

# COMPENSATION VOTES

ITEMS 1.2, 6.1 AND 6.2 OF THE AGENDA

Shareholder information on the  
compensation votes at the  
Annual General Meeting 2019



**LafargeHolcim**

# DEAR SHAREHOLDER,

2018 was a successful year for LafargeHolcim. Momentum accelerated in the second half of the year with the company exceeding sales targets while overproportionally increasing profitability. EPS grew by a double-digit percentage and the roll-out of the Strategy 2022 – ‘Building for Growth’ progressed well.

In 2018, the Nomination, Compensation and Governance Committee (NCGC) of the Board of Directors engaged with several large shareholders and conducted a strategic review of the compensation programs applicable to the Executive Committee in order to ensure their continuous alignment with the business strategy and with shareholders’ interests. As a result of this review, the NCGC concluded that while no fundamental change was necessary to the design of the compensation plans, certain governance aspects will be reinforced from 2019 onwards:

- Introduction of clawback and malus provisions in the annual incentive plan;
- Revised termination rules in the annual incentive plan; and
- Strengthening of the existing share ownership guidelines.

In addition, the NCGC confirmed the overall design of the incentive plans as communicated last year:

- The annual incentive is based on financial performance (85% weight), including the relative performance of LafargeHolcim compared to peer companies, and on the achievement of Health & Safety targets (15% weight). Starting with financial year 2019, the maximum payout opportunity will be increased from 166.7% to 200% of target, while the target incentive amount for the CEO will be reduced from 150% to 125% of annual base salary. The annual incentive will continue to be paid out half in cash and half in shares blocked for three years.
- The long-term incentive is a combination of performance shares subject to three-year vesting based on earnings per share (EPS) and return on invested capital (ROIC) and performance options subject to a five-year vesting based on absolute total shareholder return (TSR). Starting with the 2019 grant, TSR will be measured relative to peers.

As in previous years and in line with the Ordinance Against Excessive Compensation and our Articles of Incorporation, we are asking shareholders to vote on three compensation-related proposals at the upcoming Annual General Meeting:

**Advisory vote on the 2018 Compensation Report**

**Agenda item 1.2** relates to the advisory vote on the 2018 Compensation Report, which can be found on pages 114 to 139 of the 2018 Annual Report (also available at [www.lafargeholcim.com](http://www.lafargeholcim.com)).

**Binding votes on maximum aggregate amounts of compensation for the Board of Directors and the Executive Committee**

**Agenda item 6.1** requires shareholders' approval of the maximum aggregate amount of compensation of the Board of Directors for the period from the Annual General Meeting 2019 to the Annual General Meeting 2020.

**Agenda item 6.2** requires shareholders' approval of the maximum aggregate amount of compensation of the Executive Committee for the financial year 2020.

The Compensation Report 2018 provides further information regarding our compensation system. In addition, the changes applicable for 2019 are summarized in this brochure. We will be available at the Annual General Meeting to answer any question you may have regarding compensation at LafargeHolcim.

On behalf of the LafargeHolcim Ltd Board of Directors,  
Respectfully,



Beat Hess  
Chairman of the Board of Directors



Oscar Fanjul  
Chairman of the NCGC

# COMPENSATION VOTES

## AGENDA ITEM 1.2

### Advisory vote on the 2018 Compensation Report

**Motion of the Board of Directors:** Shareholders are asked to approve the Compensation Report in an advisory vote.

**Notes:** The Compensation Report describes the compensation system and programs as well as the governance framework related to the compensation of the Board of Directors and the Executive Committee. The report also informs shareholders about the compensation awarded to the members of the Board of Directors and the Executive Committee for 2018. The Compensation Report can be found on pages 114 to 139 of the 2018 Annual Report (also available at [www.lafargeholcim.com](http://www.lafargeholcim.com)).

## AGENDA ITEM 6.1

### Binding vote on the approval of the maximum aggregate amount of compensation of the Board of Directors for the period from the Annual General Meeting 2019 to the Annual General Meeting 2020

**Motion of the Board of Directors:** Shareholders are asked to approve a maximum aggregate compensation amount of CHF 5,100,000 for 11 members of the Board of Directors for the period from the Annual General Meeting 2019 to the Annual General Meeting 2020.

#### Overview of the compensation system applicable to the Board of Directors for the period between the Annual General Meetings 2019 and 2020

In order to strengthen their independence in exercising their supervisory duties, members of the Board of Directors only receive fixed compensation. They are not entitled to any performance-based compensation and are not insured in the occupational benefits plan. The compensation of the Board of Directors consists of an annual retainer, paid 50% in cash and 50% in LafargeHolcim Ltd shares that are subject to a five-year restriction period, committee fees and an expense allowance. The Board Chair also receives a secretarial allowance.

The compensation model applicable to the Board of Directors for the period between the Annual General Meetings 2019 and 2020 remains unchanged compared to the previous term of office and is summarized in the table below.

### Compensation model of the Board of Directors

<i>Annual retainer (gross)</i>	Cash compensation in CHF	Share-based compensation in CHF	Expense allowance in CHF	Secretarial allowance in CHF
Board chair <sup>1</sup>	825,000	825,000	10,000	60,000
Board vice chair <sup>1</sup>	200,000	200,000	10,000	
Board member	100,000	100,000	10,000	
<i>Committee fees (gross)</i>				
Audit Committee chair <sup>1</sup>	160,000			
Other committees chair <sup>1</sup>	125,000			
Committee member <sup>1</sup>	40,000			

<sup>1</sup>The Board chair and the Board vice chair are not eligible for committee fees.

In exceptional circumstances, additional compensation may be paid to Board members for additional tasks going beyond their regular function as Board member.

#### Proposed maximum aggregate compensation amount of the Board of Directors for the period between the Annual General Meetings 2019 and 2020

The maximum aggregate amount of compensation of CHF 5,100,000 for 11 members of the Board of Directors is an **increase of 6.3%** compared with the amount approved at the last Annual General Meeting for the previous compensation period, which is solely due to the extension of the Board of Directors by one additional Board member.

The following table illustrates the maximum aggregate compensation amount of the Board members for the period from the Annual General Meeting 2019 to the Annual General Meeting 2020. The proposed amount has been calculated based on the structure of the compensation system described above and assumes a total of 11 Board members.

### Compensation of the Board of Directors from the Annual General Meetings 2019 to 2020

<i>Annual retainer (gross)</i>	TOTAL in CHF	Expected number of members	TOTAL in CHF
Board chair	1,720,000	1	1,720,000
Board vice chair	410,000	1	410,000
Board member	210,000	9	1,890,000
<i>Committee fees (gross)</i>			
Audit Committee chair	160,000	1	160,000
Other committees' chairs	125,000	2	250,000
Committee member	40,000	9	360,000
Social security contribution and buffer <sup>1</sup>			310,000
<b>PROPOSED MAXIMUM AGGREGATE COMPENSATION AMOUNT</b>		<b>11</b>	<b>5,100,000</b>
<b>Maximum aggregate compensation amount approved for AGM 2018 to AGM 2019</b>		<b>10</b>	<b>4,800,000</b>

<sup>1</sup>This amount includes mandatory employer contributions to the Swiss governmental social security system that provide a right to the maximum future insured government pension benefit, as well as a reasonable buffer for any potential increase in the number of committee members or for any exceptional compensation for additional tasks going beyond the regular function as Board member. The amount does not include employer contributions that do not provide a right to future benefits.

## AGENDA ITEM 6.2

### Binding vote on the maximum aggregate amount of compensation of the Executive Committee for the financial year 2020

**Motion of the Board of Directors:** Shareholders are asked to approve a maximum aggregate compensation amount of CHF 40,000,000 for nine members of the Executive Committee for the financial year 2020.

#### Overview of the compensation system applicable to the Executive Committee as of 2019

The compensation system of LafargeHolcim is designed to support the company's strategy by attracting, motivating and retaining talented executives, while aligning their interests with those of shareholders. It is built around the following principles:

<b>Principle</b>	<b>Description</b>
<b><i>Pay-for-performance</i></b>	Rewards for short-term performance and long-term success, by a balanced combination of absolute and relative performance criteria as well as of financial and non-financial performance metrics.
<b><i>Alignment with shareholders</i></b>	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 LafargeHolcim share ownership over time.
<b><i>Market competitiveness</i></b>	Compensation is competitive with that of other companies against which LafargeHolcim competes for talent.
<b><i>Internal equity</i></b>	Compensation decisions are taken with consideration to internal equity and consistency.
<b><i>Transparency</i></b>	Compensation programs are simple and transparent.



The compensation of the members of the Executive Committee includes a fixed compensation, a variable compensation delivered in the form of an annual incentive and a long-term incentive, and the participation in LafargeHolcim employee benefit plans.

Following the strategic review of the compensation programs conducted in 2018, the NCGC concluded that the compensation system applicable to the Executive Committee is fit for purpose and does not need to be fundamentally changed. However, the NCGC decided to introduce a few adjustments to the incentive plans in support of the Strategy 2022 – Building for Growth and to reinforce certain governance aspects around compensation. Those amendments are described in the table below.

Element	Design 2018	Design 2019
<b>Annual incentive</b>	Target incentive for the CEO: 150% of salary	Target incentive for the CEO: <b>125% of salary</b>
	Maximum payout potential: 166.7% of target	Maximum payout potential: <b>200% of target</b>
	No malus or clawback provisions	Introduction of <b>malus and clawback</b> provisions
	Termination provisions: pro-rata payment of target incentive for good leavers	Termination provisions: pro-rata payment of actual incentive (based on effective performance and <b>capped at target level</b> ) for good leavers
<b>Long-term incentive</b>	Performance shares: EPS and ROIC Performance options: absolute TSR	Performance shares: EPS and ROIC Performance options: <b>relative</b> TSR
<b>Shareholding requirement</b>	Shareholding requirement CEO: 300% of salary Shareholding requirement ExCo: 150% of salary	Shareholding requirement CEO: <b>500%</b> of salary Shareholding requirement ExCo: <b>200%</b> of salary

The compensation system applicable to the CEO and the Executive Committee members for financial year 2019 is summarized in the following table.

## Fixed compensation

Element	Purpose	Structure	Quantum	Drivers
<b>Base salary</b>	Attract and retain	Fixed monthly cash	Set at competitive level comparable to Swiss listed companies of similar size	<ul style="list-style-type: none"> <li>- Role</li> <li>- Responsibilities</li> <li>- Experience</li> <li>- Market value</li> </ul>
<b>Pensions</b>	Protect against risk	Pension and insurances	According to the company policies applicable to all employees of the country of employment	<ul style="list-style-type: none"> <li>- Market practice</li> <li>- Role</li> </ul>
<b>Benefits and perquisites</b>	Attract and retain	Perquisites such as car, allowances and relocation benefits	According to the company policies applicable to all employees of the country of employment	<ul style="list-style-type: none"> <li>- Market practice</li> <li>- Role</li> </ul>

## Variable compensation

Element	Purpose	Structure	Quantum	Drivers
<b>Annual incentive</b>	Reward for annual performance	Variable annual amount paid in cash and in shares blocked for three years	<p><b>Target incentive:</b> CEO: 125% of salary ExCo: 75% of salary</p> <p><b>Maximum incentive:</b> 200% of target</p>	Group and regional annual performance including relative and absolute financial performance as well as health and safety targets
<b>Long-term incentive</b>	<ul style="list-style-type: none"> <li>- Reward for long-term performance</li> <li>- Align with shareholders</li> <li>- Retain</li> </ul>	<p>Performance shares: three-year vesting period</p> <p>Performance options: three to five-year vesting period</p>	<p><b>LTI grant size:</b> set at competitive level comparable to Swiss listed companies of similar size</p> <p><b>Maximum vesting:</b> 200% for performance shares 100% for performance options</p>	<p>Financial performance over three years (2019: EPS and ROIC)</p> <p>Relative performance over five years (2019: relative TSR)</p>

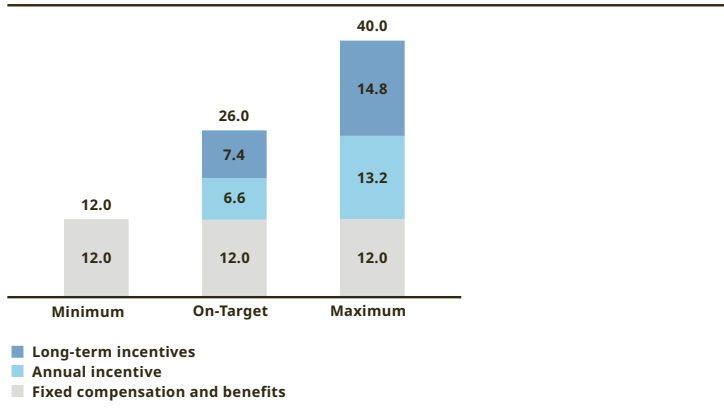
Looking ahead, the Board of Directors will continue to assess and review the compensation system and programs to ensure that they are still fulfilling their purpose in line with the business strategy and context of the company.

### Proposed maximum aggregate compensation amount of the Executive Committee for the financial year 2020

The proposed maximum aggregate compensation amount of CHF 40,000,000 for nine members of the Executive Committee for the financial year 2020 is an **increase of 1.3%** compared to the maximum aggregate compensation amount approved at the last Annual General Meeting for financial year 2019.

The following chart illustrates the potential outcome in terms of aggregate compensation for the Executive Committee members in three different scenarios:

All figures in million CHF



**In the “Minimum” scenario**, only fixed compensation and benefits are paid out because the minimum performance thresholds under the incentive plans are not met, resulting in zero payouts under the annual incentive and the long-term incentive.

**In the “On-Target” scenario**, the achievements under the incentive plans correspond to the expected level of performance on all objectives.

**In the “Maximum” scenario**, all performance objectives under the incentive plans are outperformed. Thus, the annual incentive is paid at maximum and the long-term incentive vests at maximum level. This scenario implies that all performance objectives have been substantially outperformed under both the annual and the long-term incentive plans. The scenario of a maximum payout under both incentive plans for all Executive Committee members has never occurred at LafargeHolcim.

Several assumptions were used in the calculation of the maximum aggregate amount of compensation:

- The Executive Committee comprises nine members, including the CEO. Pursuant to the Company’s Articles of Incorporation, the Company is authorized to make payments to any member(s) that join(s) the Executive Committee during a period for which the Annual General Meeting has already approved the maximum aggregate amount of compensation, where the maximum aggregate compensation amount approved is not sufficient, provided that any amount paid in excess of the amount approved does not exceed 40% of the maximum aggregate amount approved.
- The amount shown under fixed compensation includes the estimated annual base salaries, as well as the value of benefits provided in line with the LafargeHolcim policy.
- Mandatory employer contributions to the Swiss governmental social security system that provide a right to the maximum future insured government pension benefit are included, while employer contributions to the Swiss governmental social security system that do not provide a right to future benefits are excluded. Employer contributions to occupational pension plans are included.
- The annual incentive amount has been calculated assuming a maximum payout of 200%.

- The long-term incentive amount has been calculated based on the face value of the performance shares (i.e. assuming maximum vesting of 200%) and on the fair value at grant of the performance options.
- The impact of share price variations and dividend equivalents during the respective vesting period for the long-term incentive is not taken into account.
- The impact of future currency variations is not taken into account for those Executive Committees members who are paid in foreign currencies (currently EUR and CAD).
- All amounts are calculated gross.

The split of total compensation into fixed compensation, annual incentive and long-term incentive is indicative and non-binding. However, the total compensation awarded will not exceed the maximum aggregate compensation amount proposed.

Please refer to the Compensation Report on pages 114 to 139 of the 2018 Annual Report for further information.



