

# Compensation votes

Items 1.2, 6.1 and 6.2 of the agenda

Shareholder information on the compensation votes  
at the Annual General Meeting 2021



Dear shareholder,

## 2020 proved the resilience of LafargeHolcim's strategy and business model.

2020 was a particular year heavily impacted by the COVID-19 pandemic. The company's action plan "HEALTH, COST & CASH" was launched in March 2020 in all countries to manage the crisis effectively and mitigate its impact on the company. Our first priority was to safeguard the health and safety of our people, customers, suppliers, and communities. Secondly, we focused on preserving our cash flow through strict discipline in capital expenditure and net working capital management, and on reducing our operational cost.

The Nomination, Compensation and Governance Committee (NCGC) decided to reflect this strategy in the compensation system of the Executive Committee: since cash and cost initiatives are both equally important to the company, they should be equally weighted in the measurement of the performance in the annual incentive. Therefore, the weight of the financial objectives in the annual incentive has been adjusted accordingly, with Recurring EBIT and Free Cash Flow after leases now equally weighted. Since the action plan "HEALTH, COST & CASH" is expected to be pursued in the near future, this change will also apply for 2021. No adjustments were made to the performance targets and the payout corridors (threshold and stretch) set at the beginning of the year before the outbreak of the COVID-19 pandemic.

In 2020, the changes to the compensation plans applicable to the Executive Committee announced last year were implemented as planned:

- In the annual incentive, the Health & Safety objective is now based on a scorecard composed of three elements: Health & Safety Improvement Plan (HSIP), Critical Risk Elimination (CRE), and Lost-Time Injury Frequency Rate (LTIFR). In addition, the financial objective Recurring EBITDA is replaced by Recurring EBIT, in alignment with the change in financial reporting (IFRS 16).
- In the long-term incentive, a sustainability objective was introduced in the measurement of the performance shares, in addition to the 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 (CO2 emissions reduction), circular economy (waste recycled) and environment (water consumption).

These changes reflect the strong commitment of the company to build a net zero future.

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 2020**

**Agenda item 1.2** relates to the advisory vote on the Compensation Report 2020, which can be found on pages 114 to 139 of the Integrated Annual Report 2020 (also available at [www.lafargeholcim.com](http://www.lafargeholcim.com)).

### **Binding votes on the maximum aggregate amounts of compensation of 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 2021 to the Annual General Meeting 2022.

**Agenda item 6.2** requires shareholders' approval of the maximum aggregate amount of compensation of the Executive Committee for the financial year 2022.

The Compensation Report 2020 provides further information regarding our compensation system. In addition, the changes applicable for 2021 are summarized in this brochure.

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



**Dr. Beat Hess**  
Chairman of the Board



**Oscar Fanjul**  
Chairman of the NCGC

# Compensation votes

## Agenda item 1.2

### Advisory vote on the Compensation Report 2020

**Motion of the Board of Directors:** Shareholders are asked to approve the Compensation Report 2020 in an advisory vote.

**Note:** 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 2020. The Compensation Report can be found on pages 114 to 139 of the Integrated Annual Report 2020 (also available at [www.lafargeholcim.com](http://www.lafargeholcim.com)).

## Agenda item 6.1

### Binding vote on the maximum aggregate amount of compensation of the Board of Directors for the period from the Annual General Meeting 2021 to the Annual General Meeting 2022

**Motion of the Board of Directors:** Shareholders are asked to approve a maximum aggregate compensation amount of CHF 5,200,000 for 12 members of the Board of Directors for the period from the Annual General Meeting 2021 to the Annual General Meeting 2022.

## Overview of the compensation system applicable to the Board of Directors for the period between the Annual General Meetings 2021 and 2022

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 Chairman also receives a secretarial allowance in cash.

The compensation model applicable to the Board of Directors for the period between the Annual General Meetings 2021 and 2022 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 CHF</b>	<b>Expense allowance in CHF</b>	<b>Secretarial allowance in CHF</b>
Board Chairman <sup>1</sup>	825,000	825,000	10,000	60,000
Board Vice-Chairman <sup>1</sup>	200,000	200,000	10,000	
Board member	100,000	100,000	10,000	

### Committee fees (gross)

Audit committee Chairman <sup>1</sup>	160,000			
Other committees' Chairman <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 Chairman and the Board Vice-Chairman are not eligible for committee fees.

### Proposed maximum aggregate compensation amount of the Board of Directors for the period between the Annual General Meetings 2021 and 2022

The maximum aggregate amount of compensation of CHF 5,200,000 for 12 members of the Board of Directors is a decrease of 3.7% compared to the compensation amount approved for the previous compensation period. This is due to the fact that the CEO will not receive any compensation for his function on 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 2021 to the Annual General Meeting 2022. The proposed amount has been calculated based on the structure of the compensation system described above and assumes a total of 12 Board members.

- 1 The CEO will not receive any compensation for his function on the Board of Directors.
- 2 This amount includes mandatory employer contributions to the Swiss governmental social security system to the extent that they result in a future benefit entitlement, 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 result in an increase of the benefit entitlement.

### Compensation of the Board of Directors for the period between the the Annual General Meetings 2021 to 2022

<b>Annual retainer (gross)</b>	<b>Total in CHF</b>	<b>Expected number of members</b>	<b>Total in CHF</b>
Board Chairman	<b>1,720,000</b>	1	<b>1,720,000</b>
Board Vice-Chairman	<b>410,000</b>	1	<b>410,000</b>
Board member <sup>1</sup>	<b>210,000</b>	10	<b>1,890,000</b>

<b>Committee fees (gross)</b>	<b>Total in CHF</b>	<b>Expected number of members</b>	<b>Total in CHF</b>
Audit committee Chairman	<b>160,000</b>	1	<b>160,000</b>
Other committees' Chairman	<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>2</sup>			<b>290,000</b>

<b>Proposed maximum aggregate compensation amount<sup>1</sup></b>		12	<b>5,200,000</b>
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<b>Maximum aggregate compensation amount approved for AGM 2020 to AGM 2021</b>		12	<b>5,400,000</b>
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## Agenda item 6.2

### Binding vote on the maximum aggregate amount of compensation of the Executive Committee for the financial year 2022

**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 2022.

### Overview of the compensation system applicable to the Executive Committee as of 2021

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
- Transparency

The compensation system applicable to the CEO and the Executive Committee members for financial year 2021 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.

The company's action plan "HEALTH, COST & CASH" was launched in March 2020 in all countries to manage the COVID-19 crisis effectively and mitigate its impact on the company. The first priority of the company was to safeguard the health and safety of its people, customers, suppliers, and communities. Secondly, the focus was set equally between preserving

the cash position of the company and reduce cost. Consequently, in the annual incentive, cash and cost measures are now equally weighted, as shown in the illustration below. Since the action plan "HEALTH, COST & CASH" is expected to be pursued in the near future this change will also apply for 2021.

Performance objective	Weighting as of 2020
Group Relative Sales growth	15%
Group Relative Recurring EBIT growth	15%
Recurring EBIT	20%
Free Cash Flow after leases	35%
Health & Safety Scorecard	15%

*Note: A bracket groups 'Group Relative Recurring EBIT growth' and 'Recurring EBIT' with a total weighting of 35%.*

In addition, the changes to the compensation plans applicable to the Executive Committee announced last year were implemented in 2020.

In the annual incentive, the Health & Safety objective is now based on a scorecard composed of three elements: Health & Safety Improvement Plan (HSIP), Critical Risk Elimination (CRE), and Lost-Time Injury Frequency Rate (LTIFR). In addition, the financial objective Recurring EBITDA is replaced by Recurring EBIT, in alignment with the change in financial reporting (IFRS 16).

In the long-term incentive, a sustainability objective was introduced for the measurement of the performance shares, in addition to the 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 2021 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 (LTI)</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 <sup>1</sup> / <sub>3</sub> %, ROIC: 33 <sup>1</sup> / <sub>3</sub> %, sustainability: 33 <sup>1</sup> / <sub>3</sub> %)  Relative performance over five years (relative TSR)

<sup>1</sup> Recurring EBIT and Free Cash Flow after leases measures are now equally weighted to reflect the equal importance of cash and cost measures for the company. The financial objective Recurring EBITDA is replaced by Recurring EBIT in alignment with the change in financial reporting in the context of IFRS 16.

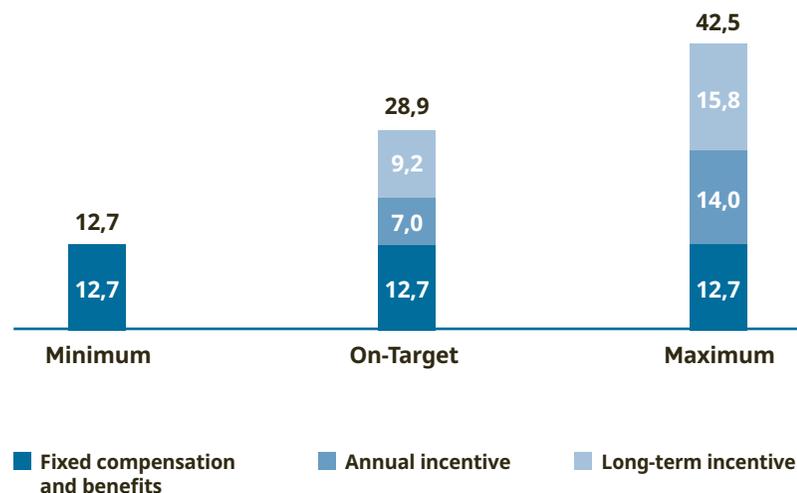
Looking ahead, the Board of Directors will continue to assess and review the compensation system and programs to ensure that they fulfill their purpose in line with the business strategy and context of the company.

### Proposed maximum aggregate compensation amount of the Executive Committee for the financial year 2022

The proposed maximum aggregate compensation amount of CHF 42,500,000 for ten members of the Executive Committee for the financial year 2022 is unchanged compared to the maximum aggregate compensation amount approved at the last Annual General Meeting for financial year 2021.

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 both the annual and the long-term incentive plans.

**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 to the extent that they result in a future benefit entitlement are included, while employer contributions to the Swiss governmental social security system that do not result in an increase of the benefit entitlement 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, USD 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 Integrated Annual Report 2020 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**