

# COMPENSATION VOTES

ITEMS 1.2, 5.1 AND 5.2 OF THE AGENDA

Shareholder information on the  
compensation votes at the  
Annual General Meeting 2017





# DEAR SHAREHOLDER,

The LafargeHolcim Ltd Nomination, Compensation & Governance Committee, and the Board of Directors have carefully considered the situation and needs of the business in elaborating the compensation policy applicable for the period from the Annual General Meeting 2017 until the Annual General Meeting 2018 (for members of the Board of Directors) and for the financial year 2018 (for members of the Executive Committee). In line with the Ordinance Against Excessive Compensation and our Articles of Incorporation, we are asking shareholders to vote on three compensation-related resolutions:

## **Advisory vote on past compensation**

**Agenda item 1.2** relates to the advisory vote on the 2016 Compensation Report, which can be found electronically on [https://financialreports.lafargeholcim.com/2016/downloads/pdf/compensation\\_report\\_lhn\\_ar16.pdf](https://financialreports.lafargeholcim.com/2016/downloads/pdf/compensation_report_lhn_ar16.pdf) and on pages 128–148 of the 2016 Annual Report.

## **Binding votes on future compensation**

**Agenda item 5.1** requires your approval of the total maximum amount of compensation for the members of the Board of Directors for the period from the Annual General Meeting 2017 to the Annual General Meeting 2018. A maximum amount of CHF 5,400,000 (unchanged from 2016–2017) is proposed, and additional details, including a description of the compensation policy in place, are set out on pages 5–8 of this brochure.

**Agenda item 5.2** requires your approval of the total maximum amount of compensation of the Executive Committee for the financial year 2018. A maximum amount of CHF 40,500,000 (unchanged from 2017) is proposed. A description of the compensation policy applicable for the financial year 2018 is provided on pages 9–12 of this brochure, and further details are available in the Compensation Report, which can be found electronically on [https://financialreports.lafargeholcim.com/2016/downloads/pdf/compensation\\_report\\_lhn\\_ar16.pdf](https://financialreports.lafargeholcim.com/2016/downloads/pdf/compensation_report_lhn_ar16.pdf) and on pages 128–148 of the 2016 Annual Report.

We will be available at the Annual General Meeting to answer any question you may have regarding compensation at LafargeHolcim Ltd.

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

Beat Hess  
Chairman of the Board of Directors

Nassef Sawiris  
Chairman of the Nomination,  
Compensation & Governance Committee

# COMPENSATION VOTES

## AGENDA ITEM 1.2

### Advisory vote on the 2016 Compensation Report

The purpose of our Compensation Report is to inform shareholders of our Board of Directors and Executive Committee compensation policies and how these policies were implemented in 2016. It can be found electronically on [https://financialreports.lafargeholcim.com/2016/downloads/pdf/compensation\\_report\\_lhn\\_ar16.pdf](https://financialreports.lafargeholcim.com/2016/downloads/pdf/compensation_report_lhn_ar16.pdf) and on pages 128–148 of the 2016 Annual Report.

We ask our shareholders to endorse it in an advisory vote.

## AGENDA ITEM 5.1

### Binding vote on the approval of the total maximum amount of compensation for the members of the Board of Directors for the period from the Annual General Meeting 2017 to the Annual General Meeting 2018 of CHF 5,400,000

#### Director compensation policy applicable between the Annual General Meetings 2017 and 2018

All members of the Board of Directors will receive a base fee, paid 50% in cash and 50% in LafargeHolcim Ltd shares, subject to a five-year sale and pledge restriction period. In addition, expense allowances of CHF 10,000 are paid to each member, and the chairman of the Board of Directors will in addition receive a secretarial allowance of CHF 60,000.

Board members will receive additional compensation, reflecting their engagement and participation on the various Board Committees. All Board and Committee fees are summarized in the following table.

Role	Cash compensation (in CHF)	Share-based compensation <sup>1</sup> (in CHF)	Expense allowance (in CHF)	Secretarial allowance (in CHF)	TOTAL (in CHF)
<b>Base compensation</b>					
Chairman of the Board	725,000	725,000	10,000	60,000	1,520,000
Board member	100,000	100,000	10,000		210,000
<b>Committee membership and chairmanship fees</b>					
Health & Safety Committee chairman	125,000				125,000
Health & Safety Committee member	40,000				40,000
Finance & Audit Committee chairman	125,000				125,000
Finance & Audit Committee member	40,000				40,000
Nomination, Compensation & Governance Committee chairman	125,000				125,000
Nomination, Compensation & Governance Committee member	40,000				40,000
Strategy & Sustainable Development Committee chairman	125,000				125,000
Strategy & Sustainable Development Committee member	40,000				40,000

<sup>1</sup>The shares are subject to a five-year sale and pledge restriction period.

Additional fees can be paid to individual Board members to reflect any prolonged period where their time commitment is significantly above the normally expected time commitment. In 2016, no additional fees were paid in respect of that policy. Whilst this policy remains in place for the period from the Annual General Meeting 2017 until the Annual General Meeting 2018, no additional fee payments are currently foreseen.

Board members are not entitled to receive any performance-based compensation or stock options.

**Proposed total maximum amount of compensation  
for the members of the Board of Directors of CHF 5,400,000**

The following table shows the total maximum amount of compensation that could be paid to the Board members on a twelve months basis. It assumes that the chairman, all Board members and Nomination, Compensation & Governance Committee members are elected at the Annual General Meeting 2017. It includes a buffer, which would allow for any reasonable increase in the number of Committee members, or in the event of any additional fee payment required for an increased time commitment from a Board or a Committee member.

Role	TOTAL (in CHF)	Expected number of members		TOTAL COM- PENSATION (in CHF)
<b>Base compensation</b>				
Chairman of the Board	1,520,000	1		1,520,000
Board member	210,000	11	12	2,310,000
<b>Committee membership and chairmanship fees</b>				
Health & Safety Committee chairman	125,000	1		125,000
Health & Safety Committee member	40,000	3	4	120,000
Finance & Audit Committee chairman	125,000	1		125,000
Finance & Audit Committee member	40,000	3	4	120,000
Nomination, Compensation & Governance Committee chairman	125,000	1		125,000
Nomination, Compensation & Governance Committee member	40,000	4	5	160,000
Strategy & Sustainable Development Committee chairman	125,000	1		125,000
Strategy & Sustainable Development Committee member	40,000	3	4	120,000
<b>Buffer for changes in Committee composition, and for exceptional fees</b>				<b>550,000</b>
<b>PROPOSED TOTAL MAXIMUM AMOUNT</b>				<b>5,400,000</b>
<b>Maximum for Annual General Meeting 2016 to Annual General Meeting 2017</b>				<b>5,400,000</b>
<b>Actual total compensation for the calendar year 2016</b>				<b>5,279,040<sup>1</sup></b>

<sup>1</sup>Without mandatory Swiss social security contributions

In addition to the total shown above, mandatory Swiss social security payments have to be made by LafargeHolcim Ltd for certain Board members. The amount paid for Swiss social security for the period 1 January until 31 December 2016 was CHF 91,933. The amount to be paid for the period from the Annual General Meeting 2017 to the Annual General Meeting 2018 depends on the individual social security status of each Board member.



## **AGENDA ITEM 5.2**

**Binding vote on the approval of the total maximum amount of compensation of the Executive Committee for the financial year 2018 of CHF 40,500,000**

### **Key features of the 2018 Executive Committee compensation policy**

The compensation policy applicable to the CEO and Executive Committee members in 2018 is summarized in the following table.

**Fixed pay**

<b>Element and link to strategy</b>	<b>Operation</b>	<b>Quantum</b>	<b>Link with performance</b>
<b><i>Basic salary</i></b>			
Reflects key responsibilities, experience and market standard	<ul style="list-style-type: none"> <li>- Paid monthly in cash</li> <li>- Reviewed annually based on a market competitiveness review, market movements and individual performance</li> </ul>	<ul style="list-style-type: none"> <li>- Set at a competitive level comparable to Swiss companies of similar size</li> </ul>	<ul style="list-style-type: none"> <li>- Salary increase budgets reflect, inter alia, company performance</li> <li>- Salary increases will be closely linked to individual performance</li> </ul>
<b><i>Pension</i></b>			
Provide competitive and appropriate retirement plans	<ul style="list-style-type: none"> <li>- Defined benefit scheme applicable to Swiss-based Senior Management</li> <li>- Overall pension promise is inclusive of all other local and supplementary schemes participants may benefit from</li> <li>- Non-Swiss based Executive Committee members benefit from local pension schemes</li> </ul>	<ul style="list-style-type: none"> <li>- Targeted to achieve, at age 62, assuming 10 years of service in Senior Management and 20 years of service with the Group, an amount of 40% of the average of last 3 years' base salaries</li> <li>- Early or deferred retirement pensions adjusted based on actuarial calculations</li> </ul>	<ul style="list-style-type: none"> <li>- N/A</li> </ul>
<b><i>Other benefits</i></b>			
Provide competitive perquisites and appropriate expatriation-related benefits	<ul style="list-style-type: none"> <li>- Car/transport allowance</li> <li>- Housing, schooling and travel (for executives who had to relocate)</li> </ul>	<ul style="list-style-type: none"> <li>- Amounts consistent with the LafargeHolcim policies applicable to all members of staff</li> </ul>	<ul style="list-style-type: none"> <li>- N/A</li> </ul>

## Variable pay

Element and link to strategy	Operation	Quantum	Link with performance
<b>Annual bonus</b>			
Rewards the achievement of the Group's annual targets and the executive's own goals	<ul style="list-style-type: none"> <li>- Paid annually after the approval of annual accounts (half in cash and half in shares deferred for three years)</li> </ul>	<ul style="list-style-type: none"> <li>- Maximum opportunity is 200% of basic salary for the CEO and 125% of basic salary for other Executive Committee members</li> </ul>	<ul style="list-style-type: none"> <li>- Based on a combination of financial results at Group level (and at regional level as appropriate) and individual performance</li> </ul>
<b>Long-Term Incentive Plan</b>			
Rewards long-term financial performance and shareholder value creation	<b>Performance Shares</b>		
	<ul style="list-style-type: none"> <li>- Granted each year</li> <li>- Rewards Group performance over a three-year period</li> <li>- Delivered in LafargeHolcim shares</li> <li>- Strict leaver rules</li> </ul>	<ul style="list-style-type: none"> <li>- Annual award of 250% of basic salary for the CEO and 140% of basic salary for other Executive Committee members in 2017 and 2018</li> </ul>	<ul style="list-style-type: none"> <li>- Based on a combination of internal financial measures and external measures in line with company strategy, to be defined from time to time</li> </ul>
	<b>Share options</b>		
	<ul style="list-style-type: none"> <li>- Granted on an exceptional basis, to strengthen the link between pay and specific strategic objectives</li> <li>- Option exercise price set at market value (average three days before grant)</li> </ul>	<ul style="list-style-type: none"> <li>- No option award currently considered for 2018</li> </ul>	<ul style="list-style-type: none"> <li>- Performance measures would be defined at the time of the grant</li> </ul>

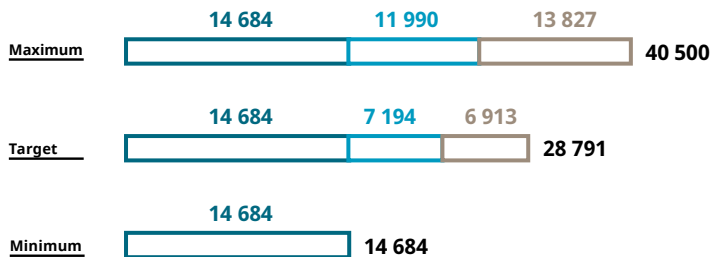
**Proposed total maximum amount of compensation  
of the Executive Committee for the financial year 2018**

**The total maximum amount proposed for shareholders' approval at the Annual General Meeting 2017 is CHF 40,500,000.** The following chart illustrates what total compensation for all Executive Committee members could be in three scenarios:

- "Minimum", where only fixed compensation would be paid.
- "Target", where annual bonuses for 2018 would be paid at 60% of maximum, and 2018 awards under the Performance Share Plan would vest at target, i.e. at 50% of maximum.
- "Maximum", where annual bonuses would be paid out at maximum (CEO: 200% of basic salary, Executive Committee members: 125% of basic salary) and long-term incentives would vest in full (CEO: 250% of basic salary, Executive Committee members: 140% of basic salary). Note that this scenario would require all Executive Committee members to achieve a payout of 100% in all performance measures of short- and long-term incentive plans, which would be a genuinely exceptional performance.

All amounts in 1 000 CHF

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- Fixed pay (salary, pensions, employee benefits and other remuneration)
  - Short-Term Incentives (payable in respect of 2018)
  - Long-Term Incentives (awards to be made in 2018 under the Performance Share Plan)

The split of total compensation into fixed compensation, short-term incentives and long-term incentives is of indicative nature and subject to change. However, the total compensation payable will not exceed the total maximum amount of compensation proposed.

A number of assumptions were used in the elaboration of the total maximum amount of compensation and the above chart:

- The Executive Committee comprises 10 members, including the CEO. Under 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 total maximum amount of compensation, where the total amount approved is not sufficient, providing that any amount paid in excess of the total amount approved does not exceed 40% of the total maximum amount of compensation approved.
- The impact of share price variations and dividend equivalents for the proportion of the annual bonus deferred in LafargeHolcim Ltd shares and for the long-term incentives that could be paid has not been taken into account.
- Two Executive Committee members have their compensation denominated in Euros. The impact of future EUR/CHF variations will not be taken into account.
- The amounts shown above are gross, but exclude any employer-paid mandatory social security contributions.
- Amounts shown under fixed pay include a number of international assignment benefits, in line with the LafargeHolcim policy, including housing, school fees and travel allowances.
- The fixed pay amount includes a maximum budget for potential salary increases, if any.



