounting was applied for the consolidated financial statements as of 31 December 2021 and 2020, as the impact is considered immaterial.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

2.3 Change in the scope of consolidation

As part of its strategy, Holcim has completed several acquisitions and disposals during the past two years.

Aggregated information of the acquisitions and disposals completed is disclosed in note 19.

Acquisition of Firestone Building Products

In January 2021, Holcim signed an agreement to acquire Firestone Building Products, a leader in commercial roofing and building envelope solutions based in the United States.

The business combination was accounted for as of 31 March 2021, being the effective date of the acquisition since Holcim controlled Firestone Building Products from that date by acquiring 100% of the voting equity shares for a consideration of CHF 3,205 million (USD 3,400 million) in cash.

For accounting purposes, the acquisition method has been applied. The identifiable assets and liabilities of Firestone Building Products have been fair valued at the effective date of the acquisition.

The excess of the consideration transferred over the fair value of the Firestone Building Products identifiable net assets is recorded as goodwill.

The provisional recognized amounts of the identifiable assets acquired and liabilities assumed are as follows:

Million CHF	31 March 2021
Cash and cash equivalents	22
Trade accounts receivable	298
Inventories	218
Prepaid expenses and other current assets	14
Total current assets	**552**
Property, plant and equipment	267
Intangible assets	999
Deferred tax assets	109
Total non-current assets	**1,375**
Trade accounts payable	(139)
Current financial liabilities	(17)
Other current liabilities	(16)
Short-term provisions	(74)
Total current liabilities	**(247)**
Long-term financial liabilities	(54)
Defined benefit obligations	(8)
Long-term income tax liabilities	(60)
Long-term provisions	(330)
Total non-current liabilities	**(451)**
Provisional fair value of net assets acquired	**1,229**
Cash consideration for business combination	3,205
Provisional goodwill	**1,976**

The amounts disclosed above were determined provisionally pending the finalization of the valuation for those assets and liabilities. Up to twelve months from the effective date of the acquisition are permitted for further adjustments to be made to the fair values assigned to the identifiable assets acquired and liabilities assumed. Hence the resulting goodwill and its allocation to cash-generating units are also provisional.

The fair value of the acquired receivables substantially equals the gross contractual amount to be collected.

The provisional goodwill arising from this transaction amounts to CHF 1,976 million. The goodwill is attributable to the favourable presence of synergies, industrial know-how, assembled workforce and economies of scale expected from the acquisition.

The goodwill recognized is expected to be largely deductible for income tax purposes.

The intangible assets acquired amount to CHF 999 million as at 31 March 2021 and mainly reflect customer relationships amortized over 18 years.

Firestone Building Products contributed net sales of CHF 1,432 million to the Group for the period from 31 March 2021 to 31 December 2021. If the acquisition had occurred on 1 January 2021, Firestone Building Products contribution to Group net sales would have been CHF 1,834 million. The contribution of Firestone to the Group net income after deducting the related acquisition and borrowing costs is not material. The contribution to the Earnings Per Share is accretive from the first year.

The results of Firestone Building Products are reported in the product line Solutions & Products and the majority of the results are reported within the operating segment North America.

Other acquisitions in the current reporting period
In 2021, Holcim acquired several businesses:

- Edile Commerciale (S.P.A.), a ready-mix concrete supplier in Milan, Italy (February 2021)
- Eugène Bühler & Fils SA, an aggregates supplier in Switzerland (February 2021)
- Cemex Rhone Alpes, a ready-mix concrete and aggregates supplier in Lyon, France (March 2021)
- Beton Mobile du Quebec, a ready-mix business in Quebec, Canada (April 2021)
- Heinrich Teufel GmbH & Co. KG, a producer of aggregates and ready-mix concrete in Southern Germany (July 2021)
- Polcalc Nawozy Wapniowe Sp. z o.o, a granulated calcium carbonate producer in Poland (August 2021)
- Utelite Corporation, a lightweight aggregates producer in Coalville, Utah (September 2021)
- Patriot Ready Mixed Concrete, LLC, a producer of ready-mix concrete in Alexandria, Virginia (November 2021)
- Marshall Concrete Products, a supplier of concrete products and services in Minneapolis/St. Paul and the surrounding metropolitan area (December 2021)
- Cowden Inc., a ready-mix concrete and aggregates producer in Bellingham, Washington (December 2021)
- The aggregate and concrete businesses segments of HALYPS Building Materials S.A., comprising of the aggregates business and two ready-mix concrete plants in Athens, Greece (December 2021)
- PTB-Compaktuna (PTB), a leading specialty building solutions producer based in Belgium and operating across the Benelux region and Northern France (December 2021) In addition, in April 2021, the Group acquired the remaining 50% of Lafarge Emirates Cement LLC resulting in the Group obtaining the control of its subsidiary.

Acquisitions in the previous comparative period
In 2020, Holcim acquired several businesses:

- Stalybridge Readymix in the United Kingdom, comprising one ready-mix plant in Manchester area (February 2020)
- Sibelco in Australia, comprising of three sand operations in Mount Compass (Glenshera) in South Australia, Lang Lang in Victoria and Salt Ash in New South Wales (April 2020)
- Aggregate operations from General Diversified Resources in the Phoenix area, Arizona (September 2020)
- Aggregate operations from South Bend Limestone Company near the Pittsburgh area, Pennsylvania (October 2020)
- Mixcor Aggregates Inc. based in Alberta, Canada (October 2020)
- Northumbrian Roads Ltd, comprising two asphalt plants and a road surfacing business in the United Kingdom (December 2020)
- Tanas Concrete Industries, Aggregate and ready-mix business in Canada (December 2020)

Divestments in the current reporting period
In 2021, Holcim completed:

- The sale of its Indian Ocean cluster, to Taylor Smith Investment (October 2021)
- The sale of its business in Zambia, representing a 75% stake in the company, to its joint venture company Huaxin Cement Co. Ltd. (November 2021)
- The sale of its business in Malawi, representing a 100% stake in the company, to its joint venture company Huaxin Cement Co. Ltd. (December 2021)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

Divestments in the previous comparative periods
In 2020, Holcim did not undertake any material divestments.

Significant pending transactions
In 2021, Holcim initiated the following transactions:

- Holcim has signed an agreement with CSN (Companhia Siderúrgica Nacional) for the divestment of its business in Brazil. This divestment includes Holcim's five integrated cement plants, four grinding stations, six aggregates sites and nineteen ready-mix concrete facilities which is expected to close in 2022
- Holcim has signed an agreement to acquire Malarkey Roofing Products, a leading company in the US residential roofing market which is expected to close in the first quarter of 2022

2.4 Principal consolidated companies of the Group

At the Annual General Meeting of the Group on 4 May 2021, the General Assembly approved the name change of LafargeHolcim Ltd to Holcim Ltd, therefore certain companies have changed their names accordingly.

The following table lists the principal subsidiaries controlled by Holcim. It includes all legal entities representing at least 30% of the net sales of the country in which it operates.

Region/Company	Country	Municipality	Share Capital as at 31 December 2021	Cement	Aggregates	Ready-Mix Concrete	Solutions and Products	Percentage of interest
Asia Pacific								
Holcim (Australia) Pty Ltd	Australia	Chatswood	AUD 1,120 million		◆	●	▲	100.0%
LafargeHolcim Bangladesh Limited	Bangladesh	Dhaka	BDT 11,614 million	■	◆			29.4%
Jiangyou LafargeHolcim Shuangma Cement Co., Ltd	China	Jiangyou City	CNY 200 million	■	◆			100.0%
Lafarge Dujiangyan Cement Co., Ltd.	China	Dujiangyan City	CNY 857 million	■	◆			75.0%
ACC Limited	India	Mumbai	INR 1,880 million	■		●	▲	36.1%
Ambuja Cements Ltd.	India	Mumbai	INR 3,971 million	■			▲	63.1%
Holcim (New Zealand) Ltd	New Zealand	Christchurch	NZD 34 million	■	◆			100.0%
Holcim Philippines Inc.	Philippines	Taguig City	PHP 6,452 million	■	◆		▲	85.7%
Latin America								
Holcim (Argentina) S.A.	Argentina	Cordoba	ARS 366 million	■	◆	●	▲	82.5%
LafargeHolcim (Brasil) S.A.	Brazil	Rio de Janeiro	BRL 5,770 million	■	◆	●	▲	100.0%
Holcim (Colombia) S.A.	Colombia	Bogotà	COP 217,343 million	■	◆	●	▲	100.0%
Holcim (Costa Rica) S.A.	Costa Rica	San José	CRC 8,577 million	■	◆	●	▲	65.3%
Holcim (Ecuador) S.A.	Ecuador	Guayaquil	USD 61 million	■	◆	●	▲	92.2%
Holcim El Salvador S.A. de C.V.	El Salvador	Antiguo Cuscatlán	USD 10 million	■	◆	●	▲	95.4%
Société des Ciments Antillais	French West Indies	Baie-Mahault	EUR 3 million	■				69.7%
Holcim México Operaciones S.A. de C.V.	Mexico	Mexico City	MXN 5,027 million	■	◆	●		100.0%
Holcim (Nicaragua) S.A.	Nicaragua	Managua	NIO 19 million	■	◆	●	▲	52.3%

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

Region/Company	Country	Municipality		Share Capital as at 31 December 2021	Cement	Aggregates	Ready-Mix Concrete	Solutions and Products	Percentage of interest
Europe									
Lafarge Zementwerke GmbH	Austria	Vienna	EUR	3 million	■				70.0%
Holcim (Azerbaijan) O.J.S.C.	Azerbaijan	Baku	AZN	32 million	■				90.3%
Holcim (Belgique) S.A.	Belgium	Nivelles	EUR	110 million	■	◆	●		100.0%
Holcim (Bulgaria) AD	Bulgaria	Beli Izvor	BGN	1 million	■		●		100.0%
Holcim (Hrvatska) d.o.o.	Croatia	Koromacno	HRK	285 million	■	◆	●		100.0%
Lafarge Cement a.s.	Czech Republic	Cizkovice	CZK	1,143 million	■				68.0%
LafargeHolcim Bétons S.A.S.	France	Clamart	EUR	38 million			●		100.0%
LafargeHolcim Ciments S.A.	France	Clamart	EUR	113 million	■				100.0%
LafargeHolcim Distribution S.A.S.	France	Clamart	EUR	17 million	■				100.0%
LafargeHolcim Granulats S.A.S.	France	Clamart	EUR	19 million		◆			100.0%
Holcim (Deutschland) GmbH	Germany	Hamburg	EUR	47 million	■				100.0%
Holcim (Süddeutschland) GmbH	Germany	Dotternhausen	EUR	6 million	■				100.0%
Holcim Kies und Splitt GmbH	Germany	Hamburg	EUR	4 million		◆			100.0%
Holcim Beton und Betonwaren GmbH	Germany	Hamburg	EUR	n.m.[1]			●		100.0%
Heracles General Cement Company S.A.	Greece	Athens	EUR	121 million	■			▲	100.0%
Lafarge Cement Hungary Ltd	Hungary	Szentlőrinc	HUF	1,000 million	■				70.0%
Holcim (Italia) S.p.a.	Italy	Milan	EUR	26 million	■				100.0%
Holcim Aggregati Calcestruzzi s.r.l.	Italy	Milan	EUR	11 million		◆	●		100.0%
Lafarge Ciment (Moldova) S.A.	Moldova	Rezina	MDL	223 million	■				95.3%
Lafarge Cement S.A.	Poland	Małogoszcz	PLN	811 million	■	◆	●		100.0%
Lafarge Kruszywa i Beton	Poland	Warsaw	PLN	370 million		◆			100.0%
Holcim (Romania) S.A.	Romania	Bucharest	RON	205 million	■	◆	●		99.7%
LLC Holcim (Rus) Construction Materials	Russia	Moscow	RUB	9 million	■			▲	100.0%
LLC Lafarge Aggregates and Concrete	Russia	Karelia	RUB	11 million		◆			100.0%
Lafarge Beocinska Fabrika Cementa	Serbia	Beocin	RSD	5,124 million	■		●		100.0%
Lafarge Cement d.o.o	Slovenia	Trbovlje	EUR	6 million	■				70.0%
LafargeHolcim España S.A.U.	Spain	Madrid	EUR	221 million	■	◆	●	▲	100.0%
Holcim (Schweiz) AG	Switzerland	Zurich	CHF	71 million	■	◆	●		100.0%
Holcim Kies und Beton AG	Switzerland	Zurich	CHF	30 million		◆	●		100.0%
Holcim Trading Ltd	Switzerland	Zurich	USD	4 million					100.0%
Aggregate Industries UK Ltd.	United Kingdom	Markfield	GBP	n.m.[1]		◆	●		100.0%
Lafarge Ireland Limited[2]	United Kingdom	Cookstown	GBP	n.m.[1]	■				100.0%
Lafarge Cauldon Limited	United Kingdom	Markfield	GBP	n.m.[1]	■				100.0%

[1] n.m.: not material
[2] Divested in January 2022, for further information see note 20.

Region/Company	Country	Municipality		Share Capital as at 31 December 2021	Cement	Aggregates	Ready-Mix Concrete	Solutions and Products	Percentage of interest
North America									
Lafarge Canada Inc.	Canada	Toronto	CAD	n.a.[3]	■	◆	●	▲	100.0%
Holcim (US) Inc.	USA	Chicago	USD	n.m.[2]	■			▲	100.0%
Aggregate Industries Management Inc.	USA	Chicago	USD	n.m.[2]		◆	●		100.0%
Firestone Building Products Company, LLC	USA	Nashville	USD	n.a.[3]				▲	100.0%
Middle East Africa									
Lafarge Ciment de M'sila "LCM"	Algeria	Algiers	DZD	7,257 million	■				100.0%
Lafarge Ciment d'Oggaz "LCO"	Algeria	Algiers	DZD	3,848 million	■				100.0%
Cilas Spa	Algeria	Algiers	DZD	138 million	■			▲	49.0%
Lafarge Cement Egypt S.A.E.	Egypt	Cairo	EGP	826 million	■				95.7%
Lafarge Ready Mix S.A.E.	Egypt	Cairo	EGP	30 million			●		100.0%
Bazian Cement Company Limited	Iraq	Sulaimaniyah	IQD	2 million	■			▲	70.0%
Karbala Cement Manufacturing Ltd	Iraq	Baghdad	IQD	49,735 million	■				51.0%
Jordan Cement Factories Company P.S.C.[1]	Jordan	Amman	JOD	60 million	■		●		50.3%
Bamburi Cement Limited	Kenya	Nairobi	KES	1,815 million	■				58.6%
Holcim (Liban) S.A.L.	Lebanon	Beirut	LBP	97,580 million	■				52.1%
Ashakacem Plc.	Nigeria	Gombe	NGN	1,120 million	■				83.8%
Lafarge Africa Plc.	Nigeria	Ikoyi	NGN	8,054 million	■		●	▲	83.8%
Lafarge Industries South Africa (Pty) Ltd	South Africa	Edenvale	ZAR	n.m.[2]	■		●		100.0%
Lafarge Mining South Africa (Pty) Ltd	South Africa	Edenvale	ZAR	n.m.[2]	■	◆			100.0%
Mbeya Cement Company Limited	Tanzania	Songwe	TZS	5,636 million	■				65.0%
Lafarge Emirates Cement LLC	United Arab Emirates	Dubai	AED	323 million	■				100.0%
Hima Cement Ltd.	Uganda	Kampala	UGX	19,080 million	■				71.0%
Lafarge Cement Zimbabwe Limited	Zimbabwe	Harare	ZWL	1 million	■	◆		▲	76.5%

[1] On 5 July 2020, Jordan Cement Factories (JCF) filed for Insolvency.
[2] n.m.: not material
[3] n.a.: not applicable

Holcim Innovation Centers

Company	Country	Municipality		Share Capital as at 31 December 2021	Percentage of interest
Holcim Innovation Center	France	Saint Quentin Fallavier	EUR	23 million	100.0%
Holcim Technology Ltd	Switzerland	Zug	CHF	10 million	100.0%

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

Principal finance and holding companies

The following table lists the principal finance and holding companies controlled by Holcim. It includes all entities with more than CHF 500 million of assets and direct participation in operational companies or with external financing over CHF 100 million over the last two years.

Principal finance and holding companies

Company	Country	Municipality	Share Capital as at 31 December 2021			Percentage of interest
Holcim Finance (Australia) Pty Ltd	Australia	Sydney	AUD	n.m.[2]		100.0%
Holcim (Australia) Holdings Pty Ltd	Australia	Sydney	AUD	1,444	million	100.0%
Holcibel S.A.	Belgium	Brussels	EUR	691	million	100.0%
Holcim Capital Corporation Ltd.	Bermuda	Hamilton	USD	3	million	100.0%
LNA Holdings ULC	Canada	Edmonton	CAD	n.a.[3]		100.0%
Holcim Investments (France) S.A.S.	France	Clamart	EUR	136	million	100.0%
Lafarge S.A.	France	Clamart	EUR	1,161	million	100.0%
Financière Lafarge S.A.S.	France	Clamart	EUR	5,969	million	100.0%
Société financière immobilière et mobilière "SOFIMO" S.A.S.	France	Clamart	EUR	1,055	million	100.0%
Holcim Auslandbeteiligungs GmbH	Germany	Hamburg	EUR	3	million	100.0%
Holcim Beteiligungs GmbH	Germany	Hamburg	EUR	102	million	100.0%
LH Global Hub Services Private Limited	India	Navi Mumbai	INR	300	million	100.0%
Holcim Gruppo (Italia) S.p.a.	Italy	Milan	EUR	9	million	100.0%
Holcim Finance (Luxembourg) S.A.	Luxembourg	Luxembourg	EUR	2	million	100.0%
Holcim US Finance S. à r.l. & Cie S.C.S.	Luxembourg	Luxembourg	USD	n.m.[2]		100.0%
Holderind Investments Ltd.	Mauritius	Port-Louis	USD	1,611	million	100.0%
Holcim Sterling Finance (Netherlands) B.V.	Netherlands	Amsterdam	GBP	n.m.[2]		100.0%
Holchin B.V.	Netherlands	Amsterdam	EUR	n.m.[2]		100.0%
Holderfin B.V.	Netherlands	Amsterdam	EUR	4	million	100.0%
Caricement B.V.	Netherlands	Amsterdam	EUR	n.m.[2]		100.0%
Holcim Investments (Spain), S.L.	Spain	Madrid	EUR	174	million	100.0%
Holcim Ltd[1]	Switzerland	Zug	CHF	1,232	million	100.0%
Holcim Continental Finance Ltd	Switzerland	Zug	CHF	50	million	100.0%
Holcim Helvetia Finance Ltd	Switzerland	Zug	CHF	10	million	100.0%
Holcim International Finance Ltd	Switzerland	Zug	CHF	50	million	100.0%
Holcim Group Services Ltd	Switzerland	Zug	CHF	1	million	100.0%
Holdertrade Ltd	Switzerland	Zug	CHF	2	million	100.0%
Aggregate Industries Holdings Limited	United Kingdom	Markfield	GBP	n.m.[2]		100.0%
Holcim Finance US LLC	USA	Wilmington	USD	n.a.[3]		100.0%
Holcim Participations (US) Inc.	USA	Chicago	USD	n.m.[2]		100.0%

[1] Holcim Ltd, Grafenauweg 10, CH-6300 Zug
[2] n.m.: not material
[3] n.a.: not applicable

Listed Group companies

Region	Company	Country	Municipality	Place of listing	Market capitalization at 31 December 2021 in local currency			Security code number
Asia Pacific	LafargeHolcim Bangladesh Limited	Bangladesh	Dhaka	Chittagong, Dhaka	BDT	82,574	million	BD0643LSCL09
	ACC Limited	India	Mumbai	Mumbai	INR	416,090	million	INE012A01025
	Ambuja Cements Ltd.	India	Mumbai	Mumbai	INR	749,680	million	INE079A01024
	Holcim Philippines Inc.	Philippines	Taguig City	Manila	PHP	35,616	million	PHY3232G1014
Latin America	Holcim (Argentina) S.A.	Argentina	Cordoba	Buenos Aires	ARS	62,633	million	ARP6806N1051
	Holcim (Costa Rica) S.A.	Costa Rica	San José	San José	CRC	128,661	million	CRINC00A0010
	Holcim (Ecuador) S.A.	Ecuador	Guayaquil	Quito, Guayaquil	USD	983	million	ECP516721068
Middle East Africa	Bamburi Cement Limited	Kenya	Nairobi	Nairobi	KES	13,792	million	KE0000000059
	Holcim (Liban) S.A.L.	Lebanon	Beirut	Beirut	USD	377	million	LB0000012833
	Lafarge Africa Plc.	Nigeria	Ikoyi	Lagos	NGN	385,782	million	NGWAPCO00002
	Lafarge Cement Zimbabwe Limited	Zimbabwe	Harare	Harare	ZWL	6,400	million	ZW0009012056

2.5 Non-controlling interests

Holcim has two Group companies with material non-controlling interests. Information regarding these subsidiaries is as follows:

Material non-controlling interest

Company	Country	Non-controlling interest[1]		Net income[2]		Total equity[2]		Dividends paid to non-controlling interest[3]	
Million CHF		**2021**	2020	**2021**	2020	**2021**	2020	**2021**	2020
ACC Limited	India	**63.9%**	63.9%	**141**	119	**1,223**	867	**21**	15
Ambuja Cements Ltd.	India	**36.9%**	36.9%	**92**	75	**774**	673	**3**	172

1 The non-controlling interest of these companies represents the percentage interest (direct and indirect).
2 Attributable to non-controlling interest.
3 In 2020, Ambuja Cements Ltd. distributed CHF 465 million of dividends, of which CHF 172 million to non-controlling interest.

Set out below is the summarized financial information relating to ACC Limited and Ambuja Cements Ltd. before intercompany eliminations.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

Statement of financial position

	ACC Limited		Ambuja Cements Ltd.	
Million CHF	2021	2020	2021	2020
Current assets	1,251	992	814	531
Long-term assets	1,489	1,380	2,058	1,971
Total assets	2,740	2,372	2,872	2,502
Current liabilities	642	495	646	537
Long-term liabilities	185	182	127	127
Total liabilities	827	677	773	663
Net assets	1,913	1,695	2,099	1,839

Statement of income

Million CHF	2021	2020	2021	2020
Net sales	1,975	1,724	1,705	1,421
Net income	221	186	249	220

Statement of cash flows

Million CHF	2021	2020	2021	2020
Cash flow from operating activities	380	306	319	352
Increase (decrease) in cash and cash equivalents	188	175	157	(227)

3. SEGMENT REPORTING

3.1 Accounting principles

For purposes of internal presentation, each region (Asia Pacific, Europe, Latin America, Middle East Africa and North America) is reviewed separately by the Chief Operating Decision Maker (i.e. the Group CEO), corresponding to the aggregation of countries or regional clusters:

- **Asia Pacific**
- **Europe**
- **Latin America**
- **Middle East Africa**
- **North America**

Each of the above operating segments derives its revenues largely from the sale of Cement, Aggregates, Ready-Mix Concrete and Solutions & Products.

The four product lines are as follows:

- **Cement, which comprises clinker, cement and other cementitious materials**
- **Aggregates**
- **Ready-Mix Concrete**
- **Solutions & Products, which comprises precast, concrete products, asphalts, mortars, roofing systems and contracting and services**

Group financing (including financing costs and financing income) and income taxes are managed on a Group basis and are not allocated to any operating segments. Transfer prices between segments are set at arm's-length basis in a manner similar to transactions with third parties. Segment revenues and segment results include transfers between segments. Those transfers are eliminated on consolidation.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

3.2 Operating segments

Information by operating segment

	Asia Pacific		Europe	
	2021	2020	**2021**	2020
Capacity and volumes sold (unaudited)				
Annual cement production capacity (Million t)	**91.1**	87.3	**73.2**	73.6
Sales of Cement (Million t)	**69.7**	63.0	**46.0**	44.6
Sales of Aggregates (Million t)	**34.6**	28.1	**115.9**	111.9
Sales of Ready-Mix Concrete (Million m^3)	**7.9**	7.4	**20.0**	18.1
Statement of income (Million CHF)				
Net sales to external customers	**5,947**	5,243	**8,032**	7,061
Net sales to other segments			**87**	93
TOTAL NET SALES	**5,947**	**5,243**	**8,119**	**7,154**
Recurring EBITDA after leases	**1,660**	**1,458**	**1,697**	**1,507**
Recurring EBITDA after leases margin in %	**27.9**	27.8	**20.9**	21.1
Recurring EBIT	**1,330**	**1,103**	**1,114**	**927**
Recurring EBIT margin in %	**22.4**	21.0	**13.7**	13.0
OPERATING PROFIT (LOSS)	**1,320**	**1,096**	**1,077**	**881**
Operating profit (loss) margin in %	**22.2**	20.9	**13.3**	12.3
Statement of financial position (Million CHF)				
Invested capital	**7,604**	7,264	**10,690**	10,671
Investments in associates and joint ventures	**2,078**	1,781	**215**	218
Total assets	**10,755**	9,801	**16,179**	15,974
Total liabilities	**3,798**	3,666	**7,321**	7,159
Statement of cash flows (Million CHF)				
Capex[1]	**389**	285	**446**	309
Income taxes paid	**116**	201	**132**	100
Personnel (unaudited)				
Number of personnel	**15,972**	16,447	**20,895**	20,423
Reconciliation of measures of profit and loss to the consolidated statement of income				
Recurring EBITDA after leases	**1,660**	**1,458**	**1,697**	**1,507**
Depreciation and amortization of property, plant and equipment, intangible and long-term assets	**(329)**	(355)	**(583)**	(580)
Recurring EBIT	**1,330**	**1,103**	**1,114**	**927**
Restructuring, litigation and other non-recurring costs	**(10)**	(29)	**(34)**	(5)
Impairment of operating assets		(31)	**(4)**	(42)
Reversal of impairment of operating assets		52		
OPERATING PROFIT (LOSS)	**1,320**	**1,096**	**1,077**	**881**
Profit on disposals and other non-operating income				
Loss on disposals and other non-operating expenses				
Share of profit (loss) of associates				
Financial income				
Financial expenses				
NET INCOME BEFORE TAXES				

[1] The capex consists of the purchase and disposal of property, plant and equipment.
[2] The results of Firestone Building Products are reported in the product line Solutions & Products and the majority of the results are reported within the operating segment North America (for more information see note 2.3).

Latin America		Middle East Africa		North America[2]		Corporate/Eliminations		Total Group	
2021	2020	**2021**	2020	**2021**	2020	**2021**	2020	**2021**	2020
40.1	38.6	**56.5**	56.3	**32.0**	32.0			**292.9**	287.8
27.3	23.9	**36.2**	33.3	**20.6**	19.8	**0.9**	5.7	**200.8**	190.4
6.4	4.8	**4.2**	3.5	**108.8**	108.0			**269.9**	256.3
4.7	4.0	**3.5**	2.7	**10.4**	10.0			**46.5**	42.3
2,611	2,225	**2,430**	2,349	**7,316**	5,749	**497**	516	**26,834**	23,142
32	22	**126**	40	**60**		**(305)**	(155)		
2,643	2,247	**2,557**	2,389	**7,376**	5,749	**192**	361	**26,834**	23,142
1,007	847	**595**	563	**1,940**	1,584	**(337)**	(344)	**6,562**	5,616
38.1	37.7	**23.3**	23.6	**26.3**	27.5			**24.5**	24.3
865	696	**388**	330	**1,333**	1,033	**(418)**	(414)	**4,612**	3,676
32.7	31.0	**15.2**	13.8	**18.1**	18.0			**17.2**	15.9
1,165	677	**82**	150	**1,277**	1,013	**(519)**	(445)	**4,401**	3,371
44.1	30.1	**3.2**	6.3	**17.3**	17.6			**16.4**	14.6
2,471	2,354	**4,377**	5,208	**13,150**	9,937	**826**	453	**39,118**	35,887
42	39	**1,323**	1,379	**56**	56			**3,714**	3,473
4,017	3,813	**4,899**	5,525	**17,264**	14,127	**6,771**	3,984	**59,885**	53,224
1,676	1,514	**2,189**	2,169	**7,293**	5,652	**7,134**	4,439	**29,411**	24,600
145	116	**109**	97	**331**	220	**(1)**		**1,420**	1,026
204	172	**56**	48	**201**	139	**118**	56	**828**	715
9,437	9,007	**9,001**	9,911	**12,759**	10,111	**1,608**	1,510	**69,672**	67,409
1,007	847	**595**	563	**1,940**	1,584	**(337)**	(344)	**6,562**	5,616
(142)	(151)	**(207)**	(233)	**(607)**	(551)	**(81)**	(70)	**(1,949)**	(1,940)
865	696	**388**	330	**1,333**	1,033	**(418)**	(414)	**4,612**	3,676
1	(3)	**(4)**	(11)	**(56)**	(11)	**(91)**	(31)	**(194)**	(89)
(2)	(16)	**(302)**	(172)		(9)	**(10)**		**(318)**	(269)
301			3					**301**	54
1,165	677	**82**	150	**1,277**	1,013	**(519)**	(445)	**4,401**	3,371
								36	15
								(231)	(60)
								(7)	15
								96	101
								(652)	(723)
								3,644	2,719

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

Information by product line

	Cement[1]		Aggregates	
Million CHF	**2021**	2020	**2021**	2020
Statement of income and statement of cash flows				
Net sales to external customers	**15,155**	13,970	**2,973**	2,722
Net sales to other segments	**1,244**	1,072	**1,064**	992
Total net sales	**16,399**	**15,043**	**4,037**	**3,713**
– of which Asia Pacific	**4,501**	3,968	**597**	515
– of which Europe	**3,983**	3,669	**1,934**	1,748
– of which Latin America	**2,292**	1,968	**36**	24
– of which Middle East Africa	**2,314**	2,189	**45**	36
– of which North America	**2,998**	2,848	**1,424**	1,390
– of which Corporate/Eliminations	**310**	401		
Recurring EBITDA after leases	**4,954**	**4,516**	**921**	**761**
– of which Asia Pacific	**1,383**	1,241	**190**	149
– of which Europe	**1,105**	1,076	**386**	298
– of which Latin America	**977**	827	**4**	
– of which Middle East Africa	**572**	541	**5**	6
– of which North America	**1,208**	1,123	**363**	334
– of which Corporate	**(292)**	(291)	**(27)**	(27)
Recurring EBITDA after leases margin in %	**30.2**	**30.0**	**22.8**	**20.5**
Recurring EBIT	**3,587**	**3,112**	**618**	**432**
– of which Asia Pacific	**1,127**	978	**142**	92
– of which Europe	**730**	697	**244**	163
– of which Latin America	**848**	692	**2**	(4)
– of which Middle East Africa	**376**	322	**2**	3
– of which North America	**828**	746	**256**	206
– of which Corporate	**(321)**	(324)	**(28)**	(28)
Recurring EBIT margin in %	**21.9**	**20.7**	**15.3**	**11.6**
Capex[3]	**1,084**	778	**209**	181
Personnel (unaudited)				
Number of personnel	**38,217**	39,061	**8,971**	8,498

[1] Cement, clinker and other cementitious materials.
[2] Precast, concrete products, asphalt, mortars, roofing systems and contracting and services. The results of Firestone Building Products are reported in the product line Solutions & Products and the majority of the results are reported within the operating segment North America (for more information see note 3.1).
[3] The capex consists of the purchase and disposal of property, plant and equipment.

	Ready-mix concrete		**Solutions & Products**[2]		**Corporate/ Eliminations**		**Total Group**
2021	2020	**2021**	2020	**2021**	2020	**2021**	2020
5,128	4,584	**3,578**	1,866			**26,834**	23,142
39	26	**33**	27	**(2,380)**	(2,117)		
5,167	**4,610**	**3,612**	**1,893**	**(2,380)**	**(2,117)**	**26,834**	**23,142**
877	817	**234**	187	**(262)**	(244)	**5,947**	5,243
2,123	1,874	**1,202**	862	**(1,123)**	(1,000)	**8,119**	7,154
396	323	**68**	56	**(149)**	(124)	**2,643**	2,247
225	185	**52**	56	**(80)**	(76)	**2,557**	2,389
1,546	1,411	**2,116**	732	**(709)**	(633)	**7,376**	5,749
		(60)		**(58)**	(40)	**192**	361
295	**166**	**392**	**173**			**6,562**	**5,616**
57	47	**30**	22			**1,660**	1,458
100	52	**106**	82			**1,697**	1,507
19	12	**7**	8			**1,007**	847
5	2	**12**	13			**595**	563
132	77	**237**	49			**1,940**	1,584
(19)	(25)	**(0)**	(1)			**(337)**	(344)
5.7	**3.6**	**10.8**	**9.2**			**24.5**	**24.3**
155	**32**	**252**	**100**			**4,612**	**3,676**
41	29	**20**	4			**1,330**	1,103
57	10	**84**	57			**1,114**	927
10	1	**6**	7			**865**	696
(1)	(7)	**11**	12			**388**	330
98	47	**151**	34			**1,333**	1,033
(49)	(48)	**(20)**	(14)			**(418)**	(414)
3.0	**0.7**	**7.0**	**5.3**			**17.2**	**15.9**
60	57	**63**	29	**4**	(19)	**1,420**	1,026
11,675	10,872	**10,159**	8,157	**650**	821	**69,672**	67,409

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

3.3 Information by country

	Net sales to external customers		Property, plant and equipment and intangible assets	
Million CHF	**2021**	2020	**2021**	2020
USA	**5,276**	3,992	**5,752**	4,548
India	**3,551**	3,075	**2,532**	2,346
Canada	**2,230**	1,870	**2,322**	2,257
France	**1,988**	1,761	**2,210**	2,344
United Kingdom	**1,745**	1,459	**1,351**	1,322
Australia	**1,190**	1,103	**954**	1,019
Mexico	**1,115**	894	**510**	494
Germany	**860**	829	**674**	658
Switzerland	**759**	805	**720**	688
Others	**8,120**	7,354	**8,862**	9,077
Total	**26,834**	**23,142**	**25,886**	**24,753**

Net sales to external customers are based primarily on the location of assets (origin of sales). There is no single external customer where net sales amount to 10 % or more of the Group net sales.

4. OPERATING PROFIT

4.1 Accounting principles

Operating profit excludes items that are not directly related to the Group's operating activities. These primarily relate to gains or losses on the disposal of material property, plant and equipment, gains or losses on the sale of Group companies, associates and joint ventures, revaluation gains or losses on previously held equity interests, indemnification provisions, disputes with minority shareholders, other major lawsuits, share of profit (loss) of associates and financial income and expenses.

4.2 Revenue recognition

Revenue from the sale of the Group's core products is recognized when delivery has taken place and control of the goods has been transferred to the customer. The customer obtains control of the goods when the significant risks and rewards of products sold are transferred according to the specific delivery terms that have been formally agreed with the customer, generally upon delivery when the bill of lading is signed by the customer as evidence that they have obtained physical possession and accepted the products delivered to them.

The core products are often sold with volume discounts. Revenue from these sales is recognized based on the price specified on the invoice, net of estimated discounts. Accumulated experience is used to estimate and provide for the discounts, using the most likely amount. A liability is recognized for expected volume discounts in relation to sales made until the end of the reporting period. No element of financing is deemed present as the sales are made with credit terms largely ranging between 30 days and 60 days depending on the specific terms agreed to with the Group company concerned, which is consistent with market practice. Generally, cement, aggregates and ready-mix concrete are not returned as a customer will only accept these products once they have passed a stringent quality check at delivery point.

The Group offers separately priced extended warranties covering roofing systems, generally ranging from 5 to 30 years. Revenues from such activities are deferred and recognized in income over the life of the warranty on a straight line basis.

Contract liabilities, which is a Group company's obligation to transfer goods or services to a customer for which the entity has already received consideration, relate mainly to advance payments from customers which are disclosed in note 10.5 and to volume incentive programs and warranty programs. As of 31 December 2021, contract liabilities amounted to CHF 574 million (2020: CHF 526 million).

A trade receivable is recognized when the products are delivered to a customer as this is the point in time that the consideration becomes unconditional because only a passage of time is required before the payment is due.

Contract assets, which is a Group company's right to consideration that is conditional on something other than the passage of time, relate mainly to construction and paving activities and are immaterial on a Group level.

The Group is also involved in providing services in conjunction with the sale of its core products and is developing retail activities in certain markets. However, both these activities remain immaterial on Group level at this stage.

4.3 Production cost of goods sold

Million CHF	2021	2020
Material expenses	**(5,808)**	(4,689)
Fuel expenses	**(1,508)**	(1,092)
Electricity expenses	**(1,249)**	(1,035)
Personnel expenses	**(1,960)**	(1,806)
Maintenance expenses	**(1,397)**	(1,267)
Depreciation, amortization and impairment	**(1,924)**	(2,080)
Other production expenses	**(1,347)**	(1,197)
Changes in inventory	**(106)**	(286)
Total	**(15,298)**	**(13,453)**

4.4 Research and development

Innovation through research and development projects plays a key part in the Group's activities. Holcim's innovation centers in France, Switzerland and a worldwide network of laboratories are delivering locally tailored solutions backed by global expertise.

Through this research network, research and development projects are carried out with a view to generate added value for customers through end user oriented products and services focusing on:

- breakthrough technologies aiming at production systems improvements,
- development of low carbon products and solutions aiming at environmental protection and lowering the Group's environmental footprint, and
- innovation through digital technology into all areas of Holcim's business, fundamentally changing how the Group operates and delivers value to customers.

Included in the Group's Operating profit are the research and development costs of CHF 237 million (2020: CHF 171 million).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

4.5 Summary of depreciation, amortization and impairment

Million CHF	2021	2020
Production facilities	(1,924)	(2,080)
Distribution and sales facilities	(298)	(315)
Administration facilities	(115)	(120)
Total depreciation, amortization and impairment of operating assets (a)	**(2,337)**	**(2,515)**
Of which net impairment (charge)/reversal relating to property, plant and equipment and assets classified as held for sale (note 11.2)	218	(163)
Of which impairment (charge) relating to goodwill (note 11.3)	(192)	0
Of which impairment (charge) relating to intangible assets (note 11.3)	(4)	(7)
Of which impairment (charge) relating to investments in joint ventures (note 6.4)	(39)	(45)
Impairment (charge) of long-term financial assets (note 7.3)	(68)	(18)
Impairment (charge) of investments in associates (note 6.9)	(27)	(7)
Other unusual items	1	2
Total depreciation, amortization and impairment of non-operating assets (b)	**(94)**	**(24)**
Total depreciation, amortization and impairment (a + b)	**(2,431)**	**(2,539)**
Of which depreciation of property, plant and equipment (note 11.2)	(1,792)	(1,820)
Of which depreciation of right-of-use assets (note 11.2)	(370)	(360)
Of which amortization of intangible assets (note 11.3)	(156)	(118)
Of which total net impairment (charge)	(112)	(240)

5. PROFIT AND LOSS ON DISPOSALS AND OTHER NON-OPERATING ITEMS

5.1 Accounting principles

Profit and loss on disposals and other non-operating items comprise gains or losses on the sale of Group companies and material property, plant and equipment and other non-operating items that are not directly related to the Group's operating activities such as revaluation gains or losses on previously held equity interests, indemnification provisions, disputes with non-controlling interests and major lawsuits.

5.2 Profit on disposals and other non-operating income

Million CHF	**2021**	2020
Dividends earned	**4**	4
Gain on disposals before taxes	**30**	8
Other	**2**	3
Total	**36**	**15**

In 2020 and 2021, the position "Gain on disposals before taxes", mainly includes several gains on disposal of property, plant and equipment.

5.3 Loss on disposals and other non-operating expenses

Million CHF	**2021**	2020
Depreciation, amortization and impairment of non-operating assets	**0**	(6)
Loss on disposals before taxes	**(161)**	(20)
Other	**(70)**	(35)
Total	**(231)**	**(60)**

In 2021, the Group recognized a "Loss on disposals before taxes" of CHF 161 million compared to a loss of CHF 20 million in 2020. The "Loss on disposals before taxes" of CHF 161 million in 2021 mainly resulted from the realization of currency translation differences following the divestments of its businesses in Middle East Africa (please refer to note 2.3).

In 2021, the position "Other" includes notably the expenses relating to its activities that are not part of its operating cycle or abandoned such as indemnification provisions.

In 2020, the position "Other" includes expenses incurred in connection with assets which are non-operating, abandoned, not part of the operating business cycle or impairment of associates.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

6. INVESTMENTS IN ASSOCIATES AND JOINT VENTURES

6.1 Accounting principles

The Group, in the course of its business, may enter into arrangements where it will exercise joint control over entities resulting in classifying these operations as joint ventures or joint operations depending on the rights and obligations arising from the contractual arrangement. Alternatively, it may enter into arrangements where it holds 20 to 50 percent of the voting rights and exercises significant influence resulting in these companies being classified as associate companies.

Investments in associates and joint ventures are accounted for using the equity method of accounting.

The Group's share of profit of joint ventures is classified within Operating profit as these operations form an integral part of the Group's financial performance, reflecting its core business activities. The Group's share of profit (loss) of associates is classified below Operating profit.

Goodwill arising from an acquisition is included in the carrying amount of the investments in joint ventures and associated companies.

Equity accounting is discontinued when the carrying amount of the investment together with any long-term interest in a joint venture or in an associate reaches zero, unless the Group has either incurred or guaranteed additional obligations in respect of the joint venture or associate.

The Group tests joint ventures or associates for impairment only when there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the net investment. Objective evidence of impairment includes events such as significant financial difficulties of the joint venture or associate or information about significant changes with an adverse effect that have taken place in the economic environment in which the joint venture or associate operates, and indicates that the carrying amount of the joint venture or associate may not be recovered.

An impairment loss is only recognized when the carrying amount of the joint venture or associate exceeds its recoverable amount, being the higher of value in use and fair value less costs of disposal.

The recoverable amount of an investment in a joint venture or associate is assessed for each joint venture or associate, unless the joint venture or associate does not generate cash inflows from continuing use that are largely independent of those from other assets of the Group.

6.2 Main changes during the current period

During 2021, Holcim acquired a participation of 21% in XtreeE and 17% in CCB (Carbon Capture Buildings Greentech), in France.

6.3 Main changes during the comparative period

During 2020, Holcim acquired a participation of 30% in CPC AG, Carbon Fiber reinforced Precast business, in Switzerland and Germany.

Million CHF	**2021**	2020
Investments in associates	**259**	256
Investments in joint ventures	**3,455**	3,217
Total	**3,714**	**3,473**

6.4 Movements in investments in joint ventures

Million CHF	2021	2020
1 January	**3,217**	**3,079**
Share of profit of joint ventures	**474**	448
Dividends earned	**(255)**	(184)
Net disposals	**(18)**	(12)
Reclassifications	**(13)**	8
Impairments	**(39)**	(45)
Currency translation effects	**88**	(78)
31 December	**3,455**	**3,217**

In 2021, the position “Net disposals” mainly relates to the Group's stake in a joint venture in Middle East Africa where the Group has obtained control over it, leading to its subsequent full consolidation. The position “Impairments” mainly relates to the impairment of the Group’s interest in certain joint ventures in Middle East Africa.

In 2020, the position “Net disposals” mainly relates to the sale of the Group’s interest in a joint venture in the United Kingdom. The position “Impairments” mainly relates to the impairment of the Group’s interest in certain joint ventures in Middle East Africa.

6.5 List of principal joint ventures

Principal joint ventures

Region	Company	Country of incorporation or residence	Effective participation (percentage of interest)
Asia Pacific	Cement Australia Holdings Pty Ltd	Australia	50.0%
	Huaxin Cement Co. Ltd.	China	41.8%
Middle East Africa	Lafarge Maroc S.A.S.	Morocco	50.0%
	Readymix Qatar L.L.C	Qatar	49.0%

Listed joint venture companies

Region	Company	Country	Municipality	Place of listing	Market capitalization at 31 December 2021 in local currency			Security code number
Asia Pacific	Huaxin Cement Co. Ltd. – cement A shares	China	Wuhan	Shanghai	CNY	26,284	million	CNE000000DC6
	Huaxin Cement Co. Ltd. – cement B shares	China	Wuhan	Shanghai	USD	1,352	million	CNE000000HL8
Middle East Africa	LafargeHolcim Maroc S.A.	Morocco	Casablanca	Casablanca	MAD	51,549	million	MA0000012320

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

6.6 Huaxin Cement Co. Ltd. (China)

As of 31 December 2021, the Group holds 41.8 percent (2020: 41.8 percent) of the voting rights in the joint venture company Huaxin Cement Co. Ltd.

The fair value of the investment in Huaxin Cement Co. Ltd. based on a quoted market price on 31 December 2021 amounted to CHF 1,966 million (2020: CHF 2,067 million).

Set out below is the summarized financial information for the material joint venture company Huaxin Cement Co. Ltd., which is accounted for using the equity method.

Since Huaxin Cement Co. Ltd. is a publicly listed company in China and has not yet published its financial statements for the year 2021, the disclosed amounts for the investments in the joint venture Huaxin Cement Co. Ltd. are as of 30 September 2021.

The summarized financial information presented below are the amounts included in the IFRS financial statements of Huaxin Cement Co. Ltd. as at 30 September 2021 and as at 31 December 2020. As of 30 September 2021, dividends of CHF 132 million (31 December 2020: CHF 142 million) were received from Huaxin Cement Co. Ltd.

Huaxin Cement Co. Ltd. – Statement of financial position

Million CHF	30.09.2021	31.12.2020
Cash and cash equivalents	1,131	1,164
Other current assets	1,035	875
Non-current assets	4,946	4,126
Total assets	**7,112**	**6,165**
Current financial liabilities	217	341
Other current liabilities	1,434	1,222
Long-term financial liabilities	1,082	734
Other non-current liabilities	192	153
Total liabilities	**2,925**	**2,450**
Net assets	**4,187**	**3,715**
Shareholders' equity (excluding non-controlling interest)	**3,834**	**3,423**

Huaxin Cement Co. Ltd. – Statement of comprehensive earnings

Million CHF	Jan-Sep 2021	Jan-Dec 2020
Net sales	**3,163**	**3,992**
Operating profit[1]	**680**	**1,076**
Loss on disposals and other non-operating expenses	(4)	(3)
Financial income	14	9
Financial expenses	(31)	(50)
Income taxes	(147)	(203)
Net income	**512**	**829**
Net income (excluding non-controlling interest)	465	755
Other comprehensive earnings	(4)	(35)
Total comprehensive earnings (excluding non-controlling interest)	**461**	**720**

[1] Of which CHF 265 million (2020: CHF 257 million) relate to depreciation and amortization charge.

In 2021, Holcim sold its business in Zambia and Malawi to its joint venture company Huaxin Cement Co. Ltd. (see note 2.3).

6.7 Lafarge Maroc S.A.S. (Morocco)

As of 31 December 2021, the Group holds 50 percent (2020: 50 percent) of the voting rights in the joint venture company Lafarge Maroc S.A.S.

Set out below is the summarized financial information for the material joint venture Lafarge Maroc S.A.S., which is accounted for using the equity method.

Since Lafarge Maroc S.A.S. is the parent company of LafargeHolcim Maroc S.A, a publicly listed company in Morocco which has not yet published its financial statements for the year 2021, the disclosed amounts for the investment in the joint venture Lafarge Maroc S.A.S. are as of 30 June 2021.

The summarized financial information presented below are the amounts included in the IFRS financial statements of Lafarge Maroc S.A.S. as at 30 June 2021 and as at 31 December 2020. As of 30 June 2021, dividends of CHF 25 million (31 December 2020: CHF 0 million) were received from Lafarge Maroc S.A.S.

Lafarge Maroc S.A.S. – Statement of financial position

Million CHF	**30.06.2021**	31.12.2020
Cash and cash equivalents	**27**	27
Other current assets	**284**	251
Non-current assets	**2,424**	2,393
Total assets	**2,735**	**2,671**
Current financial liabilities	**44**	76
Other current liabilities	**346**	267
Long-term financial liabilities	**687**	665
Other non-current liabilities	**258**	256
Total liabilities	**1,336**	**1,264**
Net assets	**1,400**	**1,407**
Shareholders' equity (excluding non-controlling interest)	**931**	**956**

Lafarge Maroc S.A.S. – Statement of comprehensive earnings

Million CHF	**Jan-Jun 2021**	Jan-Dec 2020
Net sales	**574**	**969**
Operating profit[1]	**193**	**271**
Loss on disposals and other non-operating expenses	**(7)**	(60)
Financial expenses	**(15)**	(37)
Income taxes	**(65)**	(69)
Net income	**107**	**105**
Net income (excluding non-controlling interest)	**67**	59
Other comprehensive earnings	**(4)**	(1)
Total comprehensive earnings (excluding non-controlling interest)	**64**	**58**

[1] Of which CHF 49 million (2020: CHF 110 million) relates to depreciation and amortization charge.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

6.8 Other joint ventures

In 2021, there are no unrecognized share of losses relating to other joint ventures (2020: CHF 15 million).

6.9 Movements in investments in associates

Million CHF	2021	2020
1 January	**256**	**258**
Share of profit of associates	**20**	15
Impairments	**(27)**	(7)
Subtotal	**(7)**	**8**
Dividends earned	**(9)**	(7)
Net (disposals) acquisitions	**(6)**	5
Reclassifications	**33**	(2)
Currency translation effects	**(7)**	(6)
31 December	**259**	**256**

As of 31 December 2021, the Group has no interests in associates that are considered as individually material.

There are no unrecognized share of losses relating to the above associates.

7. FINANCING ITEMS

7.1 Accounting principles

Financial income and expenses exclude items that are directly related to the Group's normal operating activities. They primarily relate to interest earned on cash and cash equivalents, interest expenses on borrowings, unwinding of discount on long-term provisions, net interest expense on retirement benefit plans, foreign exchange gains and losses and interest expenses on lease liabilities.

7.2 Financial income

Million CHF	2021	2020
Interest earned on cash and cash equivalents	64	88
Other financial income	32	13
Total	**96**	**101**

7.3 Financial expenses

Million CHF	2021	2020
Interest expenses	(344)	(387)
Interest expenses on lease liabilities	(59)	(67)
Fair value changes on financial instruments	4	(1)
Unwinding of discount on long-term provisions	(8)	(8)
Net interest expense on retirement benefit plans	(23)	(34)
Impairment of financial assets	(68)	(18)
Other financial expenses	(141)	(142)
Foreign exchange loss net	(13)	(74)
Financial expenses capitalized	0	7
Total	**(652)**	**(723)**

Interest expenses relate primarily to financial liabilities measured at amortized cost and include amortization of bonds and private placements amounting to CHF 11 million (2020: CHF 7 million). The remaining balance of CHF 61 million as at end of December 2021 (2020: CHF 69 million) relates to the purchase price allocation on bonds and private placements. The decrease in interest expenses in 2021 is a consequence of a general decline in interest rates (see note 14.4).

Interest expenses on lease liabilities include interest expenses related to ongoing lease contracts (see note 14.7).

Impairment of long-term financial assets includes write-offs of long-term financial receivables and loans.

Other financial expenses include costs for early bond redemptions, commitment fees on credit facilities, bank charges and accruals for interest related to ongoing legal and tax cases (see note 16.3).

Foreign exchange losses are mainly due to unhedged receivables and payables denominated in currencies other than the functional currencies.

The Group, as part of its activities, invests in large scale construction projects for which interest expenses are incurred. In accordance with IAS 23, such interest expenses incurred during the construction period are capitalized. Because such large-scale construction projects were financed by group cash in 2021, no financial expenses were capitalized.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

8. INCOME TAXES

8.1 Accounting principles

Income taxes

Holcim's business operations are subject to numerous income taxes imposed by state and local governments. Taxes recognized in the Group Consolidated Financial Statements reflect the Group's best estimate of the outcome based on the facts known at the balance sheet date in each individual country, including changes in tax laws or revised interpretations of existing tax rules and regulations, or on-going tax audits.

Significant judgment is often required in determining the Group's annual tax charges and in evaluating the Group tax positions. Although the Group believes the tax estimates are reasonable, the final determination of tax audits and any related disputes could be materially different from the Group's historical tax provisions and accruals, even if, in each jurisdiction where the Group operates, the Group assesses the tax positions in line with local tax laws and international guidelines, such as the ones issued by the Organisation for Economic Cooperation and Development (OECD).

Deferred taxes

Deferred tax is provided, using the balance sheet liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Tax rates enacted or substantively enacted by the end of the reporting period are used to determine the deferred tax expense.

Deferred tax assets are recognized to the extent that it is probable that future taxable profit will be available against which deductible temporary differences or unused tax losses can be utilized. Deferred tax liabilities are recognized for taxable temporary differences arising from investments in subsidiaries, associates and interests in joint arrangements except where the Group is able to control the distribution of earnings from these respective entities and where the earnings are considered permanently reinvested.

Deferred tax is charged or credited in the statement of income, expect when it relates to items credited or charged outside the statement of income, in which case the deferred tax is treated accordingly.

Long-term income tax liabilities

In the event, the Group expects to settle income taxes after twelve months from the balance sheet date, they are accordingly classified as long-term income tax liabilities and recognized at their discounted amount.

8.2 Tax expenses

Million CHF	**2021**	2020
Current taxes	**(902)**	(625)
Deferred taxes and non-current taxes	**(61)**	(92)
Total	**(963)**	**(717)**

In 2021, the current tax expense included CHF 4 million in connection with the divestment of Group companies.

8.3 Reconciliation of tax rate

	2021		2020	
Net income before taxes	**3,644**		2,719	
Group's expected tax charge/rate	**(885)**	**+24%**	**(668)**	**+25%**
Effect of non-recoverable withholding taxes	**(137)**		(15)	
Effect of non-deductible items	**(173)**		(141)	
Effect of non-taxable items	**169**		156	
Effect from deferred tax recognition and deferred tax asset write-offs	**60**		(62)	
Other effects	**3**		13	
Group's expected tax charge/rate	**(963)**	**+26%**	**(717)**	**+26%**

The expected tax charge at the applicable tax rate is the result of applying the domestic statutory tax rate to net income before taxes of each entity in the country it operates. For the Group, the expected tax rate varies year on year depending on the relative weight of net income of each individual entity in the Group's overall profit as well as the changes in statutory tax rates.

The Group's effective tax rate excluding impairments and divestments amounts to 25 percent (2020: 25 percent).

In 2021, total income taxes paid amounts to CHF 828 million (2020: CHF 715 million).

8.4 Deferred taxes

Deferred tax in the consolidated statement of financial position as follows:

Million CHF	**2021**	2020
Deferred tax assets	**(783)**	(513)
Deferred tax liabilities	**2,320**	1,885
Deferred tax liabilities net	**1,537**	**1,372**

The Group's recognition of deferred tax assets amounting to CHF 783 million (2020: CHF 513 million) reflects that the Group believes that sufficient taxable income will be generated to recover these assets in future periods, although uncertainties regarding the future realisation of recorded tax benefits on temporary differences and tax loss carryforwards from operations in various jurisdictions could result in material adjustments to the deferred tax assets recognized in future periods.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

Change in deferred tax assets and liabilities

Million CHF	Property, plant and equipment	Intangible and other long-term assets	Provisions and defined benefit obligations	Other	Tax losses carryforward	Total
2021						
Deferred tax liabilities net as at 1 January 2021	**2,572**	**(6)**	**(296)**	**(265)**	**(636)**	**1,372**
Charged (credited)						
– to the statement of income	(9)	34	43	45	(52)	61
– to other comprehensive income [1]	0	0	153	50	0	203
Change in scope [2]	(1)	(107)	(3)	(0)	(0)	(111)
Assets and liabilities revaluation including hyperinflation	29	0	0	1	0	30
Currency translation effects	(53)	(0)	3	27	8	(17)
Deferred tax liabilities net as at 31 December 2021	**2,538**	**(78)**	**(100)**	**(142)**	**(680)**	**1,537**
2020						
Deferred tax liabilities net as at 1 January 2020	**2,931**	**(41)**	**(393)**	**(255)**	**(801)**	**1,442**
Charged (credited)						
– to the statement of income	(107)	40	77	(40)	120	92
– to other comprehensive income [1]	0	(12)	13	(11)	0	(10)
Change in scope	6	0	0	6	0	12
Assets and liabilities revaluation including hyperinflation	12	0	0	8	0	20
Currency translation effects	(270)	7	7	27	45	(184)
Deferred tax liabilities net as at 31 December 2020	**2,572**	**(6)**	**(296)**	**(265)**	**(636)**	**1,372**

[1] The tax effects upon other comprehensive earnings are included within the consolidated statement of comprehensive earnings on page 167.
[2] Change in scope predominantly relates to the acquisition of Firestone Building Products and the resulting deferred tax asset booked of CHF 109 million. Refer to note 2.3 for further details.

8.5 Tax losses carryforward

Million CHF	Tax losses carry-forward 2021	Tax effect 2021	Tax losses carry-forward 2020	Tax effect 2020
Total tax losses carryforward	**9,072**	**2,141**	**9,498**	**2,222**
Of which reflected in deferred taxes	(3,230)	(680)	(3,131)	(636)
Total tax losses carryforward not recognized	**5,841**	**1,461**	**6,367**	**1,585**
Expiring as follows:				
Within 1 year	33	5	45	9
Between 2 and 5 years	310	59	266	53
Thereafter	5,499	1,396	6,056	1,523

In 2021, CHF 1,461 million (2020: CHF 1,585 million) of deferred tax assets on tax losses were not recognized as the Group considers it will not generate sufficient taxable income within the carryforward period to realize these deferred tax benefits in all jurisdictions where the Group operates.

8.6 Long-term income tax liabilities

The Group continually monitors its global tax position, and whenever uncertainties arise, the Group assesses the potential consequences and either accrues the liability or discloses a contingent liability in its financial statements, depending on the strength of the Group's position and the resulting risk of loss.

For the purpose of classifying an income tax liability as current or non-current, the Group analyses whether or not the extinguishment of such liability may occur within 12 months from the end of the reporting period and in particular whether or not the Group has the right to defer settlement beyond 12 months in each respective jurisdiction.

The long-term income tax liabilities of CHF 389 million (2020: CHF 348 million) includes the repatriation tax arising from the US tax reform amounting to CHF 50 million (2020: CHF 56 million).

9. EARNINGS PER SHARE

	2021	2020
Earnings per share in CHF	**3.73**	**2.74**
Net income – shareholders of Holcim Ltd (in million CHF)	**2,298**	1,697
Coupon relating to the subordinated fixed rate resettable notes (Net of tax) (in million CHF)[1]	**(18)**	(18)
Adjusted net income – shareholders of Holcim Ltd (in million CHF)	**2,280**	1,679
Weighted average number of shares outstanding	**610,503,848**	612,261,923
Fully diluted earnings per share in CHF	**3.72**	**2.74**
Adjusted net income – shareholders of Holcim Ltd (in million CHF)	**2,280**	1,679
Weighted average number of shares outstanding	**610,503,848**	612,261,923
Adjustment for assumed exercise of share options and performance shares	**1,502,320**	644,070
Weighted average number of shares for diluted earnings per share	**612,006,168**	612,905,993

[1] Holcim issued two perpetual subordinated notes: EUR 500 million at an initial fixed coupon of 3 percent in April 2019 and CHF 200 million at an initial fixed coupon of 3.5 percent in November 2018 (see note 17.1).

In conformity with the decision taken at the Annual General Meeting of shareholders on 4 May 2021, a dividend of CHF 2.00 per registered share for the financial year 2020 was paid out of the foreign capital reserves from tax capital contributions on 12 May 2021. This resulted in a total payment of CHF 1,222 million.

10. WORKING CAPITAL

10.1 Accounting principles

Trade accounts receivable

Trade accounts receivable are initially recognized at their invoiced amounts less any deductions such as trade discounts.

For trade accounts receivable, the Group applies the simplified approach with expected lifetime credit losses recognized from initial recognition of the receivables in the statement of income. The provision for doubtful debts is established using an expected credit loss model (ECL). The provision is based on a forward-looking ECL, which includes possible default events on the trade accounts receivable over the entire holding period of the receivable. This provision represents the difference between the trade accounts receivable's carrying amount in the consolidated statement of financial position and the estimated collectible amount.

The carrying amount of trade accounts receivable is reduced through use of an allowance account. Impaired trade accounts receivables are derecognized when they are assessed as uncollectable.

The impairment methodology applied for long-term loans and receivables considers whether there has been a significant increase in credit risk (see note 14.6).

Inventories

Inventories are stated at the lower of cost and net realizable value. Cost is determined by using the weighted average cost method. The cost of finished goods and work in progress comprises raw materials and additives, direct labor, other direct costs and related production overheads. Cost of inventories includes transfers from equity of gains or losses on qualifying cash flow hedges relating to inventory purchases.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

10.2 Trade accounts receivable

Million CHF	2021	2020
Trade accounts receivable – associates and joint ventures	**47**	96
Trade accounts receivable – third parties	**2,630**	2,209
Net carrying amount	**2,677**	**2,305**

Overdue accounts receivable

	2021			2020		
Million CHF	Gross carrying amount	Lifetime expected credit loss allowance	Net carrying amount	Gross carrying amount	Lifetime expected credit loss allowance	Net carrying amount
Not overdue	**2,024**	**(33)**	**1,991**	1,733	(31)	1,702
Overdue 1 to 89 days	**601**	**(11)**	**590**	474	(7)	467
Overdue 90 to 180 days	**52**	**(4)**	**48**	44	(5)	39
Overdue more than 180 days	**221**	**(173)**	**48**	272	(175)	97
Total	**2,898**	**(221)**	**2,677**	**2,523**	**(218)**	**2,305**

Due to the local nature of the business, specific terms and conditions for trade accounts receivable exist for local Group companies.

In some cases, trade accounts receivable are factored to third parties but the total amount is not considered material for the Group.

Allowance for doubtful accounts

Million CHF	2021	2020
1 January	**(218)**	**(205)**
Disposals of Group companies	**14**	3
Allowance recognized	**(87)**	(62)
Amounts used	**11**	2
Unused amounts reversed	**55**	26
Currency translation effects	**4**	18
31 December	**(221)**	**(218)**

Loss allowances for expected credit loss for financial assets measured at amortized cost are presented as a deduction from the gross carrying amount of the assets in the statement of financial position. The allowance in the table above relates to accounts receivable for which a lifetime expected credit loss is recognized. See note 14.6 for further details.

10.3 Inventories

Million CHF	2021	2020
Raw materials and additives	**459**	278
Semi-finished and finished products	**1,347**	1,120
Fuels	**297**	155
Parts and supplies	**505**	430
Total	**2,608**	**1,983**

In 2021, the Group recognized inventory write-downs to net realizable value of CHF 13 million (2020: CHF 3 million) relating mainly to parts and supplies.

10.4 Prepaid expenses and other current assets

Million CHF	2021	2020
Prepaid expenses and accruals	**239**	189
Other current assets	**226**	266
Other receivables – associates and joint ventures	**7**	5
Other receivables – third parties	**706**	558
Total	**1,178**	**1,017**

10.5 Trade accounts payable

Million CHF	2021	2020
Trade accounts payable – associates and joint ventures	**98**	115
Trade accounts payable – third parties	**3,647**	2,957
Advance payments from customers – third parties	**314**	279
Total	**4,059**	**3,351**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

11. PROPERTY, PLANT AND EQUIPMENT, GOODWILL AND INTANGIBLE ASSETS

11.1 Accounting principles

Property, plant and equipment

Property, plant and equipment is valued at acquisition or construction cost less depreciation and impairment losses. Cost includes transfers from equity of any gains or losses on qualifying cash flow hedges. Depreciation is charged to amortize the cost of property, plant and equipment over their estimated useful lives, using the straight-line method, on the following bases:

Land and mineral reserves	No depreciation except on land with raw material reserves (unit-of-production method)
Buildings and installations	20 to 40 years
Machinery and equipment	3 to 30 years

Useful lives of assets may be affected by climate-related matters because of transitional risks such as obsolescence and legal restrictions or physical risks as there is the potential for operations to be adversely impacted by extreme variability in weather patterns. The change in useful lives has a direct impact on the amount of depreciation or amortisation recognised each year. Management's review of useful lives has taken into consideration the impact of the Group's 2030 targets.

Costs are only included in the asset's carrying amount when it is probable that economic benefits associated with the item will flow to the Group in future periods and the cost of the item can be measured reliably. Costs include the initial estimate of the costs for dismantling and removing the item and for restoring the site on which it is located. All other repairs and maintenance expenses are charged to the statement of income during the period in which they are incurred.

Mineral reserves are valued at cost and are depreciated based on the unit-of-production method over their estimated commercial lives.

Costs incurred to gain access to mineral reserves (typically stripping costs) are capitalized and depreciated over the life of the quarry, which is based on the estimated tons of raw material to be extracted from the reserves.

Interest costs on borrowings to finance construction projects, which necessarily take a substantial period of time to get ready for their intended use, are capitalized during the period of time that is required to complete and prepare the asset for its intended use. All other borrowing costs are expensed in the period in which they are incurred.

Government grants received are deducted from property, plant and equipment and reduce the depreciation charge accordingly.

Goodwill and impairment testing

Goodwill arises in a business combination and is the excess of the consideration transferred to acquire a business over the underlying fair value of the net identified assets acquired. Such goodwill is tested annually for impairment or whenever there are impairment indicators, and is carried at cost less accumulated impairment losses. Goodwill on acquisitions of associates and joint ventures is included in the carrying amount of the respective investments.

Following a business combination, goodwill is allocated to a cash-generating unit or to a group of cash-generating units that are expected to benefit, among others, from the synergies of the business combination. The Group's cash-generating units (CGU) are defined on the basis of the geographical market normally country- or region-related. For the purpose of impairment testing, the Group's cash-generating units are aggregated into an operating segment, which is the level reviewed by the Group CEO (i.e. chief operating decision maker). The discount rate is determined on country or regional cluster level, and therefore disclosed as a range on the operating segment level. The aggregated carrying amount of goodwill that is being monitored at the operating segment level is detailed in note 11.3.

For the goodwill impairment test, the recoverable amount of a cash-generating unit is determined at the higher of its value in use and its fair value less costs of disposal. Management has used the value in use approach to calculate the recoverable amount of the cash-generating unit. The aggregated recoverable amount of the operating segment is then compared to its aggregated carrying amount. An impairment loss is recognized if the aggregated carrying amount of the operating segment exceeds its aggregated recoverable amount. The value in use is determined based on future discounted cash flows using the weighted average cost of capital (WACC). The discount rate reflects the current assessment of the time value of money and the risks specific to the CGU (essentially country risk).

The WACC used for the impairment test is a post-tax discount rate and is applied to post-tax cash flows. There is no material difference in the outcome of the impairment test using the discount rate applied when compared to using a pre-tax discount rate for pre-tax cash flows.

The cash flow projections are generally based on a three-year financial planning period using business plans approved by management. At year-end 2021, cash flow projections were based on a four-year financial planning period to align with the Group's Strategy 2025 - accelerating green growth. Holcim has assessed the impact of the change in estimate from a three-year to a four-year financial planning period and concluded that there would be an immaterial impact on their impairment conclusions. Cash flows beyond the planning period are extrapolated based on increasing sustainable cash flows.

The business plans include among others, management's current view on market growth, pricing and costs. In any event, the growth rate used to extrapolate cash flow projections beyond the planning period does not exceed the long-term average growth rate for the relevant market for the products and country in which the cash-generating unit operates. The long-term average growth rate is based on the long-term inflation rate and Gross Domestic Product for the relevant market concerned as published by the International Monetary Fund (IMF).

On disposal of a subsidiary or joint operation, the portion of the goodwill from the related operating segment is allocated to the subsidiary or joint operation disposed of and is included in the determination of profit or loss on disposal.

Impairment losses relating to goodwill cannot be reversed in future periods.

Goodwill arising from an acquisition of joint ventures and associated companies is included in the carrying amount of the net investment in an associate or a joint venture and is not separately recognized. Refer to note 6 for further details.

Sustainability and goodwill impairment testing
Sustainability is now a key factor considered by the Group in any investment decision. To reach its 2030 targets the Group continues to invest in process decarbonization, carbon efficient construction, circular economy, clean energy, biodiversity, air and water. In line with the financial reporting requirements, the business plans include the future investment projects which have been approved as of 31 December 2021.

To reach its 2050 targets, the Group continues to monitor and explore breakthrough technologies such as carbon capture, usage and storage (CCUS), which will be factored in the model when current pilots have been successfully scaled-up.

Carbon pricing is applicable in several markets where the Group operates, notably in Europe. It is reflected in the production cost assumptions in the business plans. The Group continues to monitor the emergence of new CO_2 regulatory pronouncements, which will be factored into the business plans once enacted.

Sensitivity analysis and goodwill impairment testing (see note 11.3)
Discount rates
A sensitivity analysis was performed on the discount rates at the cash-generating units' level, which accordingly is either at country or regional cluster level ,which is then aggregated into an operating segment for goodwill impairment purposes.

Recurring EBITDA margin
In addition, price and costs are also considered as key assumptions impacting the Recurring EBITDA margin. Therefore, the sensitivity on those key assumptions is tested through the Recurring EBITDA margin variability.

Long- term growth rate
No sensitivity analysis is run on long-term growth rate, as it is offset by the inflation rates included in the discount rates.

Intangible assets
Expenditure on acquired trademarks, mining rights, software, patented and unpatented technology and other intangible assets are capitalized and amortized using the straight-line method over their estimated useful lives, but not exceeding 20 years, except for mining rights which are depleted on a volume basis. Customer relationships were acquired as part of the acquisition of Firestone Building Products in March 2021 and which are amortized over 18 years (see note 2.3).

Impairment of non-financial assets
At each reporting date, the Group assesses whether there is any indication that a non-financial asset may be impaired. If any such indication exists, the recoverable amount of the non-financial asset is estimated in order to determine the extent of the impairment loss, if any. Where it is not possible to estimate the recoverable amount of an individual non-financial asset, the Group estimates the recoverable amount of the smallest cash generating unit to which the non-financial asset belongs. The recoverable amount is the higher of an asset's or cash generating unit's fair value less costs of disposal and its value in use. If the recoverable amount of a non-financial asset or cash generating unit is estimated to be less than its carrying amount, the carrying amount of the non-financial asset or cash generating unit is reduced to its recoverable amount. Impairment losses are recognized immediately in the statement of income.

Where an impairment loss subsequently reverses, the carrying amount of the non-financial asset or cash generating unit is increased to the revised estimate of its recoverable amount. However, this increased amount cannot exceed the carrying amount that would have been determined if no impairment loss had been recognized for that non-financial asset or cash generating unit in prior periods. A reversal of an impairment loss is recognized immediately in the statement of income.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

11.2 Property, plant and equipment

The Group assesses whether there is an indication that an impairment loss recognized in prior periods for an asset or cash generating unit other than goodwill may no longer exist or may have decreased.

Million CHF	Land and mineral reserves	Buildings and installations	Machinery and equipment	Construction in progress	Total
2021					
At cost of acquisition	7,612	10,022	27,612	1,304	46,549
Accumulated depreciation/impairment	(2,236)	(4,858)	(15,161)	(75)	(22,329)
Net book value as at 1 January	**5,376**	**5,164**	**12,451**	**1,229**	**24,220**
Acquisitions[1]	84	181	211	25	501
Divestments	(6)	(18)	(94)	(10)	(127)
Additions	6	11	214	1,402	1,633
Lease additions	59	53	229	0	342
Disposals	(19)	(7)	(16)	(4)	(47)
Modifications and reassessments of leases	14	(6)	(3)	0	5
Reclassifications	68	248	835	(1,170)	(19)
Depreciation	(231)	(427)	(1,501)	(3)	(2,162)
Hyperinflation[2]	15	15	45	(10)	65
Impairment charge	(12)	(8)	(63)	0	(83)
Reversal of impairment	0	76	225	0	301
Currency translation effects	(3)	(23)	(94)	(66)	(187)
Net book value as at 31 December	**5,352**	**5,259**	**12,438**	**1,392**	**24,441**
At cost of acquisition	7,739	10,322	28,260	1,453	47,774
Accumulated depreciation/impairment	(2,387)	(5,063)	(15,822)	(61)	(23,333)
Net book value as at 31 December	**5,352**	**5,259**	**12,438**	**1,392**	**24,441**

Million CHF	Land and mineral reserves	Buildings and installations	Machinery and equipment	Construction in progress	Total
2020					
At cost of acquisition	7,906	10,443	29,747	1,510	49,607
Accumulated depreciation/impairment	(2,237)	(4,709)	(15,386)	(86)	(22,418)
Net book value as at 1 January	**5,670**	**5,734**	**14,361**	**1,424**	**27,189**
Acquisitions	85	8	36	5	134
Divestments	(1)	(1)	(29)	0	(31)
Additions	14	1	37	998	1,050
Lease additions	50	29	241	0	321
Disposals	(21)	(2)	(24)	0	(47)
Modifications and reassessments of leases	5	(1)	(35)	0	(31)
Reclassifications	137	269	682	(1,048)	38
Reclassification to held for sale	65	118	288	(2)	468
Depreciation	(238)	(374)	(1,568)	0	(2,180)
Hyperinflation[2]	18	11	32	18	79
Impairment charge	(16)	(70)	(119)	(12)	(217)
Reversal of impairment	3	1	49	1	54
Currency translation effects	(394)	(559)	(1,499)	(154)	(2,606)
Net book value as at 31 December	**5,376**	**5,164**	**12,451**	**1,229**	**24,220**
At cost of acquisition	7,612	10,022	27,612	1,304	46,549
Accumulated depreciation/impairment	(2,236)	(4,858)	(15,161)	(75)	(22,329)
Net book value as at 31 December	**5,376**	**5,164**	**12,451**	**1,229**	**24,220**

[1] See more information in note 2.3.
[2] See more information in note 2.2.

In 2021, the Group signed an agreement with CSN (Companhia Siderúrgica Nacional) for the divestment of its business in Brazil, which is expected to close in 2022. The assets to be divested comprised largely of five integrated cement plants, four grinding stations, six aggregates sites and 19 ready-mix concrete facilities. As fair value less costs of disposal (i.e. selling price, using Level 1 inputs in accordance with the fair value hierarchy) is higher than the aggregated carrying amount, a reversal of impairment of CHF 280 million was recorded as of 31 December 2021 in the line "production cost of goods sold".

In connection with an ongoing legal case (see note 16.3), property, plant and equipment of a carrying amount of CHF 17 million (2020: CHF 17 million) are pledged.

The position “Property, plant and equipment” includes owned property, plant and equipment and right-of-use assets for lease contracts, as described below:

- Land: Land is leased for production sites and distribution facilities;
- Buildings and installations: Buildings and installations include buildings and installations for production purposes as well as office rent;
- Machinery, equipment and vehicles: Machinery and equipment are used in the manufacturing and distribution processes. Heavy mobile equipment, trucks and vehicles are leased for production and transportation purposes.

Right-of-use assets

Million CHF	Land	Buildings and installations	Machinery, equipment and vehicles	Total right-of-use assets
2021				
Net book value as of 1 January	**400**	**204**	**665**	**1,269**
Divestments	**0**	**(3)**	**(3)**	**(6)**
Acquisitions	**4**	**67**	**7**	**78**
Lease additions	**59**	**53**	**229**	**342**
Depreciation	**(58)**	**(59)**	**(252)**	**(370)**
Modifications and reassessments of leases and others	**14**	**(6)**	**(3)**	**5**
Currency translation effects	**0**	**(3)**	**3**	**0**
Net book value as of 31 December	**420**	**254**	**646**	**1,319**
2020				
Net book value as of 1 January	420	235	763	1,419
Divestments	(1)	0	0	(1)
Acquisitions	0	0	2	2
Lease additions	50	29	241	321
Depreciation	(53)	(50)	(258)	(360)
Net impairment charge	0	(1)	(4)	(5)
Reclassification to held for sale	(1)	6	11	15
Modifications and reassessments of leases and others	5	(1)	(35)	(31)
Currency translation effects	(20)	(14)	(56)	(90)
Net book value as of 31 December	400	204	665	1,269

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

11.3 Goodwill and intangible assets

Million CHF	Goodwill	Intangible assets
2021		
At cost of acquisition	**14,422**	**1,992**
Accumulated amortization/impairment	**(2,009)**	**(1,459)**
Net book value as at 1 January	**12,413**	**533**
Change in scope[1]	**1,875**	**1,055**
Reclassification	**0**	**22**
Additions	**0**	**54**
Disposals	**0**	**(25)**
Amortization	**0**	**(156)**
Impairment charge	**(192)**	**(4)**
Hyperinflation[2]	**8**	**0**
Currency translation effects	**(149)**	**(34)**
Net book value as at 31 December	**13,954**	**1,446**
At cost of acquisition	**15,985**	**3,040**
Accumulated amortization/impairment	**(2,030)**	**(1,594)**
Net book value as at 31 December	**13,954**	**1,446**

2020		
At cost of acquisition	**15,405**	**2,171**
Accumulated amortization/impairment	**(2,366)**	**(1,527)**
Net book value as at 1 January	**13,039**	**644**
Change in scope	**25**	**(4)**
Changes in classification as held for sale	**436**	**5**
Reclassification	**0**	**7**
Additions	**0**	**53**
Disposals	**0**	**(11)**
Amortization	**0**	**(118)**
Impairment charge	**0**	**(7)**
Hyperinflation[2]	**9**	**0**
Currency translation effects	**(1,096)**	**(36)**
Net book value as at 31 December	**12,413**	**533**
At cost of acquisition	**14,422**	**1,992**
Accumulated amortization/impairment	**(2,009)**	**(1,459)**
Net book value as at 31 December	**12,413**	**533**

[1] Mainly related to the acquisition of Firestone Building Products (see note 2.3).
[2] See more information in note 2.2.

Intangible assets
Intangible assets mainly consist of mining rights, trademarks, brands, software and customer relationships. Intangible assets have finite useful lives, over which the assets are amortized. More specifically, customer relationships were acquired as part of the acquisition of Firestone Building Products in March 2021 (see note 2.3).

The corresponding amortization expense is recognized largely in administration expenses and production cost of goods sold.

Emission rights
The initial allocation of emission rights granted is recognized at nominal amount (nil value). Where a Group company has emissions in excess of the emission rights granted, it will recognize a provision for the shortfall based on the market price at that date. The emission rights are held for compliance purposes only and therefore the Group does not intend to speculate with these in the open market.

Impairment testing of goodwill

Key assumptions used for value-in-use calculations in respect of goodwill 2021

Operating segments (Million CHF)	Carrying amount of goodwill	Currency	Post-tax discount rates[1]	Long-term growth rates[1]	Rec. EBITDA margins Terminal value
North America[2]	6,459	USD/CAD	6.7%	2.2%	30.2%
Europe	3,900	Various	5.8%-12.8%	1.0%-5.0%	22.9%
Asia Pacific	1,801	Various	6.7%-12.8%	2.2%-5.5%	30.4%
Middle East Africa	836	Various	8.1%-31.9%	1.8%-20.0%	25.1%
Latin America	935	Various	8.0%-44.1%	1.0%-40.0%	42.9%
Others	23	Various	5.8%-7.6%	1.0%-2.0%	-
Total	**13,954**				

[1] -The discount rates and long-term growth rates are determined on country and regional cluster level, and therefore disclosed as a range at the operating segment level.
[2] Including goodwill resulting from the acquisition of Firestone Building Products in 2021, which was determined provisionally pending the finalization of the valuation for those assets and liabilities.

Key assumptions used for value-in-use calculations in respect of goodwill 2020

Operating segments (Million CHF)	Carrying amount of goodwill	Currency	Post-tax discount rates[1]	Long-term growth rates[1]	Rec. EBITDA margins Terminal value
North America	4,366	USD/CAD	6.6%	2.2%	30.8%
Europe	3,998	Various	6.0%-12.7%	1.0%-5.0%	24.7%
Asia Pacific	1,802	Various	6.8%-12.4%	2.4%-5.5%	22.1%
Middle East Africa	1,210	Various	7.9%-20.9%	2.0%-16.0%	26.9%
Latin America	1,016	Various	8.0%-44.6%	1.0%-40.0%	39.2%
Others	22	Various	5.7%-8.1%	1.0%-2.6%	-
Total	**12,413**				

[1] The discount rates and long-term growth rates are determined on country and regional cluster level, and therefore disclosed as a range at the operating segment level.

As of end of December 2021, the Group conducted its annual goodwill impairment test review and identified that the aggregated carrying amount of the operating segment Middle East Africa exceeds its aggregated recoverable amount (based on the value in use approach and post-tax discount rate ranges in the 2021 table above) resulting in an impairment loss recognized for CHF 192 million reflected in the line "production cost of goods sold". The impairment charge resulted from a weaker outlook of the macro-economic environment and higher WACC due to economic and/or political uncertainty in countries where some Group companies operate.

In 2020, no goodwill impairment charge was recognized.

Sensitivity analysis

A sensitivity analysis, which represents management's assessment of the economic environment in which these CGUs (aggregated in the Middle East Africa operating segment) operate, is presented below.

Additional impairment that would arise as a result of:

		Middle East Africa Operating segment 2021 (Million CHF)
Post-tax discount rates	Increased by 0.5%	173
EBITDA Margins	Decrease by 1.0%	155

With regard to the assessment of value in use of an operating segment, management believes that except for the operating segment listed above, a reasonably possible change would not cause the carrying amount of an operating segment to materially exceed its recoverable amount.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

12. FINANCIAL INVESTMENTS AND OTHER FINANCIAL ASSETS

12.1 Accounting principles

Financial investments and other financial assets consist of:

a) "Financial investments – third parties" are strategic equity investments which are classified at fair value through other comprehensive earnings.

b) "Long-term receivables – associates and joint ventures" are classified as receivables at amortized cost as the Group intends to hold the assets to maturity to collect contractual cash flows.

c) "Long-term receivables – third parties" are classified as receivables at amortized cost as the Group intends to hold the assets to maturity to collect contractual cash flows.

d) "Other long-term assets" are classified as receivables at amortized cost and comprise notably of various deposits in connection with on-going legal and tax cases.

Financial assets at amortized cost are measured using the effective interest method.

All purchases and sales of long-term financial assets are recognized on trade date, which is the date that the Group commits to purchase or sell the asset. The purchase cost includes transaction costs, except for derivative instruments.

Strategic equity investments are investments where the Group generally owns less than 20 percent of the shares and where the Group does not exercise control, joint control or significant influence and which it intends to hold for long-term strategic purposes. Gains and losses arising from changes in the fair value of strategic equity investments at fair value through other comprehensive earnings are included in other reserves until the asset is disposed of, at which time the cumulative gain or loss previously recognized in other reserves is transferred to retained earnings.

Financial assets measurement

At initial recognition, in the case of a financial asset not at fair value through profit or loss, the Group measures a financial asset at its fair value plus transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at fair value through profit or loss are expensed in profit or loss.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

a) Debt instruments
Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the cash flow characteristics of the asset. There are two measurement categories into which the Group classifies its debt instruments:

- Loans and receivables at amortized cost: Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortized cost. A gain or loss on a debt investment that is subsequently measured at amortized cost and is not part of a hedging relationship is recognized in profit or loss when the asset is derecognized or impaired. Interest income from these financial assets is included in finance income using the effective interest rate method.
- Financial assets at fair value through profit and loss: Assets that do not meet the criteria for amortized cost and are held for trading are measured at fair value through profit or loss. Gains and losses on debt investments that are subsequently measured at fair value through profit or loss and are not part of a hedging relationship are recognized in profit or loss and presented net in the profit or loss statement in the period in which they arise. Interest income from these financial assets is included in financial income.

The Group reclassifies debt investments when and only when its business model for managing those assets changes.

b) Equity instruments at fair value
The Group subsequently measures all equity investments at fair value. Where the Group's management has elected to present fair value gains and losses on strategic equity investments at fair value through other reserves, there is no subsequent reclassification of fair value gains and losses to profit or loss. Dividends from such investments continue to be recognized in profit or loss when the Group's right to receive payments is established.

12.2 Long-term financial investments and other long-term assets

Million CHF	2021	2020
Financial investments – third parties	**136**	143
Financial investments – unconsolidated group companies	**114**	0
Long-term receivables – associates and joint ventures	**91**	48
Long-term receivables – third parties	**99**	112
Deferred charges	**56**	86
Other long-term assets	**472**	470
Total	**968**	**859**
Of which pledged/restricted	**0**	0

Long-term receivables and other long-term assets are primarily denominated in INR, AUD, USD, BRL and EUR. The repayment dates vary between one and 28 years (2020: one and 20 years).

Financial investments – unconsolidated group companies relate to the acquisition in December 2021 of two subsidiaries in Europe (PTB-Compaktuna and the aggregate and concrete businesses segments of HALYPS) that is subject to the provisional purchase price allocation exercise to be completed in the first quarter of 2022. For further detail see note 2.3.

12.3 Current financial receivables

Million CHF	2021	2020
Marketable securities	**6**	4
Current financial receivables – associates and joint ventures	**18**	86
Current financial receivables – third parties	**237**	158
Total	**261**	**247**
Of which pledged/restricted	**123**	112

13. ASSETS AND RELATED LIABILITIES CLASSIFIED AS HELD FOR SALE

13.1 Accounting principles

Non-current assets (or disposal groups) are classified as held for sale and stated at the lower of carrying amount and fair value less costs to sell if their carrying amount is to be recovered principally through a sale transaction rather than through continuing use.

13.2 Assets and related liabilities classified as held for sale

The net assets classified as held for sale as of 31 December 2021 amount to CHF 104 million (2020: CHF 114 million).

Million CHF	**2021**	2020
Property, plant and equipment	**71**	81
Intangible assets	**33**	33
Assets classified as held for sale	**104**	**114**

As of 31 December 2021 and 2020, there are no liabilities directly associated with assets classified as held for sale.

14. NET FINANCIAL DEBT

14.1 Accounting principles

Cash and cash equivalents

Cash and cash equivalents are financial assets. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash with maturities of three months or less from the date of acquisition and are subject to an insignificant risk of changes in value. For the purpose of the statement of cash flows, cash and cash equivalents is presented net of bank overdrafts.

Derivative instruments and hedging

The Group mainly uses derivative financial instruments in order to reduce its exposure to changes in interest rates, foreign currency exchange rates and commodity prices. The Group enters into foreign exchange contracts and interest rate swaps to hedge certain exposures relating to debt, foreign exchange contracts to hedge firm commitments for the acquisition of certain property, plant and equipment and into swaps and options in order to manage its exposure to commodity risks.

Derivatives are regarded as hedging instruments under hedge accounting relationships unless they are not designated as hedges in which case they will be classified as held for trading. Financial derivatives expected to be settled within twelve months after the end of the reporting period are classified as current liabilities or current assets. For cash flow hedges, gains and losses are recorded in the cash flow hedging reserve, a separate component of equity, and recycled to profit or loss or as a basis adjustment to inventory or property, plant and equipment as the hedged transaction occurs.

Derivatives are initially recognized at fair value on the date a derivative contract is entered into and are subsequently remeasured at their fair value. The method of recognizing the resulting gain or loss is dependent on the nature of the item being hedged. On the date a derivative contract is entered into, the Group designates certain derivatives as either (a) a hedge of the fair value of a recognized asset or liability (fair value hedge) or (b) a hedge of a particular risk associated with a recognized asset or liability, such as future interest payments on floating rate debt (cash flow hedge) or (c) a hedge of a foreign currency risk of a firm commitment or highly probable forecast (cash flow hedge) or (d) a hedge of a net investment in a foreign entity (accounted for similarly to a cash flow hedge).

Changes in the fair value of derivatives that are designated and qualify as fair value hedges and that are highly effective are recorded in the statement of income, along with any changes in the fair value of the hedged asset or liability that is attributable to the hedged risk.

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognized in the cash flow hedging reserve within equity, limited to the cumulative change in fair value of the hedged item on a present value basis from the inception of the hedge. The gain or loss relating to the ineffective portion is recognized immediately in profit or loss.

Where the firm commitment results in the recognition of an asset, for example, property, plant and equipment, or a liability, the gains or losses previously deferred in the cash flow hedging reserve are transferred from equity and included in the initial measurement of the non-financial asset or liability. Otherwise, amounts deferred in equity are transferred to the statement of income and classified as income or expense in the same periods during which the cash flows, such as hedged firm commitments or interest payments, affect the statement of income.

The Group documents at the inception of hedging transactions the economic relationship between hedging instruments and hedged items, including whether the hedging instrument is expected to offset changes in cash flows of hedged items, and its risk management objective and strategy.

Long-term financial liabilities

Bank loans acquired and bonds issued are recognized initially at fair value (i.e. the proceeds received), net of transaction costs incurred. Subsequently, bank loans and bonds are stated at amortized cost, using the effective interest method, with any difference between proceeds (net of transaction costs) and the redemption value being recognized in the statement of income over the term of the borrowings.

Financial liabilities that are due within twelve months after the end of the reporting period are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability until more than twelve months after the reporting period. The repayment of the current portion of such liabilities is shown in the statement of cash flows in the line “Repayment of long-term financial liabilities”.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

14.2 Net financial debt

Million CHF	31.12.2020	Cash flows	Non cash flows	31.12.2021
Current financial liabilities [1]	2,064	111	215	**2,391**
Long-term financial liabilities	11,710	2,609	196	**14,514**
Gross financial debt	13,774	2,720	411	**16,905**
Derivative assets	(100)	–	(146)	**(246)**
Cash and cash equivalents	(5,190)	(1,457)	(34)	**(6,682)**
Net financial debt	**8,483**	**1,262**	**232**	**9,977**

[1] Including bank overdraft cash flow movement for CHF 7 million.

Million CHF	2021	2020
Net financial debt as at the beginning of the period	**8,483**	10,110
Cash flow from operating activities	**(5,045)**	(4,618)
Cash flow from investing activities	**4,710**	1,231
Payout on ordinary shares	**1,222**	1,224
Dividends paid to non-controlling interest	**139**	279
Coupon paid on subordinated fixed rate resettable notes	**23**	22
Capital repaid to non-controlling interest	**1**	4
Movements of treasury shares	**211**	106
Increase in participation in existing Group companies	**2**	12
Total cash effective movements as per statement of cash flows	**1,262**	(1,739)
Change in scope [1]	**222**	0
Currency translation effects	**(289)**	(108)
Increase in long-term lease liabilities	**341**	317
Others	**(42)**	(97)
Total non cash effective movements	**232**	112
Net financial debt as at the end of the period	**9,977**	**8,483**

[1] Change in scope predominantly relates to the acquisition of Firestone Building Products and a number of bolt on acquisitions (see note 2.3).

14.3 Cash and cash equivalents

Million CHF	2021	2020
Cash at banks and on hand	**2,214**	1,815
Short-term deposits [1]	**4,468**	3,375
Total	**6,682**	**5,190**
Bank overdrafts	**(66)**	(89)
Cash and cash equivalents for the purpose of the consolidated statement of cash flows	**6,615**	**5,101**

[1] Of which CHF 197 million (2020: CHF 357 million) are investments in monetary mutual funds.

14.4 Financial liabilities

Million CHF	2021	2020
Current financial liabilities – associates and joint ventures	**13**	32
Current financial liabilities – third parties	**761**	544
Current portion of long-term financial liabilities	**1,586**	1,472
Derivative liabilities (note 14.5)	**31**	16
Total current financial liabilities	**2,391**	**2,064**
Long-term financial liabilities – associates and joint ventures	**1**	0
Long-term financial liabilities – third parties	**14,251**	11,707
Derivative liabilities (note 14.5)	**262**	3
Total long-term financial liabilities	**14,514**	**11,710**
Total	**16,905**	**13,774**
Of which secured	**78**	75

Details of total financial liabilities

Million CHF	2021	2020
Loans from financial institutions	**856**	778
Bonds and private placements	**14,026**	11,424
Commercial paper notes	**340**	216
Total loans and bonds	**15,222**	**12,418**
Lease liabilities (note 14.7)	**1,390**	1,336
Derivative liabilities (note 14.5)	**293**	19
Total	**16,905**	**13,774**

"Loans from financial institutions" include amounts due to banks and other financial institutions. Repayment dates vary between one and ten years (2020: one and eleven years). As per the loan agreements, the Group is required to comply with certain provisions or covenants. As of 31 December 2021, the Group complied with its debt covenants in all material respects.

As of 31 December 2021, the unused committed credit lines totalled CHF 5,299 million (2020: CHF 6,982 million).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

Financial liabilities by currency

			2021			2020
Currency	Million CHF	In %	Interest rate[1]	Million CHF	In %	Interest rate[1]
EUR	**7,482**	**44.3**	**1.2%**	5,880	42.7	1.6%
USD	**5,336**	**31.6**	**3.3%**	4,139	30.1	3.8%
CHF	**2,450**	**14.5**	**1.1%**	2,117	15.4	1.9%
GBP	**653**	**3.9**	**2.8%**	498	3.6	3.0%
AUD	**296**	**1.8**	**3.7%**	329	2.4	3.7%
CAD	**208**	**1.2**	**3.4%**	201	1.5	3.5%
INR	**168**	**1.0**	**5.3%**	169	1.2	5.1%
NGN	**43**	**0.3**	**15.1%**	96	0.7	14.1%
Others	**269**	**1.6**	**6.1%**	345	2.5	6.2%
Total	**16,905**	**100.0**	**2.1%**	**13,774**	**100.0**	**2.7%**

[1] Weighted average nominal interest rate on financial liabilities at 31 December.

Interest rate structure of total financial liabilities

Million CHF	2021	2020
Financial liabilities at fixed rates	**9,956**	9,254
Financial liabilities at floating rates	**6,949**	4,520
Total	**16,905**	**13,774**

Financial liabilities that are hedged to a fixed or floating rate are disclosed on a post hedge basis.

Information on the maturity of financial instruments is disclosed in note 14.6.

Bonds and private placements as at 31 December

Nominal value		Nominal interest rate	Effective interest rate	Term	Description[1]	Net book value in CHF[2]	Net book value in CHF[2]
Million						**2021**	2020
Holcim Ltd							
CHF	412	3.00%	2.97%	2012–2022	Bonds (partially repaid in 2020)	**412**	412
CHF	222	2.00%	2.02%	2013–2022	Bonds (partially repaid in 2020)	**222**	222
CHF	240	0.38%		2015–2021	Bonds	**0**	240
CHF	150	1.00%	1.03%	2015–2025	Bonds	**150**	150
CHF	440	1.00%	0.98%	2018–2024	Bonds	**440**	440
Holcim Overseas Finance Ltd.							
CHF	335	3.38%		2011–2021	Bonds guaranteed by Holcim Ltd	**0**	335
Lafarge S.A.							
USD	483	7.13%	5.90%	2006–2036	Bonds (partially repaid in 2021)	**502**	530
Holcim Capital Corporation Ltd.							
USD	50	7.65%	7.65%	2001–2031	Private placement guaranteed by Holcim Ltd	**46**	44
USD	250	6.88%	7.28%	2009–2039	Bonds guaranteed by Holcim Ltd	**222**	214
USD	250	6.50%	6.85%	2013–2043	Bonds guaranteed by Holcim Ltd	**222**	214
Holcim Finance (Luxembourg) S.A.							
EUR	320	3.00%	3.12%	2014–2024	Bonds guaranteed by Holcim Ltd	**330**	345
EUR	33	2.00%	2.03%	2016–2026	Schuldschein loan guaranteed by Holcim Ltd	**34**	35
EUR	152	1.46%	1.51%	2016–2023	Schuldschein loan guaranteed by Holcim Ltd	**157**	164
EUR	869	1.38%	1.44%	2016–2023	Bonds guaranteed by Holcim Ltd	**898**	939
EUR	413	1.04%		2016–2021	Schuldschein loan guaranteed by Holcim Ltd	**0**	447
EUR	1,150	2.25%	2.23%	2016–2028	Bonds guaranteed by Holcim Ltd, swapped into floating interest rate	**1,182**	1,276
EUR	750	1.75%	1.90%	2017–2029	Bonds guaranteed by Holcim Ltd	**768**	802
EUR	500	0.50%	2.25%	2019–2026	Bonds guaranteed by Holcim Ltd (bond exchange)	**476**	489
EUR	500	2.38%	2.49%	2020–2025	Bonds guaranteed by Holcim Ltd	**515**	539
EUR	850	0.50%	0.59%	2020–2031	Bonds guaranteed by Holcim Ltd (sustainability-linked bond), swapped into USD and floating interest rate	**830**	910
EUR	500	0.13%	0.22%	2021–2027	Bonds guaranteed by Holcim Ltd, swapped into USD and floating interest rate	**501**	0
EUR	650	0.63%	0.69%	2021–2033	Bonds guaranteed by Holcim Ltd, swapped into USD and floating interest rate	**633**	0
EUR	500	0.63%	0.79%	2021–2030	Bonds guaranteed by Holcim Ltd	**510**	0
EUR	1,000	0.50%	0.64%	2021–2030	Bonds guaranteed by Holcim Ltd, partially swapped into floating interest rate	**1,017**	0
EUR	300	1.38%	1.49%	2021–2036	Private placement guaranteed by Holcim Ltd	**306**	0
Holcim Finance (Australia) Pty Ltd							
AUD	300	3.50%	3.73%	2017–2022	Bonds guaranteed by Holcim Ltd	**199**	203
Holcim US Finance S. à r.l. & Cie S.C.S.							
USD	50	4.20%	4.20%	2013–2033	Bonds guaranteed by Holcim Ltd	**46**	44
USD	100	2.24%	2.28%	2021–2031	Private placement guaranteed by Holcim Ltd (sustainability-linked private placement)	**91**	0
Subtotal						**10,709**	**8,995**

[1] With fixed rates unless indicated.
[2] Includes adjustments for fair value hedge accounting, where applicable.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

Nominal value		Nominal interest rate	Effective interest rate	Term	Description[1]	Net book value in CHF[2]	Net book value in CHF[2]
Million						**2021**	2020
Subtotal						**10,709**	**8,995**
Holcim International Finance Ltd							
USD	40	2.80%		2016–2021	Schuldschein loan guaranteed by Holcim Ltd	**0**	35
USD	15	3.20%	3.27%	2016–2023	Schuldschein loan guaranteed by Holcim Ltd	**14**	13
USD	110	1.08%	2.10%	2018–2022	Schuldschein loan guaranteed by Holcim Ltd, with floating interest rate	**100**	97
USD	38	4.38%	4.48%	2018–2024	Schuldschein loan guaranteed by Holcim Ltd	**34**	33
USD	28	1.33%	2.10%	2018–2024	Schuldschein loan guaranteed by Holcim Ltd, with floating interest rate	**26**	25
USD	60	4.59%	4.68%	2018–2025	Schuldschein loan guaranteed by Holcim Ltd	**55**	53
USD	60	1.53%	2.17%	2018–2025	Schuldschein loan guaranteed by Holcim Ltd, with floating interest rate	**55**	53
Holcim Finance US LLC							
USD	400	3.50%	3.59%	2016–2026	Bonds guaranteed by Holcim Ltd	**364**	351
USD	590	4.75%	5.00%	2016–2046	Bonds guaranteed by Holcim Ltd (partially repaid in 2020)	**525**	506
USD	180	4.79%	4.84%	2018–2025	Private placement guaranteed by Holcim Ltd	**164**	159
USD	52	4.92%	4.98%	2018–2027	Private placement guaranteed by Holcim Ltd	**47**	46
USD	106	5.03%	5.09%	2018–2030	Private placement guaranteed by Holcim Ltd	**97**	93
Holcim Continental Finance Ltd							
EUR	30	0.88%	0.95%	2018–2022	Schuldschein loan guaranteed by Holcim Ltd	**31**	32
EUR	60	0.11%	0.33%	2018–2022	Schuldschein loan guaranteed by Holcim Ltd, with floating interest rate	**62**	65
EUR	109	1.32%	1.37%	2018–2024	Schuldschein loan guaranteed by Holcim Ltd	**112**	117
EUR	5	1.68%	1.72%	2018–2025	Schuldschein loan guaranteed by Holcim Ltd	**5**	5
EUR	2	2.22%	2.24%	2018–2028	Schuldschein loan guaranteed by Holcim Ltd	**2**	2
Holcim Helvetia Finance Ltd							
CHF	250	1.05%	1.15%	2020–2022	Bonds guaranteed by Holcim Ltd	**250**	250
CHF	300	0.25%	0.21%	2021–2027	Bonds guaranteed by Holcim Ltd	**301**	0
CHF	145	0.13%	0.14%	2021–2027	Bonds guaranteed by Holcim Ltd	**145**	0
CHF	185	0.50%	0.51%	2021–2031	Bonds guaranteed by Holcim Ltd, swapped into floating interest rate	**185**	0
Holcim Sterling Finance (Netherlands) B.V.							
GBP	300	3.00%	3.16%	2017–2032	Bonds guaranteed by Holcim Ltd	**365**	356
GBP	250	2.25%	2.49%	2021–2034	Bonds guaranteed by Holcim Ltd, partially swapped into CHF and floating interest rate	**301**	0
Holcim (US) Inc.							
USD	33	0.11%	0.11%	1999–2032	Industrial revenue bonds – Mobile Dock & Wharf, with floating interest rate	**31**	29
USD	25	0.15%	0.15%	2003–2033	Industrial revenue bonds – Holly Hill, with floating interest rate	**23**	22
USD	27	0.07%	0.07%	2009–2034	Industrial revenue bonds – Midlothian, with floating interest rate	**24**	24
Lafarge Africa PLC							
NGN	33,614	14.75%		2016–2021	Bonds	**0**	63
Total						**14,026**	**11,424**

[1] With fixed rates unless indicated.
[2] Includes adjustments for fair value hedge accounting, where applicable.

Sustainability-linked financing

Recognizing the role of sustainable finance in supporting the transition to a low-carbon and more resource efficient economy, Holcim has put in place a sustainability-linked financing framework to link funding activities with its sustainability objectives. Holcim intends to pursue its journey with sustainability-linked finance instruments in the capital, money and loan markets, putting core sustainability indicators such as climate, water and safety at the heart of its financing strategy. To make a bigger impact, the company is committed to reaching more than 40% of sustainable financing by the end of 2025.

At the end of 2021, the company had entered into the following sustainability-linked financing agreements:

Year	Description	Sustainability link
2020	EUR 850m bond with a nominal interest rate of 0.5% maturing 2031	Investors will be entitled to a higher final coupon should the company not meet its target of 475 kg net CO_2 per ton of cementitious material by 2030.
2021	EUR 3bn 5-year revolving credit facility (with 2 extension options of one year)	The cost of the credit facility will depend on the company's achievement of annual targets linked to climate and safety indicators.
2021	USD 100m private placement with a nominal interest rate of 2.24% maturing 2031	Investors will be entitled to a higher final coupon should the company not meet its target of 475 kg net CO_2 per ton of cementitious material by 2030.

In addition to the above, costs for all new or refinanced committed corporate bilateral bank facilities have been linked to Holcim's ESG performance. At the end of 2021, the sustainable financing ratio stands at 30%.

14.5 Derivative financial instruments

Derivative liabilities are included in financial liabilities (note 14.4) and derivative assets are separately disclosed in the consolidated statement of financial position. The Group has assessed the effects of existing netting arrangements in place for financial instruments and these were considered to be immaterial.

Derivative assets and liabilities

Million CHF	Fair value assets 2021	Fair value liabilities 2021	Nominal amount 2021	Fair value assets 2020	Fair value liabilities 2020	Nominal amount 2020
Fair value hedges						
Interest rate	**7**	**89**	**4,134**	45	1	2,164
Total fair value hedges	**7**	**89**	**4,134**	**45**	**1**	**2,164**
Cash flow hedges						
Currency	**2**	**4**	**290**	1	6	316
Cross-currency	**0**	**173**	**2,374**	24	0	890
Commodity	**226**	**6**	**459**	17	3	191
Total cash flow hedges	**228**	**183**	**3,122**	**42**	**9**	**1,397**
Held for trading						
Currency	**10**	**21**	**1,668**	13	9	819
Total held for trading	**10**	**21**	**1,668**	**13**	**9**	**819**
Total	**245**	**293**	**8,924**	**100**	**19**	**4,380**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

14.6 Financial risks associated with operating activities

Group Risk Management

Group Risk Management supports the Board of Directors, the Executive Committee and the management teams of the countries in analyzing the overall risk exposure. Group Risk Management aims to systematically identify, monitor and manage major risks the Group encounters. All types of risks from industry, operations, finance and legal, up to the external business environment are considered including compliance, sustainability and reputational aspects. Risks are understood as the effect of uncertainty on business objectives which can be an opportunity or a threat. The risk horizon includes long-term strategic risks but also short- to medium-term business risks. Potential risks are identified and evaluated at an early stage and monitored. Mitigating actions are proposed and implemented at the appropriate level so that risk management remains a key responsibility of the line management. Risk transfer through insurance solutions forms an integral part of risk management.

The Group's risk map is established by strategic, operational and topical risk assessments which are combined into a Group risk report. Besides the Countries, the Board of Directors, the Executive Committee and Corporate Function Heads are involved in the risk assessment during the Group's management cycle. The results of the annual Group risk process are presented to the Executive Committee and the conclusions reported to the Board of Directors and the Audit Committee.

Country risk

Holcim's major presence in developing markets exposes the Group to risks such as political, financial and social uncertainties and turmoil, terrorism, civil war and unrest.

In February 2022, the conflict between Russia and Ukraine worsened. The situation is changing rapidly creating high volatility in the energy markets, especially in Europe. Given the recent and rapid escalation of events and the imposition of additional sanctions, it is too early to determine the potential impact on the Group's operating results. The Group does not have any assets nor operations in Ukraine. The Group's Russian operations represented around one percent of the 2021 consolidated net sales.

Financial risk management

The Group's activities expose it to a variety of financial risks, including liquidity, interest rate, foreign exchange, commodity and credit risk. The Group's overall risk management focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the financial performance of the Group. The Group uses derivative financial instruments such as foreign exchange contracts, commodity and interest rate swaps to hedge certain exposures. The Group does not enter into derivative or other financial transactions which are unrelated to its business needs or for speculative purposes.

Financial risk management within the Group is governed by policies approved by key management personnel. It provides principles for overall risk management as well as policies covering specific areas such as interest rate risk, foreign exchange risk, credit risk, use of derivative financial instruments and investing of cash.

Liquidity risk

Group companies need liquidity to meet their obligations. Individual companies are responsible for raising internal and external credit lines to cover the liquidity needs, subject to guidance by the Group.

The Group monitors its liquidity risk by using a recurring liquidity planning tool and maintains cash, readily realizable marketable securities and unused committed credit lines to meet its liquidity requirements. In addition, the strong creditworthiness of the Group allows it to access international financial markets for financing purposes.

Cash is primarily invested with highly rated banks or money market funds and is readily accessible in the respective entities.

Contractual maturity analysis

Million CHF	Within 1 year	Within 2 years	Within 3 years	Within 4 years	Within 5 years	Thereafter	Total	Carrying amount
	Contractual undiscounted cash flows							
2021								
Trade accounts payable and others[1]	**3,998**	**0**	**0**	**0**	**0**	**0**	**3,998**	**3,998**
Loans from financial institutions	**489**	**46**	**249**	**23**	**22**	**27**	**856**	**856**
Bonds, private placements and commercial paper notes	**1,616**	**1,070**	**943**	**946**	**916**	**9,047**	**14,538**	**14,366**
Interest payments	**293**	**264**	**247**	**228**	**202**	**1,695**	**2,929**	**278**
Lease liability payments	**303**	**171**	**166**	**155**	**154**	**596**	**1,545**	**1,390**
Derivative financial instruments net[2]	**(140)**	**(26)**	**(21)**	**1**	**1**	**117**	**(68)**	**48**
Total	**6,559**	**1,525**	**1,584**	**1,353**	**1,295**	**11,482**	**23,798**	
2020								
Trade accounts payable and others[1]	**3,204**	**0**	**0**	**0**	**0**	**0**	**3,204**	**3,204**
Loans from financial institutions	**419**	**82**	**10**	**223**	**15**	**3**	**752**	**778**
Bonds, private placements and commercial paper notes	**1,336**	**1,282**	**1,118**	**961**	**961**	**5,992**	**11,650**	**11,640**
Interest payments	**303**	**265**	**238**	**219**	**200**	**1,686**	**2,911**	**274**
Lease liability payments	**316**	**177**	**158**	**153**	**144**	**550**	**1,498**	**1,336**
Derivative financial instruments net[2]	**(17)**	**2**	**2**	**1**	**1**	**(19)**	**(30)**	**(81)**
Total	**5,561**	**1,808**	**1,526**	**1,557**	**1,321**	**8,212**	**19,985**	

[1] Trade accounts payable and others include trade accounts payable (excluding advance payments from customers) and payables related to purchase of property, plant and equipment included in other current liabilities.
[2] The contractual cash flows include both cash in- and outflows.

The maturity profile is based on contractual undiscounted amounts, including both interest and principal cash flows, and is based on the earliest date on which Holcim could be required to pay. Contractual interest cash flows relating to a variable interest rate are calculated based on the rates prevailing as of year-end.

The table below shows outflows (inflows) for net and gross settled derivatives entered into for the purpose of managing financial risks. Additional information is disclosed in note 14.5.

Cash outflows (inflows) for derivatives financial instruments

	Within 1 year	Within 2 years	Within 3 years	Within 4 years	Within 5 years	Thereafter	Total	Carrying amount
2021								
Net settled derivatives	**(173)**	**(45)**	**(40)**	**(18)**	**(18)**	**(87)**	**(381)**	**(138)**
Gross settled derivatives	**33**	**19**	**19**	**19**	**19**	**203**	**313**	**186**
– Inflows	*(1,950)*	*(6)*	*(6)*	*(6)*	*(6)*	*(2,288)*	*(4,262)*	
– Outflows	*1,983*	*25*	*25*	*25*	*25*	*2,492*	*4,576*	
Total	**(140)**	**(26)**	**(21)**	**1**	**1**	**117**	**(68)**	**48**
2020								
Net settled derivatives	**(21)**	**(8)**	**(8)**	**(9)**	**(9)**	**(45)**	**(100)**	**(58)**
Gross settled derivatives	**4**	**10**	**10**	**10**	**10**	**26**	**70**	**(23)**
– Inflows	*(1,136)*	*(2)*	*(2)*	*(2)*	*(2)*	*(933)*	*(2,077)*	
– Outflows	*1,140*	*12*	*12*	*12*	*12*	*959*	*2,147*	
Total	**(17)**	**2**	**2**	**1**	**1**	**(19)**	**(30)**	**(81)**

Interest rate risk

Interest rate risk arises from movements in interest rates which could affect the Group's financial result and market values of its financial instruments. The Group is primarily exposed to fluctuations in interest rates on its financial liabilities at floating rates which may cause variations in the Group's financial result. The exposure is mainly addressed through the management of the fixed/floating ratio of financial liabilities. To manage this mix, the Group may enter into interest rate swap agreements, in which it exchanges periodic payments based on notional amounts and agreed-upon fixed and floating interest rates. The Group is also exposed to the evolution of interest rates and credit markets for its future refinancing, which may result in a lower or higher cost of financing. The Group constantly monitors credit markets and the aim of its financing strategy is to achieve a well-balanced maturity profile to reduce both the risk of refinancing and large fluctuations of its financing cost.

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The Group's risk management policy for interest rate risk is to maintain interest rate risk at an acceptable level, whilst minimizing interest expense over the long term in accordance with the Group's funding strategy. As a consequence thereof, under the Group's risk management policy, the Group may enter into derivative contracts which are designated as either cash flow hedges or fair value hedges, as appropriate and also include the hedging of forecasted transactions.

Interest rate benchmark reform

A fundamental reform of major interest rate benchmarks is being undertaken globally, including the replacement of some interbank offered rates (IBORs) with alternative risk-free rates (referred to as 'IBOR reform'). The Group has exposure to IBORs on its financial instruments that will be replaced or reformed as part of these market-wide initiatives. The Group's main IBOR exposure at 31 December 2021 was indexed to Euribor and USD LIBOR:

- In July 2019, the Belgian Financial Services and Markets Authority granted authorisation with respect to Euribor under the European Union Benchmarks Regulation. This allows market participants to continue to use Euribor for both existing and new contracts and the Group expects that Euribor will continue to exist as a benchmark rate for the foreseeable future.
- Although USD LIBOR was planned to be discontinued by the end of 2021, in November 2020 the ICE Benchmark Administration (IBA), the FCA regulated and authorised administrator of LIBOR, announced that it had started to consult on its intention to cease the publication of certain USD LIBORs after June 2023.

The Group has set up an IBOR transition programme comprising the following work streams: risk management, tax, treasury, legal, accounting and systems. The aim of the programme is to identify and manage the risks arising from the interest rate benchmark reform (interest basis risk, liquidity risk, accounting, litigation and operational risk) in order to enable a smooth transition to alternative benchmark rates.

The Group completed the process of implementing appropriate fallback provisions for all USD LIBOR exposures by the end of 2021 (subject to the table below).

All newly transacted floating rate financial assets and liabilities are linked to an alternative benchmark rate, such as SONIA, SARON or SOFR or if, linked to LIBOR, include detailed fallback clauses clearly referencing the alternative benchmark rate and the trigger event on which the clause is activated.

Interest rate benchmark transition for non-derivative financial instruments

Non-derivative financial instrument prior to transition	Maturing in	Total nominal	Hedge accounting	Transition progress for non-derivative financial instruments
Bank borrowings linked to USD LIBOR	2024	USD 250 million	n.a.	To be amended in 2023 latest
Bond issued linked to USD LIBOR	2022	USD 110 million	n.a.	Will be repaid in 2022, USD LIBOR as basis for interest calculation will remain until maturity
Bond issued linked to USD LIBOR	2024–2025	USD 88 million	n.a.	To be amended in 2023 latest

Interest rate benchmark transition for derivative financial instruments

The Group holds cross currency swaps for risk management purposes that are designated in cash flow hedging relationships. These instruments have floating legs that are indexed to USD LIBOR. These benchmark rates are quoted each day and the IBOR cash flows are exchanged with counterparties as usual.

The Group's derivative instruments are governed by contracts based on the International Swaps and Derivatives Association (ISDA)'s master agreements. ISDA's fallback clauses were made available in 2021 and the Group has signed up to the protocol, along with each of the Group's counterparties. This ensures all legacy trades will, on cessation of IBOR, follow the fallback clause provided in the protocol.

Below are details of the hedging instruments and hedged items within the scope of the IFRS 9 amendments due to interest rate benchmark reform, by hedge type:

Hedge type	Instrument type	Maturing in	Hedged risk	Nominal amount hedged	Hedged Item
Cash flow hedge	Receive 6 month Euribor, pay 3 month USD LIBOR cross currency swaps	2031	Foreign currency risk (EUR/USD)	USD 1,009 million	USD floating rate debt (intragroup loan) with same maturity and same nominal value as swaps
Cash flow hedge	Receive 6 month Euribor, pay 3 month USD LIBOR cross currency swaps	2027	Foreign currency risk (EUR/USD)	USD 607 million	USD floating rate debt (intragroup loan) with same maturity and same nominal value as swaps
Cash flow hedge	Receive 6 month Euribor, pay 3 month USD LIBOR cross currency swaps	2033	Foreign currency risk (EUR/USD)	USD 790 million	USD floating rate debt (intragroup loan) with same maturity and same nominal value as swaps

The Group will continue to apply the temporary reliefs provided by the amendments to IFRS 9 until the uncertainty arising from the interest rate benchmark reform with respect to the timing and the amount of the underlying cash flows to which the Group is exposed to ends. The Group has assumed that this uncertainty will not end until the Group's contracts that reference IBORs are amended to specify the dates on which the interest rate benchmark will be replaced, the cash flows of the alternative benchmark rate and the relevant spread adjustment.

Interest rate sensitivity

The Group's sensitivity analysis has been determined based on the interest rate exposure relating to the Group's financial liabilities at a variable rate on a post hedge basis as of 31 December.

A one percentage point change is used when the interest rate risk is reported internally to key management personnel and represents management's assessment of a reasonably possible change in interest rates.

On 31 December 2021, a one percentage point shift in interest rates, with all other assumptions held constant, would result in approximately CHF 49 million (2020: CHF 28 million) of annual additional/lower financial expenses before tax on a post hedge basis.

Foreign exchange risk

The Group's global footprint exposes it to foreign exchange risks.

The translation of foreign operations into the Group reporting currency leads to currency translation effects. The Group may hedge certain net investments in foreign entities with foreign currency borrowings or other instruments. To the extent that the net investment hedge is effective, all foreign exchange gains or losses are recognized in equity and included in currency translation adjustments.

Due to the local nature of the construction materials business, foreign exchange risk is limited. However, for many Group companies, income will be primarily in local currency, whereas debt servicing and a significant amount of capital expenditures may be in foreign currencies. As a consequence thereof, under the Group's risk management policy, the Group may enter into derivative contracts which are designated as either cash flow hedges or fair value hedges and may also include the hedging of forecasted transactions.

Foreign exchange sensitivity

The Group's sensitivity analysis has been performed based on the Group's net transaction exposure that arises on monetary financial assets and liabilities at 31 December that are denominated in a foreign currency. The Group's net foreign currency transaction risk mainly arises from CHF, USD and EUR against the respective currencies the Group operates in.

A five percent change is used when the net foreign currency transaction risk is reported internally to key management personnel and represents management's assessment of a reasonably possible change in foreign exchange rates.

A five percent change in CHF, USD and EUR against the respective currencies the Group operates in would have an immaterial impact on foreign exchange (loss) gains on a post hedge basis in both the current and prior year.

Impacts on equity due to derivative instruments are considered as immaterial based on the shareholders' equity of the Group.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

Commodity risk
The Group is subject to commodity risk with respect to price changes mainly in the electricity, natural gas, petcoke, coal, oil refined products and sea freight markets. Under the Group's risk management policy, the Group uses derivative instruments to hedge part of its exposure to these risks. Derivative instruments are generally limited to swaps and standard options.

Effects of hedge accounting
Hedge effectiveness is determined at the inception of the hedge relationship, and through periodic prospective effectiveness assessments to ensure that an economic relationship exists between the hedged item and hedging instrument.

Ineffectiveness is recognized on hedges where the cumulative change in the designated component value of the hedging instrument exceeds on an absolute basis the change in value of the hedged item attributable to the hedged risk. Ineffectiveness may arise if there is a difference in the principal terms of the hedging instrument and designated hedged risk, from credit valuation of the hedging instrument or timing of the transaction changes from what was originally estimated.

The effects of applying hedge accounting on the Group's financial position and performance are as follows for cash flow, fair value and net investment hedge accounting relationships:

a) Cash flow hedge accounting
The change in fair value of hedging instruments under cash flow hedge accounting in 2021 was CHF 85 million (2020: CHF 68 million). The change in related hedged items was CHF 84 million (2020: CHF −68 million) and CHF 1 million (2020: no amount) was recorded as ineffectiveness directly to the consolidated statement of income in 2021.

Cash flow hedge – hedging instruments: maturity analysis	2021	2020
Foreign exchange forwards	2022	2021
Commodity swaps and options	2022–2026	2021–2023
Cross currency swaps	2027–2034	2031

When a hedging instrument expires, is sold or terminated, or when a hedge no longer meets the criteria for hedge accounting, the cumulative gain or loss deferred in equity at that time remains in equity until the forecast transaction occurs, resulting in the recognition of a non-financial asset such as property, plant and equipment or inventory against which the cumulative gains and losses is adjusted. When the forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately reclassified to profit or loss. No such case has occurred in 2021 nor in 2020.

Closing balance in the cash flow hedge reserve for hedges that are accounted as cash flow hedge is CHF 198 million (2020: CHF 7 million).

b) Fair value hedge accounting
The change in fair value of hedging instruments under fair value hedge accounting in 2021 was CHF −132 million (2020: CHF 39 million). The change in related hedged items was CHF 132 million (2020: CHF −39 million) and no amount was recorded as ineffectiveness directly to the consolidated statement of income in 2021 and 2020 for fair value hedges.

Fair value hedge – hedging instruments: maturity analysis	2021	2020
Interest rate swaps	2027–2034	2028–2031

When a hedging instrument expires, is sold or terminated, or when a hedge no longer meets the criteria for hedge accounting, the cumulative gain or loss recorded in the carrying value of the hedged item is amortized over the life of the hedged item using the effective interest rate. When the hedged item is sold or terminated, the cumulative gains and losses recorded in the carrying value are recognized in financial income (expense). No such case has occurred in 2021 nor in 2020.

c) Net investment hedge accounting
The change in the fair value of hedging instruments under net investment hedge accounting in 2021 was CHF −2 million (2020: CHF −2 million). The change in related hedged items was CHF 2 million (2020: CHF 2 million) and no amount was recorded as ineffectiveness directly to the consolidated statement of income in 2021 and 2020 for net investment hedges.

Net investment hedge – hedging instruments: maturity analysis	2021	2020
Foreign exchange forwards	–[1]	–[1]

[1] No outstanding hedging instruments as of 31.12.2021 and 31.12.2020.

When a hedging instrument expires, is sold or terminated, or when a hedge no longer meets the criteria for hedge accounting, the cumulative gain or loss deferred in equity at that time remains in equity until the forecast transaction occurs (i.e. disposal of a subsidiary). No such case has occurred in 2021 nor in 2020.

Closing balance in the foreign currency translation reserve for hedges that are accounted as net investment hedge is CHF 27 million (2020: CHF 29 million).

Credit risk

Credit risks arise, among others, from the possibility that customers may not be able to settle their obligations as agreed. To manage this risk, the Group periodically assesses the financial reliability of its customers.

Credit risks, or the risk of counterparties defaulting, are constantly monitored. Counterparties to financial instruments consist of a large number of established financial institutions. The Group does not expect any counterparty to be unable to fulfil its obligations under its respective financing agreements. At year end, Holcim has no significant concentration of credit risk with any single counterparty or group of counterparties.

The Group considers the probability of default upon initial recognition of accounts receivable based on lifetime expected credit losses by considering available reasonable and supportable historical and forward-looking information.

The Group considers the probability of default upon initial recognition of long-term loans and receivables and whether there has been a significant increase in credit risk on an ongoing basis throughout each reporting period by considering available reasonable and supportable historical and forward-looking information.

The maximum exposure to credit risk is represented by the carrying amount of each financial asset, including derivative financial instruments, in the consolidated statement of financial position.

The following credit risk modelling applies for financial assets:

a) Accounts receivable
For accounts receivable, the Group applies the simplified approach with expected lifetime losses recognized from initial recognition of the receivables in the statement of income.

b) Long-term loans and receivables
The Group uses three categories for long-term loans and receivables which reflect their credit risk and how the loan loss provision is determined for each of those categories.

Summary of the assumptions underpinning the Group's expected credit loss model is as follows:

Category	Definition
Performing	Customers have a low risk of default and a strong capacity to meet contractual cash flows
Non-performing	Interest and/or principal repayments are past due and credit risk level shows an increase
Write-off	Based on observable data the payments will not be collected

Each exposure is allocated to a credit risk category at initial recognition based on available information about the borrower. Exposures are subject to ongoing monitoring which may result in an exposure being moved to a different credit risk category.

Over the term of the loans, the Group accounts for its credit risk by providing for expected credit losses on a timely basis. In calculating the expected credit loss rates, the company considers historical loss rates for each category of customers and adjusts for forward looking macroeconomic data. No significant changes to estimation techniques or assumptions were made during the reporting period.

Capital structure

The Group's objectives when managing capital are to secure the Group's financial needs as a going concern as well as to cater for its growth targets, in order to provide returns to shareholders and benefits for other stakeholders and to maintain a solid investment grade rating.

The Group manages the capital structure and makes adjustments to it in light of changes in economic conditions, business activities, investment and expansion programs and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares, increase debt or sell assets to reduce debt.

Fair value estimation

The fair value of publicly traded financial instruments is generally based on quoted market prices at the end of the reporting period.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

For non-publicly traded financial instruments, the fair value is determined by using a variety of methods, such as the discounted cash flow method and option pricing models. The valuation methods seek to maximize the use of observable market data existing at the end of the reporting period.

The fair value of current financial assets and liabilities at amortized cost is assessed to approximate their carrying amounts due to the short-term nature of these financial instruments.

Fair values as of 31 December 2021

		Carrying amount (by measurement basis)				
Million CHF	IFRS 9 category	Amortized cost	Fair value level 1	Fair value level 2	Total	Comparison fair value
Current financial assets						
Cash and cash equivalents	Financial assets	**6,682**			**6,682**	
Trade accounts receivable	Receivables at amortized cost	**2,677**			**2,677**	
Financial receivables	Receivables at amortized cost	**261**			**261**	
Derivative assets	Held for hedging at fair value			**176**	**176**	
Derivative assets	Held for trading at fair value			**10**	**10**	
Long-term financial assets						
Long-term receivables	Loans at amortized cost	**190**			**190**	**190**[1]
Financial investments third parties	Strategic equity investments at fair value through other comprehensive earnings			**136**	**136**	
Derivative assets	Held for hedging at fair value			**59**	**59**	
Current financial liabilities						
Trade accounts payable and others[2]	Financial liabilities at amortized cost	**3,998**			**3,998**	
Current financial liabilities	Financial liabilities at amortized cost	**2,360**			**2,360**	
Derivative liabilities	Held for hedging at fair value			**10**	**10**	
Derivative liabilities	Held for trading at fair value			**21**	**21**	
Long-term financial liabilities						
Long-term financial liabilities	Financial liabilities at amortized cost	**14,252**			**14,252**	**15,264**[3]
Derivative liabilities	Held for hedging at fair value			**262**	**262**	

[1] The comparison fair value for long-term receivables consists of level 2 fair value measurements.
[2] Trade accounts payable and others include payables related to the purchase of property, plant and equipment included in other liabilities
[3] The comparison fair value for long-term financial liabilities consists of CHF 12,714 million level 1 and CHF 2,550 million level 2 fair value measurements

Fair values as of 31 December 2020

Million CHF	IFRS 9 category	Carrying amount (by measurement basis) Amortized cost	Fair value level 1	Fair value level 2	Total	Comparison fair value
Current financial assets						
Cash and cash equivalents	Financial assets	5,190			5,190	
Trade accounts receivable	Receivables at amortized cost	2,305			2,305	
Financial receivables	Receivables at amortized cost	247			247	
Derivative assets	Held for hedging at fair value			17	17	
Derivative assets	Held for trading at fair value			13	13	
Long-term financial assets						
Long-term receivables	Loans at amortized cost	160			160	160 [1]
Financial investments third parties	Strategic equity investments at fair value through other comprehensive earnings			143	143	
Derivative assets	Held for hedging at fair value			70	70	
Current financial liabilities						
Trade accounts payable and others [2]	Financial liabilities at amortized cost	3,204			3,204	
Current financial liabilities	Financial liabilities at amortized cost	2,048			2,048	
Derivative liabilities	Held for hedging at fair value			7	7	
Derivative liabilities	Held for trading at fair value			9	9	
Long-term financial liabilities						
Long-term financial liabilities	Financial liabilities at amortized cost	11,707			11,707	12,975 [3]
Derivative liabilities	Held for hedging at fair value			3	3	

[1] The comparison fair value for long-term receivables consists of level 2 fair value measurements.
[2] Trade accounts payable and others include payables related to the purchase of property, plant and equipment included in other current liabilities.
[3] The comparison fair value for long-term financial liabilities consists of CHF 9,734 million level 1 and CHF 3,408 million level 2 fair value measurements.

The table above shows the carrying amounts and fair values of financial assets and liabilities.

The levels of fair value hierarchy used are defined as follows:

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities. The types of assets carried at level 1 fair value are equity and debt securities listed in active markets;
- Level 2 fair value measurements are those derived from valuation techniques using inputs for the asset or liability that are observable market data, either directly or indirectly. Such valuation techniques include the discounted cash flow method and option pricing models. For example, the fair value of interest rate and currency swaps is determined by discounting estimated future cash flows, and the fair value of forward foreign exchange contracts is determined using the forward exchange market at the end of the reporting period; and
- Level 3 fair value measurements are those derived from valuation techniques using inputs for the asset or liability that are not based on observable market data. In 2021 and 2020, there were no financial assets and liabilities allocated to level 3.

There have been no transfers between the different hierarchy levels in 2021 and 2020.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

14.7 Leases

At inception of a contract, the Group assesses whether it contains a lease under IFRS 16 and accordingly recognizes a right-of-use asset and a lease liability if it meets the definition of a lease, with the exception of short-term leases and leases of low value assets.

The lease liability is measured at commencement date at the present value of the future lease payments, discounted with the interest rate implicit in the lease or, if not readily determinable, with the lessee's respective incremental borrowing rate. Future lease payments include in-substance fixed payments, variable lease payments depending on an index or rate and payments under termination and extension options when these are reflected in the lease term. The lease term comprises the non-cancellable lease term together with the period covered by extension options, if assessed as reasonably certain to be exercised, and termination options, if assessed as reasonably certain not to be exercised. Non-lease components in contracts are separated from lease components and accordingly accounted for in Operating profit on a cost incurred basis.

The right-of-use asset is recognized at the commencement date at cost, which includes the amount of the lease liability recognized, any lease payments made at or before the commencement date of the lease, initial direct costs incurred and an estimate of costs to be incurred in dismantling and removing the underlying asset or restoring the asset to the condition agreed with the lessor. Unless the Group is reasonably certain to exercise a purchase option, the right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and lease term. Right-of-use assets are subject to the impairment requirements under IAS 36 Impairments of Assets. The right-of-use assets recorded as of 31 December 2021 are outlined in note 11.2.

In the event that the tax base of a right-of-use asset is not the same as its carrying amount for IFRS purposes on initial recognition of a lease contract, the Group recognizes the deferred tax impact arising on the temporary difference between the carrying amount of the right-of-use asset and its tax base. The same treatment as above also applies to the initial recognition of the lease liability.

As of 31 December 2021, the current portion of the long-term lease liability included in the position "current financial liabilities" amounts to CHF 255 million (2020: CHF 283 million) and the long-term lease liabilities included in the position "long-term financial liabilities" amounted to CHF 1,135 million (2020: CHF 1,053 million).

Various contracts entered into by the Group include extension options, which provide the Group with greater flexibility in terms of future procurement of assets and services. Extension options are included in the lease liability only if they are assessed by management as being reasonably certain to be exercised. The undiscounted future lease payments relating to periods covered by extension options not included in the lease liability at year end amount to CHF 102 million (2020: CHF 105 million).

Additional information related to leases

Million CHF	**2021**	2020
Statement of income		
Expenses for short-term lease payments	**(100)**	(81)
Expenses for variable lease payments	**(80)**	(73)
Cash outflow for leases		
Cash outflow for short-term, low value and variable leases [1]	**(186)**	(163)
Payment of interest [1]	**(59)**	(65)
Payment of lease liabilities [2]	**(362)**	(342)
Total	**(607)**	**(570)**

[1] Included within cash flow from operating activities.
[2] Included within cash flow from financing activities.

In certain lease agreements of machinery, equipment and vehicles, variable lease payments are included based on operating hours used, kilometres travelled or output. These leases provide greater flexibility in terms of usage, such as for certain types of trucks and vehicles where operating levels depend on production capacity and demand.

The contractual undiscounted future cash outflows for leases included in lease liabilities as at 31 December 2021 is found in note 14.6.

15. EMPLOYEE BENEFITS AND SHARE COMPENSATION PLANS

15.1 Accounting principles

Employee benefits – Defined benefit plans

Some Group companies provide defined benefit pension or other post-employment benefit plans for employees. The Group uses professionally qualified independent actuaries to value the defined benefit obligations on a regular basis. The obligation and costs of pension benefits are determined using the projected unit credit method. The projected unit credit method considers each period of service as giving rise to an additional unit of benefit entitlement and measures each unit separately to build up the final obligation. Past service costs, which comprise plan amendments and curtailments, and gains or losses on the settlement of pension benefits, are recognized immediately in the statement of income when they occur.

Remeasurements, which comprise actuarial gains and losses on the pension and other post-employment obligations, the return on plan assets and changes in the effect of the asset ceiling excluding amounts in net interest, are recognized directly in other comprehensive earnings and are not reclassified to the statement of income in a subsequent period. The pension and other post-employment obligations are measured as the present value of estimated future cash flows using discount rates that are determined by reference to the interest rates on high quality corporate bonds, with the currency and terms of the corporate bonds consistent with the currency and estimated terms of the defined benefit and other post-employment obligations.

A net pension asset is recorded only to the extent that it does not exceed the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan.

The cost for defined benefit and other post-employment benefit plans charged to the statement of income consists of service cost (current service cost, past service cost and curtailments as well as gains or losses on settlements) and the net interest expense. The service costs are recorded in “Production cost of goods sold”, “Distribution and selling expenses” or “Administrative expenses” based on the beneficiaries of the plans; the net interest expense is recorded in “Financial expenses”.

Employee benefits – Defined contribution plans

In addition to the defined benefit plans described above, some Group companies sponsor defined contribution plans based on local practices and regulations. The Group’s contributions to defined contribution plans are charged to the statement of income in the period to which the contributions relate.

Employee benefits – Other long-term employment benefits

Other long-term employment benefits include long-service leave or sabbatical leave, medical aid, jubilee or other long-service benefits, long-term disability benefits and, if they are not expected to be settled wholly within twelve months after the year end, profit sharing, variable and deferred compensation.

The measurement of these obligations differs from defined benefit plans in that all remeasurements are recognized immediately in the statement of income.

Employee benefits – Equity compensation plans

The Group operates various equity-settled share-based compensation plans. The fair value of the employee services received in exchange for the grant of the options or shares is recognized as an expense. The total amount to be expensed is determined by reference to the fair value of the equity instruments granted. The amounts are charged to the statement of income over the relevant vesting periods and adjusted to reflect actual and expected levels of vesting.

15.2 Group risks management

The Group operates a number of defined benefit pension schemes and schemes with similar or contingent obligations in several of its countries. The assets and liabilities of those schemes may exhibit significant volatility.

Cash contributions may be required to fund unrecoverable deficits. External factors might cause these contributions to increase materially from year-to-year. Similarly, the Group’s financial results may be impacted.

Where possible, defined benefit pension schemes have been closed and frozen. Significant actions continue to take place to further reduce and eliminate those schemes and related risks. Specifically, actions focusing on deploying scheme-appropriate asset allocation in order to mitigate volatility and optimize investment returns, those intended to reduce and simplify plans’ liabilities and exposure, and finally those intended to provide cash funding flexibility, were or are being implemented.

The Group participates in a number of union-sponsored multiemployer pension plans in the United States.

These plans are subject to substantial deficits due to market conditions and business actions, plan trustee decisions, plan failure, as well as actions and decisions of other contributing employers. The Group has essentially no control over how these plans are managed.

There exists material risk that substantial cash contributions could be required in the future to satisfy any outstanding obligations under these plans. Moreover, satisfying the Group’s obligations might have a material impact on the Group’s reported financial results. The financial condition of these plans is not currently reported in the Group’s financial reports.

The Group has undertaken a review of all these plans with the goal being to fully understand the plans’ financial circumstances, as well as all the options available to mitigate risks and reduce the Group’s actual and potential financial obligations. As the Group’s participation in these plans is subject to negotiations with bargaining unions, the Group’s ability to take action is limited.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

15.3 Employee benefits

Personnel expenses and number of personnel

The Group's total personnel expenses, including social charges, are recognized in the relevant expenditure line by function in the consolidated statement of income and amounted to CHF 4,169 million (2020: CHF 3,859 million). As of 31 December 2021, the Group employed 69,672 people (2020: 67,409 people).

Defined benefit pension plans

The Group oversees the management of its pension plans through the Pension and Benefits Governance team. This interdisciplinary team, which includes finance, human resources and legal representatives acts as a center of expertise for all issues relating to pension and other post-employment benefits and makes recommendations to the Group CFO. A documented directive is used as a base for management actions and decisions.

The Group's main defined benefit pension plans are located in the United Kingdom, North America and Switzerland. They respectively represent 55 percent (2020: 54 percent), 21 percent (2020: 20 percent) and 17 percent (2020: 17 percent) of the Group's total defined benefit obligation for pensions. These main plans are funded through legally separate trustee managed funds. The cash funding of these plans, which may from time to time involve special payments, is designed to ensure that past, present and future contributions should be sufficient to meet future liabilities.

Where possible, defined benefit pension schemes have been closed and frozen. Moreover, since the assets and liabilities of these defined benefit pension plans could exhibit significant volatility, a number of key actions continue to be considered and take place to reduce and eliminate those schemes and related risks. Those include for example employing investment strategies that consider the benefit obligations and selective settlement.

Unfunded pension plans are mainly plans outside of tax regimes' qualification limits, plans for which advanced funding is not required, retirement indemnity schemes, or end of service benefits where benefits are vested only if the employee is still employed by the Group company at the retirement date.

United Kingdom (UK)

The companies operate three defined benefit pension plans in the UK: the Lafarge UK pension plan, the Aggregate Industries pension plan and the Ronez 2000 pension plan. Pensions payable to employees depend on average final salary and length of service within the plans. The plans are managed by independent board of Trustees and the Lafarge UK pension plan and the Aggregate Industries pension plan are registered under UK tax law while the Ronez 2000 pension plan is located in the Channel Islands. They are all closed to new entrants and are frozen to future accrual.

Any funding deficits within these plans are funded by employer contributions, which are negotiated every three years based on plan valuations carried out by independent actuaries.

For the Lafarge UK pension plan, based on the 30 June 2018 funding valuation, no deficit repair contributions were required, as the plan had a funding surplus at this date. The 30 June 2021 funding valuation is currently underway, where the funding position will be calculated based on assumptions agreed between the Trustees and the employer. If this reveals a funding deficit, then deficit repair contributions may be required and a recovery plan agreed.

For the Aggregate Industries Pension Plan, based on the 5 April 2018 funding valuation, a revised schedule of contributions was put in place with the aim of eliminating the funding deficit by 5 April 2027. The 5 April 2021 funding valuation is currently underway, where the funding position will be calculated based on assumptions agreed between the Trustees and the employer. If this reveals a funding deficit, then a new recovery plan would need to be agreed.

For the Ronez 2000 pension plan, based on the 31 December 2018 funding valuation, no deficit repayment contributions were required, as the plan had a funding surplus at this date. The next funding valuation is due to be carried out as at 31 December 2021.

In relation to risk management and asset allocation, the Board of Trustees aim to ensure that they can meet their obligations to the beneficiaries of the plans, both in the short and long-terms. Subject to this primary objective, the Board of Trustees target to maximize the long-term investment return whilst appropriately minimizing risk and volatility. The Board of Trustees are responsible for the plans' long-term investment strategies but usually delegate strategy design and monitoring to Investment Committees.

North America (United States and Canada)

The companies operate defined contribution plans and a number of defined benefit pension plans. The majority of the defined benefit pension plans are closed to new entrants and frozen to future accruals. For defined benefit pension plans, pensions payable to employees depend on average final salary and length of service within the Group. For defined contribution plans, benefits depend on accrued contributions with returns at retirement.

The Group companies must contribute a minimum amount to the defined benefit pension plans annually which is determined actuarially and is comprised of service costs, if any, but also of administrative expenses, as well as payments toward any existing deficits.

In North America, the Group companies generally intend to pay the minimum required contributions as prescribed under applicable pension legislation. From time to time though, additional voluntary amounts are considered and remitted as advanced contributions.

The companies delegate various responsibilities to Pension Committees. These committees define and manage long-term investment strategies for reducing risks, including interest rate risks and longevity risks. The assets in the United States and Canada include a certain proportion which hedge the liability swings against interest rate movements, with those assets primarily invested in fixed income investments, particularly intermediate and longer term instruments.

As announced in 2017, effective 1 January 2020, the Canadian pension plan was frozen and active members will no longer acquire further rights in this defined benefit plan. Further to that, a process is currently underway to wind-up the plan in 2023 and settle the liability shortly after. Active members will then participate in a defined contribution plan. Additionally, effective 1 January 2021, the Canadian supplemental pension plan was frozen to new pay increases.

In August 2021, a contract was purchased from an insurer for USD 690 million that will reimburse the United States defined benefit plans for future benefit payments covering all current retirees and a portion of future retirees in the plans (referred to as a buy-in contract). Under the arrangement, the plans remain responsible for paying the benefits for all participants and the insurance company will reimburse the plans for the covered portion of the benefits when those benefits are paid. As a result, there is no net ongoing cash flow to the plans for the covered portion of benefits, as the cost of providing the benefits is funded by the buy-in contract. This effectively locks in the cost of the covered benefits and eliminates future volatility of the covered benefit obligation. The buy-in contract was purchased using assets from the pension trust and is accounted for at fair value as an investment of the trust. This transaction resulted in an additional net experience adjustment loss of CHF 24 million recognized in other comprehensive income in 2021.

Finally, the Group participates in a number of union-sponsored multi-employer pension plans in the United States. These plans are subject to substantial deficits due to market conditions and business actions, plan trustee decisions, plan failure as well as actions and decisions of other contributing employers. The Group has essentially no control on how these plans, accounted for as defined contribution plans, are managed. The Group has undertaken a review of all these plans with the goal being to fully understand the plans' financial circumstances, as well as all options available to mitigate risks and reduce the Group's actual and potential financial obligations. As the Group's participation in these plans is subject to negotiations with bargaining unions, the Group's ability to take action is limited.

Switzerland

The pension plans of the various Swiss groups are cash balance benefit plans, and are accounted for as a defined benefit plans. Employer and employee contributions are defined in the various pension fund rules based on age-related sliding scales of percentages of salary. Under Swiss law, the pension fund guarantees the vested benefit amount as confirmed annually to members. Interest above legal requirements may be added to member balances at the discretion of the Board of Trustees. At retirement date, members have the right to take their retirement benefit as a lump sum, an annuity or part as a lump sum with the balance converted to a fixed annuity at the rates defined in the fund rules. The Board of Trustees, composed of half employer and half employees' representatives, may increase the annuity at their discretion subject to the plan's funded status including sufficient free funds as determined according to Swiss statutory valuation rules. The Swiss pension plans meet the requirements of the regulatory framework which requires a minimum level of benefits.

Status of the Group's defined benefit plans

The status of the Group's defined benefit plans, determined based on actuarial assumptions determined in accordance with IAS 19 rules and requirements for employee benefits, is summarized below. The tables provide reconciliations of defined benefit obligations and plan assets, as well as of the funded status for the defined benefit pension plans to the amounts recognized in the statement of financial position.

A clarification made by IFRIC reduced the Group's net pension liability for post-employment plans with a benefit service limit that only pay a benefit after retirement age, resulting in a reduction of net pension liability of CHF 20 million recognized as a remeasurement in other comprehensive earnings.

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Reconciliation of retirement benefit plans to the statement of financial position

Million CHF	2021	2020
Net (asset) liability arising from defined benefit pension plans	(289)	606
Net liability arising from other post-employment benefit plans	201	228
Net (asset) liability	**(88)**	**834**

Million CHF	2021	2020
Present value of funded obligations	8,207	8,610
Fair value of plan assets	(9,068)	(8,592)
Plan (surplus) deficit of funded obligations	**(861)**	**18**
Present value of unfunded obligations	653	811
Effect of asset ceiling	120	5
Net (asset) liability from funded and unfunded plans	**(88)**	**834**

Reflected in the statement of financial position as follows (Million CHF):		
Pension assets	(823)	(257)
Defined benefit obligations	735	1,091
Net (asset) liability	**(88)**	**834**

	Defined benefit pension plans		Other post-employment benefit plans	
Million CHF	2021	2020	2021	2020
Amounts recognized in the statement of income are as follows:				
Current service costs	(70)	(71)	(1)	(1)
Past service costs (including curtailments)	10	50	6	11
Gains on settlements	0	2	0	0
Net interest expense	(17)	(27)	(6)	(7)
Special termination benefits	(1)	(2)	0	0
Total recorded in the statement of income	**(78)**	**(48)**	**(1)**	**3**
Amounts recognized in other comprehensive earnings are as follows:				
Actuarial (losses) arising from changes in demographic assumptions	(72)	(12)	(3)	0
Actuarial (losses) gains arising from changes in financial assumptions	281	(626)	27	(21)
Actuarial (losses) gains arising from experience adjustments	251	(6)	5	2
Return on plan assets excluding interest income	319	707	0	0
Change in effect of asset ceiling excluding interest (income) expense	(115)	0	0	0
Total recorded in other comprehensive earnings	**664**	**65**	**29**	**(19)**

Reconciliation of present value of funded and unfunded obligations

Million CHF	Defined benefit pension plans		Other post-employment benefit plans	
	2021	2020	**2021**	2020
Opening balance as per 1 January	**9,193**	**9,393**	**228**	**245**
Reclassifications and change in scope	**11**	32	**8**	0
Current service costs	**70**	71	**1**	1
Interest expense	**149**	188	**6**	7
Contribution by the employees	**27**	30	**0**	0
Actuarial (gains) losses	**(461)**	643	**(29)**	19
Benefits paid	**(509)**	(509)	**(14)**	(13)
Past service costs (including curtailments)	**(10)**	(50)	**(6)**	(11)
Settlements	**(0)**	(122)	**0**	0
Special termination benefits	**1**	2	**0**	0
Currency translation effects	**187**	(483)	**8**	(20)
Closing balance as per 31 December	**8,659**	**9,193**	**201**	**228**
Of which:				
United Kingdom	**4,750**	5,003	**0**	0
North America (United States and Canada)	**1,776**	1,875	**154**	162
Switzerland	**1,476**	1,579	**0**	0
Others	**658**	736	**47**	65

Reconciliation of fair value of plan assets

Opening balance as per 1 January	**8,592**	**8,375**	**0**	**0**
Reclassifications and change in scope	**10**	71	**0**	0
Interest income	**132**	161	**0**	0
Return on plan assets excluding interest income	**319**	707	**0**	0
Contribution by the employer	**316**	319	**14**	13
Contribution by the employees	**27**	30	**0**	0
Benefits paid	**(509)**	(509)	**(14)**	(13)
Settlements	**(0)**	(120)	**0**	0
Currency translation effects	**181**	(441)	**0**	0
Closing balance as per 31 December	**9,068**	**8,592**	**0**	**0**
Of which:				
United Kingdom	**5,407**	5,110	**0**	0
North America (United States and Canada)	**1,625**	1,624	**0**	0
Switzerland	**1,709**	1,549	**0**	0
Others	**327**	309	**0**	0

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

Plan asset allocation

	Defined benefit pension plans	
Million CHF	**2021**	2020
Equity instruments	**20%**	25%
Real estate investments	**12%**	12%
Debt instruments	**45%**	45%
Insurance contracts	**14%**	8%
Cash and cash equivalents	**3%**	3%
Other assets	**6%**	7%
Total plan assets	**100%**	**100%**

Plan assets based on non-quoted prices represent 19 percent (2020: 19 percent) of the total plan assets and mainly consist of insurance policies and real estate investments.

In some of the plans, Liability-Driven Investment (LDI) strategies are in place and consists of using index-linked government bonds and swaps to hedge the plans against liquidity risk and change in interest rates or inflation yields.

The value of insurance contracts is determined based on the membership and benefit payable under the contract using the IAS 19 assumptions.

The other assets mainly consist of hedge funds and various other hedging instruments.

Principal actuarial assumptions (weighted average) used at the end of the reporting period for defined benefit pension plans

	Total Group		United Kingdom		North America		Switzerland	
	2021	2020	**2021**	2020	**2021**	2020	**2021**	2020
Discount rate in %	**+2.0%**	+1.5%	**+2.0%**	+1.4%	**+2.9%**	+2.5%	**+0.3%**	+0.1%
Life expectancy in years after the age of 65	**22.6**	22.1	**23.9**	23.1	**23.0**	23.1	**23.4**	23.3

Weighted average duration of defined benefit pension plans

	Total Group		United Kingdom		North America		Switzerland	
	2021	2020	**2021**	2020	**2021**	2020	**2021**	2020
Weighted average duration in years	**14.0**	15.3	**15.2**	16.9	**13.6**	14.2	**13.2**	14.3

Sensitivity analysis as per 31 December 2021 on defined benefit pension plans

Impact on the defined benefit obligation	Total Group		United Kingdom		North America		Switzerland	
Million CHF	Increase	Decrease	Increase	Decrease	Increase	Decrease	Increase	Decrease
Discount rate (±0.5% change in assumption)	**(562)**	**637**	**(340)**	**378**	**(110)**	**131**	**(86)**	**97**
Life expectancy in years after the age of 65 (±1 year change in assumption)	**378**	**(374)**	**260**	**(254)**	**57**	**(59)**	**53**	**(53)**

Sensitivity analysis as per 31 December 2020 on defined benefit pension plans

Impact on the defined benefit obligation	Total Group		United Kingdom		North America		Switzerland	
Million CHF	Increase	Decrease	Increase	Decrease	Increase	Decrease	Increase	Decrease
Discount rate (±0.5% change in assumption)	(652)	730	(391)	437	(121)	145	(106)	112
Life expectancy in years after the age of 65 (±1 year change in assumption)	375	(370)	254	(247)	58	(59)	56	(57)

The sensitivity analysis above may not be representative of the actual change in the defined benefit pension plans as it is unlikely that the change in assumptions would occur in isolation of one another as some of the assumptions may be correlated. Moreover, it is worth considering that, for most funded plans, liability hedging strategies (such as LDI investments) are used to mitigate the impact of changes in financial assumptions on the net pension liability.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

15.4 Share compensation plans

The total personnel expense arising from the Holcim share compensation plans amounted to CHF 40.3 million in 2021 (2020: CHF 35.1 million) as presented in the following table:

Million CHF	Personnel expenses 2021	Personnel expenses 2020
Employee share purchase plan	**0.7**	1.1
Performance share plan and performance option plan	**28.9**	27.5
Restricted shares	**10.7**	6.5
Total	**40.3**	**35.1**

All shares granted under these plans are either purchased from the market or derived from treasury shares.

Description of plans

Employee share purchase plan

Holcim offers an employee share-ownership plan. This plan entitles employees to acquire a limited amount of discounted Holcim Ltd shares, i.e. 50 shares at 50 percent of the market value and further shares at 70 percent of the market value based on the prior-month average share price. The shares cannot be sold for a period of two years from the date of purchase.

Performance share plan and performance option plan

Performance shares and/or options are granted to executives and senior management for their contribution to the continuing success of the business. These shares and options will be delivered after a three-to-five-year vesting period following the grant date and are subject to internal and external performance conditions.

Information related to awards granted through the plans is presented below:

	2021		2020	
	Performance shares	Performance options	Performance shares	Performance options
1 January	**1,887,964**	**3,345,694**	**2,024,504**	**2,022,787**
Granted	**624,994**	**864,531**	676,046	1,942,068
Forfeited	**(433,564)**	**(274,385)**	(522,093)	(619,161)
Delivered	**(351,884)**	**0**	(290,493)	0
31 December	**1,727,510**	**3,935,840**	**1,887,964**	**3,345,694**

- 624,994 (2020: 676,046) performance shares at the weighted average fair value of CHF 51.91 per share (2020: CHF 44.71) were granted in 2021. Performance shares are subject to a three-year vesting period. Internal performance conditions are attached to the shares and are based on Group Earnings per Share before impairment and divestments, Group Return on Invested Capital (ROIC) and Sustainability indicators.
- 864,531 (2020: 1,942,068) performance options at a fair value of CHF 2.92 (2020: CHF 1.32) were granted in 2021. Performance options are subject to a five-year vesting period. External conditions are attached to the options and are based on Holcim's relative total shareholder return (TSR) compared to a group of peer companies. The valuation of the performance options is based on the Enhanced American Model (calculation of the fair value without considering the performance condition) and a Monte Carlo simulation (estimation of the expected achievement factor).

Underlying assumptions for the fair value of the performance options granted in 2021 and 2020 are presented below:

Grant date	1 March 2021
Share price at grant date	51.90
Exercise price	51.07
Expected dividend yield (continuous)[1]	+4.0%
Expected volatility of stock[2]	+27.0%
Risk-free interest rate	−0.2%
Expected life of the options	7.5 years

[1] Continuously compounded dividend yield based on expected future dividend payments according to Thomson Reuters.
[2] Based on a historical volatility over the most recent period that is commensurate with the expected term of the options.

Grant date	1 March 2020
Share price at grant date	44.71
Exercise price	45.62
Expected dividend yield (continuous)[1]	+5.0%
Expected volatility of stock[2]	+24.5%
Risk-free interest rate	−0.6%
Expected life of the options	7.5 years

[1] Continuously compounded dividend yield based on expected future dividend payments according to Thomson Reuters.
[2] Based on a historical volatility over the most recent period that is commensurate with the expected term of the options.

Restricted shares

Half of the annual incentive amount for the Executive Committee is paid in blocked Holcim Ltd shares during the first quarter of the following financial year. The share price used to convert the annual incentive amount into a number of shares is the average of the three closing share prices preceding the award date. The shares are blocked for a period of three years from the award date.

Restricted share awards are also granted for senior management at hire, compensating for share awards forfeited from previous employer. The vesting of these restricted shares reflects the vesting dates of forfeited awards.

Board compensation consists of an annual retainer which is paid half in shares subject to a five-year restriction period.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

Share option plans (Holcim)

Two types of share options were granted to senior management of the Group: the ones, which were granted as part of the annual variable compensation and those, that were allotted to the Executive Committee upon appointment. In both cases, each option represented the right to acquire one registered share of Holcim Ltd at the share market price at grant date. These plans are closed. The last share options under this plan were granted in 2015.

The contractual term of the first type of option plan is eight years, with immediate vesting but exercise restrictions for a period of three years following the grant date. The contractual term of the second type of option plan is twelve years and the options have a vesting period (service-related only) of nine years from the date of grant, with sale and pledge restrictions.

The Group has no legal or constructive obligation to repurchase or settle the options in cash.

Outstanding share options

Movements in the number of share options outstanding and their related weighted average exercise prices are as follows:

	Weighted average exercise price		Number 2021	Number 2020
1 January	**CHF**	**49.92**	**3,897,614**	**3,230,489**
Granted and under vesting period[1]	CHF	51.07	**864,531**	1,942,068
Change in exchange ratio for Lafarge stock-options plans[2]	CHF	0.00	**0**	(5,728)
Forfeited	CHF	47.80	**(280,685)**	(625,461)
Exercised	CHF	50.19	**(37,546)**	(78,951)
Expired	CHF	67.40	**(122,770)**	(564,803)
31 December	**CHF**	**49.88**	**4,321,144**	**3,897,614**
Of which exercisable at the end of the year			**385,304**	551,920

[1] These options will not be delivered before the end of the 5-year vesting period and are subject to the level of achievement of performance conditions.
[2] Lafarge options plans expired in 2020.

The weighted average share price for the options exercised in 2021 was CHF 50.19 (2020: CHF 38.96). Share options outstanding at the end of the year have the following expiry dates and give the right to acquire one registered share of Holcim Ltd at the exercise prices as listed below:

Option grant date	Expiry date		Exercise price	Number 2021	Number 2020
2010	2022	CHF	70.30	**33,550**	33,550
2013	2021	CHF	67.40	**0**	122,770
2014	2022	CHF	64.40	**99,532**	99,532
2015	2023	CHF	66.85	**144,970**	144,970
2015	2023	CHF	63.55	**47,333**	47,333
2015[1]	2025	CHF	50.19	**59,919**	103,765
2018[1]	2028	CHF	55.65	**232,150**	236,866
2019[1]	2029	CHF	49.92	**1,095,619**	1,166,760
2020[1]	2030	CHF	45.62	**1,785,497**	1,942,068
2021[1]	2031	CHF	51.07	**822,574**	–
Total				**4,321,144**	**3,897,614**

[1] Options granted after the merger of Lafarge and Holcim in July 2015.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

16. PROVISIONS AND CONTINGENCIES

16.1 Accounting principles

Site restoration and other environmental provisions

The Group provides for the costs of restoring a site where a legal or constructive obligation exists. The estimated future costs for known restoration requirements are determined on a site-by-site basis and are calculated based on the present value of estimated future costs. The cost of raising a provision before exploitation of the raw materials has commenced is included in property, plant and equipment and depreciated over the life of the site. The effect of any adjustments to the provision due to further environmental damage as a result of exploitation activities is recorded through operating costs over the life of the site, in order to reflect the best estimate of the expenditure required to settle the obligation at the end of the reporting period. Changes in the measurement of a provision that result from changes in the estimated timing or amount of cash outflows, or a change in the discount rate, are added to or deducted from the cost of the related asset to the extent that they relate to the asset's installation, construction or acquisition. All provisions are discounted to their present value.

Climate-related matters may affect the level of provisions recognized such as site restoration provisions and litigation provisions as a result of levies imposed by the governments for failure to meet climate-related targets or new regulations and requirements to remediate environmental damages on Holcim's sites.

Restructuring provisions

The provision for restructuring only includes direct expenditures arising from the restructuring, notably severance payments, early retirement costs, costs for notice periods not worked and other costs directly linked largely with the closure of the facilities.

Contingent liabilities

Contingent liabilities arise from past events whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of Holcim. They are accordingly disclosed in the notes to the financial statements.

16.2 Provisions

Million CHF	Site restoration and other environmental provisions	Specific business risks	Restructuring provisions	Other provisions	Total 2021	Total 2020
1 January	**860**	**427**	**96**	**328**	**1,712**	**1,954**
Change in scope	(4)	(2)	0	412	**406**	15
Reclassification from liabilities directly associated with assets held for sale	0	0	0	0	**0**	4
Provisions recognized	53	35	50	214	**352**	236
Provisions used during the year	(52)	(28)	(47)	(43)	**(170)**	(192)
Provisions reversed during the year	(23)	(14)	(11)	(86)	**(134)**	(153)
Unwinding of discount and discount rate changes	(16)	1	0	0	**(15)**	5
Currency translation effects	(1)	(12)	(1)	(17)	**(31)**	(157)
31 December	**818**	**407**	**87**	**808**	**2,120**	**1,712**
Of which short-term provisions	52	139	76	146	**413**	323
Of which long-term provisions	766	268	11	662	**1,707**	1,389

Specific business risks
The total provision for specific business risks amounted to CHF 407 million as of 31 December 2021 (2020: CHF 427 million). Specific business risks comprise litigation provisions and provisions for contractual risks recorded in connection with purchase price allocations. Provisions for litigations mainly relate to antitrust and commercial disputes, environmental claims and product liabilities and are set up to cover legal and administrative proceedings.

The timing of cash outflows of provisions for litigations is uncertain since it will largely depend upon the outcome of administrative and legal proceedings.

The sensitivity associated with certain provisions led management to limit the extent of the disclosure discussed above as it believes it could seriously prejudice the position of the Group.

Restructuring provisions
The total provision for restructuring amounted to CHF 87 million decreasing from 2020 (CHF 96 million) notably due to cash payments during the year for CHF 47 million. The remaining provisions are expected to result in future cash outflows mainly within the next year.

Other provisions
Other provisions relate mainly to provisions that have been set up to cover other contractual liabilities and amount to CHF 808 million (2020: CHF 328 million). The increase compared to 2020 is mainly due to the integration of Firestone Building Products (see note 2.3). The composition of these items is manifold and comprise, as of 31 December 2021, among other things: provisions for health insurance and pension schemes, which do not qualify as benefit obligations and provisions related to sales, other taxes and indemnification provisions. The expected timing of the future cash outflows is uncertain.

16.3 Contingencies, guarantees, commitments and contingent assets

Contingencies
In the ordinary course of its business, the Group is involved in lawsuits, claims of various natures, investigations and proceedings, including product liability, commercial, competition, environmental, health and safety matters, etc. The Group operates in countries where political, economic, social and legal developments could have an impact on the Group's operations.

In connection with disposals made in the past years, the Group provided customary indemnification warranties notably related to accounting, tax, compliance with laws, litigation, labor and environmental matters. Holcim and its subsidiaries have received or may receive in the future notices of claims arising from such indemnification warranties.

The Group is exposed to varying degrees of uncertainty related to tax matters and regulatory reviews and audits. The Group accounts for its income taxes on the basis of its own internal analyses, supported by external advice, if appropriate. The Group continually monitors its global tax position, and whenever uncertainties arise, the Group assesses the potential consequences and either accrues the liability or discloses a contingent liability in its financial statements, depending on the strength of the Group's position and the resulting risk of loss.

As of 31 December 2021, the Group's contingencies amounted to CHF 1,924 million (2020: CHF 1,644 million). The increase is mainly related to a class action which was filed against the main Cement players in Colombia including Holcim claiming damages based on an alleged price agreement for the years 2010 to 2012.

Except for what has been provided for as disclosed in note 16.2, the Group has concluded that due to the uncertainty with some of the matters mentioned below, the potential losses from some of these cases cannot be reliably estimated. There are no further single matters pending that the Group expects to be material in relation to the Group's business, financial result or results of operations.

The following is a description of the material legal and tax matters currently ongoing.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

Legal and tax matters with new developments since last reporting period

A Group subsidiary has an investment in a joint venture, which owns a cement plant in Cuba. A waiver of Title III of the Helms-Burton Act (formally known as Cuban Liberty and Democratic Solidarity Act of 1996) lapsed as of 2 May 2019. Title III allows certain persons to file lawsuits in U.S. courts relating to certain property allegedly confiscated by the Cuban government since 1959. A Title III claim was filed in the Federal Court in Florida. An agreement, which resulted in the dismissal of the claim was reached in the first half of the year 2021 finally resolving this matter, which has been reflected in the results for the year.

Subsequent to the conclusion and public disclosure of the independent internal investigation, conducted under the supervision of the Holcim Board of Directors, and the initiation of the criminal proceedings currently pending with investigating judges in Paris, France, the Group received inquiries from time to time relating to the legacy conduct of Lafarge Cement Syria.

Such inquiries included informal requests for information on the matter from the U.S. Department of Justice (the “DOJ”). The Group has been responding to these informal inquiries. The Group continues to cooperate fully with the DOJ and discussions continue concerning the potential for resolution on the matter. No assessment can be made of whether a resolution will be reached, the financial or other terms of such resolution, or the potential enforcement action, if any, that the DOJ would pursue if no resolution can be reached.

The criminal proceedings in France related to the alleged dealings of Lafarge Cement Syria with terrorist organizations in the years 2013 and 2014 are currently pending with the investigating judges in Paris. The Court of Appeal decided on 7 November 2019 to drop one of the charges, complicity in crimes against humanity. The Supreme Court reviewed the Court of Appeal’s decision and decided on 7 September 2021 to refer the case back to the investigating chamber (Court of Appeal). The Supreme Court’s decision is not a ruling on the merits of the case, which is still at a preliminary stage, and Lafarge SA continues to cooperate fully with the French judicial authorities.

On 6 July 2020, a class action was filed against the main Cement players in Colombia including Holcim claiming damages based on an alleged price agreement for the years 2010 to 2012. The action was dismissed by the court on 24 September 2020 and the plaintiff appealed the decision. On 13 May 2021, the first instance court admitted the class action. Holcim appealed the decision and is waiting for the final decision regarding the admission.

In 2016, the Indonesian tax authorities issued the final objection letter in respect of the 2010 PT Lafarge Cement Indonesia payment of Corporate Income and Withholding Tax and associated penalties of a total amount of CHF 34 million (IDR 500 billion) related to certain refinancing transactions. PT Lafarge Cement Indonesia appealed against this decision at the tax court. In case of a negative outcome, the total claim amounts to CHF 68 million (IDR 1 trillion) due to additional penalties charged for the appeal. In January 2019, the Group sold its shareholding in PT Holcim Indonesia Tbk, including its subsidiary PT Lafarge Cement Indonesia, to Semen Indonesia, but will continue to be liable for such claims due to an indemnification guarantee provided by the Group to PT Holcim Indonesia Tbk. In December 2020, the Indonesian Supreme Court ruled in favour of PT Lafarge Cement Indonesia in a separate ruling. The remaining amount in dispute before the Indonesian Supreme Court is CHF 54 million (IDR 850 billion), which in a subsequent ruling by the Indonesian Supreme Court was decided in favor of PT Lafarge Cement Indonesia.

In July 2016, Lafarge Brasil SA received an assessment from the Brazilian Internal Revenue Service, claiming the reversal of a deducted Goodwill for the years 2011 and 2012. The amount in dispute is CHF 61 million (BRL 358 million). After challenging the assessment, the company received a favourable decision from the Administrative Tax Appeals Council in August 2018. The Brazilian Internal Revenue Service (BRA IRS) has appealed this decision before the Superior Administrative Chamber, still pending a judgment. In November 2018, LafargeHolcim (Brasil) S.A. received a further assessment from the Brazilian Internal Revenue Service, again claiming reversal of deducted Goodwill for the years 2013 and 2014. The amount in dispute for this case is CHF 48 million (BRL 284 million). The company challenged it and received a favourable decision at the 1st Administrative Level. The BRA IRS appealed to the Administrative Tax Appeals Council, which requested clarification from the judges at the 1st Administrative Level. In March 2021, a decision was given upholding the challenge to remove the losses contested by the tax authorities. Therefore, in June 2021, the file was forwarded to CARF for judgment of the Official Appeal. Finally, in December 2019 LafargeHolcim (Brasil) S.A. received a third assessment on the same topic, referring to the year 2015. The amount in dispute is CHF 4 million (BRL 22 million). The company has challenged it at 1st Administrative Level, had an unfavourable decision and appealed in November 2020 to the Administrative Tax Appeals Council.

Previously disclosed legal matters with no developments since last reporting period

The Competition Commission of India (“CCI”) issued in June 2012 and, after a successful appeal, again in August 2016 an order imposing a penalty on Ambuja Cements Ltd. (“ACL”), ACC Limited (“ACC”) and on the divested subsidiary Lafarge India for which the Group provided an indemnification guarantee. The order found those companies together with other cement producers in India to have engaged in price coordination and imposed penalties on the cement companies and their trade association. The total amount of penalties (including interests) relating to the three companies is approximately CHF 513 million as of 31 December 2021. The companies appealed the order before the Competition Appellate Tribunal ("COMPAT"). As per the interim order passed by COMPAT in 2016, the companies placed a deposit of 10 percent of the penalty amounts with a financial institution with a lien in favor of COMPAT. In May 2017, all matters pending before COMPAT were transferred to the National Company Law Appellate Tribunal ("NCLAT"). In July 2018, the NCLAT dismissed the appeal of the companies against the CCI order and upheld the fines imposed. The companies filed an appeal with the Supreme Court which was admitted on 5 October 2018 and the interim order passed by COMPAT was directed to be continued. The tentative next date of hearing before the Supreme Court will likely be in end of 2022 or during 2023.

Additionally, the CCI initiated a further investigation which was notified to ACC and ACL in December 2020, when the CCI conducted dawn raids at the Mumbai premises of both companies. This investigation is on going and no assessment can be made at this time.

On 28 May 2014, the Administrative Council for Economic Defense ("CADE") ruled that Holcim Brazil (today LafargeHolcim (Brasil) S.A.) along with other cement producers had engaged in price collusion and other anti-competitive behavior. The ruling includes behavioral remedies prohibiting certain greenfield projects, divestment of a ready-mix plant, and M&A activities and fines against the defendants. This order became enforceable on 21 September 2015 and applies to LafargeHolcim Brazil, which has been fined CHF 122 million (BRL 509 million) as at the date of the order. In September 2015, LafargeHolcim Brazil filed an appeal against the order, offering a cement plant as guarantee to support its appeal. The fine and the behavioral remedies imposed by CADE were suspended by two decisions of the court of first instance on 29 September 2016 and 21 October 2016. This suspension will remain in effect until the completion of the substantive proceedings against the CADE ruling. During 2019, CADE challenged the guarantee offered, as well as the venue of the proceedings, however, both requests were rejected by the lower court with an appeal pending. On the substantive proceedings, an expert in economics was appointed in 2020, and his economic report is expected during the first half of 2022. As of 31 December 2021, the total amount including interests and monetary adjustment is approximately CHF 133 million (BRL 823 million).

There has been litigation in Hungary for a number of years related to the ownership of assets and damage compensation in the context of the privatization of one of the former Holcim cement plants in Hungary. The plant was closed a number of years ago and remains inactive and the Group believes the plant is illegally occupied by the counterparty in the litigation. The litigation is ongoing in a number of different courts in Hungary but Holcim will continue to defend its legal position in all courts of competent jurisdiction.

Guarantees

At 31 December 2021, the Group's guarantees issued in the ordinary course of business amounted to CHF 941 million (2020: CHF 867 million).

Commitments

In the ordinary course of business, the Group enters into purchase commitments for goods and services, buy and sell investments, associated companies and Group companies or portions thereof. It is common practice for the Group to make offers or receive call or put options in connection with such acquisitions and divestitures.

At 31 December 2021, the Group's commitments amounted to CHF 2,848 million (2020: CHF 2,306 million) and included CHF 2,268 million (2020: CHF 1,739 million) related to the purchase of various products, inventories and services and CHF 580 million (2020: CHF 567 million) related to the purchase of property, plant and equipment and intangible assets. The increase is mainly related to the integration of Firestone Building Products (see note 2.3).

Contingent assets

A contingent asset is a possible asset that arises from past events, whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group. At 31 December 2021, there is no contingent asset in favor of the Group (2020: CHF 26 million).

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17. SHAREHOLDERS' INFORMATION

17.1 Equity

At 31 December 2021, the Group's subordinated fixed rate resettable perpetual notes carried in equity amounted to CHF 750 million (2020: CHF 750 million).

Issue	Currency	Coupon	Nominal Amount (Million)
28 November 2018	CHF	3.50%	200
5 April 2019	EUR	3.00%	500

In accordance with the provisions of IAS 32 Financial Instruments – Presentation, and given their characteristics, these instruments were accounted for in equity in the Group's consolidated financial statements.

Incremental costs directly attributable to the issuance of ordinary shares and share options are recognized as a deduction from equity, net of any tax effects. Treasury shares (own equity instruments held by the Group) are accounted for as a reduction of equity at acquisition cost and are not subsequently remeasured. When shares are sold out of treasury shares, the resulting profit or loss is recognized in equity, net of tax.

17.2 Information on share capital

Number of registered shares 31 December	**2021**	2020
Total oustanding shares	**608,010,017**	**611,712,152**
Treasury shares		
Reserved for share compensation plans	**7,919,042**	4,216,907
Total treasury shares	**7,919,042**	**4,216,907**
Total issued shares	**615,929,059**	**615,929,059**
Shares out of conditional share capital		
Reserved for convertible bonds	**1,422,350**	1,422,350
Total shares out of conditional share capital	**1,422,350**	**1,422,350**
Total shares	**617,351,409**	**617,351,409**

The par value per share is CHF 2.00. The share capital amounts to nominal CHF 1,232 million (2020: CHF 1,232 million) and the carrying amount of the treasury shares amounts to CHF 381 million (2020: CHF 197 million).

18. RELATED PARTY TRANSACTIONS

Key management compensation

Board of Directors

In 2021, twelve non-executive members of the Board of Directors received in total compensation of CHF 4.9 million (2020: CHF 4.9 million) of which CHF 2.7 million was paid in cash (2020: CHF 2.7 million), CHF 0.01 million in the form of social security contributions (2020: CHF 0.02 million), and CHF 2.0 million in shares (2020: CHF 2.0 million). Other compensation paid totaled CHF 0.2 million (2020: CHF 0.2 million).

The total compensation of the Board of Directors as well as the compensation structure and levels remained unchanged from the previous year.

Executive Committee

The total annual compensation for the ten members of the Executive Committee for 2021 amounted to CHF 36.3 million (2020: CHF 30.5 million). This amount comprises base salaries, other fixed pay and annual incentive of CHF 23.3 million (2020: CHF 18.4 million), equity-based long-term incentive of CHF 10.1 million (2020: CHF 9.0 million), employer contributions to social security and pension plans of CHF 2.9 million (2020: CHF 3.1 million).

Compensation for former members of governing bodies

During 2021 and 2020, no payments were made to former members of the Executive Committee.

During 2021 and 2020, no payments were made to parties closely related to members of the governing bodies.

Loans granted to members of governing bodies

There were no loans to members of the Executive Committee, members of the Board of Directors or to parties closely related to members of governing bodies outstanding on 31 December 2021.

As at 31 December 2020, there was one loan in the amount of CHF 0.1 million outstanding from René Thibault, member of the Executive Committee. This loan had been granted before the nomination to the Executive Committee.

Other transactions

As part of the employee share purchase plan, Holcim manages employees' shares. It sells and purchases Holcim Ltd shares to and from employees and in the open market. In 2021 and 2020, the company did not purchase any Holcim Ltd share from members of the Executive Committee.

The indemnification claim of Holcim under the indemnification guarantee from Orascom Construction Industries S.A.E (OCI) in relation to an acquisition in 2008 was settled with payment received on 1 July 2021. As at 31 December 2021, no further claims against OCI are outstanding. Mr. Nassef Sawiris is Chief Executive Officer and Director of Orascom Construction Industries N.V., parent company of OCI, former director of Lafarge S.A. and of Holcim Ltd (until 15 May 2019) and is no longer deemed a related party of the Group.

Transactions with associates and joint ventures

Transactions with joint ventures and associates are set at arm's length basis in a manner similar to transactions with third parties.

The transactions and the outstanding balances of the Group with associates and joint ventures are summarised in the table below:

Million CHF	**2021**	2020
Net sales	146	112
Purchase of goods	246	228
Trade accounts receivable	47	96
Other receivables	7	5
Current financial receivables	18	86
Long-term financial receivables	91	48
Trade accounts payable	98	115
Current financial liabilities	13	32
Long-term financial liabilities	1	0

In 2021, Holcim sold its business in Zambia and Malawi to its joint venture company Huaxin Cement Co. Ltd. (see note 2.3).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

19. CASH FLOW

Cash flow information related to investing activities

Million CHF	2021	2020
Purchase of property, plant and equipment net		
Replacements	**(941)**	(735)
Proceeds from sale of property, plant and equipment	**112**	88
Capital expenditures on property, plant and equipment to maintain productive capacity and to secure competitiveness	**(829)**	**(647)**
Expansion investments	**(591)**	(379)
Total purchase of property, plant and equipment net (a)	**(1,420)**	**(1,026)**
Acquisition of participation in Group companies (net of cash and cash equivalents acquired)	**(3,409)**	**(135)**
Disposal of participation in Group companies (net of cash and equivalents disposed of)	**209**	**18**
Purchase of financial assets, intangible and other assets		
Increase in financial investments including associates and joint ventures	**(13)**	(15)
Increase in other financial assets, intangible and other assets	**(251)**	(175)
Total purchase of financial assets, intangible and other assets	**(264)**	**(190)**
Disposal of financial assets, intangible and other assets		
Decrease in financial investments including associates and joint ventures	**18**	3
Decrease in other financial assets, intangible and other assets	**155**	100
Total disposal of financial assets, intangible and other assets	**173**	**103**
Total (purchase) disposal of financial assets, intangible and other assets businesses net (b)	**(3,291)**	**(205)**
Total cash flow from investing activities (a + b)	**(4,710)**	**(1,231)**

Cash flow from acquisitions and disposals of Group companies

	Acquisitions		Disposals	
	2021	2020	**2021**	2020
Million CHF	**Total**	**Total**	**Total**	**Total**
Cash and cash equivalents	**(65)**	(3)	**29**	1
Assets classified as held for sale	**0**	0	**20**	0
Other current assets	**(605)**	(12)	**75**	2
Property, plant and equipment	**(501)**	(134)	**127**	31
Intangible assets[1]	**(1,055)**	0	**0**	4
Other long-term assets	**(162)**	1	**8**	3
Bank overdrafts	**1**	0	**(15)**	0
Other current liabilities	**390**	12	**(62)**	(1)
Long-term provisions	**345**	10	**(13)**	5
Other long-term liabilities	**174**	13	**(27)**	(3)
Net assets	**(1,476)**	**(113)**	**142**	**41**
Non-controlling interest	**5**	1	**(27)**	
Net assets (acquired) disposed	**(1,471)**	**(113)**	**114**	**41**
Goodwill (acquired) disposed[1]	**(1,995)**	(26)	**120**	1
Fair value of previously held equity interest	**(8)**	0	**0**	0
Net gain (loss) on disposals	**0**	0	**(7)**	5
Total (purchase) disposal consideration	**(3,475)**	**(139)**	**227**	**47**
Acquired (disposed) cash and cash equivalents net of bank overdrafts	**65**	3	**(14)**	(1)
Tax and disposal costs paid		0	**(4)**	(5)
Deferred consideration	**2**	(1)		(24)
Net cash flow	**(3,409)**	**(135)**	**209**	**18**

[1] Mainly related to the acquisition of Firestone Building Products (see note 2.3).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

20. EVENTS AFTER THE REPORTING PERIOD

On 11 January 2022, Holcim announced it has entered into an agreement to acquire PRB Group, France's biggest independent manufacturer of specialty building solutions with 2022 (est.) net sales of EUR 340 million.

On 19 January 2022, Holcim announced it has successfully issued two sustainability-linked bonds in the Swiss franc market, with climate action at the heart of its financing strategy. The bonds raised CHF 325 million and CHF 100 million, with maturities in 2026 and 2032 respectively with a coupon of 0.375% and 1.00% per annum.

On 25 January 2022, Holcim announced it has sold its cement business in Northern Ireland to Cookstown Cement Ltd for an enterprise value of CHF 70 million.

In February 2022, the conflict between Russia and Ukraine worsened. The situation is changing rapidly creating high volatility in the energy markets, especially in Europe. Given the recent and rapid escalation of events and the imposition of additional sanctions, it is too early to determine the potential impact on the Group's operating results. The Group does not have any assets nor operations in Ukraine. The Group's Russian operations represented around one percent of the 2021 consolidated net sales.

21. AUTHORIZATION OF THE FINANCIAL STATEMENTS FOR ISSUANCE

The consolidated financial statements were authorized for issuance by the Board of Directors of Holcim Ltd on 24 February 2022 and are subject to shareholder approval at the Annual General Meeting of shareholders scheduled for 4 May 2022.

TO THE GENERAL MEETING OF HOLCIM LTD, ZUG

ZURICH, 24 FEBRUARY 2022

STATUTORY AUDITOR'S REPORT ON THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Opinion

We have audited the consolidated financial statements of Holcim Ltd and its subsidiaries (the Group), which comprise the consolidated statement of financial position as at 31 December 2021 and the consolidated statement of income, consolidated statement of comprehensive earnings, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements (pages 174 to 262) give a true and fair view of the consolidated financial position of the Group as at 31 December 2021, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS) and comply with Swiss law.

Basis for opinion

We conducted our audit in accordance with Swiss law, International Standards on Auditing (ISAs) and Swiss Auditing Standards. Our responsibilities under those provisions and standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the provisions of Swiss law and the requirements of the Swiss audit profession, as well as the IESBA Code of Ethics for Professional Accountants, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

A summary of our Audit Approach

Key audit matter

The key audit matters that we identified in the current year are as follows:

- Contingent liabilites;
- Impairment of property, plant and equipment; and
- Goodwill;
- Acquisition accounting.

Group materiality

We have set materiality for the current year at CHF 180 million (2020: CHF 154 million), based on 5% of normalised (adjusted for restructuring, litigation and other non-recurring costs and impairment of operating assets) three-year average profit before tax.

Audit scope

Our scope covered 14 components and 3 shared service centres. Of these 14 components, 4 were full scope audits and the remaining 10 were subject to specific procedures on certain balances by component audit teams or the group audit team.

The in-scope components covered 87% (2020:83%) of Group net sales, 91% (2020:82%) of Group EBIT and 72% (2020:72%) of Group non-current assets.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period.

These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Contingent liabilities

Key audit matter

The Group is involved in certain legal proceedings and investigations, including anti-trust and regulatory proceedings and investigations by regulatory authorities, as disclosed in note 16.3 to the consolidated financial statements. Since the ultimate resolution of the asserted claims, proceedings and investigations cannot be predicted with certainty, any adverse outcome could have a material effect on the financial position, earnings, and cash flows of the Group.

Assessing the impact and likely outcome of any litigation and regulatory investigations, such as fines, penalties, and other enforcement actions, requires significant judgement. The judgements involved in determining the likely outcome of legal cases and regulatory investigations result in a risk that those legal provisions may be incorrect or are not established on a timely basis.

Management has concluded, considering all available evidence, including advice from both external and internal legal counsel, that it is not probable that a present obligation existed at the end of the year from the above-mentioned legal proceedings and regulatory investigations. Consequently, no liabilities have been recognised, nor is any possible estimate of the contingent liability in relation to these matters capable of being quantified (and therefore disclosed) at 31 December 2021.

How the scope of our audit responded to the key audit matter

We evaluated the Group's design and implementation of processes and controls for the identification and evaluation of legal proceedings and regulatory investigations at the different levels of management (including those charged with governance), as well as for the continuous assessment and recording of the related (contingent) liabilities and provisions required by IAS 37 *Provisions, contingent liabilities and contingent assets.*

We enquired of the Group Chief Legal and Compliance Officer and Group's external legal counsels as to the current stage of the various legal proceedings and regulatory investigations and as to their awareness of identified known or likely non-compliance from the legal proceedings or regulatory investigations that could indicate the existence of a present obligation at 31 December 2021. We obtained and reviewed internal and external investigation reports when deemed necessary. We discussed the matters with Deloitte forensic specialists with relevant experience in such matters.

We reviewed minutes of meetings of the Board of Directors. We assessed the competence, capability and objectivity of the legal advisors used by the Group. We assessed

TO THE GENERAL MEETING OF HOLCIM LTD, ZUG CONTINUED

management's judgment for any bias and whether any of the evidence obtained contradicted management's assessment.

We assessed the adequacy of the disclosures made in the consolidated financial statements and considered.

Based on the procedures performed, we consider the judgements applied by management and the disclosures set out in the financial statements to be appropriate

Impairment of property, plant and equipment

Key audit matter

The Group's balance sheet includes property, plant and equipment ("PP&E") of CHF 24,441 million (2020: CHF 24,220 million) – refer to Note 11. PP&E impairment is tested at the Cash Generating Unit (CGU) level when an indicator of impairment is identified and is tested using discounted cash flow models to determine the recoverable amount of the CGU, which is compared with the carrying amount of the CGU. A deficit in the recoverable amount when compared with the carrying amount would result in an impairment.

Management performed a review of all CGUs for indicators of impairment and impairment reversal as at 31 December 2021 in accordance with the requirements of International Accounting Standard (IAS) 36 "Impairment of Assets" – refer to Note 1. In assessing the recoverable amount of a CGU, management is required to estimate future cash flows. The determination of future cash flows requires management to make assumptions relating to future profitability, including revenue growth and EBITDA margins, and the determination of an appropriate discount rate, all of which are subject to management override as the outcome of the impairment assessments could vary significantly if different judgements are applied.

Through our risk assessment procedures, we have determined that, for the CGUs where we focused our testing, there were four key estimates in management's determination of the level of impairment charge/reversal to record. These are:

a. Market size – the Group's short-term and long-term estimates of the level of cement demand have a significant impact in the determination of the EBITDA margins included in the cash flows used in the PP&E impairment assessments and are inherently uncertain. There is a risk that management's market demand assumptions are not reasonable, leading to a material misstatement.

b. Cement prices – A key input into the EBITDA margins included in the PP&E impairment assessments is the forecasting of cement prices over the four-year forecast period. Forecast cement prices are closely related to the level of cement demand, available market production capacity and inflation. Supply and demand factors are subject to significant estimation uncertainty. There is a risk that management's cement price assumptions are not reasonable, leading to a material misstatement.

c. Fixed and Variable costs (the "Costs") – the determination of the free cash flows for a CGU are sensitive to the Cost assumptions applied in the EBITDA margin. There is a risk that management's assessment of the Costs is understated, leading to a material misstatement.

d. Discount rates – Given the long timeframes involved, recoverable amounts of the CGUs are sensitive to the discount rate applied. There is a risk that discount rates do not reflect the risks inherent in the cash flows being discounted, leading to a material misstatement.

Change in cash flow projections
As disclosed in Note 1.2 at year-end 2021, cash flow projections were based on a four-year financial planning period in alignment with the Group Strategy 2025 "Accelerating Green Growth". This is a change in the projection period as a three-year financial period was used in the prior year. Management have assessed that this change did not have a material impact on the impairment assessment of PP&E.

How the scope of our audit responded to the key audit matter

We assessed the design and implementation controls implemented by management in testing for impairment and the setting of forecasts used in the impairment valuation tests.

We performed an independent assessment of impairment indicators, including challenging management's sensitivity analysis by performing an independent sensitivity analysis utilising management's models.

We identified and focused on certain individual CGUs with a total carrying amount of CHF 670 million, which we determined would be most at risk of a material impairment as a result of reasonably possible changes in the key assumptions and consideration of recent financial performance and the economic environment in which the CGU operates.

In addition, we performed the following substantive procedures for those CGUs selected for testing:

Market size
We benchmarked demand growth assumptions to industry and external reports on demand and supply growth and recent historical trends.

We used Deloitte economic specialists to assist in the challenge of the economic models used by management to forecast long-term cement market size, including comparing key inputs to the economic models to independently sourced external market data.

Cement Prices
We reviewed management's estimates of cement prices over the four-year forecast period by evaluating recent historical price trends against inflation. We considered the impact of potential additional cement capacity identified from industry reports and public commentary. Additionally, we held discussions with regional and country management to understand their views of market developments.

Costs
We challenged management's estimates of Costs over the four-year forecast period by evaluating recent historical cost trends and comparing the movement in costs against inflation.

Discount rates
We used Deloitte valuation specialists to develop

independent discount rates and compared these from external market data to management estimates for the discount rate, country risk premium and tax rates.

Other procedures
We challenged management's CGU determination and considered whether there existed any contradictory evidence.

We agreed the underlying cash flow forecasts to the Board approved plans.

We validated that the Group's asset impairment methodology was appropriate and tested the integrity of the impairment models.

We assessed management's historical forecasting accuracy, whether estimates have been determined on a consistent basis across the Group and where relevant, compared management's prior year models for testing impairment with the current year models.

We considered the adequacy of management's disclosures in respect of PP&E impairment testing.

We have evaluated the impact of management's change to a four-year financial planning period on both management's assessment of identifying CGUs with indicators of impairment and management's determination of recoverable value of CGUs by testing management's analysis and agreeing the inputs to external data.

Based on the audit procedures performed, we consider the judgements applied in the determination of CGUs and the assumptions included in the impairment testing models, together with the disclosures set out in the consolidated financial statements, including the impact of the change, to be appropriate.

Goodwill

Key audit matter
The Group's balance sheet includes goodwill of CHF 13,954 million (2020: CHF 12,413 million). The increase in goodwill for the year-ended 2021 is primarily related to the acquisition of Firestone Building Products, which is reported under the Acquisition accounting key audit matter.

As detailed in Note 11, the level at which goodwill is monitored and tested for impairment is the operating segment.

The level at which the CEO (chief operating decision maker) reviews operating results and monitors performance and the level at which goodwill impairment testing is required to be performed is a matter of fact. The Group focuses on the regional performance of its operations. Key metrics used by the CEO in assessing performance are measured at the operating segment level.

The cement industry is associated with high CO_2 intensity and Holcim is exposed to a variety of regulatory frameworks to reduce emissions. Management has launched Strategy 2025 "Accelerating Green Growth" and has set 2030 CO_2 emissions reduction targets which were considered in the assumptions for capital expenditure costs and revenue in their forecasts.

In assessing the recoverable amount of goodwill, management is required to estimate future cash flows.

The determination of future cash flows requires management to make assumptions relating to future profitability, including revenue growth and operating margins, and the determination of an appropriate discount rate – refer to Note 11.3. The management assumptions are subject to management override as the outcome of the impairment assessments could vary significantly if different judgements are applied.

Through our risk assessment procedures, we have determined that there are five key estimates in management's determination of the level of impairment to record. These are:

a. Market size – the Group's short-term and long-term estimates of the level of cement demand have a significant impact on the goodwill impairment assessments and are inherently uncertain. There is a risk that management's market demand assumptions are not reasonable, leading to a material misstatement.

b. Discount rates – Given the long timeframes involved, recoverable amounts of the operating segments are sensitive to the discount rate applied. There is a risk that discount rates do not reflect the risks inherent in the cash flows being discounted, leading to a material misstatement.

c. Cement prices – A key input into the EBITDA margins used in the goodwill impairment assessments is the forecasting of cement prices over the four-year forecast period. Forecast cement prices are closely related to the level of cement demand, available market production capacity and inflation. Supply and demand factors are subject to significant estimation uncertainty. There is a risk that management's cement price assumptions are not reasonable, leading to a material misstatement.

d. Costs – the determination of free cash flows for a CGU are sensitive to the Cost assumptions applied in the EBITDA margin. There is a risk that management's assessment of the Costs are understated, leading to a material misstatement.

e. Climate Change – management make certain assumptions in their cashflow projections on implementing its Strategy 2025 "Accelerating Green Growth" and delivering its 2030 CO_2 emissions reduction targets. In particular, assumptions are made with respect to the costs of implementing lower emission technologies, the cost savings to be achieved from the use of those technologies, the impact on revenue and costs of carbon pricing and the impact on the useful lives of assets.

There is considerable uncertainty over assumptions on various climate change scenarios and the inputs into the goodwill impairment assessments are inherently uncertain. There is a risk that management's assessment of the impacts of climate change is not realised, leading to a material misstatement.

Change in cash flow projections
As disclosed in Note 1.2 at year-end 2021, cash flow projections were based on a four-year financial planning

TO THE GENERAL MEETING OF HOLCIM LTD, ZUG CONTINUED

period in alignment with the Group Strategy 2025 "Accelerating Green Growth". This is a change in projection period as a three-year financial period was used in the prior year. Management have assessed that this change did not have a material impact on the impairment assessment of Goodwill.

How the scope of our audit responded to the key audit matter
We assessed the design and implementation of controls implemented by management in testing for impairment and the judgements in determining the allocation of goodwill to the operating segments.

We performed an analysis of the risk of impairment for goodwill by performing an independent sensitivity analysis utilising management's models.

We identified and focused on certain individual CGUs with a total carrying amount of CHF 1,580 million, which we determined would be most at risk of a material impairment of goodwill as a result of significant changes in key assumptions, particularly discount rates, market size, cement prices, and cost savings. This was based on the level of headroom of the aggregated recoverable amount of their operating segment over the operating segment's aggregated carrying amount. We identified these as a significant audit risk.

In addition, we also focused on individual CGUs with a further CHF 4,626 million of combined CGU carrying amount, which were less sensitive based on the level of headroom of the aggregated recoverable amount of their operating segment over the operating segments aggregated carrying amount. We identified these as a lower audit risk.

We performed the following substantive procedures for those CGUs with a higher risk selected for testing:

Market size
We benchmarked demand growth assumptions to industry reports on demand and supply growth and recent historical trends.

We used Deloitte economic specialists to assist in challenging economic models used by management to forecast long-term cement market size, including comparing key inputs to the economic models to independently sourced external market data.

Discount rates
We used Deloitte valuation specialists to develop independent discount rates and compared these from external market data to management estimates for the discount rate, country risk premium and tax rates.

For the CGUs selected with a lower risk we challenged the discount rates used by management, as described above.

Cement Prices
We reviewed management's estimates of cement prices over the four-year forecast period by evaluating recent historical price trends against inflation. We considered the impact of potential additional cement capacity identified from industry reports and public commentary. Additionally, we held discussions with regional and country management to understand their views of market developments.

Cost Savings
We reviewed management's estimates of Costs over the four-year forecast period by evaluating recent historical cost trends and comparing the movement in costs against inflation.

Climate Change
We held discussions with management, with Deloitte sustainability specialists and within the Group engagement team to identify areas in which climate change, and in particular management's Strategy 2025 "Accelerating Green Growth" and 2030 CO_2 emissions reduction targets, will impact future operations.

We gained an understanding of the impacts of implementing the Pledge and Strategy on future revenue, costs and capital expenditure and performed procedures to confirm that where required management forecasts had appropriately taken into consideration those impacts.

We read the information included in the Annual Report and considered whether there was any material inconsistency between the other information and the financial statements.

Other procedures
We challenged management's determination that goodwill is monitored at the operating segment level by reviewing internal financial reporting presented to the Board of Directors, CEO and executive committee; we held discussions with the CEO and Regional Executives to understand both the process of evaluating results, monitoring performance and how decisions are made on the allocation of capital. In addition, we obtained an understanding of how the performance of members of the Group's Executive is monitored and bonuses determined.

We agreed the underlying cash flow forecasts to the Board approved plans.

We evaluated that Holcim's goodwill impairment methodology was appropriate and tested the integrity of the impairment models.

We considered the adequacy of management's disclosures in respect of goodwill impairment testing and whether the disclosures appropriately disclose the sensitivities and the impacts of the change in the level at which goodwill impairment testing is undertaken.

We have evaluated the impact of management's change in financial planning period by testing management's analysis and agreeing the inputs to external data.

Based on the audit procedures performed, we consider the judgements applied in the determination of the level of goodwill impairment testing and the assumptions included in the impairment testing models, together with the disclosures set out in the consolidated financial statements, including the impact of the change, to be appropriate.

Acquisition accounting

Key audit matter

Holcim acquired Firestone Building Products ("FSBP") on 31 March 2021. Following the acquisition of FSBP, management prepared a Purchase Price Allocation ("PPA"). Note 2.3 provides a description of the transaction. The PPA is a provisional allocation as of 31 December 2021, which will be finalised by management in the first quarter of 2022.

The significant size of the Firestone Building Products acquisition and complexity of the process gives rise to risks related to the purchase price allocation exercise performed by management. We identified the following specific risk areas:

- Determination of identifiable and separable intangible assets acquired given the nature of the operations and the large portion of value of the transaction attributed to synergies and intangibles, with total intangible and goodwill balances of CHF 2,975 million, and the need for complex and judgemental valuation techniques and inputs to be utilised by management,
- Recognition and valuation of deferred tax assets, with total deferred tax assets of CHF 109 million recorded in the opening balance sheet, requiring significant estimates and judgements to be made by management,
- Recognition and valuation of provisions and deferred revenue, with total provisions and deferred revenue of CHF 464 million recorded in the opening balance sheet, requiring significant estimates and judgements to be made by management.

How the scope of our audit responded to the key audit matter

In respect of the determination of identifiable and separable intangible assets acquired, we performed an evaluation of the valuation methodologies adopted and tested the appropriateness of the underlying assumptions, and the mathematical accuracy of the valuation models in conjunction with our valuation specialists embedded within the engagement team.

We corroborated management's assumptions through benchmarking with available external benchmarks on key assumptions, including cash flow forecasts, discount rates, royalty rates, attrition rates, contributory asset charges and useful lives.

We held discussions with experts employed by management to assist in the identification of separable intangible assets and the valuation thereof and evaluated the findings and conclusions in their report.

We assessed the competence, capability and objectivity of experts employed by management.

Our work was predominantly performed by the Group audit team and the valuation specialists embedded within the engagement team, although we also leveraged the knowledge and audit work of our component audit team.

We utilised our internal tax experts to assess the recognition and valuation of the deferred tax assets.

In respect of the recognition and valuation of provisions, we examined how management determined all material provisions and examined the key assumptions and calculations used by management in determining the provision in accordance with IAS 37. With respect to the deferred revenue liability, we benchmarked the deferred revenue against historical warranty data of FSBP and the mark-up margins against selected companies in the insurance industry.

We assessed the reasonableness of the disclosures made in the consolidated financial statements.

Based on the audit procedures performed, we consider the provisional PPA allocation, and the valuations made by management, together with the disclosures set out in the consolidated financial statements to be reasonable.

Our application of materiality

We define materiality as the magnitude of misstatement in the financial statements that makes it probable that the economic decisions of a reasonably knowledgeable person would be changed or influenced. We use materiality both in planning the scope of our audit work and in evaluating the results of our work.

Based on our professional judgement, we determined materiality for the Group as a whole to be CHF 180 million, based on a calculation of 5% of normalised (adjusted for restructuring, litigation and other non-recurring costs and impairment of operating assets) three-year average profit before tax for 2019, 2020 and 2021.

The materiality applied by the component auditors ranged from CHF 40.8 million to CHF 56.1 million depending on the scale of the component's operations, the component's contribution to Group profit before tax and our assessment of risks specific to each location.

We agreed with the Audit Committee that we would report to the Committee all audit differences in excess of CHF 9 million, as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds. We also report to the Audit Committee on disclosure matters that we identified when assessing the overall presentation of the financial statements.

An overview of the scope of our audit

Our Group audit was scoped by obtaining an understanding of the Group and its environment, including group-wide controls, and assessing the risks of material misstatement at the Group level. Based on our continuing assessment, we focused our Group audit scope primarily on the audit work at 14 components, representing the Group's most material country operations, and 3 shared service centres and utilised 16 audit teams in 12 countries. There were 4 components and 3 shared service centres subject to full scope audits and 10 components subject to audit procedures on specified balances and specified procedures, where the extent of audit testing was based on our assessment of the risks of

TO THE GENERAL MEETING OF HOLCIM LTD, ZUG CONTINUED

material misstatement and of the materiality of the Group's operations at those locations.

These 14 components, 3 shared service centres and specific procedures performed by the group audit team represent the principal business units and account for 72% of the Group's non-current assets, 87% of the Group's net sales and 91% of the Group's EBIT.

At the parent entity level we also tested the consolidation process and carried out analytical procedures to confirm our conclusion that there were no significant risks of material misstatement of the aggregated financial information of the remaining components not subject to audit or audit of specified balances and specified procedures.

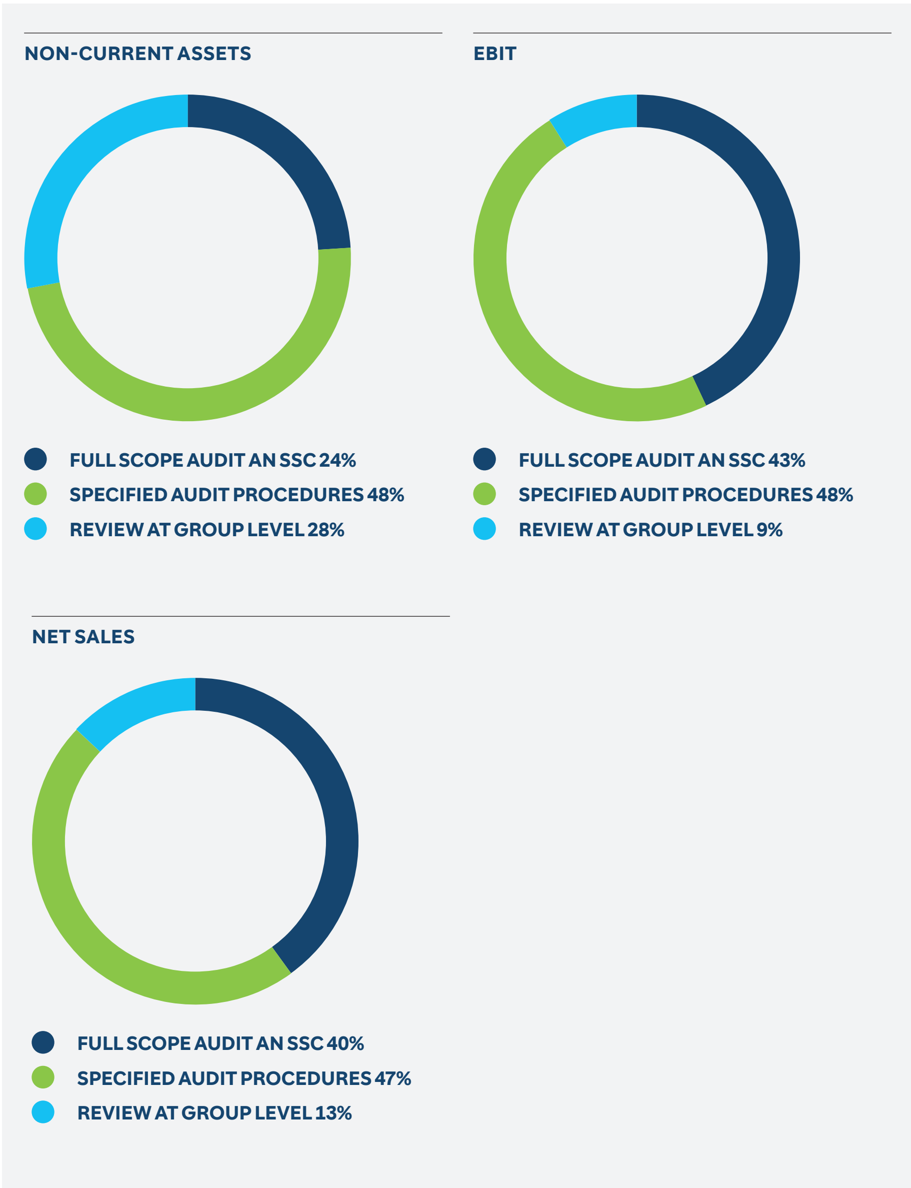
Due to the COVID-19 situation, senior members of the Group audit team held regular interactions and virtual meetings with component and shared service centre audit teams throughout the course of the year in lieu of site visits. This program allowed the Group audit team to discuss risk assessments and review documentation of the findings of their work.

Other Information in the Annual Report

The Board of Directors is responsible for the other information in the Annual Report. The other information comprises all information included in the Annual Report, but does not include the consolidated financial statements, the stand-alone financial statements of the Company upon which we issue a separate Statutory Auditor's report, the Compensation Report from pages 122 to 146 and our Auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information in the Annual Report and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information



in the Annual Report and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If based on the work we have performed, we conclude that there is a material misstatement of this other information; we are required to report that fact. We have nothing to report in this regard.

Responsibility of the Board of Directors for the Consolidated Financial Statements

The Board of Directors is responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with IFRS and the provisions of Swiss law, and for such internal control as the Board of Directors determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the Board of Directors is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Board of Directors either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with Swiss law, ISAs and Swiss Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

A further description of our responsibilities for the audit of the consolidated financial statements is located at the website of EXPERTsuisse: *http://expertsuisse.ch/en/audit-report-for-public-companies*. This description forms part of our auditor's report.

Report on Other Legal and Regulatory Requirements

In accordance with article 728a paragraph 1 item 3 CO and Swiss Auditing Standard 890, we confirm that an internal control system exists, which has been designed for the preparation of consolidated financial statements according to the instructions of the Board of Directors.

We recommend that the consolidated financial statements submitted to you be approved.

DELOITTE AG

David Quinlin
Licensed Audit Expert
Auditor in Charge

Alexandre Dübi
Licensed Audit Expert

HOLDING COMPANY RESULTS

Statement of income Holcim Ltd

Million CHF	Notes	2021	2020
Dividend income – Group companies		**767**	1,634
Financial income – Group companies		**198**	228
Financial income – Third parties		**1**	0
Other income	2	**402**	0
Total income		**1,368**	**1,862**
Financial expenses – Group companies		**(93)**	(55)
Financial expenses – Third parties		**(43)**	(102)
Other expenses	3	**(391)**	(254)
(Impairment)/reversal of impairment of financial investments and financial receivables – Group companies	4	**(38)**	31
Total expenses		**(565)**	**(380)**
Net income before taxes		**803**	**1,482**
Income tax		**(15)**	(1)
Net income		**788**	**1,481**

Statement of financial position Holcim Ltd

Million CHF	Notes	2021	2020
Cash and cash equivalents		**595**	128
Current financial receivables – Group companies		**805**	655
Current financial receivables – Third parties		**165**	95
Other current receivables – Group companies		**52**	55
Other current receivables – Third parties		**2**	0
Total current assets		**1,619**	**933**
Non-current financial receivables – Group companies		**2,585**	2,781
Financial investments – Group companies	5	**38,104**	37,932
Other assets		**103**	54
Total non-current assets		**40,792**	**40,767**
Total assets		**42,411**	**41,700**
Current financial liabilities – Group companies		**1,258**	567
Current financial liabilities – Third parties	6	**734**	240
Other current liabilities – Group companies		**146**	131
Other current liabilities – Third parties		**75**	53
Total current liabilities		**2,213**	**991**
Non-current financial liabilities – Group companies		**4,204**	3,467
Non-current financial liabilities – Third parties	7	**590**	1,224
Total non-current liabilities		**4,794**	**4,691**
Total liabilities		**7,007**	**5,682**
Share capital	12	**1,232**	1,232
Capital reserves from tax capital contributions			
– Domestic		**1,514**	1,514
– Foreign		**14,897**	16,119
Statutory retained earnings		**2,531**	2,531
Voluntary retained earnings			
– Retained earnings prior year		**14,824**	13,343
– Net income		**788**	1,481
Treasury shares	8	**(382)**	(202)
Total shareholders' equity		**35,404**	**36,018**
Total liabilities and shareholders' equity		**42,411**	**41,700**

NOTES TO THE FINANCIAL STATEMENTS OF HOLCIM LTD

Holcim Ltd, with registered office in Zug, is the ultimate holding company of the Holcim Group which comprises subsidiaries, associated companies and joint ventures around the world. During the reporting period, Holcim Ltd employed fewer than ten employees (2020: fewer than ten employees).

1. ACCOUNTING POLICIES

Basis of preparation

The financial statements of Holcim Ltd comply with the requirements of the Swiss accounting legislation of the Swiss Code of Obligations (SCO). Holcim Ltd is presenting consolidated financial statements according to IFRS. As a result, these financial statements and notes do not include additional disclosures, cash flow statements or a management report.

Due to rounding, numbers presented throughout this report may not add up precisely to the totals provided. All ratios and variances are calculated using the underlying amount rather than the presented rounded amount.

Accounting principles applied

Other income and expenses

Non-monetary assets and liabilities are carried at historical rates. Monetary assets and liabilities in foreign currencies are translated at year-end exchange rates. Realized exchange gains and losses, and all unrealized exchange losses arising from these as well as those from business transactions are recorded as other income or other expenses. Unrealized exchange gains on non-current assets and liabilities are deferred.

Cash and cash equivalents

Cash and cash equivalents are bank accounts and short-term deposits, highly liquid and readily convertible to known amounts of cash with maturities of three months or less from the date of acquisition.

Financial receivables

Financial receivables are valued at acquisition cost less any impairment of value.

The CO_2 certificates are classified as current financial receivables and valued at acquisitions costs less impairment of the value. The result of the sales of the CO_2 certificates is recorded in other income and other expenses.

Financial investments

Financial investments are initially recognized at cost. Investments in Holcim Group subsidiaries are assessed annually and in case of an impairment adjusted to their recoverable amount.

Financial liabilities

Financial liabilities are valued at nominal value. Any bond premium is accrued over the duration of the bond so that at maturity the balance sheet amount will equal the amount that is due to be paid.

Other assets

Other assets contain Goodwill and other intangible assets, which are capitalized and amortized over a period between three and seven years.

Provisions

Provisions are made to cover general business risks.

Treasury shares

Treasury shares are recognized at acquisition cost and deducted from equity. Gains and losses on the sale are recognized in the statement of income.

2. OTHER INCOME

The other income contains intangible property related fees of CHF 165 million (2020: CHF 0 million) and other income of CHF 237 million (2020: CHF 0 million).

3. OTHER EXPENSES

The other expenses contain the stewardship and project expenses of CHF 323 million (2020: CHF 185 million), administrative expenses of CHF 17 million (2020: CHF 12 million), other expenses of CHF 51 million (2020: CHF 1 million) and net foreign exchange losses of CHF 0 million (2020: CHF 56 million).

4. (IMPAIRMENT)/REVERSAL OF IMPAIRMENT OF FINANCIAL INVESTMENTS AND FINANCIAL RECEIVABLES – GROUP COMPANIES

In the reporting period there have been impairments on financial investments and financial receivables in the amount of CHF 38 million (2020: CHF 99 million) and there has been no reversal of impairment of financial investments (2020: CHF 130 million).

5. FINANCIAL INVESTMENTS – GROUP COMPANIES

The principal direct and indirect subsidiaries and other holdings of Holcim Ltd are shown in note 2.4 to the Group's consolidated financial statements.

6. CURRENT FINANCIAL LIABILITIES – THIRD PARTIES

Million CHF	**2021**	2020
0.38% fixed, Bond, 2015–2021	**0**	240
3.00% fixed, Bond, 2012–2022 (partially repaid in 2020)	**412**	0
2.00% fixed, Bond, 2013–2022 (partially repaid in 2020)	**222**	0
Other current debt	**100**	0
Total	**734**	**240**

7. NON-CURRENT FINANCIAL LIABILITIES – THIRD PARTIES

Million CHF	**2021**	2020
3.00% fixed, Bond, 2012–2022 (partially repaid in 2020)	**0**	412
2.00% fixed, Bond, 2013–2022 (partially repaid in 2020)	**0**	222
1.00% fixed, Bond, 2015–2025	**150**	150
1.00% fixed, Bond, 2018–2024	**440**	440
Total	**590**	**1,224**

NOTES TO THE FINANCIAL STATEMENTS OF HOLCIM LTD CONTINUED

8. MOVEMENT IN TREASURY SHARES

		Number held by Holcim Ltd	Million CHF	Average price per share in CHF	Number held by subsidiaries	Reserve for treasury shares held by subsidiaries in Million CHF	Average price per share in CHF
01.01.2021	Opening	**4,216,907**	**202**	**47.8**	**0**	**0**	**0.0**
2021	Purchases	**4,340,581**	**215**	**49.5**	**0**	**0**	**0.0**
2021	Sales and delivery for remuneration plans	**(638,446)**	**(35)**	**54.9**	**0**	**0**	**0.0**
31.12.2021	**Closing**	7,919,042	382	48.2	0	0	0.0
01.01.2020	Opening	**2,235,478**	**122**	54.5	0	0	**0.0**
2020	Purchases	**2,631,002**	**107**	40.5	0	0	**0.0**
2020	Sales and delivery for remuneration plans	**(649,573)**	**(27)**	41.0	0	0	**0.0**
31.12.2020	**Closing**	4,216,907	202	47.8	0	0	0.0

9. CONTINGENT LIABILITIES

Million CHF	2021	2020
Guarantees in favor of subsidiaries to cover capital and interest of bonds, private placements, Schuldschein loans, credit facilities and commercial paper programs	**14,912**	11,409
Guarantees for committed credit lines, utilization CHF 0 million (2020: CHF 0 million)	**5,479**	5,010
Total	**20,391**	**16,419**

Holcim Ltd is part of a value added tax group and therefore jointly liable to the Swiss Federal Tax Administration for the value added tax liabilities of the other members. Holcim Ltd guarantees Holcim Finance (Luxembourg) S.A. any amount needed to fulfill its obligations from financing agreement.

10. SHARE INTERESTS OF BOARD OF DIRECTORS AND EXECUTIVE COMMITTEE

Shares owned by Board of Directors

On 31 December 2021, members of the Board of Directors held a total of 630,389 (2020: 247,112) registered shares in Holcim Ltd. This number includes both privately acquired shares and those allocated under the Group's compensation schemes.

Name	Position	Shares held as of 31 December 2021	Shares held as of 31 December 2020
Beat Hess	Chairperson	**100,510**	84,115
Dieter Spälti	Vice-Chairperson (since 4 May 2021)	**58,653**	88,386
Oscar Fanjul	Vice-Chairperson (until 4 May 2021)	**n/a**	19,612
Philippe Block	Member (since 12 May 2020)	**1,159**	0
Kim Fausing	Member (since 12 May 2020)	**1,159**	0
Jan Jenisch	Member (since 4 May 2021)	**400,000**	n/a
Colin Hall	Member	**3,126**	1,139
Patrick Kron	Member	**7,285**	5,298
Naina Lal Kidwai	Member	**3,126**	1,139
Adrian Loader	Member	**25,527**	23,540
Jürg Oleas	Member	**11,594**	9,607
Claudia Sender Ramirez	Member	**3,126**	1,139
Hanne B. Sørensen	Member	**15,124**	13,137
Total		**630,389**	**247,112**

Ownership of shares and options: Executive Committee

As of 31 December 2021, members of the Executive Committee held a total of 684,513 registered shares (2020: 593,130 registered shares) in Holcim Ltd. This figure includes both privately acquired shares and those allocated under the Group's participation and compensation schemes.

Furthermore, at the end of 2021, the Executive Committee held a total of 1,837,111 performance options at target (2020: 1,682,224 performance options) and 352,319 performance shares at target (2020: 367,741 performance shares); these arose as a result of the participation and compensation schemes of various years. Options are issued solely on registered shares in Holcim Ltd. One option entitles the holder to subscribe to one registered share in Holcim Ltd.

Number of shares and options held by Executive Committee members as of 31 December 2021

Name	Position	Total number of shares owned	Total number of performance options held (at target)	Total number of performance options held (at maximum)	Total number of performance shares held (at target)	Total number of performance shares held (at maximum)
Jan Jenisch	CEO	400,000	757,971	1,515,941	130,760	261,520
Magali Anderson	Member	20,444	94,027	188,053	20,084	40,168
Mathias Gärtner	Member	0	0	0	4,502	4,502
Jamie Gentoso	Member	1,500	24,549	49,097	11,072	22,144
Feliciano González Muñoz	Member	25,050	135,927	271,853	27,999	55,998
Miljan Gutovic	Member	30,334	139,819	279,637	28,978	57,956
Martin Kriegner	Member	52,821	165,377	318,153	30,454	60,908
Oliver Osswald	Member	26,284	157,388	314,776	30,152	60,304
Géraldine Picaud	Member	88,710	216,822	433,643	41,673	83,346
René Thibault	Member	39,370	145,531	278,461	26,645	53,290
Total		**684,513**	**1,837,411**	**3,649,614**	**352,319**	**700,136**

Number of shares and options held by Executive Committee members as of 31 December 2020

Name	Position	Total number of shares owned	Total number of performance options held (at target)	Total number of performance options held (at maximum)	Total number of performance shares held (at target)	Total number of performance shares held (at maximum)
Jan Jenisch	CEO	340,000	605,574	1,211,146	125,089	250,177
Magali Anderson	Member	12,305	64,754	129,508	12,349	24,698
Keith Carr	Member	27,890	106,654	213,308	21,389	42,778
Marcel Cobuz	Member	32,778	141,154	276,008	31,459	62,919
Feliciano González Muñoz	Member	17,024	106,654	213,308	20,264	40,528
Miljan Gutovic	Member	20,291	108,295	216,589	21,683	43,366
Martin Kriegner	Member	38,399	133,262	260,223	30,100	60,200
Oliver Osswald	Member	20,666	125,864	251,728	29,362	58,724
Géraldine Picaud	Member	56,452	171,787	343,574	49,817	99,633
René Thibault	Member	27,325	118,226	230,152	26,229	52,458
Total		**593,130**	**1,682,224**	**3,345,544**	**367,741**	**735,481**

NOTES TO THE FINANCIAL STATEMENTS OF HOLCIM LTD CONTINUED

11. SIGNIFICANT SHAREHOLDERS

According to the share register and disclosed through notifications filed with Holcim Ltd and the SIX Swiss Exchange, shareholders owning 3 percent or more are as follows:

Percentage of shares outstanding	**2021**	2020
Thomas Schmidheiny[1]	**8.4**	8.1
BlackRock Inc.	**4.9**[2]	4.9
Dodge & Cox	**3.0**[3]	n.a.
Groupe Bruxelles Lambert	**<3.0**[4]	7.6

1 Excluding the shares of the family members; Thomas Schmidheiny directly and indirectly holds 8.4 percent as per 31 December 2021
2 BlackRock Inc. declared holdings of 4.9 percent as per 2 December 2020
3 Dodge & Cox declared holdings of 3.0 percent as per 12 November 2021
4 Groupe Bruxelles Lambert's participation fell under 3% of the voting rights as per 8 June 2021

12. SHARE CAPITAL

As per 31 December 2021, Holcim Ltd share capital amounts to CHF 1,232 million (2020: CHF 1,232 million) and consists of 615,929,059 registered shares (2020: 615,929,059) with a nominal value of CHF 2.00 each.

13. EVENTS AFTER THE REPORTING PERIOD

In February 2022, the conflict between Russia and Ukraine worsened. The situation is changing rapidly creating high volatility in the energy markets, especially in Europe. Given the recent and rapid escalation of events and the imposition of additional sanctions, it is too early to determine the potential impact on the Group's operating results. The Group does not have any assets nor operations in Ukraine. The Group's Russian operations represented around one percent of the 2021 consolidated net sales.

PROPOSED APPROPRIATION OF RETAINED EARNINGS

Million CHF	2021	2020
Retained earnings brought forward	**14,824**	13,343
Net income of the year	**788**	1,481
Capital reserves from tax capital contributions:		
– Domestic	**1,514**	1,514
– Foreign	**14,897**	16,119
Amount available for Annual General Meeting of shareholders	**32,023**	**32,457**
The Board of Directors proposes to the Annual General Meeting of shareholders to distribute from the foreign capital reserves from tax capital contributions	**(1,338)**	(1,224)
Balance to be carried forward	**30,685**	**31,233**

Payout from the foreign capital reserves from tax capital contributions

The Board of Directors proposes to the Annual General Meeting of shareholders a distribution from the foreign capital reserves from tax capital contributions and payout of CHF 2.20 (2020: CHF 2.00) per registered share up to an amount of CHF 1,338 million[1].

[1] There is no payout on treasury shares held by Holcim. As per 31 December 2021 treasury shares holdings amounted to 7,919,042 registered shares.

TO THE GENERAL MEETING OF HOLCIM LTD, ZUG

ZURICH, 24 FEBRUARY 2022

STATUTORY AUDITOR'S REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

We have audited the financial statements of Holcim Ltd, Zug, which comprise the statement of income and the statement of financial position as at 31 December 2021 and notes for the year then ended, including a summary of significant accounting policies.

In our opinion the financial statements as at 31 December 2021, presented on pages 270 to 277 comply with Swiss law and the company's articles of incorporation.

Basis for opinion

We conducted our audit in accordance with Swiss law and Swiss Auditing Standards. Our responsibilities under those provisions and standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the entity in accordance with the provisions of Swiss law and the requirements of the Swiss audit profession and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Report on Key audit matters based on the circular 1/2015 of the Federal Audit Oversight Authority

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Financial investments – Group companies

Key audit matter

As described in Note 5 to the financial statements, Holcim Ltd, Zug, holds investments in Holcim Group companies with a carrying value of CHF 38,104 million as of 31 December 2021 (2020: CHF 37,932 million), representing 89,84% (2020: 90,96%) of the total statutory assets.

In accordance with Article 960 CO, each investment held is usually valued individually and reviewed annually for impairment indicators. Each investment showing impairment indicators must be tested for impairment and an impairment would need to be recorded if the recoverable amount is lower than the carrying amount.

The assessment of the carrying value of each investment is complex and contains significant judgement. It is related to the value of the underlying assets held by each investment which themselves depends on the value of other underlying assets. Management has developed valuation models which are complex in order to take into account the value of assets held by the different layers of the organization. In addition, the value of certain assets is highly judgmental and affected by future market conditions which are inherently uncertain.

Accordingly, for the purposes of our audit, we identified the impairment assessment and judgement applied by management on the valuation of these investments as representing a key audit matter.

How the scope of our audit responded to the key audit matter

We discussed with management the adequate implementation of accounting policies and controls regarding the valuation of investments in group companies.

We tested the design and implementation of controls around the valuation of investments to determine whether appropriate controls are in place.

We challenged the assessment of impairment indicators by the Company.

We tested the valuations by critically assessing the methodology applied and the reasonableness of the underlying assumptions and judgements. We assessed the impairment testing models and calculations by:

- Checking the mechanical accuracy of the impairment models and the extraction of inputs from source documents; and
- Challenging the significant inputs and assumptions used in impairment for investments in Holcim Group companies.

We validated the appropriateness and completeness of the related disclosures in note 5 to the statutory financial statements.

Responsibility of the Board of Directors for the Financial Statements

The Board of Directors is responsible for the preparation of the financial statements in accordance with the provisions of Swiss law and the company's articles of incorporation, and for such internal control as the Board of Directors determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Board of Directors is responsible for assessing the entity's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Board of Directors either intends to liquidate the entity or to cease operations, or has no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Swiss law and Swiss Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located at the website of EXPERTsuisse:

http://expertsuisse.ch/en/audit-report-for-public-companies.

This description forms part of our auditor's report.

Report on Other Legal and Regulatory Requirements

In accordance with article 728a paragraph 1 item 3 CO and Swiss Auditing Standard 890, we confirm that an internal control system exists, which has been designed for the preparation of financial statements according to the instructions of the Board of Directors.

We further confirm that the proposed appropriation of available earnings complies with Swiss law and the company's articles of incorporation. We recommend that the financial statements submitted to you be approved.

DELOITTE AG

David Quinlin
Licensed Audit Expert
Auditor in charge

Alexandre Dubi
Licensed Audit Expert

5-YEAR-REVIEW HOLCIM GROUP

		2021	2020	2019	2018[1]	2017[1]
Statement of income						
Net sales	million CHF	**26,834**	23,142	26,722	27,466	27,021
Gross profit	million CHF	**11,536**	9,689	11,281	11,548	7,781
Recurring EBITDA after leases[2]	million CHF	**6,562**	5,616	6,177	6,016	5,990
Recurring EBIT	million CHF	**4,612**	3,676	4,102	3,781	3,689
Recurring EBIT margin	%	**17.2**	15.9	15.4	13.8	13.7
Operating profit (EBIT)	million CHF	**4,401**	3,371	3,833	3,312	(478)
Depreciation, amortization and impairment of operating assets	million CHF	**2,337**	2,515	2,559	2,229	6,007
Income taxes	million CHF	**963**	717	806	656	536
Tax rate	%	**26**	26	24	28	(45)
Net income (loss)	million CHF	**2,681**	2,002	2,513	1,719	(1,716)
Net income (loss) – shareholders of Holcim Ltd	million CHF	**2,298**	1,697	2,246	1,502	(1,675)
Statement of cash flows						
Cash flow from operating activities	million CHF	**5,045**	4,618	4,825	2,988	3,040
Free cash flow after leases[3]	million CHF	**3,264**	3,249	3,019	1,703	1,685
Investments in property, plant and equipment for maintenance net	million CHF	**(829)**	(647)	(911)	(882)	(881)
Investments in property, plant and equipment for expansion	million CHF	**(591)**	(379)	(486)	(403)	(474)
(Purchase) Disposal of financial assets, intangible and other assets and businesses net	million CHF	**(3,291)**	(205)	1,178	(100)	680
Statement of financial position						
Current assets	million CHF	**13,696**	10,886	12,210	11,658	12,618
Non-current assets	million CHF	**46,188**	42,338	46,100	48,037	51,061
Total assets	million CHF	**59,885**	53,224	58,310	59,695	63,679
Current liabilities	million CHF	**9,745**	8,178	9,144	10,727	11,519
Non-current liabilities	million CHF	**19,666**	16,422	17,667	18,914	21,185
Total shareholders' equity	million CHF	**30,473**	28,625	31,499	30,053	30,975
Shareholders' equity as % of total assets	%	**50.9**	53.8	54.0	50.3	48.6
Non-controlling interest	million CHF	**2,788**	2,553	2,933	3,128	3,188
Net financial debt	million CHF	**9,977**	8,483	10,110	13,518	14,346
Capacity, sales and personnel						
Annual cement production capacity	million t	**292.9**	287.8	285.9	312.9	318.4
Sales of Cement	million t	**200.8**	190.4	207.9	221.9	220.2
Sales of Aggregates	million t	**269.9**	256.3	269.9	273.8	278.7
Sales of Ready-Mix Concrete	million m^3	**46.5**	42.3	47.7	50.9	50.6
Personnel		**69,672**	67,409	72,452	77,055	81,960

[1] The comparative periods are not restated for IFRS 16 “Leases”.
[2] For years 2017 to 2018 this line reflects the former alternative performance measure indicator “Recurring EBITDA”. “Recurring EBITDA after leases” is a performance indicator introduced following the implementation of IFRS16 “Leases” to ensure comparability with “Recurring EBITDA” published in prior years.
[3] For years 2017 to 2018 this line reflects the former alternative performance measure indicator “Free Cash Flow”. “Free Cash Flow after leases” is a performance indicator introduced following the implementation of IFRS16 “Leases” to ensure comparability with “Free Cash Flow” published in prior years.

Cautionary statement regarding forward-looking statements

This document may contain certain forward-looking statements relating to the Group's future business, development and economic performance. Such statements may be subject to a number of risks, uncertainties and other important factors, such as but not limited to (1) competitive pressures; (2) legislative and regulatory developments; (3) global, macroeconomic and political trends; (4) fluctuations in currency exchange rates and general financial market conditions; (5) delay or inability in obtaining approvals from authorities; (6) technical developments; (7) litigation; (8) adverse publicity and news coverage, which could cause actual development and results to differ materially from the statements made in this document. Holcim assumes no obligation to update or alter forward-looking statements whether as a result of new information, future events or otherwise.

Disclaimer

The complete annual report for Holcim Ltd is published in English and is available on *www.holcim.com*. A printed extract of the annual report is available in English and German. The English version is legally binding.

Financial reporting calendar

	Date
Results for the first quarter 2022	22 April 2022
Annual General Meeting of shareholders	04 May 2022

DEFINITION OF NON-GAAP MEASURES USED IN THIS REPORT

Like-for-like
Like-for-like information is information factoring out changes in the scope of consolidation (such as divestments and acquisitions occurring in the current year and the prior year and currency translation effects (current year figures are converted with prior year exchange rates in order to calculate the currency effects).

Recurring operating costs
The recurring operating costs is an indicator representing all recurring costs. It is defined as:

+/− Recurring EBITDA after leases;

− Net sales; and

− Share of profit of joint ventures.

Recurring EBITDA
The Recurring EBITDA (earnings before interest, tax, depreciation and amortization) is an indicator to measure the performance of the Group excluding the impacts of non-recurring items. It is defined as:

+/− Operating profit/loss (EBIT);

− Depreciation, amortization and impairment of operating assets; and

− Restructuring, litigation and other non-recurring costs.

Recurring EBITDA margin
The Recurring EBITDA margin is an indicator to measure the profitability of the Group excluding the impacts of non-recurring items. It is defined as the Recurring EBITDA divided by net sales.

Recurring EBITDA after leases
The Recurring EBITDA after leases (earnings before interest, tax, depreciation and amortization) is an indicator to measure the performance of the Group including the impacts of lease depreciation and excluding the impacts of non-recurring items.It is defined as the Recurring EBITDA less the depreciation of right-of-use assets.

Recurring EBIT
The Recurring EBIT is defined as Operating profit/loss (EBIT) adjusted for restructuring, litigation and other non-recurring costs and for impairment of operating assets.

Recurring EBIT margin
The Recurring EBIT margin is an indicator to measure the profitability of the Group excluding the impacts of non-recurring items. It is defined as the Recurring EBIT divided by net sales.

Restructuring, litigation and other non-recurring costs
Restructuring, litigation and other non-recurring costs comprise significant items that, because of their exceptional nature, cannot be viewed as inherent to the Group's ongoing performance, such as strategic restructuring, major items relating to antitrust fines and other business-related litigation cases.

Profit (loss) on disposals and other non-operating items
Profit (loss) on disposals and non-operating items comprise capital gains or losses on the sale of Group companies and of material property, plant and equipment and other non-operating items that are not directly related to the Group's operating activities such as revaluation gains or losses on previously held equity interests, indemnification provisions, disputes with non-controlling interest and major lawsuits.

Operating profit/loss (EBIT) before impairment
The Operating profit/loss (EBIT) before impairment is an indicator that measures the profit earned from the Group's core business activities excluding impairment charges which, because of their exceptional nature, cannot be viewed as inherent to the Group's ongoing activities. It is defined as:

+/− Operating profit/loss;

− impairment of goodwill and long-term assets.

Net income/ loss before impairment and divestments
Net income/loss before impairment and divestments excludes impairment charges and capital gains and losses arising on disposals of investments which, because of their exceptional nature, cannot be viewed as inherent to the Group's ongoing activities. It is defined as:

+/− Net income/loss;

− Gains and losses on disposals of Group companies; and

− Impairments of goodwill and long-term assets.

EPS (Earnings Per Share) before impairment and divestments
The EPS (Earnings Per Share) before impairment and divestments is an indicator that measures the theoretical profitability per share of stock outstanding based on a net income/loss before impairment and divestments. It is defined as Net income/loss before impairment and divestments attributable to the shareholders of Holcim Ltd divided by the weighted average number of shares outstanding.

Capex or Capex Net (Net Maintenance and Expansion Capex)
The Capex or Capex Net (Net Maintenance and Expansion Capex) is an indicator to measure the cash spent to maintain or expand its asset base. It is defined as:

+ Expenditure to increase existing or create additional capacity to produce, distribute or provide services for existing products (expansion) or to diversify into new products or markets (diversification);

+ Expenditure to sustain the functional capacity of a particular component, assembly, equipment, production line or the whole plant, which may or may not generate a change of the resulting cash flow; and

− Proceeds from sale of property, plant and equipment.

Employee benefits and other operating items
Employee benefits and other operating items reflect the non-cash impact on the operating profit of the employee benefits schemes net of any cash payments, the non- cash impact of the specific business risks provisions net of any cash payments, the non-cash share based compensation expenses and any other non-cash operating expenses.

Change in other receivables and liabilities
Change in other receivables and liabilities includes the net change of other receivables and liabilities that are not already disclosed separately in the consolidated statement of cash flows or that are not of a tax or of a financial nature.

Free Cash Flow after leases
The Free Cash Flow after leases is an indicator to measure the level of cash generated by the Group after spending cash to maintain or expand its asset base. It is defined as:

+/– Cash flow from operating activities;

– Net Maintenance and Expansion Capex; and

– Repayment of long-term lease liabilities.

Net financial debt ("Net debt")
The Net financial debt ("Net debt") is an indicator to measure the financial debt of the Group after deduction of the cash. It is defined as:

+ Financial liabilities (short-term and long-term) including derivative liabilities;

– Cash and cash equivalents; and

– Derivative assets (short-term and long-term).

Debt leverage
The Net financial debt to Recurring EBITDA ratio is used as an indicator of financial risk and shows how many years it would take the Group to pay back its debt.

Working Capital days on sales
The Working Capital days on sales is an efficiency ratio which

measures the level of trade accounts receivable, trade accounts payable and inventories in comparison to sales on a 12 months rolling basis. For better comparability, this indicator is calculated factoring out any changes in scope and exchange rates. It is defined as:

+ Days sales outstanding;

+ Days inventories outstanding;

– Days payables outstanding.

Invested Capital
The Invested Capital is an indicator that measures total funds invested by shareholders, lenders and any other financing sources.

It is defined as:

+ Total shareholders' equity;

+ Net financial debt;

– Assets classified as held for sale;

+ Liabilities classified as held for sale;

– Current financial receivables; and

– Long-term financial investments and other long-term assets.

Net Operating Profit/loss After Tax ("NOPAT")
It is defined as:

+/– Net Operating Profit/loss (being the Recurring EBIT and share of profits of associates)

– Standard Taxes (being the taxes applying the Group's tax rate to the Net Operating Profit/loss as defined above)

ROIC (Return On Invested Capital)
The ROIC (Return On Invested Capital) measures the Group's ability to efficiently use invested capital. It is defined as Net Operating Profit/loss After Tax (NOPAT) divided by the average Invested Capital. The average is calculated by adding the Invested Capital at the beginning of the period to that at the end of the period and dividing the sum by 2 (based on a rolling 12-month calculation). In case of material change in scope during the year, the opening invested capital is adjusted pro rata temporis.

Cash conversion
The cash conversion is an indicator that measures the Group's ability to convert profits into available cash. It is defined as Free Cash Flow after leases divided by Recurring EBITDA after leases.

Personnel (FTE)
Personnel (FTE) measures the number of full time equivalent own personnel (FTE) assigned to functions and tasks.

Net CO_2 emissions (kg per ton of cementitious material)
Net CO_2 emissions are CO_2 emissions from the calcination process of the raw materials and the combustion of traditional kiln and non-kiln fuels. Cementitious materials refer to clinker production volumes, mineral components consumed in cement production and mineral components processed and sold externally.

Freshwater withdrawal (liter per ton of cementitious material)
Total volume of freshwater withdrawn by the cement plant divided by the total production of cementitious material.

Lost time injury frequency rate (LTIFR)
Number of on-the-job injuries that require a person to stay away from work for a day or more per one million hours worked.

Green Capex (million CHF)
The Sustainability Capital Expenditures with significant positive impact on Process Decarbonization, Clean Energy, Carbon Efficient Construction, Circular Economy, Biodiversity, Air & Water and Communities such as but not limited to carbon capture, waste heat recovery, 3D printing, electrical fleet, calcined clay technology, alternative fuels & raw materials installations.

DEFINITION OF NON-GAAP MEASURES USED IN THIS REPORT CONTINUED

Waste recycled (million tons)
Waste recycled is the sum of all waste raw materials and fuels consumed in the production processes as well as recycled materials processed sold externally. This includes: alternative raw materials, alternative fuels, industrial mineral components, return concrete, recycled aggregates and asphalt. Construction and Demolition Waste is included in waste recycled.

Construction and Demolition Waste (CDW) Recycled (million tons)
CDW Recycled volume is generated from construction, renovation, repair and demolition of houses, large building structures, roads, bridges, piers and dams. This includes alternative raw materials, recycled aggregates, asphalt and return concrete reused in Cement, Aggregates, Ready-mix concrete, Asphalt and Concrete Products.

Contribution in Social Initiatives (million CHF)
Any initiatives Holcim puts in place to address social issues and to contribute to society that are not primarily motivated by generating a direct financial return to the Group's business such as but not limited to housing & infrastructure, health, education & skills, environment, cultural and recreational.

Sustainable financing
Any committed financing instrument drawn and undrawn with a sustainability feature which includes performance-based (sustainability KPI, ESG linked) or use-of-proceed-based products (green, social, transition bonds) incurred by the parent company or consolidated entities.

Thermal Substitution Rate (TSR)
Thermal substitution rate (TSR) corresponds to the relation of thermal energy consumption of alternative fuels to the total amount of thermal energy consumption in the cement kiln system.

Ton
Refers to a Metric ton, or 1,000 kg.

This set of definitions can be found on the Group's website: *www.holcim.com/non-gaap-measures*

RECONCILIATION OF NON-GAAP MEASURES

Reconciling measures of Profit and Loss to the Consolidated statement of income

Million CHF	2021	2020
Net sales	**26,834**	**23,142**
Recurring Operating costs	**(20,747)**	(17,974)
Share of profit of joint ventures	**474**	448
Recurring EBITDA after leases	**6,562**	**5,616**
Depreciation and amortization of property, plant and equipment, intangible and long-term assets	**(1,949)**	(1,940)
Recurring EBIT	**4,612**	**3,676**
Restructuring, litigation and other non-recurring costs	**(194)**	(89)
Impairment of operating assets	**(17)**	(215)
Operating profit	**4,401**	**3,371**

Million CHF	2021	2020
Recurring EBITDA after leases	**6,562**	**5,616**
Depreciation of right-of-use assets	**370**	360
Recurring EBITDA	**6,932**	**5,976**

Million CHF	2021	2020
Net income	**2,681**	**2,002**
Impairment of goodwill and long-term assets	**(14)**	(203)
Loss on disposals of Group companies	**(135)**	(14)
Net income before impairment and divestments	**2,830**	**2,218**
Net income before impairment and divestments Non Controlling interests	**382**	318
Net income before impairment and divestments Group share	**2,448**	1,900
EPS before impairment and divestments in CHF	**3.98**	**3.07**

Adjustments disclosed net of taxation

Reconciling measures of Free Cash Flow to the Consolidated statement of Cash Flows

Million CHF	2021	2020
Cash flow from operating activities	**5,045**	**4,618**
Purchase of property, plant and equipment	**(1,532)**	(1,114)
Disposal of property, plant and equipment	**112**	88
Repayment of long-term lease liabilities	**(362)**	(342)
Free Cash Flow after leases	**3,264**	**3,249**

Reconciling measures of Net financial debt to the Consolidated statement of financial position

Million CHF	2021	2020
Current financial liabilities	**2,391**	2,064
Long-term financial liabilities	**14,514**	11,710
Cash and cash equivalents	**(6,682)**	(5,190)
Short-term derivative assets	**(186)**	(30)
Long-term derivative assets	**(59)**	(70)
Net financial debt	**9,977**	**8,483**

ABOUT THIS DOCUMENT

This extract is an integral part of the Holcim 2021 Integrated Annual Report, available in English and German. The English version is legally binding. The complete Holcim 2021 Integrated Annual Report (English only) is available at *https://annual-report.holcim.com/*

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ABOUT HOLCIM

Holcim builds progress for people and the planet. As a global leader in innovative and sustainable building solutions, Holcim is enabling greener cities, smarter infrastructure and improving living standards around the world. With sustainability at the core of its strategy Holcim is becoming a net zero company, with its people and communities at the heart of its success. The company is driving the circular economy as a world leader in recycling to build more with less. Holcim is the company behind some of the world's most trusted brands in the building sector including ACC, Aggregate Industries, Ambuja Cement, Disensa, Firestone Building Products, Geocycle, Holcim and Lafarge. Holcim is 70,000 people around the world who are passionate about building progress for people and the planet through four business segments: Cement, Ready-Mix Concrete, Aggregates and Solutions & Products.

More information is available on *www.holcim.com*

INTEGRATED REPORTING

This report applies the principles of Integrated Reporting to show how we manage the company sustainably, as well as the financial and non-financial value we created in 2021.

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CDP DISCLOSURE INSIGHT ACTION

On the CDP's prestigious 'A List' for tackling climate change in 2021.

SCIENCE BASED TARGETS
DRIVING AMBITIOUS CORPORATE CLIMATE ACTION

First in building industry with 2050 net-zero roadmap endorsed by SBTi

TCFD TASK FORCE ON CLIMATE-RELATED FINANCIAL DISCLOSURES

For TCFD-guided disclosures on our climate-related risks and opportunities, see page 108, 110–111 of our complete 2021 Integrated Annual Report on https://annual-report.holcim.com/

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