

# Compensation votes

Items 1.2, 5.1 and 5.2 of the agenda

Shareholder information on the compensation votes  
at the Annual General Meeting 2020



Dear shareholder,

## 2019 was a very successful year for us and we achieved record results.

During 2019, the Nomination, Compensation and Governance Committee (NCGC) of the Board of Directors intensively discussed matters raised at last year's Annual General Meeting. While shareholders welcomed most of the announced changes to the compensation framework applicable to the Executive Committee in 2019 onwards, they also expressed concerns about ongoing changes to the compensation plans and the potential lack of continuity. The NCGC engaged with shareholders and thoroughly reviewed their feedback. On this basis, the NCGC reconfirmed the overall compensation framework and the incentive plan design as communicated last year.

Considering the importance of sustainability matters, the NCGC decided to enhance the performance measurement in the incentive plans by including sustainability objectives from 2020 onwards as follows:

- The annual incentive, which is based on financial performance (85%) and on Health & Safety (15%), includes a new definition for Health & Safety. Beginning in 2020 this measure goes beyond the Lost-Time Injury Frequency Rate (LTIFR) used so far and is instead based on a scorecard including leading and lagging performance objectives. It is built on three equally-weighted elements: Health & Safety Improvement Plan, Critical Risk Elimination and LTIFR.
- The long-term incentive consists of a combination of performance shares subject to a three-year vesting period based on earnings per share (EPS) and return on invested capital (ROIC), and performance options subject to a five-year vesting period based on relative total shareholder return (TSR). One-third of the performance share award is now based on a sustainability objective which encompasses three pillars of the sustainability strategy: climate and energy, circular economy, environment.

The enhancement of the Health & Safety objective in the annual incentive and the introduction of a sustainability objective in the long-term incentive broaden the way we measure company performance, in particular by recognizing the importance of mitigating our impact on the environment.

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 Compensation Report 2019

**Agenda item 1.2** relates to the advisory vote on the Compensation Report 2019, which can be found on pages 116 to 139 of the Integrated Annual Report 2019 (also available at [www.lafargeholcim.com](http://www.lafargeholcim.com)).

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

**Agenda item 5.1** requires shareholders' approval of the maximum aggregate amount of compensation of the Board of Directors for the period from the Annual General Meeting 2020 to the Annual General Meeting 2021.

**Agenda item 5.2** requires shareholders' approval of the maximum aggregate amount of compensation of the Executive Committee for the financial year 2021.

The Compensation Report 2019 provides further information regarding our compensation system. In addition, the changes applicable for 2020 are summarized in this brochure.

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



**Beat Hess**  
Chairman of the Board



**Oscar Fanjul**  
Chairman of the NCGC

# Compensation votes

## Agenda item 1.2

### Advisory vote on the Compensation Report 2019

**Motion of the Board of Directors:** Shareholders are asked to approve the Compensation Report 2019 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 2019. The Compensation Report can be found on pages 116 to 139 of the Integrated Annual Report 2019 (also available at [www.lafargeholcim.com](http://www.lafargeholcim.com)).

## Agenda item 5.1

### 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 2020 to the Annual General Meeting 2021

**Motion of the Board of Directors:** Shareholders are asked to approve a maximum aggregate compensation amount of CHF 5,400,000 for 12 members of the Board of Directors for the period from the Annual General Meeting 2020 to the Annual General Meeting 2021.

## Overview of the compensation system applicable to the Board of Directors for the period between the Annual General Meetings 2020 and 2021

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 in cash and an expense allowance in cash. The Board Chair also receives a secretarial allowance in cash.

The compensation model applicable to the Board of Directors for the period between the Annual General Meetings 2020 and 2021 remains unchanged compared to the previous term of office and is summarized in the following table.

## Compensation model of the Board of Directors

<b>Annual retainer (gross)</b>	<b>Cash compensation in CHF</b>	<b>Share-based compensation in CH</b>	<b>Expense allowance in CHF</b>	<b>Secretarial allowance in CHF</b>
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	

### **Committee fees (gross)**

Audit committee chair <sup>1</sup>	160,000			
Other committees' chair <sup>1</sup>	125,000			
Committee member <sup>1</sup>	40,000			

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

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

### Proposed maximum aggregate compensation amount of the Board of Directors for the period between the Annual General Meetings 2020 and 2021

The maximum aggregate amount of compensation of CHF 5,400,000 for 12 members of the Board of Directors is an increase of 5.9% compared to the compensation amount approved for the previous compensation period. The increase is solely due to the increase from 11 to 12 members of the Board of Directors.

The following table illustrates the maximum aggregate compensation amount of the Board of directors for the period from the Annual General Meeting 2020 to the Annual General Meeting 2021. The proposed amount has been calculated based on the structure of the compensation system described above and assumes a total of 12 Board members.

<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 to the Swiss governmental social security system that do not provide a right to future benefits.

### Compensation of the Board of Directors from the Annual General Meetings 2020 to 2021

<b>Annual retainer (gross)</b>	<b>Total in CHF</b>	<b>Expected number of members</b>	<b>Total in CHF</b>
Board chair	<b>1,720,000</b>	1	<b>1,720,000</b>
Board vice-chair	<b>410,000</b>	1	<b>410,000</b>
Board member	<b>210,000</b>	10	<b>2,100,000</b>
<b>Committee fees</b>			
<b>(gross)</b>	<b>Total in CHF</b>	<b>Expected number of members</b>	<b>Total in CHF</b>
Audit committee chair	<b>160,000</b>	1	<b>160,000</b>
Other committees' chair	<b>125,000</b>	2	<b>250,000</b>
Committee member	<b>40,000</b>	12	<b>480,000</b>
Social security contribution and buffer <sup>1</sup>			<b>280,000</b>
<b>Proposed maximum aggregate compensation amount</b>		12	<b>5,400,000</b>
<b>Maximum aggregate compensation amount approved for AGM 2019 to AGM 2020</b>		11	<b>5,100,000</b>

## Agenda item 5.2

### Binding vote on the maximum aggregate amount of compensation of the Executive Committee for the financial year 2021

**Motion of the Board of Directors:** Shareholders are asked to approve a maximum aggregate compensation amount of CHF 42,500,000 for ten members of the Executive Committee for the financial year 2021.

### Overview of the compensation system applicable to the Executive Committee as of 2020

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:

- Pay-for-performance,
- Alignment with shareholders' interests,
- Market competitiveness,
- Internal equity, and
- Transparency.

The compensation system applicable to the CEO and the Executive Committee members for financial year 2020 includes base salaries, pension contributions, benefits and perquisites as well as variable compensation delivered in the form of an annual incentive and a long-term incentive.

During 2019, the NCGC concluded that considering the importance of sustainability matters, the performance measurement in the incentive plans includes sustainability objectives from 2020 onwards. For the annual incentive, the Health & Safety performance objective goes beyond the

Lost-Time Injury Frequency Rate (LTIFR) and includes a scorecard based on three equally-weighted elements:

Element	Description
<b>Health &amp; Safety Improvement Plan (HSIP)</b>	The HSIP 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 fatality elimination control. For the regions and the Group, an average of the HSIP scores of the countries and regions respectively, is used to determine the achievement level.
<b>Critical Risk Elimination (CRE)</b>	CRE objectives include action closure based on the findings of Health & Safety 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 and regions respectively, is used to determine the achievement level.
<b>Lost-Time Injury Frequency Rate (LTIFR)</b>	This is the Health & Safety objective currently used in the annual incentive. Targets are defined at country, regional and Group level.

Further, a sustainability objective for the performance shares of the long-term incentive is introduced, in addition to the existing EPS and ROIC performance conditions. The sustainability objective accounts for one-third of the performance share award and includes three pillars of the sustainability strategy:

- Climate and energy: reduction of CO2 emissions with a 50% weight ("science-based target")
- Circular economy: increased re-use of waste-derived resources with a 25% weight
- Environment: reduction of freshwater withdrawal with a 25% weight

Enhancing performance objectives by adding sustainability objectives recognizes the importance of mitigating our impact on the environment and of considering a broader stakeholder base in determining company performance.

The variable compensation programs for the financial year 2020 are summarized in the following table.

## 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	<b>Target incentive:</b> CEO: 125% of salary ExCo: 75% of salary  <b>Maximum incentive:</b> 200% of target	Group and regional annual performance including relative and absolute financial performance (85%) <sup>1</sup> as well as Health & Safety objectives (15%)
<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>	Performance shares: three-year vesting period  Performance options: five-year vesting period	<b>LTI grant size:</b> CEO: 177.4% of salary ExCo: 96.3% of salary  <b>Maximum vesting:</b> 200% for performance shares 100% for performance options	Financial and sustainability performance over three years (EPS: 33 $\frac{1}{3}$ %, ROIC: 33 $\frac{1}{3}$ %, sustainability: 33 $\frac{1}{3}$ %)  Relative performance over five years (relative TSR)

<sup>1</sup> In alignment with the change in financial reporting in the context of IFRS 16, the financial objective EBITDA is replaced by EBIT.

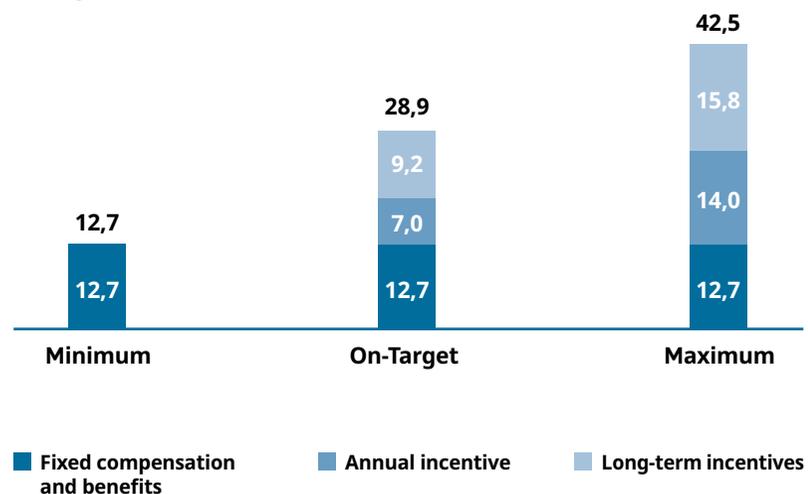
Looking ahead, the Board of Directors will continue to assess and review the compensation system and programs to ensure that they fulfill their purpose in line with the business strategy and context of the company.

### Proposed maximum aggregate compensation amount of the Executive Committee for the financial year 2021

The proposed maximum aggregate compensation amount of CHF 42,500,000 for ten members of the Executive Committee for the financial year 2021 is an increase of 6.3% compared to the maximum aggregate compensation amount approved at the last Annual General Meeting for financial year 2020. The increase is solely due to the increase from nine to ten members of the Executive Committee.

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 maximum payout scenario has never occurred at LafargeHolcim.

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

- The Executive Committee comprises ten members, including the CEO. Pursuant to the company’s Articles of Incorporation, the company is authorized to make payments to any member(s) who 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 approved maximum aggregate compensation amount is not sufficient, provided that any amount paid in excess of the approved amount 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 LafargeHolcim policy.
- Mandatory employer contributions to the Swiss governmental social security system that provide a right to the maximum future insured government pension benefits 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 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 116 to 139 of the Integrated Annual Report 2019 for further information.

**LafargeHolcim Ltd**

Zürcherstrasse 156

8645 Jona

Switzerland

[communications@lafargeholcim.com](mailto:communications@lafargeholcim.com)

[www.lafargeholcim.com](http://www.lafargeholcim.com)



**LafargeHolcim**