Integrated Annual Report

2020

LafargeHolcim

2020 proved the resilience of LafargeHolcim's strategy and business model. The company is on its way to become the global leader in innovative and sustainable building solutions, shaping a world that works for people and the planet.

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 2020.

Cover picture

Texas, USA

Healthy communities

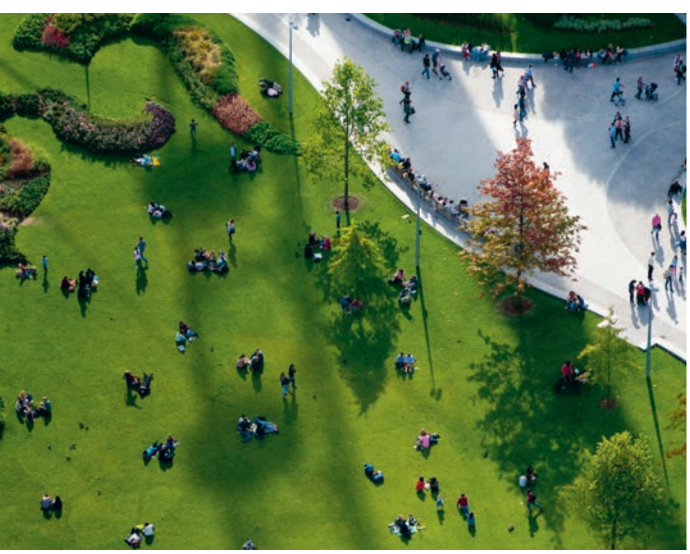
26–39

Committed to thriving with our communities around the world

Resilient business

40–51

Resilient business playing an essential role to keep society running



Greener world

52–65

Building a greener world that is low carbon and circular for a net zero future

Contents

Our response to COVID-19

Our global team went above and beyond to keep our people and communities safe. See from page 26.

Key achievements in 2020

23,142m

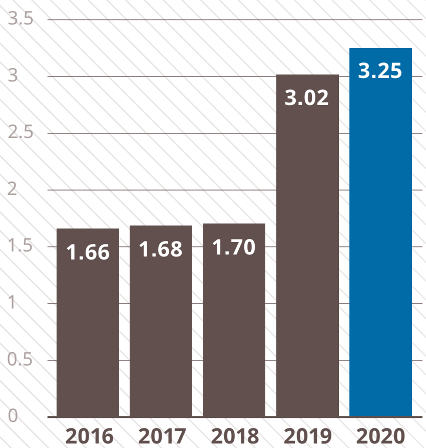
Net sales (CHF)

3,676m

Recurring EBIT (CHF)

CHF
3,249m

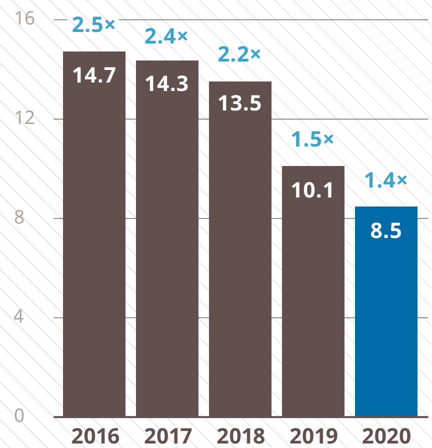
Free Cash Flow[1] (CHFbn)



[1] After leases. Years 2016, 2017, 2018 reflect the former alternative performance indicator Free Cash Flow.

CHF
8,483m

Net financial debt[2] (CHFbn)
Debt leverage



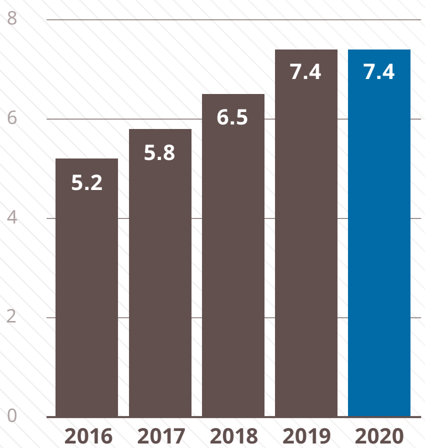
[2] Years 2016, 2017, 2018 not restated for IFRS16 impact.

Reaching a new level of performance

Firmly on track to deliver our Strategy 2022 – "Building for Growth"

%
7.4

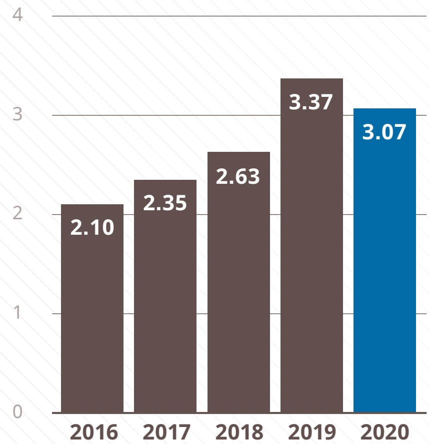
Return on invested capital[3] (%)



[3] Years 2016, 2017, 2018 not restated for IFRS16 impact

CHF
3.07

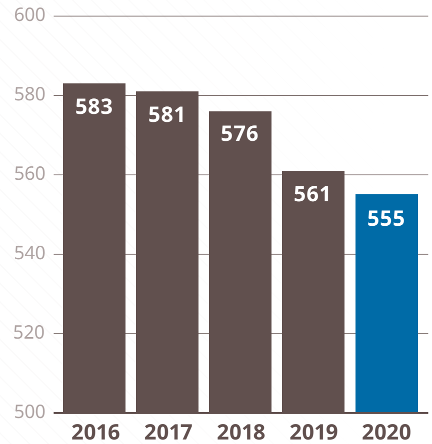
Earnings per share[4] (CHF)



[4] Before impairments and divestments. Years 2016, 2017, 2018 not restated for IFRS16 impact

KG
555

Kg net CO_2/ton of cementitious material[5]



[5] As published

Strong Momentum since Q4 & Record 2020 Free Cash Flow

– Strong momentum in Q4 with net sales +1.5% like-for-like and Recurring EBIT +14.1% like-for-like
– Fast and disciplined execution of “HEALTH, COST & CASH” action plan
– Record 2020 Free Cash Flow generation of CHF 3,249m
– Strong balance sheet with Net debt leverage improved to 1.4x
– A milestone in the transformation of LafargeHolcim with the acquisition of Firestone Building Products
– At the forefront of sustainability with CDP Climate A List ranking
– Good demand momentum in 2021

Chairman's statement

"I've never been as proud of LafargeHolcim as I am today."

CHF
2.00
Proposed dividend for 2020

Dear shareholders,

They say a company's true colors stand out in a crisis. In 2020, LafargeHolcim showed its colors brilliantly.

On behalf of the Board of Directors, I would like to say how proud we are of our 70,000 colleagues, particularly our frontline workers who went above and beyond to keep our people safe and our business strong. They stood by their communities to keep them healthy and served our customers tirelessly so that they, too, could keep operating.

They built emergency field hospitals from Wuhan to Boston, sanitized public spaces from Ecuador to India, promoted public health from Kenya to the Philippines, and donated essential goods wherever they were needed – from masks and gloves to food and water.

So before we look ahead to 2021, let me acknowledge the unprecedented solidarity shown by our people to our communities worldwide. This is all the more exceptional in these very challenging times when we are all concerned for the immediate safety of our families and loved ones.

We would also like to thank our CEO, Jan Jenisch, and his Executive Committee for their leadership and rapid response to the COVID-19 crisis. Jan and his team acted with great agility and foresight to look after their teams and the company while always making sure that safety came first. The 2020 financial results they delivered are remarkable given the circumstances. In my ten years at LafargeHolcim, I have never felt as proud as I do when I look back on a tumultuous 2020.

This year, we opened a new chapter on our sustainability journey, as we announced our net zero commitment at New York Climate week, determined to be part of the solution to today's climate crisis. Taking a rigorous science-driven approach, we are partnering with the Science-Based Target initiative (SBTi) on this journey. They validated our 2030 climate objectives, setting a new standard for our industry, and we are working together on the first net zero cement roadmap.

I am proud that we were recognized as a global climate leader this year, entering CDP's 'Climate A List' alongside the world's leading companies in this area. With our people and communities at the heart of our success, I am pleased that we ranked first in our industry in the Corporate Human Rights Benchmark (CHRB), among the world's top 15% of companies.

These achievements are a great acknowledgement of our teams' relentless work around the world, making sustainability part of everything we do, and an encouragement to keep raising the bar for ourselves and our industry.

This year, I personally engaged in an open dialogue with a number of stakeholders who questioned our commitment to building a greener and healthier world. We believe in working together and learning from each other, as we pursue the common goal of solving the systemic challenges facing our world. We find better solutions when businesses, governments, civil society and other key stakeholders partner to reverse climate change and nature loss, protect human rights and contribute to a circular economy. We hope the record of this year speaks for itself. If any doubt remains, I encourage people to keep an eye on our progress as we continue to create value for all stakeholders while, most importantly, also delivering value to you, our shareholders.

We thank you for your trust.

Beat Hess
CHAIRMAN

"LafargeHolcim is determined to be part of the solution to today's climate challenge."

Focus on Governance: Progress in 2020

The Board of Directors' work continued uninterrupted and even accelerated in this trying year, notably by welcoming two new members, Kim Fausing and Philippe Block. Their perspectives and unique experiences have already proven invaluable in the development of the company's strategy.

Diversity counts
Directors represent a broad variety of backgrounds relevant to the governance of the world's leader in building materials, from finance to energy to sustainability.

Broad international experience
The Board's twelve Directors represent nine nationalities; one-fourth of whom are women.

Transparent reporting
The Board regularly receives and requests updates from the Executive Committee. The relationship between Board and management is open, constructive and aligned for long-term value creation. This relationship is underpinned by a robust and integrated risk management process (see page 96).

Stable governance
The Board balances experience with a steady influx of new perspectives. Six Directors have been on the Board for five years or less, counterbalanced by four who have served for over ten years.

Stakeholder engagement
Throughout the year the Chairman and other Directors met with shareholders, proxy advisors and other stakeholders to ensure an open dialogue.

Speaking live at a global employee townhall meeting

Q&A with CEO Jan Jenisch

"Our teams were fast to mobilize, as early as January, to respond to the unfolding crisis."

Q **How did you experience this extraordinary year?**

A For all of us at LafargeHolcim, 2020 proved the resilience of our business.

Our first priority was to protect our people and communities. Construction is an essential activity, so we also faced the responsibility to keep our business operating safely. Our teams were fast to mobilize, as early as January, to respond to the unfolding crisis. They swiftly implemented our HEALTH, COST & CASH action plan across all countries. My sincere congratulations go to our 70,000 colleagues across our 70 markets who made this possible.

It was a tsunami-type crisis for us, with the disruption to our business reaching its peak in April 2020. By the third quarter, our net sales were nearly back to previous year's levels. By the fourth quarter, we were back to growth with increased margins.

"I am very confident about the growth momentum we are taking into 2021."

We closed 2020 on solid foundations. Our Recurring EBIT is close to last year's level, even with the appreciation of our reporting currency, the Swiss Franc. For the second year in a row we delivered a Free Cash Flow after leases above CHF 3 billion. Our net debt is CHF 1.6 billion lower than previous year and more than CHF 6 billion lower than in 2016. We are emerging stronger from the crisis, reaching a new level of financial performance.

We also maintained a sharp focus on driving our growth agenda, completing eight bolt-on acquisitions from Canada to Australia. In January 2021 we announced our acquisition of the iconic Firestone Building Products company, as a unique growth and technology platform for us to build on. This is a milestone in our transformation to become the global leader in innovative and sustainable building materials and solutions.

Q Can you tell us more about your vision for Firestone Building Products?

A My vision is simple: I want the whole world to know that "nobody covers you better than Firestone". We aim to double this business over the next five years, to become the global leader in flat roofing systems.

Flat roofing is a champion segment in the construction industry; it is one of the most attractive, high-growth and resilient markets, estimated at USD 50 billion. Firestone Building Products (Firestone) is already a market leader in this segment in the United States, the world's number one roofing market. By combining Firestone's leading position in roofing with LafargeHolcim's top position in cement in the United States, we will be the partner of choice, from a building's rooftop to its foundations.

With its unique technologies and broad customer reach, Firestone is setting the standards in its segment. With 60% of a building's energy lost through its roof, its insulating, cool, green and solar systems are technologies of choice for eco-conscious builders. That's why Firestone's portfolio has a leading level of LEED and other sustainable building certifications. My vision is to expand its leadership around the world, starting in Europe and Latin America.

"My vision is simple: I want the whole world to know that 'nobody covers you better than Firestone'."

Q What sets LafargeHolcim apart?

A Our financial strength, rigor in execution, diverse global presence and commitment to sustainability at the heart of our strategy, really set us apart. In 2020, while the impact of lockdowns slowed activity in the mature markets, we performed well in India, Latin America and other markets where a significant share of business is in retail.

Speaking to employees from Zug, Switzerland

We accelerated our sustainability agenda to be at the forefront of green building solutions. In 2020, we launched our green concrete ECOPact around the world to enable carbon neutral construction. I was encouraged to see how it has been adopted across 14 markets, starting in Europe and the Americas. We also rolled out our EcoLabel worldwide, transparently disclosing the environmental profile of our green products from lower carbon footprint to recycled content. Today, we have more than 90 EcoLabel products, making it easier for our customers to make sustainable choices.

Our commitment to driving the circular economy sets us apart in our industry. This year we recycled 46 million tons of materials across our business. Wherever possible, we convert construction and demolition waste into new products. For instance, in Switzerland our cement Susteno contains 20% recycled concrete. We also developed a unique lightweight floor system using over 50% recycled construction demolition waste in partnership with ETH Zürich. When you consider that over 200 billion square meters of floor space is expected to be built in the next three decades, such disruptive, ultra-low-carbon building solutions can make a big difference.

Q Where do you see the growth coming from in the medium-term?

A The megatrends underlying our business continue to grow – such as urbanization, population growth and infrastructure demand.

The world is set to build a new New York City every month for the next 30 years and it's clear that this needs to be done in a sustainable way. At the start of 2021, there is now a new driver of global demand: synchronized government stimulus measures across all regions to support the economic recovery from the pandemic. Trillions of dollars of construction-focused stimulus will bring huge opportunities for our business over the next few years. This represents an unprecedented worldwide investment in infrastructure and we have a unique opportunity to accelerate the transition to sustainable building at scale.

"We tripled our online transactions with our Concrete Direct App, throughout the pandemic."

For example, we are in a position to repair and refurbish America's building stock as well as build the green infrastructure that its people clearly demand. We are an ideal partner to green Germany's transport and energy infrastructure with the EUR 30 billion Package for the Future. We're also supporting China's Belt and Road Initiative abroad and its stimulus measures at home.

In other parts of the world, we see Kenya and Canada upgrading their rail networks; Brazil and Nigeria adding to their stock of affordable housing; India and Australia building up marine infrastructure. Governments everywhere are seeking to provide jobs, revive economic growth and build assets that last and we are in the ideal position to help.

Q Once the pandemic is finally under control, what lasting impact do you foresee on your business?

A Just like the individual homebuilder, we believe this experience has reinforced our customers' desire to work with trusted local partners such as ACC, Ambuja, Holcim, Lafarge, Bamburi and Aggregates Industries – and Firestone. Builders of all sizes want to work with members of the community who helped build emergency field hospitals, meet basic needs and champion health and safety when the work had to continue.

The pandemic has driven interest among people to do more to advance low-carbon and circular construction. For me, green building solutions are critical to our future.

We also experienced an acceleration of our digital tools, from online orders to receipts, enabling us to keep on serving our customers, while respecting social distancing and other safety measures. For instance in the United States, we tripled our online transactions with our Concrete Direct App, throughout the pandemic.

Q How is LafargeHolcim positioned for 2021?

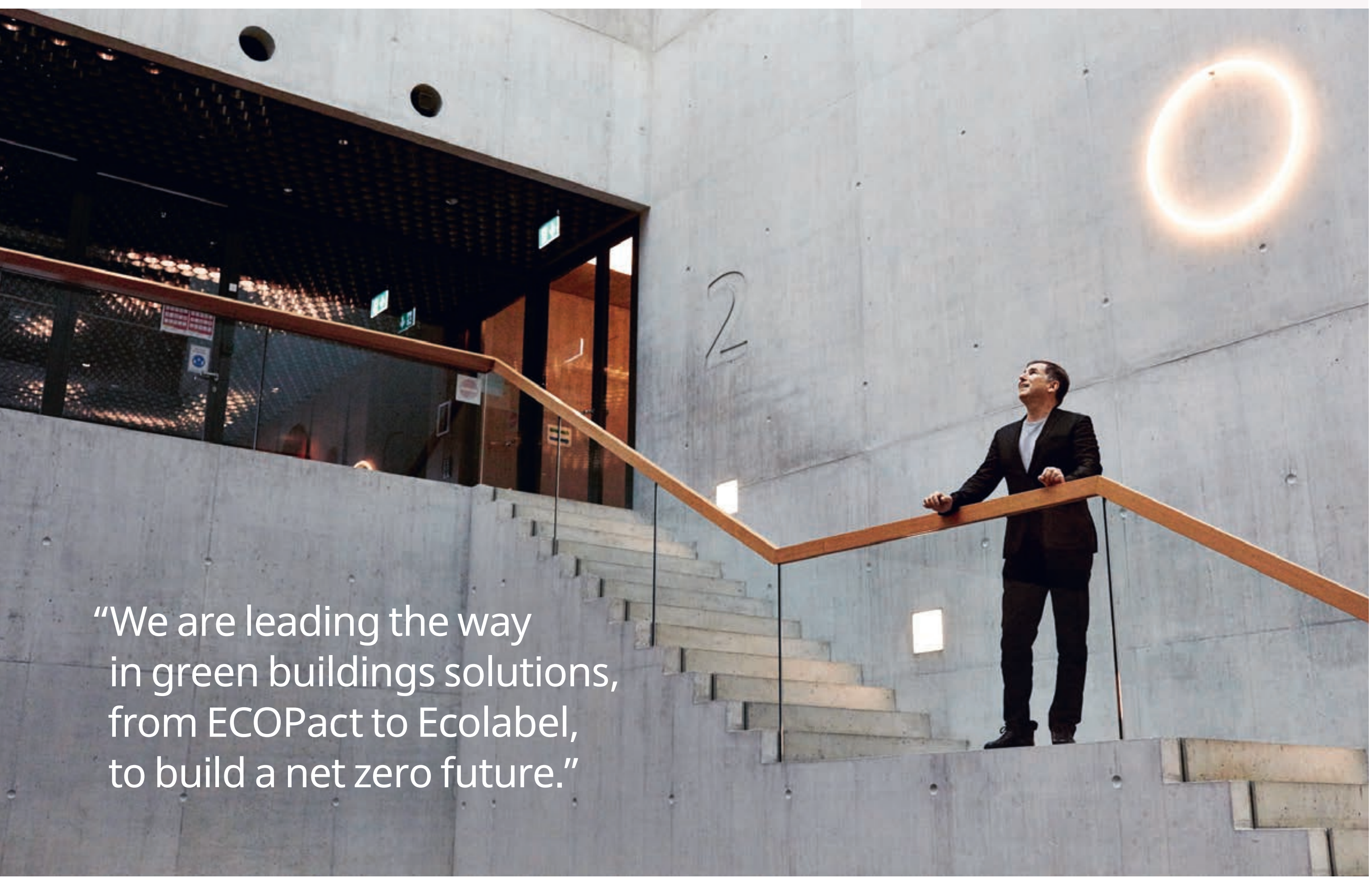
A I am very confident about the growth momentum we are taking into 2021, with positive demand trends in all regions.

With infrastructure and climate action on top of governments' priorities – and an unprecedented wave of stimulus packages being deployed around the world to drive the recovery – we are ready to play our part, starting with the United States economic recovery 'Build Back Better' plan.

The future of building

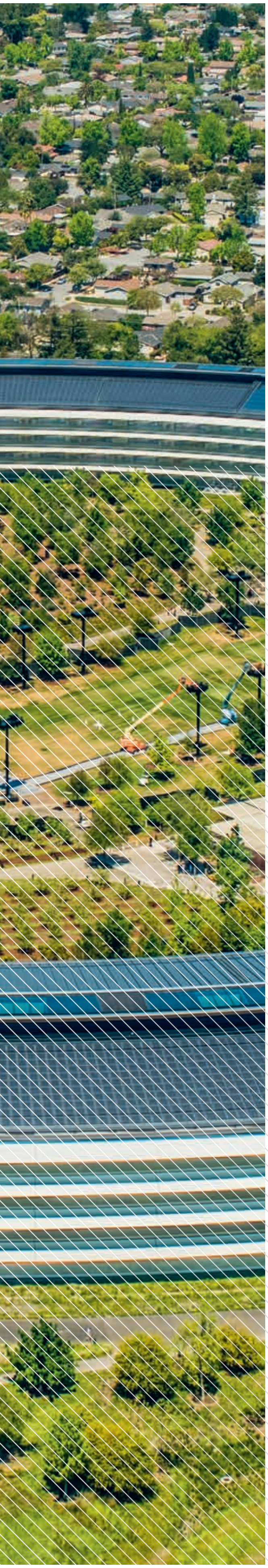
At the cutting edge

We proudly support the NEST (pictured below), a laboratory for the future of buildings. The NEST is also host to the HiLo project, which is led by LafargeHolcim Board Member and professor at ETH Zürich Philippe Block. Holcim Switzerland partnered with ETH Zürich to develop ultra-low-embodied-carbon materials for the Hilo's unique lightweight floor system, using over 50% recycled construction demolition waste in its concrete. HiLo applies strength through geometry to use concrete at its best, with minimal amount of material, for a lower CO_2 footprint.



—Acquiring an iconic leader

Firestone solar roof shown at Apple Park, Cupertino, USA.



"The future is green,
the future is circular,
the future is solar."

Jan Jenisch, CEO

Firestone Building Products

The acquisition of Firestone Building Products is a milestone in our transformation to become the global leader in innovative and sustainable building materials and solutions.

Firestone, an iconic technology and growth platform

With the acquisition of Firestone Building Products (Firestone), LafargeHolcim aims to become the global leader in flat roofing systems, a global USD 50 billion market.

As one of the largest players in the world's number one roofing market, the United States, Firestone offers an ideal growth and technology platform for us to build on.

It is at the forefront of innovative and sustainable roofing solutions with 3 innovation centers, over 40 patents filed in the last 2 years and more than 57,000 product approvals and certificates.

It's an iconic company that sets the standards in its market, with its leading technologies from insulating, waterproofing, cool and green roofing systems. This makes it a provider for the world's most eco-conscious global brands from Apple and Nike to Tesla or IKEA.

With its innovation-focus, and leading level of LEED and other sustainable building certifications, Firestone's technologies are increasingly specified by architects and building developers who are shaping the next generation of buildings.

Champion segment within building and construction market

The flat roofing segment is a highly attractive market, with its capital-light business and innovation-driven profile delivering strong and consistent margins.

Its growth potential is clear. The flat roofing segment is not only booming – it is a hidden gem.

Because flat roofs maximize living space, they are becoming the norm for buildings in urban environments. Driven by both rapid urbanization and the increasing demand for sustainability, flat roofs make up one of the fastest-growing segments in the building industry.

It is a vibrant high growth segment, covering new buildings as well as the repair and refurbishment of old ones. Even facing the historic headwinds of 2020, Firestone successfully grew its business. And today it is in a prime position to benefit from the stimulus packages ahead, starting with the US economic recovery "Build Back Better" plan.

Becoming a global leader in flat roofing systems

Today Firestone operates primarily in our largest market, the US. This acquisition will immediately add CHF 1.5 billion to our revenues in this hot market.

Our ambition is to take Firestone's leadership around the world, to become the global leader in flat roofing systems. It is a fragmented market, with consolidation opportunities ahead as the top 10 players represent 35% of its market share.

Our ambition is to double the business within the next 5 years, starting by expanding its reach across Europe and Latin America.

The acquisition also opens up opportunities for LafargeHolcim products and solutions to penetrate the repair and refurbishment segment, where Firestone generates over half its sales. Whether in new construction or repair, the combination of Firestone and LafargeHolcim will offer enormous potential for accelerating sustainability and innovation from roof to foundation (see box).

Inner Mongolia Science & Technology Museum
Inner Mongolia, China

Accelerating sustainability and innovation from roof to foundation

Firestone will be able to introduce more materials and solutions to architects and engineers, while LafargeHolcim will give Firestone an entry to every building market in the world. Soon we expect to deliver a comprehensive offer to customers who value:

- Sustainable building – by combining Firestone's green roofs with ECOPact green concrete
- Speed of construction – by exploring the use of our patented fast-curing concrete with Firestone's self-adhered membranes
- Breakthrough technology – by applying solutions such as Airium with the Firestone total system offer
- Circular economy – by discovering opportunities to co-process demolition waste from old roofs safely and cleanly at our Geocycle facilities

Les Trèfles School
Anderlecht, Belgium

Cement

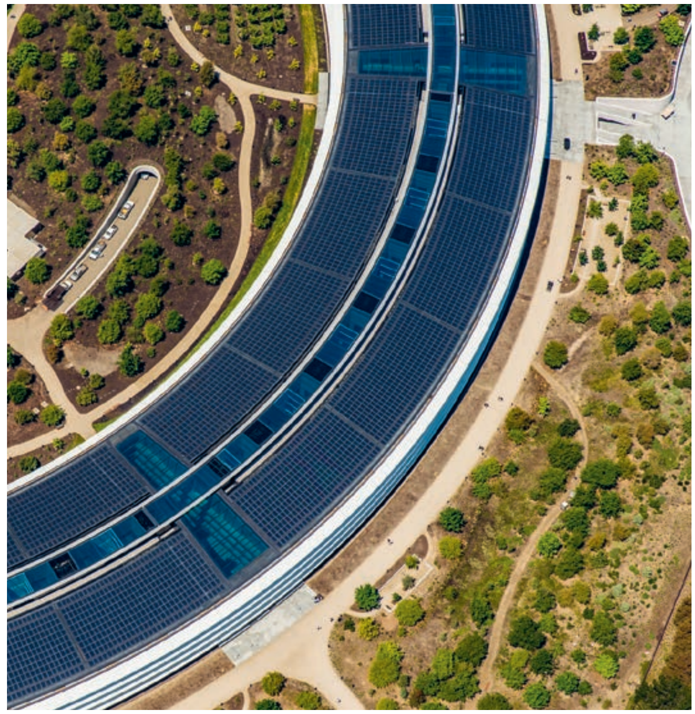
Aggregates

Business segments

Our ambition is to lead the industry in innovative and sustainable building materials and solutions. In 2020 we launched our EcoLabel, which transparently communicates the environmental benefits of our green building solutions across four segments and in all markets.

Ready-Mix Concrete

Solutions & Products



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.

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 as well as the materials left over after demolition. These recycled aggregates replace the need for quarry extraction and contribute to a truly circular economy in building.

Ready-Mix Concrete

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-filling and self-leveling concrete, architectural concrete, insulating concrete and pervious concrete.

We also innovate for sustainable materials and are increasing our portfolio of carbon-neutral concrete solutions. In 2020 we rolled-out our ECOpact globally, the industry's broadest range of green concrete, delivering high-performing, sustainable and circular benefits. It has been adopted across 11 markets worldwide to date.

Solutions & Products

Solutions & Products bundles a range of offers that meet our customers' specific needs.

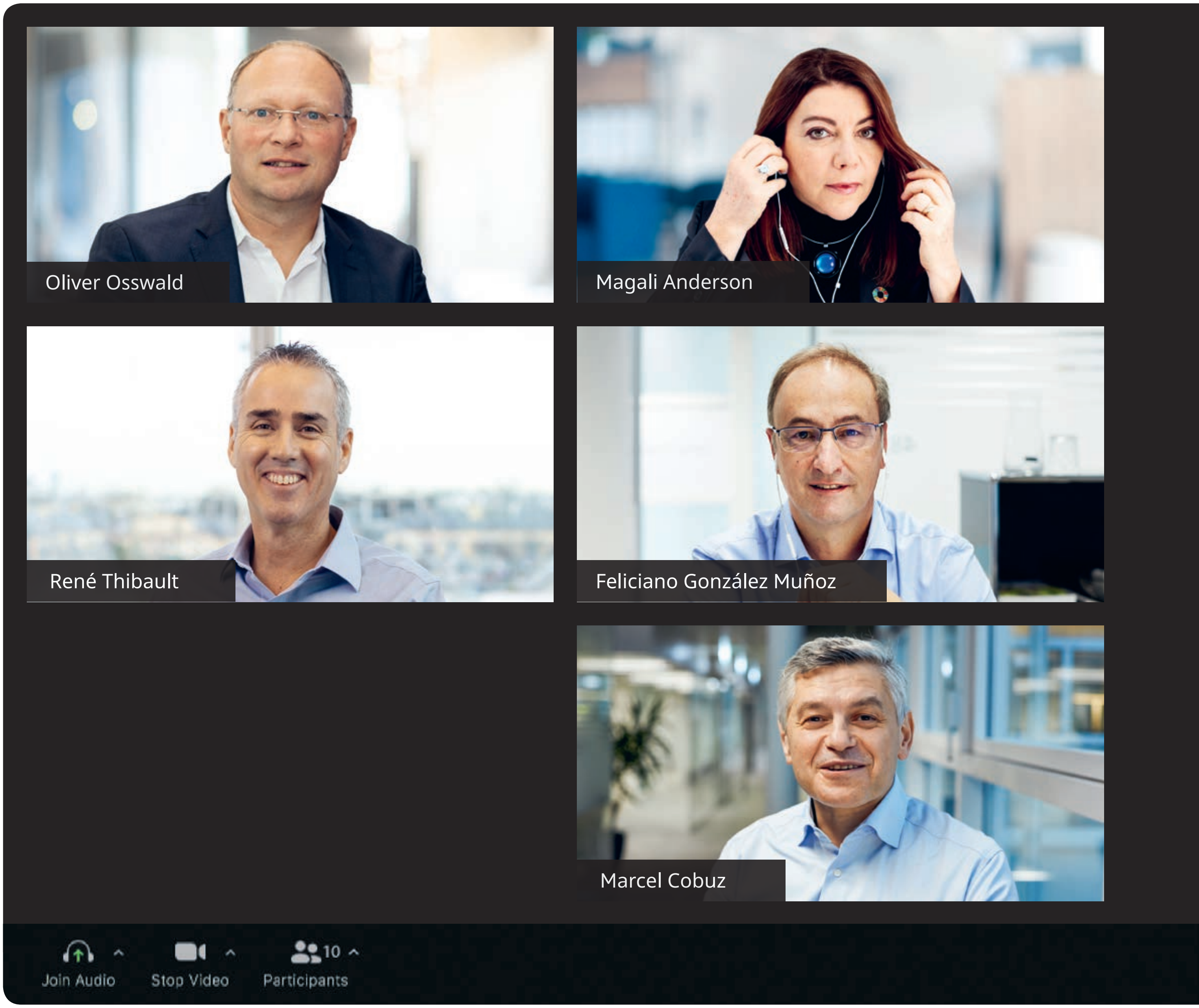
The segment offers precast construction systems such as Basalton, which provides a durable and cost-effective means to protect vulnerable landscapes from storm and rising sea levels. The segment also enables more sustainable building by offering products such as mortars for 3D printing construction. In January 2021 we signed an agreement to acquire Firestone Building Products (Firestone). Firestone will immediately transform the size and performance of this segment upon closing of the transaction, which we expect in the first half of 2021.

Cement
190.4
Sales (million tons)
2019: 207.9

Aggregates
256.3
Sales (million tons)
2019: 269.9

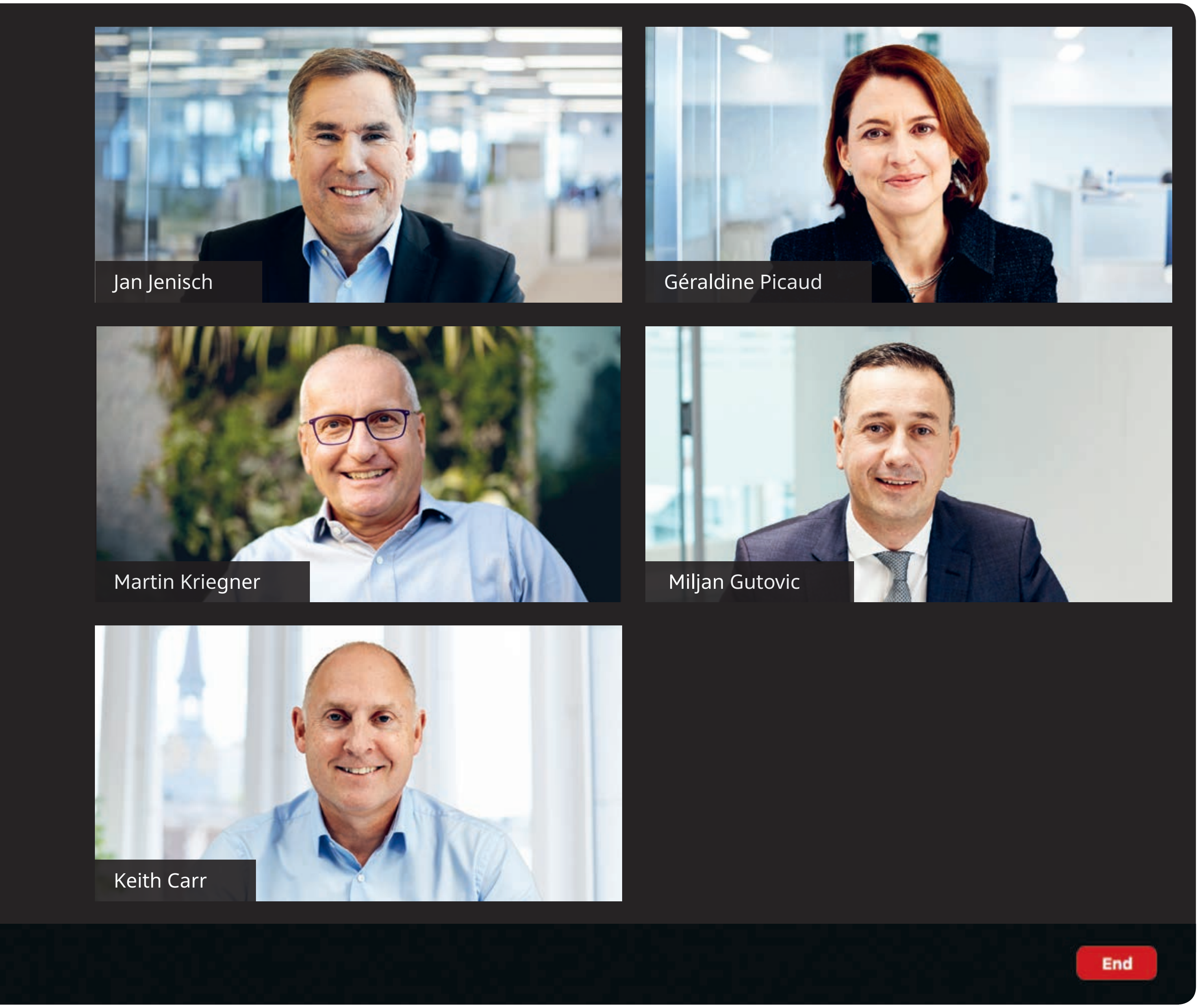
Ready-Mix Concrete
42.3
Sales (million m^3)
2019: 47.7

Solutions & Products
1,893m
Sales (CHF)
2019: 2,248m



Meet the leadership team

Connecting digitally to empower teams around the world to make LafargeHolcim the global leader in innovative and sustainable building materials and solutions.



Oliver Osswald
Latin America
Nationality: Swiss
Born: 1971

René Thibault
North America
Nationality: Canadian
Born: 1966

Magali Anderson
Chief Sustainability Officer
Nationality: French
Born: 1967

Feliciano González Muñoz
Human Resources
Nationality: Spanish
Born: 1963

Marcel Cobuz
Europe
Nationality: Romanian
Born: 1971

Jan Jenisch
CEO
Nationality: German
Born: 1966

Martin Kriegner
Asia Pacific
Nationality: Austrian
Born: 1961

Keith Carr
Legal and Compliance
Nationality: British
Born: 1966

Géraldine Picaud
CFO
Nationality: French
Born: 1970

Miljan Gutovic
Middle East Africa
Nationality: Australian
Born: 1979

Resources

~70,000
Colleagues

269
Cement and grinding plants

655
Aggregates plants

1,333
Ready-mix concrete plants

176
Patent families in our patent portfolio, balanced across our value chain

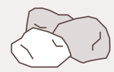
44%
Of these patents relate to low-carbon solutions, the most recent focusing on low-carbon products and carbon capture and use from our cement plants

Business segments

Cement

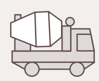
From classic masonry cements to high performance products tailored for specialized settings, we offer an extensive line of sustainable and innovative cements and hydraulic binders.

Aggregates



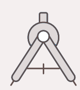
Our aggregates serve as raw materials for concrete, masonry and asphalt as well as base materials for buildings, roads and landfills. Our recycled aggregates use crushed concrete and asphalt from deconstruction.

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.

Solutions & Products



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

Building for growth

This year's results demonstrated the strength of our resilient business model. With sustainability at the heart of our strategy, we are committed to building a world that works for people and the planet.

Our four value drivers

Growth

Simplification + performance

Financial strength

Vision + people

Value created in 2020

CHF
23,142m
Net sales (-5.6% growth like-for-like)

CHF
3,676m
Recurring EBIT (-1.9% growth like-for-like)

CHF
3,249m
Free Cash Flow after leases (2019: 3,019m)

7.4%
Return on invested capital (2019: 7.4%)

555kg
CO_2 emitted per ton of cementitious material (–1.1%)

46m
Tons of waste reused in operations (–3.1%)

273l
Freshwater withdrawn per ton of cementitious material (–8.6%)

6.2m
People benefiting from our community investments (+5.2%)

Our sustainability pillars

Climate + energy

Circular economy

Environment

Communities

Find out more **pages 22–23**

Why materiality matters

- Stakeholder engagement
- Risk management
- Identify opportunities

Methodology

1 Identification
of issues and stakeholder groups

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

3 issue rating
of internal and external stakeholders scored the issues against the defined criteria

4 Validation
of the materiality matrix by senior management

Materiality in 2020

We did not perform a new materiality assessment in 2020. It is too early to tell if the COVID-19 pandemic will have a long-term impact on our most material issues. This will be a key item once the pandemic is behind us and we meet again with all stakeholders for our next materiality assessment.

The Health and Safety of our employees and contractors is one of our most material issues. In 2020, we made considerable progress across our safety metrics. We have significantly reduced the number of fatalities and reached world-class levels in the frequency of lost time injuries.

Greenhouse gas emissions will remain a key issue. For that reason, we became the first global building materials company to sign the "Business Ambition for 1.5°C" pledge, with intermediate targets approved by the Science-Based Targets initiative (SBTi) in alignment with net zero pathway. We now have the most ambitious carbon reduction targets in our industry.

We will also accelerate circular construction on our net zero journey, aiming to recycle 100m tons of waste and byproducts for energy and raw materials by 2030. Our portfolio of sustainable products and solutions is also expanding with the global roll-out of ECOPact, the industry's broadest range of green concrete, and by introducing EcoLabel, which transparently communicates the environmental benefits of our green building solutions around the world.

Material priorities

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

Materiality matrix

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

* Issues within a materiality threshold box are arranged in alphabetical order.
For full details on how the assessment was conducted, please visit www.lafargeholcim.com/sustainability.

Importance to external stakeholders (rows) / Importance for the future value of LafargeHolcim as rated by internal stakeholders (columns)

	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 to external stakeholders

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

Key

- Focus
- Monitor and manage
- Maintain

Our Net Zero Pledge set the bar in our sector for 2030 climate targets, validated by SBTi. In partnership with SBTi, we are working on the first net zero roadmap. We launched ECOPact, the world's green concrete, invested in green energy at our sites and launched a sustainability-linked bond. Our sustainability work was recognized by CDP where we made their 'Climate Change A list.' Sustainability is linked to our core strategy as we make the transition towards low-carbon construction and creating a circular economy. We provide materials and solutions for a circular, low-carbon and inclusive world, re-shaping the way our industry builds. Our materials and solutions play an essential role in meeting the global challenges posed by population growth, accelerating urbanization, resource scarcity and climate change. Concrete plays a particular vital role. It is one of our core product offerings and the second most used material after water.

Our approach to sustainability aims to decouple our business growth from emissions and resource use while increasing our positive social contribution. We focus on four main areas of actions: Climate and Energy, Circular Economy, Environment and Communities, to create value for our business and shareholders, aligned with Strategy 2022.

Further information on the scope and methodology of our data collection, along with assurance on 2020 reported figures, can be found in the Sustainability Performance Report at www.lafargeholcim.com/sustainability.

BUILDING FOR net zero PEOPLE & PLANET

Sustainability at the core of our strategy

In 2020, we entered a new era in sustainability at LafargeHolcim with our Net Zero Pledge.

Our sustainability pillars: how we performed in 2020

Climate + energy

Net CO_2 emissions directly under our control ('scope 1') were 555 kilograms per ton of cementitious material (kg net CO_2 / ton), or 1.1% lower than in 2019. This shows good progress and sets a solid base for our 2030 target and net zero ambition.

In 2020 scope 2 emissions decreased to 36 kg net CO_2/ton, or 2.4% lower than in 2019. This decrease is mainly due to new renewable power purchase agreements and lower average grid emissions globally. All other indirect CO_2 emissions ('scope 3') totaled 29 million tons. Our methodology was reviewed by Ernst & Young to ensure we are aligned with the GHG protocol. 2020 will be our baseline year for our scope 3 commitment.

Find out more **page 56**

555kg

Net CO_2 emissions per ton of cementitious material (scope 1)
Scope 2: 36kg
(2019: 561kg scope 1, 37kg scope 2)

Environment

Our freshwater withdrawal decreased significantly to 273 liters per ton of cementitious material. This is due to improved water management in identified high water intensity sites, including an improved estimation methodology. We are currently reviewing our water strategy and water management systems (including monitoring methodology) and will announce the strategy with revised targets in the course of 2021.

Find out more **page 63**

273

Freshwater withdrawal per ton of cementitious material (liters)
(2019: 299)

Circular economy

We are already one of the world's largest recycling companies, recycling 46 million tons of waste in our operations in 2020. This decrease from 48 million tons in 2019 is due to a COVID-19 related drop in production. The recycling ratio, which measures waste used per ton of product, increased by 4%.

Find out more **page 64**

46m

Tons of waste recycled in operations
(2019: 48m)

Communities

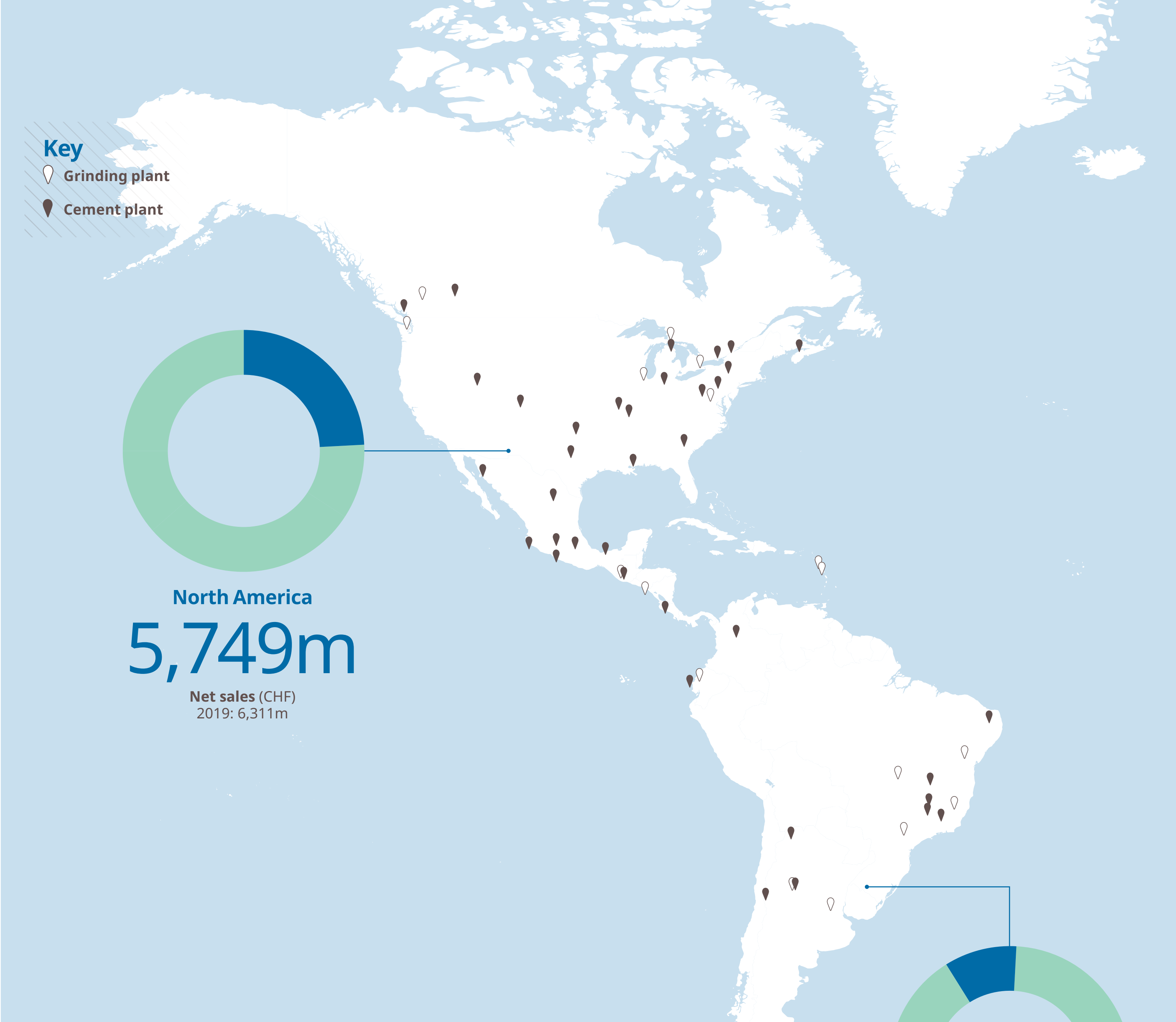
We operate at a local level in each of our 70 markets. 2020 has been a critical year for all of our communities, where we stepped up to support our communities during the COVID-19 crisis. For details on the actions our employees took around the world to help our communities, see pages 28–39.

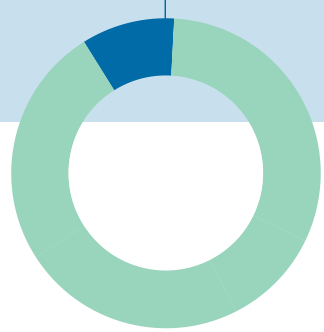
Over the past five years, LafargeHolcim has invested more than CHF 216 million around the world in community projects. In 2020, our community initiatives benefitted a total of 6.2 million people.

Find out more **page 30**

6.2m

Beneficiaries of our programs
(2019: 5.9m)

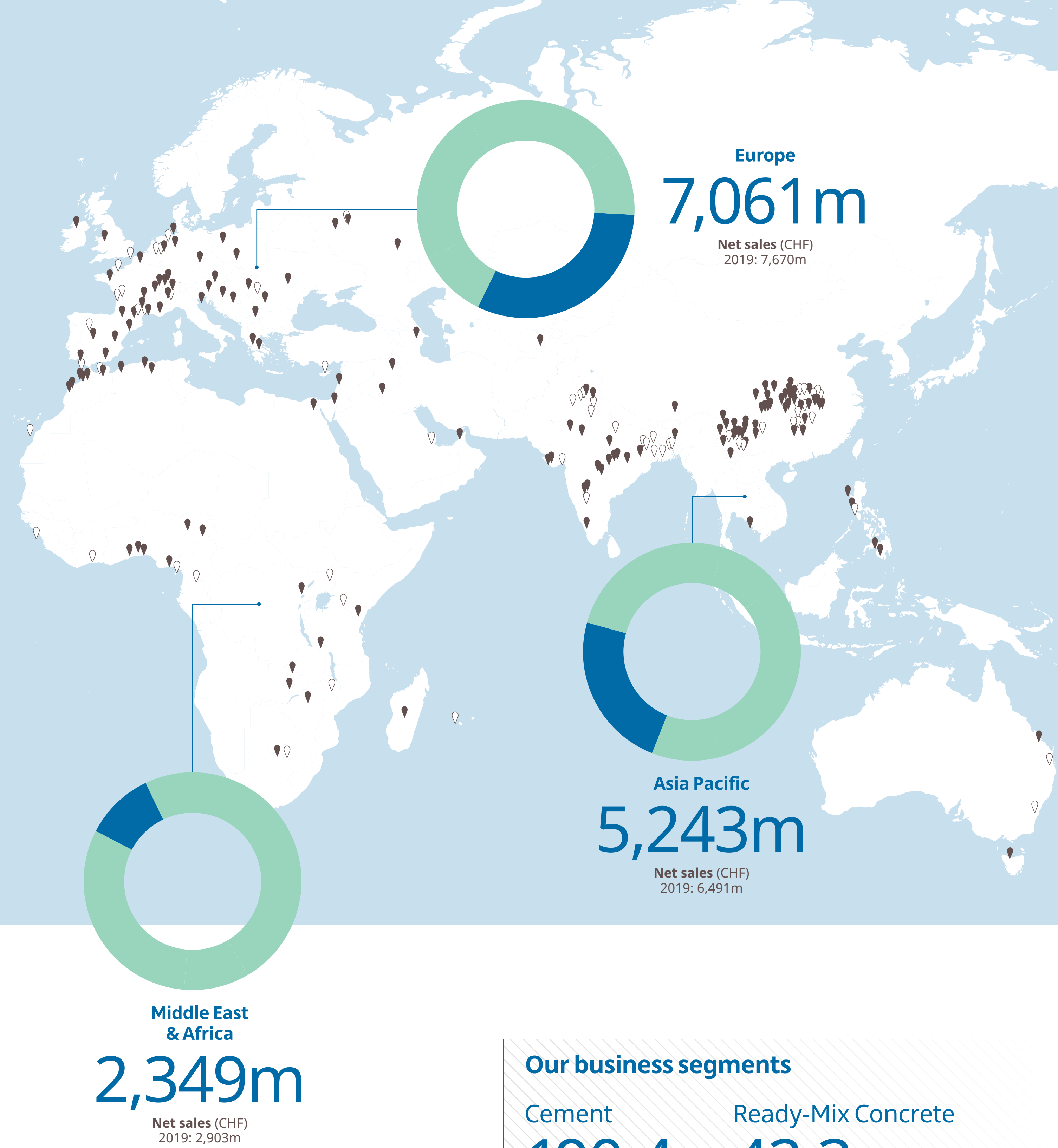




Our global presence

We have the largest global footprint in our industry with presence in around 70 countries across the world.

Find out more:
www.lafargeholcim.com/where-we-operate



Our business segments

Cement
190.4

Sales (million tons)
2019: 207.9

Ready-Mix Concrete
42.3

Sales (million m^3)
2019: 47.7

Aggregates
256.3

Sales (million tons)
2019: 269.9

Solutions & Products
1,893m

Sales (CHF million)
2019: 2,248m

Healthy communities

As a community leader and Health & Safety champion we were on the ground throughout 2020, fighting the COVID-19 pandemic as part of our commitment to building a healthier world.

KwaZulu Natal Province,
South Africa

Edo State, Nigeria

Azerbaijan

LafargeHolcim helped

6.2m

people in 2020, with COVID-19 relief our number one priority.

Zambia

Working in the community

Serving our local communities, globally

Thriving with our communities is one of our sustainability pillars. This focus became critical in 2020, when we promoted a healthy and resilient response to the pandemic through our community initiatives, featured on the following pages.

We also focus on promoting human rights, managing our social impact in line with the United Nations Guiding Principles on Business and Human Rights. Notable recent successes included our partnership with UN-HABITAT in the Philippines to build 1,500 homes for the displaced people from the city of Marawi and using 3D printing to address the critical shortage of schools in Malawi (see page 48). Our work was recognized by the Corporate Human Rights Benchmark (CHRB) as we ranked first in our sector this year, among the world's top 15% of benchmarked companies.

Inclusive infrastructure is an area of particular focus, where we link our social investment to our business activities. We work in partnership to deliver affordable housing, rural roads and other programs.

1 **Iraq**
2 **Dujiangyan, China**
3 **India**
4 **Philippines – Davao Cement Plant**
5 **Ivory Coast**
6 **El Salvador**
7 **El Salvador**
8 **Mexico**
9 **Huangshi, China – Huaxin Cement Company**


4
WE CARE
Holcim
Helps


5


6


7


8


9
新水泥支援 抗击疫情

Building on our strengths

Leveraging scale

Qatar

Our Qatari colleagues ensured that the temporary hospital and quarantine facility would be ready in case the need arose, thanks to a donation of 200 tons of building materials.

Good relationships
Argentina

We used our ready-mix trucks to help sanitize the streets in our local communities, enhancing public hygiene and also aiming to help fight the infection.

As the global leader in building materials and solutions, we put our scale and expertise to work, helping as many people as possible to tackle the pandemic together.

No matter which market we're in or under which brand we use, we always strive to be a fair employer and good neighbor. This means we have already cultivated good relationships with local families, governments and non-governmental organizations.

As a key supplier to some of the world's most impressive building and infrastructure projects — from India's booming metrorail systems to Canada's Champlain Bridge — we know how to operate on a large scale. Throughout the pandemic we have leveraged that scale to help millions of families.

Making a difference

We are a global business that operates locally in over seventy markets. Our success is based on thriving with our communities and operating in full respect of human rights. That is why we engage in dialogue with our communities to actively address their feedback. We work to drive sustainable procurement practices and employ and develop local teams, partners and suppliers.

On a global basis we have:

Contributed

3,750 tons

of our products to build emergency field hospitals from Canada to Uganda

4,150 days

of volunteering in the fight against COVID-19

Donated

1.7m

masks and gloves

>700,000

meals and food packages for people in need

All operations engaged in pandemic-related prevention and awareness campaigns in their communities. In addition, we continued working closely with our 40,000 transport suppliers to ensure a safe journey for the 100,000 drivers who travel approximately two billion kilometers for us each year. Since starting the program, road fatalities have decreased from 62 in 2017 to 14 in 2020. Although we won't be satisfied until we reach zero, the program is clearly making a difference.

Supplying PPE

France

From the laboratory to the emergency room: our innovation center in Lyon has donated their 4,000 N95 masks and 100,000 gloves to the Bourgoin Jallieu hospital in France.

AI Food Drive

Colorado, USA

In May 2020, employees from 23 work sites collected more than 6,500 pounds of non-perishable foods and needed supplies for the Outreach United Resource Center in Longmont, Colorado.

Putting the most vulnerable first

Although the pandemic unfolded at different speeds and in different ways around the world, the burden fell disproportionately on disadvantaged populations. We focused our efforts on helping them first. This not only involved direct interventions to prevent new infections, such as supplying disinfectants and personal protective equipment, but also mitigating hardships caused indirectly by the pandemic by supplying food and other forms of relief.

Local partnerships

India

In cities all across India, our volunteers with the ACC Trust have made tens of thousands of medical masks which were delivered directly to frontline workers in healthcare and other essential services to help protect them from infection.

Street sanitizing
Ecuador

Our ready-mix trucks played an important part in the sanitization of the country, especially in Guayaquil, which was hard-hit at the outset of the pandemic. Our teams have been working to protect the residents of the city from the spread of COVID-19. Additionally, we donated protective equipment to a local hospital and provided basic food packages to families in need.

Emergency distribution
Colombia

As part of our donation program in Colombia, we are helping vulnerable communities near our operation sites. From food for those who need it most to equipment for medical personnel, we are helping where we can.

Making cities healthier

The LafargeHolcim Foundation for Sustainable Construction leveraged virtual meetings and webinars to engage with its network of thought leaders and promote sustainable construction.

LafargeHolcim Foundation for Sustainable Construction

How will COVID-19 affect the built environment? Will we have to rethink urbanization and public transport? What impact will home-based work and schooling have on construction? The pandemic reconfirmed the relevance of the “target issues” developed by the Foundation together with its associated universities. A more sustainable built environment makes society more resilient to crises – and that includes health emergencies. The Foundation interviewed experts from its global network, which you can see on the Foundation’s website: www.lafargeholcim-foundation.org.

Anticipating trends has been a core activity of the Foundation since it was created in 2003. Many experts predict that the pandemic shock will act as a catalyst for the implementation of new sustainable concepts for the built environment. In this sense the crisis may be an opportunity for deepening and accelerating sustainable construction.

Meisa Batayneh Maani
Maisam Architects & Engineers, Jordan, Board member of the LafargeHolcim Foundation

“Cities in all their facets must now undergo major transformation.”

Enrique Norten
TEN Arquitectos, Mexico
Former Board member of the LafargeHolcim Foundation

“It may well be that we are entering a period of dispersion rather than densification.”

Daliana Suryawinata
SHAU Architects, Indonesia
LafargeHolcim Awards winner

“We have to further examine urban density and the role of public space.”

Avneesh Tiwari
atArchitecture, India
LafargeHolcim Awards winner

"We need investment and innovation in affordable housing to better meet a future crisis."

Fernando González Piris
Architect, Spain
Ambassador of the LafargeHolcim Awards

"This is a 'wake-up call' for architects to reconsider the way that built space is constituted."

Kaarin Taipale
Urban Researcher and Politician, Finland
Ambassador of the LafargeHolcim Awards

"Financialization and tourism will no longer be the strongest drivers of urban development."

Crossrail Sky Garden – Canary Wharf, UK

Resilient business

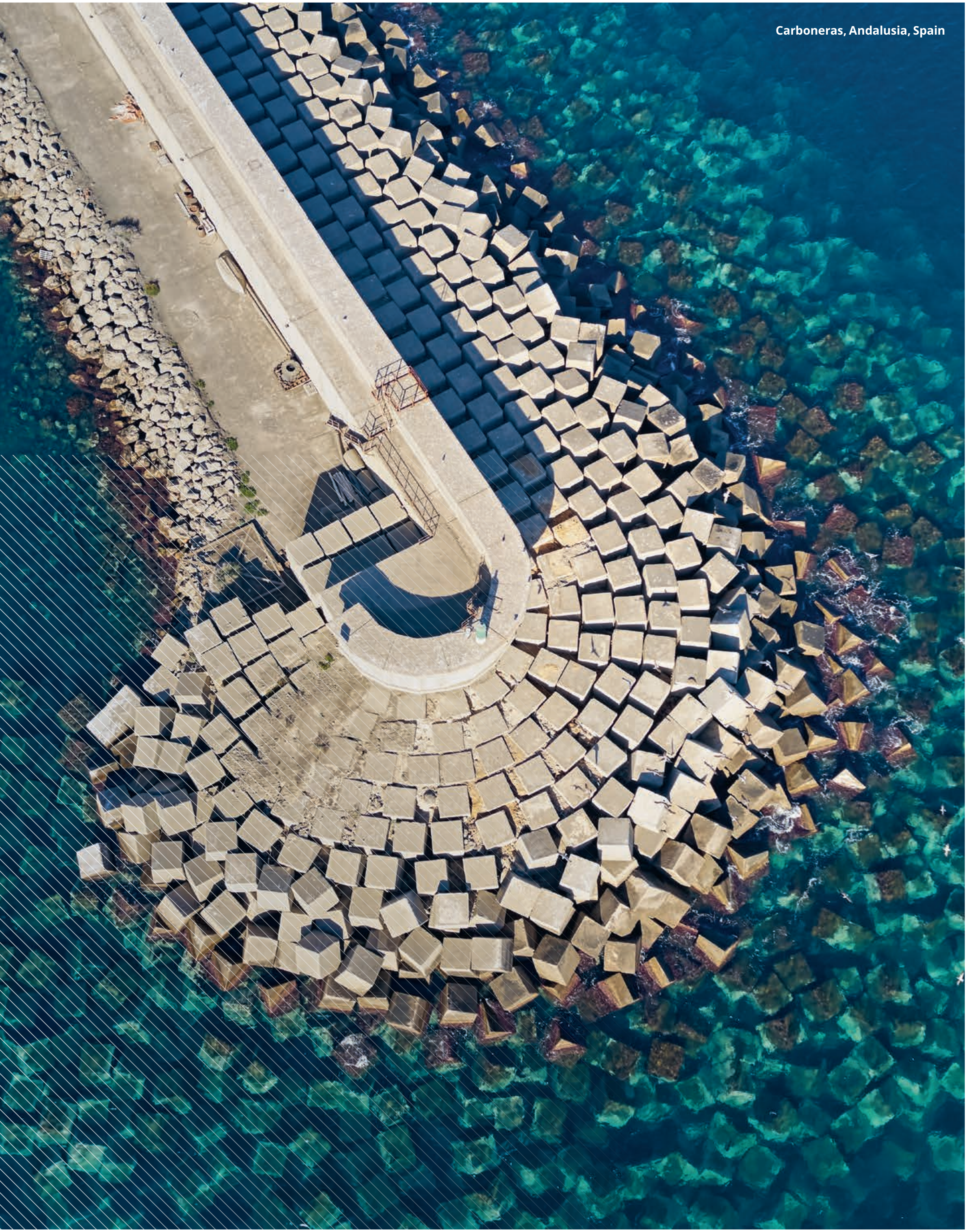
We were swift to respond to the crisis by putting in place our HEALTH, COST & CASH action plan with urgency. Keeping our business resilient throughout the pandemic, we outperformed our targets.

Millau, France – Viaduc de Millau

We are ready as the world

builds back better

to support government stimulus packages.


Carboneras, Andalusia, Spain

A plan for resilience:
HEALTH, COST & CASH

Delivering for retail customers, Ecuador

Fast and disciplined execution of "HEALTH, COST & CASH" action plan

1 Execution of action plan in all countries

2 Reduction of Capex by at least CHF 400 million compared to 2019

3 Reduction in fixed cost by at least CHF 300 million in 2020

4 Reduction of Net working capital at least in line with level of activity

2020 performance

Record Free Cash Flow after leases of over CHF 3.2 billion | Recurring EBIT margin improvement across all regions

Global building patterns changed decisively over the course of 2020.

When the first signs emerged in early January that a potential pandemic was unfolding in the Chinese city of Wuhan, LafargeHolcim, operating in over 70 countries around the world with 70,000 colleagues, was quick to set up a cross-functional Business Resilience Team (BRT). Its aim was to protect its people, their families, and the Group's wider stakeholders through medical preparedness, awareness and training.

By March 2020, we launched the action plan "HEALTH, COST & CASH" to clarify the measures that would not only protect our people, suppliers and communities, but that could mitigate the financial impact of the COVID-19 pandemic on our business. As of the end of 2020, we have helped millions of families get through the crisis while over-achieving our cost targets. Fixed costs were reduced by CHF 385 million on a like-for-like basis compared to 2019, surpassing the initial target of CHF 300 million for the full year. Lower energy prices and review of third-party spend has led to another CHF 125 million savings. Reduction of CAPEX and Net Working Capital were also substantial.

Bolt-on acquisitions

Advancing our "Building for Growth" strategy, we completed eight bolt-on acquisitions in 2020 in the US, UK, Canada, Australia and Switzerland. We anticipate further bolt-ons in 2021, accelerated by the development of our Solutions & Products segment.

We also saw the full power of our decentralized and diversified business model. Individuals and families powered a surge in small-scale homebuilding as they sought to protect household savings, especially in emerging markets. This trend was amplified as the pandemic increased the premium on better living conditions and builders reached for premium brands. Our strong distribution and marketing efforts put us in position to capitalize on these trends. We marked record performances in markets where a significant share of business is in retail – notably across Latin America, where we expanded our retail network to over 2,500 stores.

The focus also intensified on building at the largest scale to support more sustainable living with roads, bridges, railways and other forms of infrastructure that keep our economies and societies running. The extension of the UK's high-speed rail network, for example, will use 800,000m³ of ready-mix concrete from our ECOPact range, supplied by Aggregates Industries, to meet the project's performance and low-carbon requirements. We are ready to support the construction and renovation of buildings and infrastructure as part of the US economic recovery Build Back Better plan, particularly once the Firestone acquisition closes (see pages 10–13).

Supporting a transition to a renewable world

Our green concrete product, ECOPact, is being used to build rail networks, improving sustainable transport across Europe. Our 3D printing technology is helping to build more powerful wind farms at lower cost. And with our partners, we have delivered bioactive concrete to make coasts more resilient and protect marine habitats.

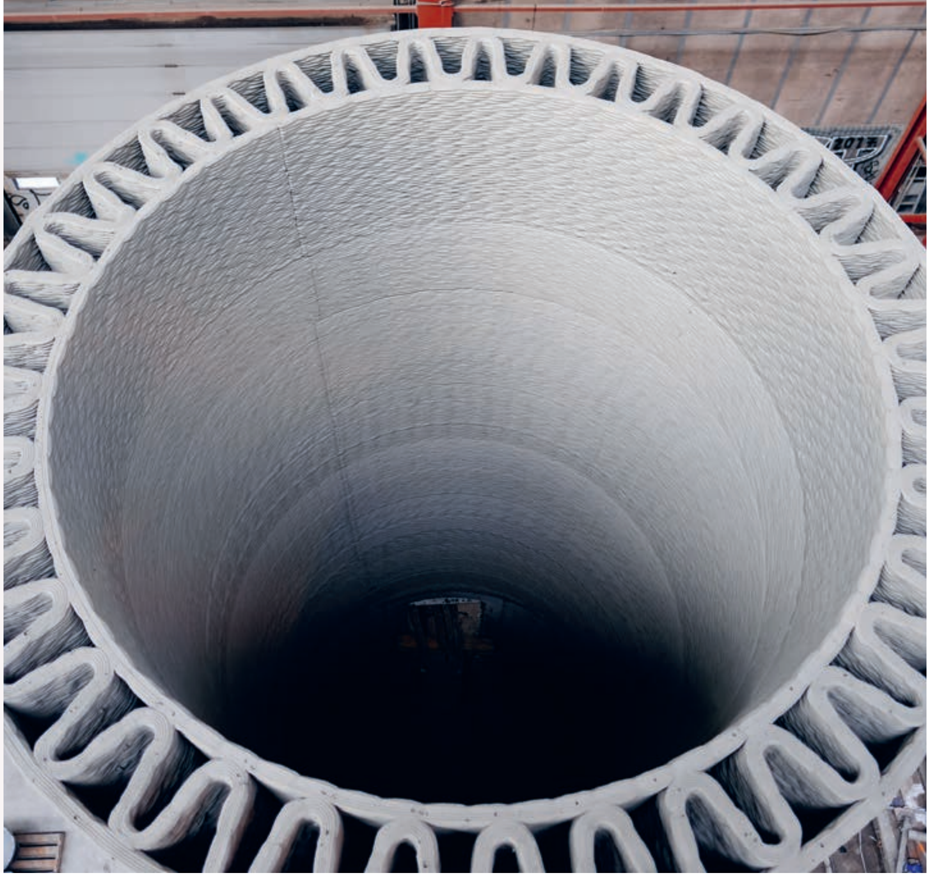
In all, we are currently engaged in at least CHF 4 billion in infrastructure commitments. Looking forward, we expect about a wave of construction-focused stimulus to turbo-charge our business over the next few years, beginning in 2021. With our global footprint and commitment to advancing sustainable construction, we look forward to driving a green recovery.

Innovating for all

In 2020 we showed the potential of building smarter and greener in a way that works for all – especially in our pioneering applications of 3D printing.

Clean energy
Accelerating clean energy

Partnering with GE Renewable Energy and COBOD, the globally leading 3D construction printing company, we are developing wind turbines with optimized 3D printed concrete bases (pictured). Traditionally built in steel or precast concrete, wind turbine towers have typically been limited to a height of under 100 meters. With 3D printing we're aiming to reach record heights up to 200 meters. Taller towers can capture stronger winds, thereby generating 33% more renewable energy per turbine or more compared to conventional wind towers, accelerating access and use of renewable energy worldwide. Through continued innovation we have reduced the time required to print the bases from three weeks in 2019 to three days in 2020.



Reinventing the classroom
Building for access to schools

We're not just bringing the digital revolution to the customer experience. We're also helping to transform construction itself, for example by enabling next-generation techniques such as 3D printing.

While still at an early stage, 3D printing holds the promise of building customized structures at reasonable cost, with shorter production times and a lower carbon footprint.

In 2020, we brought that potential to life through a number of ground-breaking projects that exploit the technology's potential to reinvent the world to work for people and the planet. In Malawi there is a shortage of 36,000 classrooms. Through our joint venture 14 Trees, we can build schools using 3D printing technology to clear that backlog. That means putting generations of kids in schools who might otherwise have been left out. The first school was printed in November 2020. In addition to reducing construction times, 3D printing also helps lower CO_2. These projects are great demonstrations of how we can shape a world that is smarter, driving innovation and digitalization to make more with less.

Keeping worksites safe
Digital: the new normal

The COVID-19 crisis also enhanced our use of digital tools to increase efficiency and keep our customers safe. The ConcreteDirect app kept critical construction activity going for large customers without compromising the need for social distancing. Between March and October of 2020, US-based orders through the online app tripled, while nearly half a million touchless deliveries took place since the functionality was introduced in April 2020.

The success has been equally impressive in emerging markets, where we recorded a strong volume increase of cement bag sales. In the Middle East Africa region, for example, the adoption of the Lead Retail mobile app has more than quadrupled over the last six months.

Overview | Healthy communities | Resilient business | Greener world | Summary financial information

Our people

Our people demonstrated resilience throughout the pandemic with our empowered and agile performance culture.

The crisis hit fast and we were prepared to take protective measures for the business, employees and suppliers in all operations worldwide. Through a set of coordinated actions, all local operating companies established business resilience teams (BRTs) in their countries. These BRTs protected employee health in the workplace and kept our sites fully safe environments. Home working, safe working practices, mental health support and other initiatives were rolled out across our operations.

Our results rose above expectations. More than 500 P&L leaders lived up to the spirit of accountability and performance, driving business resilience plans across our markets and leveraging digital tools, chatbots and employee surveys to stay connected.

Diversity and inclusion (D&I)

Our global D&I strategy serves as a foundation to shape local D&I agendas, with specific focus at Group level on gender equality and preparing for the next generation of talent. Countries add further D&I priorities in line with their specific situation.

Making D&I a human resource priority, the strategy aims to ensure that 25% of our senior management is comprised of female executives by 2025. In particular, we target gender balance in sales and operational roles, as well as attracting and developing talent at an early career stage. Action plans look at recruitment and retention, pay equity, non-discrimination and other arrangements to support an inclusive workplace.

Leaders of tomorrow

Twelve percent of senior leaders and 6% of P&L leaders were nominated in 2020 mostly through internal promotions. Talent and succession management processes strengthened those strategic talent pools going forward.

Committed to continuous learning for our people, in 2020, we rapidly transitioned key trainings from face-to-face to online platforms, to not let learning stop due to pandemic restrictions. Our central e-learning platform, which all employees on all levels can access at any time, had five times as many participants as 2019. While the number of learning hours per employee went down slightly at managerial levels as managers needed to reinforce their leadership in times of crisis, it remained stable at non-managerial levels. The total number of employees trained was also not impacted by the crisis.

The shift to more self-paced online learning is also a move towards higher responsibility of each employee for their own learning and development. As we look ahead to next year and beyond, we will leverage this opportunity and continue to build new ways of learning and development in the digital learning world.

LH Business School went into its third year with virtual sessions for all our senior leaders, focusing on leadership and strategy execution in times of crisis.

Living up to our values

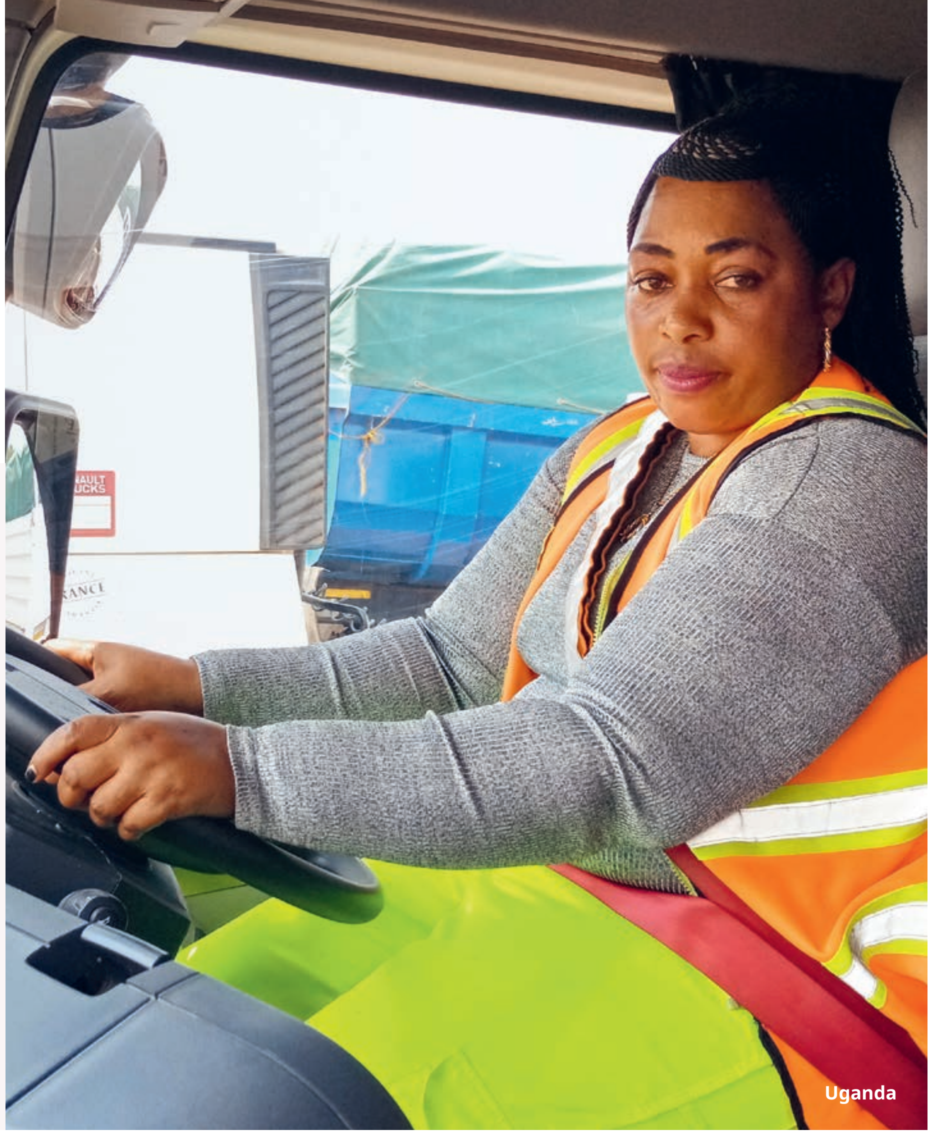
With Health & Safety as our core value, 2020 provided the perfect opportunity to demonstrate this commitment to our people and communities.

We maintain a regular dialogue with employee representatives and union organizations in all our countries. The European Works Council increased the frequency of its meetings due to the COVID-19 pandemic, and has been a key forum for monitoring the health of our employees. The exchange with the global union federations has mainly focused on Health & Safety (see page 50).

Employer of choice

We also launched our Employer Value Proposition (EVP) globally, inspired by the attributes of sustainability, curiosity, diversity, performance, growth and collaboration. Our new EVP provides the framework to present some of our company's people initiatives like the early leaders recruitment campaign, talent forums and internal engagement and communication outputs.

As the leading global construction materials and solutions company, we aim to be an employer of choice. This is supported by a competitive reward framework which is designed to reinforce the LafargeHolcim strategy by attracting, retaining and motivating our people to deliver outstanding performance. As the first company in Switzerland we introduced a measurable sustainable objective in the long-term incentive plan.



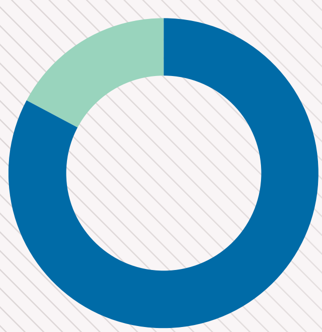
Woman on Wheels
Hima Cement

Following our global women on wheels program, Ugandan colleagues from Hima Cement created a company-owned fleet through truck leasing in 2018 and committed to hiring female drivers for half of its fleet. This has led to a positive impact to road safety. The strategy to own a fleet driven by female drivers has also been positive for customers: the public could see female drivers in big trucks with trailers and data shows that female drivers consistently deliver product on time compared with their male counterparts.

Composition of senior management

83%
Male

17%
Female



Male (83%)
Female (17%)

Total number of employees

67,409

Employees by region

20,423
Europe

9,911
Middle East/Africa

16,447
Asia Pacific

10,111
North America

9,007
Latin America

1,510
Other

Health, Safety and Environment

Ambition “0” gaining speed, with over 95% of our sites reporting zero lost-time incidents.

Injury and illness performance

Our Lost Time Incident Frequency Rate (LTIFR) reached 0.50, down 25% vs 2019, and 53% since Ambition “0” was launched in 2017. In 2020, 95.9% of our sites and 42% of our countries had no lost-time injuries (LTIs) (up from 92.6% and 32% respectively). This year, LTIs took place in 94 sites vs 171 locations in 2019.

Regrettably, we had one employee and four contractor fatalities. Eliminating fatalities remains our top priority. This year we are reporting the lowest annual numbers of fatalities with a decrease of 76% since 2016. Eighty percent of our fatalities occurred in the Middle East and Africa region, where a turnaround plan has been put in place and is already showing results. Globally we have divided the number of fatalities by four and reached world-class levels in the frequency of lost time injuries. Although we won’t be satisfied until we reach zero harm, our strategy Ambition “0” is working and producing the desired results.

We are pleased to report we had zero road fatalities with our own fleet.

Digital transformation

COVID-19 accelerated the digital transformation of our H&S activities. Face-to-face training has been converted into virtual classes with more than 35 online courses now available, such as “Operating during COVID-19,” which was completed by 5,700 managers in 2020. Thirty-two Group H&S audits were also conducted virtually across 23 countries.

Our upgraded global reporting platform also went online, empowering teams to focus on critical risks, drive efficient implementation and leverage its mobile solution for on-the-ground risk assessments in 20 languages.

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 H&S 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. Despite work stoppages and home office restrictions, operations had largely returned to a safe, normal state by the second half of the year.

Bringing all teams up to standard

In 2019 we decided to replicate the very successful program we started in Mexico, “Boots on the Ground,” to improve H&S in India. We are pleased to report that India delivered a 83% fatality reduction overall in 2020 and, for the first time, zero on-site fatalities. This reduction was made by the enormous effort from the India management team to follow the program with over 1.25 million hours spent in the field to monitor and ensure the health and safety of our workers.

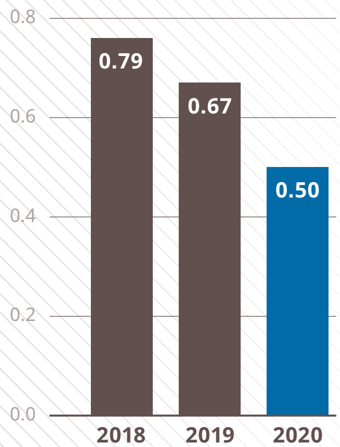
Based on the success in India, a fully focused Middle East Africa turnaround plan was launched to accelerate the implementation of H&S fundamentals, and included launching ‘Boots on the Ground’ programs across all countries in the region.

Launched in the third quarter of 2020, the plan has led to more than 51,000 assessments of industrial equipment, 3,000 improvement actions with a 62% closure rate by year-end. All Middle East Africa countries implemented good practices such as Weekly Safe Work Kick-offs, Housekeeping and Area Management programs along with being the first to launch our new global “Boots on the Ground” app.

Environment

In 2020 we made good improvements on environmental indicators, with dust emissions per ton of clinker reduced by 13.0%, as well as NOx by 0.3%. Our SO_2 emissions increased by 8.5%, mainly due to local constraints in accessing low-sulphur raw materials, but we continue to be one of the best performers in the sector. We reduced total dust emissions by 3,040 tons, NOx by 12,480 tons and SO_2 increased by 287 tons.

Lost time injury frequency rate (LTIFR)[1]



[1] Assurance on 2020 figures for LTIFR and fatalities can be found in the Sustainability Performance Report on our website at www.lafargeholcim.com/sustainability.

Minneapolis, Minnesota USA

Fatalities	2018	2019	2020[1]
Employees	1	4	1
Contractors under our direct control	6	6	4

At one of our ACC plants in India

This has been supported by improved collaboration and governance within the Group and the business lines on capital investments to speed up changes in our plants. This will accelerate environmental performance improvements on air emissions.

Given the importance of environmental performance we decided to merge the Health & Safety and Environment (HSE) function in the third quarter of 2020. The synergies between the functions will simplify operations and implementation of good practices.

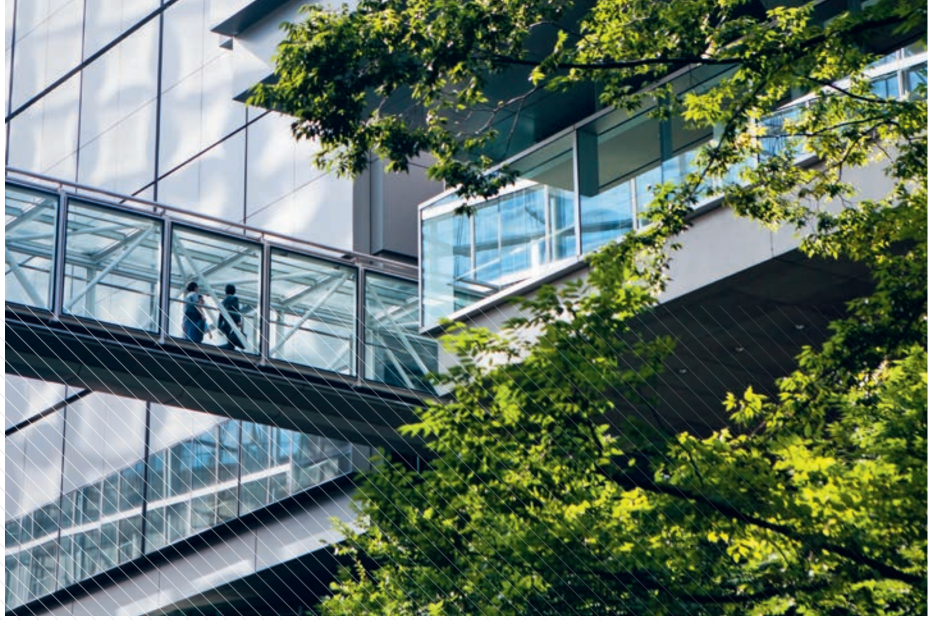
We are now working on a fully integrated HSE management system, where the Group will support the business lines with enhanced standards to ensure that proper programs are in place at all sites. This will sustain our efforts toward operational excellence and ensure full compliance with stringent company requirements. The HSE management system will also support certification of local management systems.

Greener world

Building does everything from meeting basic human needs to enabling social progress to giving shape to people's aspirations. Our purpose-driven strategy aims to grow our business while addressing key challenges such as climate change, urbanization and population growth.

Jubilee Gardens – London, UK

Singapore



LafargeHolcim is committed to

Net Zero.

Our net zero pledge

Reducing CO_2 emissions is key for us to continue creating long-term value. Our cement is one of the most carbon-efficient in our sector. Our scope 1 and scope 2 emissions per ton of product are 28% lower than in 1990.

To continue making progress, we became the first global building materials company to sign the UNGC's "Business Ambition for 1.5°C" initiative with intermediate targets approved by the Science-Based Targets initiative (SBTi) in alignment with the net zero pathway. In addition, we have partnered with SBTi to define our net zero roadmap beyond 2030.

On our journey to net zero we set the most ambitious 2030 climate goals in our industry and are further lowering our target for scope 1 CO_2 intensity in cement to 475kg net CO_2 per ton of cementitious material (net CO_2/t.cem.), and will reduce our scope 2 emissions by 65% per ton of cementitious material from a 2018 base year. In addition, we will reduce our transportation and fuel-related emissions ('scope 3') by 20%.

We will offer more low-carbon and carbon-neutral products, such as ECOPact and Susteno, and develop new ones. With 46 million tons of waste recycled in 2020, we are already one of the world's largest waste management companies. By 2030 we may well be the largest, as we have also committed to recycling 100 million tons of waste and by-products for energy and raw materials (see page 64).

Reducing scope 2 emissions

Accelerating renewable energy use

As part of our net zero roadmap, we have committed to not only reduce our direct emissions, but to lower the indirect emissions from the electricity we use ('scope 2') emissions by 65% by 2030 compared to 2018.

To reach this objective we're partnering with power producers worldwide to install renewable energy facilities across our sites and increase our share of renewable energy from the grid. For example, we've installed wind turbines at our Paulding plant in the United States, thereby eliminating at least 9,000 tons of CO_2 annually. In Argentina, over 30% of our electricity comes from renewable sources. Most recently in Leffe, Belgium, we've installed a wind power plant that will meet more than 75% of the quarry's electricity needs.

Another key lever to reduce indirect emissions is waste heat recovery. This approach takes thermal heat to produce electricity. In 2020 we announced an investment in India of CHF 100 million in waste heat recovery systems across six sites, doubling the number of waste heat recovery systems we operate.

The time for climate action is now

We've accelerated our impact in 2020

Net zero pledge

Industry-leading 2030 climate targets, validated by SBTi.

Setting the first net zero roadmap in the cement sector, in partnership with SBTi.

Green building solutions

Global launch of ECOPact, the world's broadest range of green concrete, followed by EcoLabel, identifying the environmental benefits of our green products.

30% reduction in CO_2

Circular economy

Recycled

46m

tons of materials across our business, using construction and demolition waste wherever we can.

Green energy

160 GWh

Partnering around the world to install renewable energy facilities to power our sites, from Paulding, Ohio USA to Leffe, Belgium.

Green finance

Reached

CHF

6bn

in ESG-related funding agreements.

Global recognition

CDP

A List

for climate change, putting us among the world's top companies driving the climate agenda.

Levers to reduce carbon

To reach our 2030 targets we will invest in proven technologies that leverage our expertise, especially reducing our clinker factor and using alternative fuels instead of fossil fuels (or increasing our 'thermal substitution rate').

Our experience demonstrates that these projects produce a good return on investment. We are scaling up and accelerating those efforts.

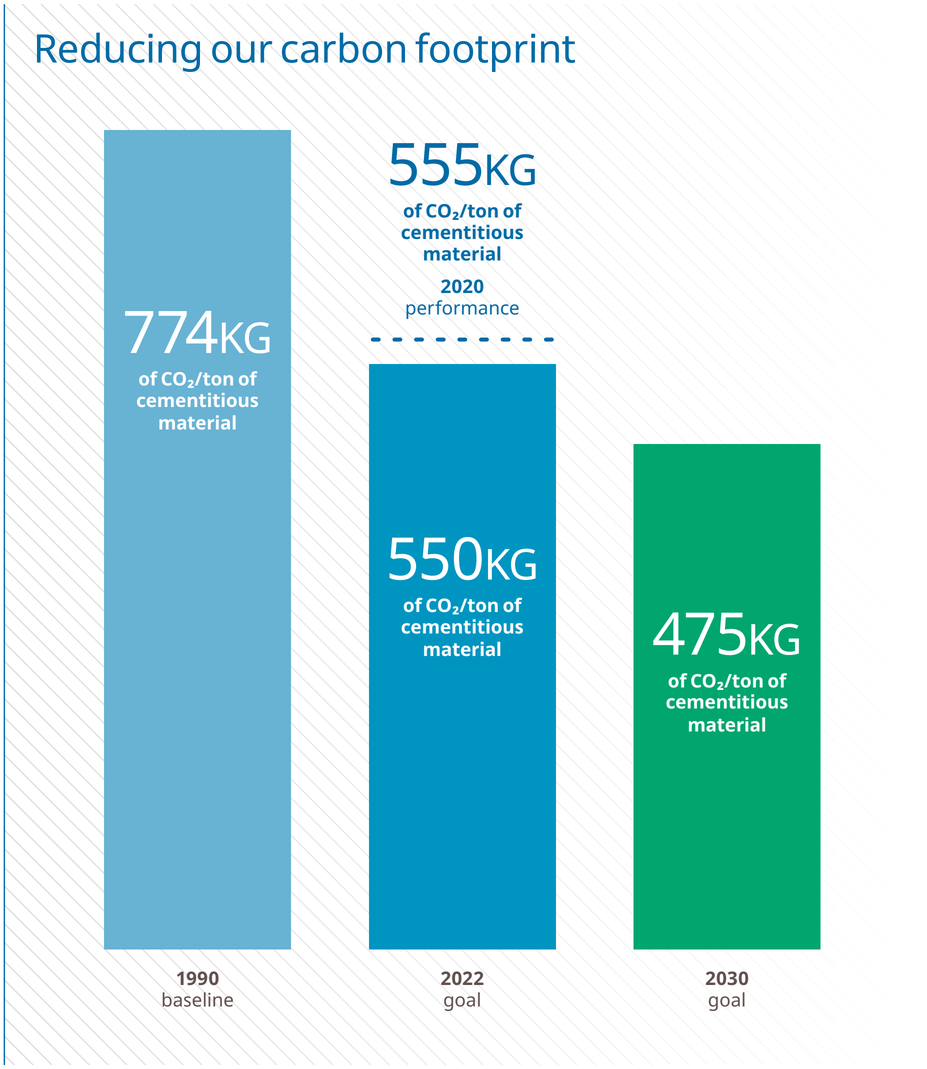
Reducing clinker factor

It is during the production of clinker, the main component of cement, that produces the most CO_2 emissions. The majority of these emissions result from the chemical reaction that occurs when the raw material (limestone) calcinates into a clinker in the kiln.

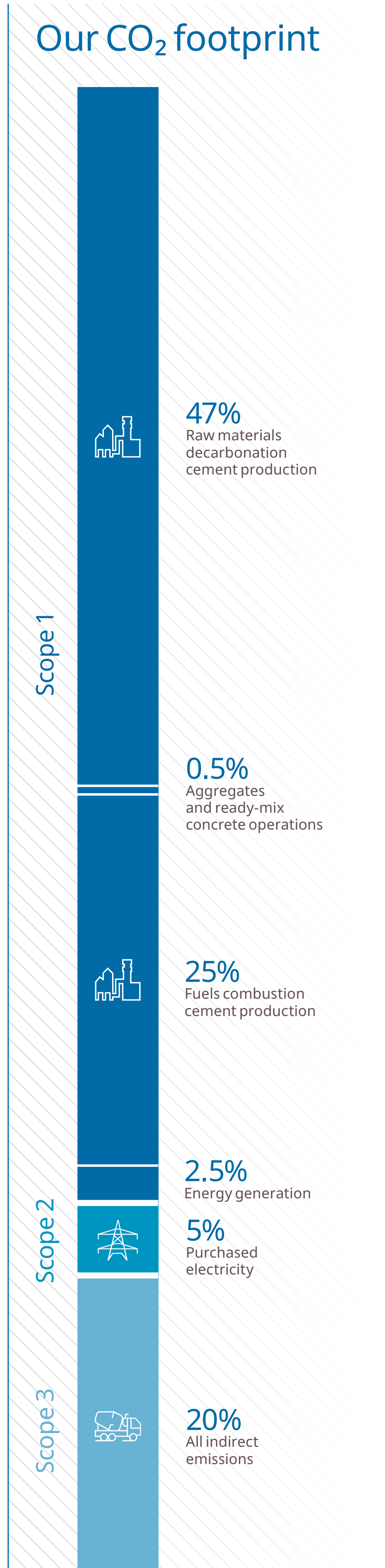
This decarbonation process is our largest source of CO_2 emissions, accounting for 47% of our total CO_2 footprint. We aim to reduce our clinker content from 70.6% currently to 68% by 2030.

Replacing the clinker in our final cement products with alternative mineral components reduces the carbon intensity. The main reduction will not only come from recycling construction and demolition waste or by-products from other industries but also by investing in calcined clay facilities and developing novel cements with new binders. We expect calcined clay to gradually replace traditional mineral components such as slag or fly-ash.

Reducing our carbon footprint



Our CO_2 footprint



Scope 1 emissions in cement operations account for 75% of LafargeHolcim's carbon footprint. Scope 2 is part of our pledge commitment. Scope 3 emissions, even if only a fifth of overall emissions, are high enough to require our attention. We will therefore focus on reducing these emissions by focusing mainly on outbound logistics and fuel.

Increasing the use of recycled fuels

Taking a circular approach, we will reduce the carbon intensity of our cement by substituting fossil fuels with pretreated non-recyclable and biomass waste fuels to operate our cement kilns. Preparing, recovering and recycling fuels and materials in our processes allows us to divert waste from incineration or landfill and improve the waste management hierarchy at local level.

To increase this "thermal substitution rate" (TSR) we will be investing in co-processing facilities and process improvements. We aim to increase our TSR from 20.9% currently to 37% by 2030.

Alternative raw materials

The use of alternative sources of materials is a key lever to further reduce our CO_2 emissions. Waste materials and by-products from other industries can be used to replace some of the limestone in the production process. These materials can include recycled "fines" from demolition waste, air-cooled slag and waste lime. We are working with innovative companies to keep on raising the standards and develop new alternative material streams.

Carbon capture, usage and storage (CCUS)

In addition to our ongoing activities to reduce CO_2 emissions, net zero carbon cement will require effective carbon capture and usage and storage (CCUS). We are currently piloting over twenty CCUS projects. In 2020 alone we announced four pilot projects. Over the next ten years we will explore CCUS technologies to reach the scalable and cost effective solutions the industry needs to meet the net zero ambition. Our objective is to develop a handful of solutions for use and storage that can be combined in different ways and environments. However, no single solution will be perfectly scalable as different environments present different conditions, from local partners to geological conditions that are favorable for storage.

Green concrete for green leaders

St.Gallen, Switzerland – Ernst Risch, HSG Foundation Managing Director

Switzerland's University of St.Gallen (HSG) is one of the most innovative and prestigious universities in the world. When it came to planning the new HSG Learning Center, it was clear that the building had to embody that same spirit.

Sou Fujimoto Architects from Tokyo/Paris were chosen by the HSG Foundation to help achieve this synthesis of old and new. The final design consists of multiple cubes on a grid, with a total of 7,000 m^2 of floor space. The structure of the building is designed to enable the layout of the rooms to be changed repeatedly and to establish a dialogue with the historical campus of the HSG.

With its refined architectural design, numerous exposed concrete surfaces and focus on environmental aspects, the building materials used for the project had also to represent the latest in sustainability and innovation.

To complete the project, Holcim Switzerland was chosen to deliver concrete that is 100% carbon neutral. Evopact is part of LafargeHolcim's global ECOPact product line, the industry's broadest range of green concrete, delivering high-performing, sustainable and circular benefits (see following page).

"We are driving the transformation to a circular economy together with the construction sector."

Roger Dällenbach
Regional Manager, Holcim Switzerland

+14

Markets offering ECOPact green concrete since 2020

ECOPact
The Green Concrete

Green concrete goes global

ECOPact

In 2020, we introduced ECOPact, the industry's broadest range of green concrete, delivering high-performing, sustainable and circular benefits. After a successful market adoption in Germany and Switzerland, ECOPact is now available across 14 markets including the US, the UK, Canada, India and Latin America. Further rollouts are scheduled for other markets worldwide in the coming months. This introduction is an essential component of our strategy to advance the transition towards low-carbon and circular construction.

With ECOPact, the concrete used in the HSG Learning Cente (left), we have applied a range of cutting-edge techniques.

"With ECOPact concretes we close the building material cycle, conserve natural resources and save CO_2," explains Roger Dällenbach, Regional Manager at Holcim Switzerland. The innovative concrete replaces natural gravel with recycled aggregates from the region. It also contains Susteno, Europe's first and only resource-saving cement in which mixed granulate from demolition sites is used as a grinding additive. This enables Holcim Switzerland to completely close the building materials cycle, as this fine material cannot be recycled in concrete production and is normally landfilled.

An ever-increasing share of our net sales come from sustainable solutions. Expanding that range of products and solutions is part of our 2030 commitment as we continue our net zero journey.

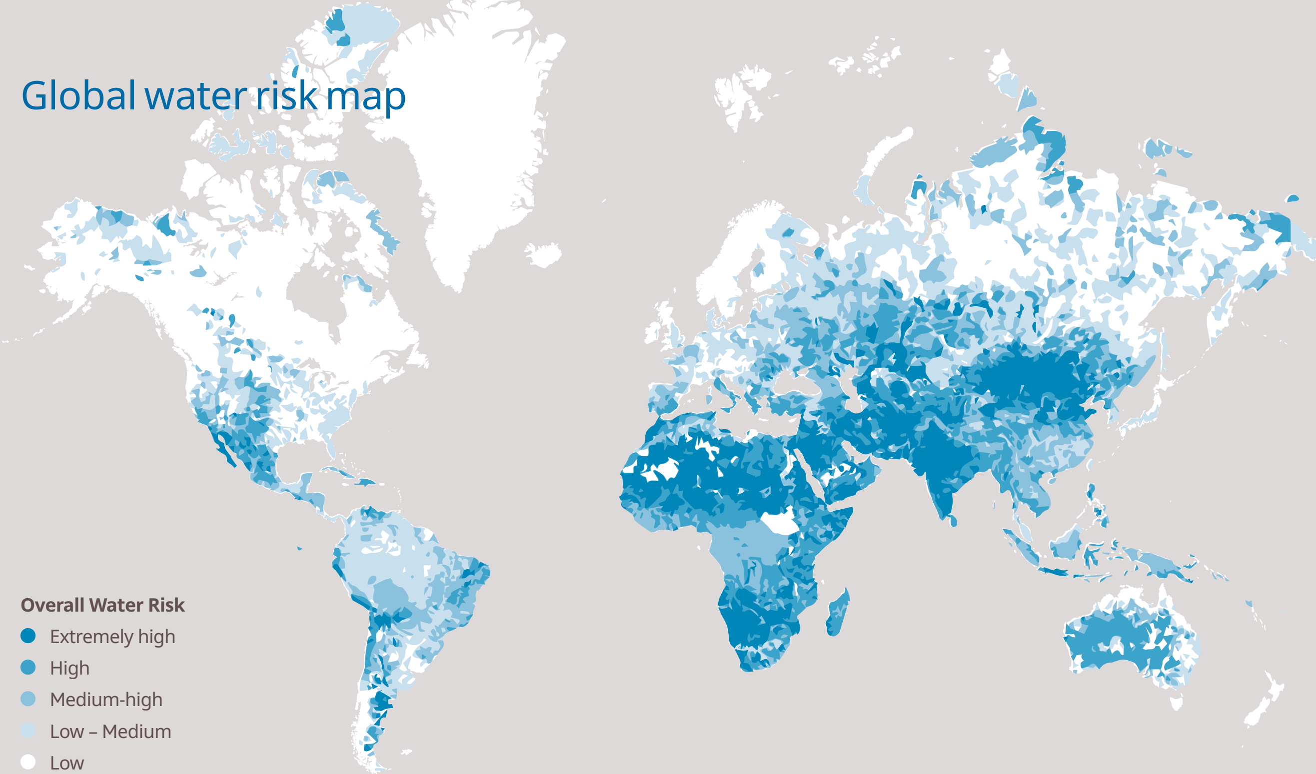
Lyon, France – LafargeHolcim Research Center

At the forefront of green building solutions

Concrete is the material of choice for a net zero future. It is locally sourced, safe, durable, versatile and affordable. It enables great aesthetics, comfort and energy efficiency. With the global launch of ECOPact (see page 61) and as part of our pledge toward net zero, we are on our way to making it carbon neutral.

Bern, Switzerland – Paul Klee Museum

Global water risk map



Source: WRI Aqueduct (aqueduct.wri.org) accessed on 26 February 2020.

Since buildings account for more than one-third of the world's carbon emissions, we can only be part of the solution. We are therefore expanding our offer of green products worldwide as part of our net zero journey.

In 2020 we gave a special push to green building with our EcoLabel, which transparently brands all cement and concrete with at least 30% lower CO_2 footprint compared to local industry standard or 20% recycled content. Recycled materials such as Aggneo, our range of high-quality aggregates processed from recycled concrete, help make circular. Materials like Airium improve energy efficiency. Services such as Lafarge360, which helps builders measure the CO_2 impact of different material choices, promote sustainable design and building solutions.

To keep a full pipeline of sustainable solutions, our Innovation Center in Lyon, France dedicates over 50% of its resources to green construction and currently counts over 40% of its patents are in this area.

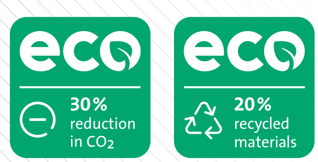
We also tap into our global network of external experts, beginning with Maqer, our open innovation platform. Maqer has assessed over 1,200 startups, many of which are developing green building solutions. In nearly every country we're leveraging these startup solutions in projects ranging from collecting unrecyclable plastic for co-processing in manufacturing to sourcing trucking services for greener, more efficient logistics. We also collaborate actively with 40 leading university departments around the world in fields ranging from materials science to civil engineering to sustainable construction.

Our environmental commitment

Focusing for impact

Currently, 23% of our sites are located in the medium to high water risk areas. As water is a local problem, it is key to tailor our solutions to local conditions. In our own operations we improve our efficiency by reducing leakages and optimizing our processes, including improving measuring and estimation methodologies. When possible, we use non-freshwater sources. In some countries, for example, we use harvested rainwater, while in others we use sea or estuary water.

Another critical environmental priority for us is biodiversity. To minimize any harm we may cause to biodiversity, we have a mandatory Quarry Rehabilitation and Biodiversity Directive, a framework for managing risks and protecting and enhancing biodiversity. Its requirements go beyond local legal compliance and include measures respecting the mitigation hierarchy and a Biodiversity Management Plan (BMP) for sites assessed as having high biodiversity value. By the end of 2020, 86% of our quarry sites had rehabilitation plans in place and 93% of quarries with high biodiversity value have a BMP in place.



Driving a circular economy: a world leader in recycling

Albox, Spain – Geocycle platform

The world throws away more waste than ever before. We're helping to change that.

Other circularity initiatives include:

- Improving building and operational efficiency, especially through innovation and digitalization (see page 46)
- Increasing alternative fuel and raw material use (see page 58)
- Substituting clinker with waste-based mineral components (see page 58)

We're already one of the largest recycling companies in the world. Now we plan to double the amount of recycled material we use in less than ten years, preserving one billion tons of virgin resources by 2030.

Managing the huge quantities of waste humanity produces each year is no small problem. According to the World Bank, the amount of construction and demolition waste (CDW) produced every year will increase from 1.3 billion tons to 2.2 billion tons by 2025. This is on top of sharp rises in other types of waste, particularly municipal solid waste (MSW).

We're committed to tackling these challenges. In 2020 we recycled 46 million tons of material across our business, preventing much of this from being landfilled. Our ambition is to become a 100-million ton recycling company by 2030 with a focus on creating a totally circular construction sector.

Rethinking waste

At our Geocycle Recycling Center at the Retznei cement plant in Austria, for example, we aim to close the construction loop. Construction demolition waste is collected and transported to the plant, for which we offer small- and medium-scale demolition and construction-waste container services. This shows this plant is ahead of the game as it also uses close to 100% alternative waste derived fuel.

Recycled concrete, asphalt and glass can be used as an artificial aggregate base material in road construction. Crushed recycled concrete can also be used to replace some of the coarse aggregate in ready-mix concrete (RMX). We have developed a network of partners to close the construction loop. For example our site Saint Fons in France has been selling recycled aggregates since 2016 and giving construction and demolition waste a new life into concrete and other products.

We are also a key partner in plastic neutrality with PlaNet, a program that supports companies to recycle their plastic waste. The recyclable plastic is extracted and the non-recyclable plastics is used as a source of energy.

Helping other industries

We have a long history of working with other industries to help them deal with their waste – either by co-processing their waste in our cement kiln as alternative resources or by co-grinding with clinker to produce blended cement.

Co-processing of waste in cement kilns has a number of advantages over traditional waste management solutions. The high temperatures and long residence time in a cement kiln means that the waste is completely decomposed, while it also enables any mineral and energy value contained in the waste to be recycled and recovered. Eleven percent of the waste we recycled was co-processed as alternative fuel.

Meeting net zero

This has a big impact on CO_2 emissions. We co-processed 5.2 million tons of waste as fuels in 2020, saving 5.1 million tons of CO_2 emissions and providing 21% of the thermal energy needed by our plants. For this reason co-processing is an integral pillar of our net zero pledge.

Building smarter

Doing more with less

At the project in St. Gallen (p. 62) we're casting around 900 to 1,200 hollow bodies per floor directly into the ceilings, reducing mass by around 17 percent and making the building more earthquake-resistant. Each hollow body holds around 13 liters. This means that 13–15m^3 of concrete can be saved per stage.

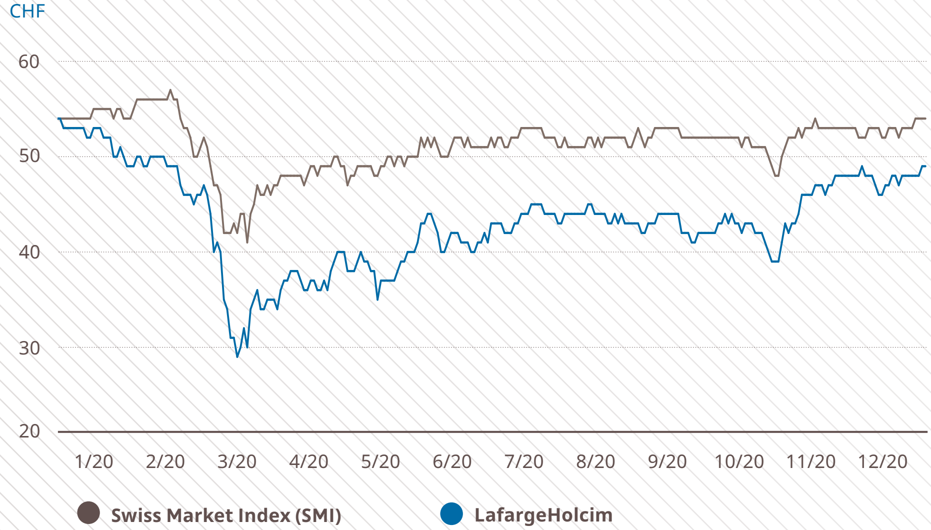
Copenhagen, Denmark –
Cykelslangen Bicycle Bridge

Summary financial information

Contents

The average trading volume amounted to approximately 3.0 million shares per day on the SIX Swiss Exchange while trading volumes on the Euronext Paris were not significant.

Performance of LafargeHolcim shares versus the Swiss Market Index (SMI) in 2020[1]



[1] SMI rebased to LafargeHolcim share price at 1 January 2020.

Capital market information

LafargeHolcim delivered solid 2020 performance in times of unprecedented challenges brought about by the COVID-19 crisis. In this context, LafargeHolcim's share price has proved resilient.

CHF
48.6

Closing price
at 31 December 2020
–9.5**%**

CHF
29.9bn

Market capitalization
at 31 December 2020
2019: CHF 33.1 billion

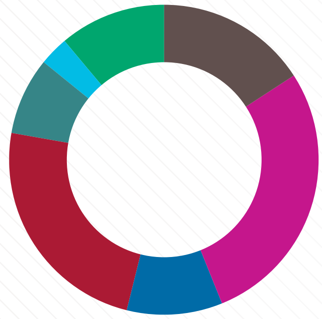
CHF
2.00

Dividend 2020[2]

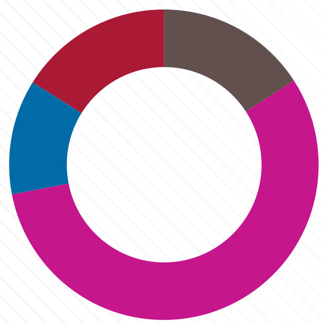
[2] For the 2020 financial year, the Board of Directors is proposing a cash dividend of CHF 2.00 per registered share, subject to approval by the shareholders at the Annual General Meeting on 4 May 2021. The dividend will be fully paid out of the foreign capital reserves from tax capital contributions.

A diversified shareholder base – (31 December 2020, in % of shares outstanding)

Shareholder base by geography



Shareholder base by investor category



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

The LafargeHolcim share price decreased by 9.5% to CHF 48.6. In the same period, the Swiss Market Index (SMI) posted a slight gain of 0.8%. LafargeHolcim's share price decreased by 8.8% on the Paris stock exchange, while in comparison, the CAC 40 decreased by 7.1%. Despite the widespread impact of the COVID-19 on the Group, inherent to its global exposure, LafargeHolcim share price has proved resilient.

Weighting of the LafargeHolcim registered share in selected indices

Index	Weighting in %
SMI, Swiss Market Index	2.37
SPI, Swiss Performance Index	1.65
SLI, Swiss Leader Index	3.33
SXI Swiss Sustainability 25 PR	3.13
STOXX Europe 600 Construction	8.36
STOXX Europe Large 200	0.35
STOXX Europe 600	0.27
STOXX Global 1800	0.06
FTSE4Good Europe Index	0.33

Sources: SIX, STOXX, FTSE as of year-end 2020

Additional data

	ISIN	Security code number	Telekurs code	Bloomberg code	Thomson Reuters code
SIX, Zurich	CH0012214059	1221405	LHN	LHN SW	LHN.S
Euronext, Paris	CH0012214059	1221405	LHN	LHN FP	LHN.PA

Listings
LafargeHolcim 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). The LafargeHolcim share is also included in the socially responsible investment index, SXI Switzerland Sustainability 25. LafargeHolcim 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 84 percent.

Dividend policy
Dividends are distributed annually. For the 2020 financial year, the Board is proposing a dividend payout in the amount of CHF 2.00 per registered share, subject to approval by shareholders' at the annual general meeting. The payout is scheduled for 12 May 2021, 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 267 of this 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, 33¹/₃, 50, or 66²/₃ percent 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 LafargeHolcim registered shares

Par value CHF 2.00	**2020**	2019	2018	2017	2016
Number of shares issued	**615,929,059**	615,929,059	606,909,080	606,909,080	606,909,080
Number of treasury shares	**4,216,907**	2,235,478	10,736,847	9,698,149	1,152,327

Stock market prices in CHF	**2020**	2019	2018	2017	2016
High	**54**	54	60	60	57
Low	**28**	40	39	51	34
Average	**43**	49	50	56	47
Market capitalization (billion CHF)	**29.9**	33.1	24.6	33.3	32.6
Trading volumes (million shares)	**774.2**	602.8	625.3	574.6	615.0
Earnings per share (EPS) in CHF	**2.74**	3.69	2.52	(2.78)	2.96
EPS before impairment and divestments in CHF	**3.07**	3.37	2.63	2.35	2.10
Cash earnings per share in CHF[1]	**7.54**	7.97	5.01	5.04	5.44
Dividend per share in CHF	**2.00**[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

On request, purchasers of registered shares are entered in the share register as voting shareholders provided that they expressly declare that they acquired the shares in their own name and for their own account. The Board of Directors will enter individuals whose requests for registration do not include an express declaration that they hold the shares for their own account (nominees) in the share register as shareholders with voting rights, provided that such nominees have concluded an agreement with the company concerning their status and are subject to recognized banking or financial market supervision. The Board of Directors has issued the applicable Registration Regulations which can be found on the LafargeHolcim website.

Each LafargeHolcim share carries one voting right.

Information on LafargeHolcim registered shares

Further information on LafargeHolcim registered shares can be found at: *lafargeholcim.com/investor-relations* →

Current rating (26 February 2021)

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

Financial calendar

First Quarter 2021 Trading Update
23 April 2021

Annual General Meeting
4 May 2021

Half-Year Results 2021
30 July 2021

Third Quarter 2021 Trading Update
29 October 2021

Capital Markets Day
18 November 2021

Dividend payment date
12 May 2021
(ex-dividend date 7 May)

Consolidated statement of income of LafargeHolcim

Million CHF	Notes	2020	2019
Net sales	3.3	**23,142**	26,722
Production cost of goods sold	4.3	**(13,453)**	(15,441)
Gross profit		**9,689**	11,281
Distribution and selling expenses		**(5,558)**	(6,657)
Administration expenses		**(1,207)**	(1,340)
Share of profit of joint ventures	6.4	**448**	548
Operating profit		**3,371**	3,833
Profit on disposals and other non-operating income	5.2	**15**	302
Loss on disposals and other non-operating expenses	5.3	**(60)**	(117)
Share of profit of associates	6.9	**15**	12
Financial income	7.2	**101**	158
Financial expenses	7.3	**(723)**	(870)
Net income before taxes		**2,719**	3,319
Income taxes	8.2	**(717)**	(806)
Net income		**2,002**	2,513
Net income attributable to:			
Shareholders of LafargeHolcim Ltd		**1,697**	2,246
Non-controlling interest		**305**	267
Earnings per share in CHF			
Earnings per share	9	**2.74**	3.69
Fully diluted earnings per share	9	**2.74**	3.68

The non-GAAP measures used in this report are defined on page 273.

Consolidated statement of financial position of LafargeHolcim

Million CHF	Notes	31.12.2020	31.12.2019
Cash and cash equivalents	14.3	**5,190**	4,148
Short-term derivative assets	14.5	**30**	28
Current financial receivables	12.3	**247**	124
Trade accounts receivable	10.2	**2,305**	2,871
Inventories	10.3	**1,983**	2,494
Prepaid expenses and other current assets	10.4	**1,017**	1,175
Assets classified as held for sale	13.2	**114**	1,370
Total current assets		**10,886**	12,210
Long-term financial investments and other long-term assets	12.2	**859**	1,092
Investments in associates and joint ventures	6.4, 6.9	**3,473**	3,337
Property, plant and equipment	11.2	**24,220**	27,189
Goodwill	11.3	**12,413**	13,039
Intangible assets	11.3	**533**	644
Deferred tax assets	8.4	**513**	649
Pension assets	15.3	**257**	145
Long-term derivative assets	14.5	**70**	5
Total non-current assets		**42,338**	46,100
Total assets		**53,224**	58,310

Million CHF	Notes	31.12.2020	31.12.2019
Trade accounts payable	10.5	**3,351**	3,535
Current financial liabilities	14.4	**2,064**	2,089
Current income tax liabilities		**473**	585
Other current liabilities		**1,967**	2,286
Short-term provisions	16.2	**323**	376
Liabilities directly associated with assets classified as held for sale	13.2	**0**	272
Total current liabilities		**8,178**	9,144
Long-term financial liabilities	14.4	**11,710**	12,202
Defined benefit obligations	15.3	**1,091**	1,413
Long-term income tax liabilities	8.6	**348**	385
Deferred tax liabilities	8.4	**1,885**	2,090
Long-term provisions	16.2	**1,389**	1,578
Total non-current liabilities		**16,422**	17,667
Total liabilities		**24,600**	26,811
Share capital	17.2	**1,232**	1,232
Capital surplus		**21,597**	22,811
Treasury shares	17.2	**(197)**	(121)
Reserves		**3,439**	4,644
Total equity attributable to shareholders of LafargeHolcim Ltd		**26,071**	28,566
Non-controlling interest	2.5	**2,553**	2,933
Total shareholders' equity		**28,625**	31,499
Total liabilities and shareholders' equity		**53,224**	58,310

Governance, Risk and Compensation

Dübendorf, Switzerland –
Empa NEST

Contents

Corporate Governance

LafargeHolcim 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 LafargeHolcim 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 LafargeHolcim. The Code of Business Conduct, binding for the entire Group, is part of our internal regulations.

LafargeHolcim aims to achieve a balanced relationship between management and control by keeping the functions of Chairman 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.lafargeholcim.com*

Except where otherwise indicated, this Annual Report reflects the legal situation as of 31 December 2020.

Group structure and shareholders

The holding company LafargeHolcim Ltd was established under the laws of Switzerland for an indefinite period. Its registered office is in Rapperswil-Jona (Canton of St. Gallen, Switzerland). It has direct and indirect interests in all companies listed on pages 178-182 of this Annual Report.

The Group is organized by geographical regions. The management structure as per 31 December 2020 is described in this chapter.

To the knowledge of LafargeHolcim, it has no mutual cross-holdings with any other company. To the knowledge of LafargeHolcim, there are neither shareholders' agreements nor other agreements regarding voting or the holding of LafargeHolcim 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. 148–157
- Segment information p. 184
- Principal companies p. 178
- Information about LafargeHolcim Ltd & listed Group companies p. 182
- Information about Significant Shareholders p. 267

Capital structure

LafargeHolcim 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 2020, the nominal, fully paid-in share capital of LafargeHolcim 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 2020). 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 2020, 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 LafargeHolcim at: *www.lafargeholcim.com/articles-association*

Authorized share capital/Certificates of participation

As per 31 December 2020, Article 3ter of the Articles of Incorporation authorizes the Board of Directors, at any time until 15 May 2021, to increase the share capital by a maximum of CHF 41,392,734 through the issuance of a maximum of 20,696,367 registered shares, to be fully paid-in, with a par value of CHF 2.00 each, which are reserved exclusively for issuance to shareholders in connection with a scrip dividend. Further information can be found under: *www.lafargeholcim.com/investor-relations*

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

Topic

- Articles of incorporation of LafargeHolcim Ltd
  www.lafargeholcim.com/articles-association
- Code of business conduct
  www.lafargeholcim.com/corporate-governance
- Changes in equity of LafargeHolcim
  p. 166–167
  (information for the year 2018 is included in the Annual Report 2019, p. 162–163)
- Detailed information on conditional capital
  www.lafargeholcim.com/articles-association
  Articles of incorporation: Art. 3bis
- Detailed information on authorized capital
  www.lafargeholcim.com/articles-association
  Articles of incorporation: Art. 3ter
- Key data per share
  p. 69–71, 229, 244
- Rights pertaining to the shares
  www.lafargeholcim.com/articles-association
  Articles of incorporation: Art. 6, 9 10
- Regulations on transferability of shares and nominee registration
  www.lafargeholcim.com/articles-association
  Articles of incorporation: Art. 4, 5
- Warrants/options
  p. 236–239

Board of Directors and Committees

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

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 LafargeHolcim 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 90–93 for the biographical information of the members of the Board of Directors as per 31 December 2020.

Mr. Paul Desmarais, Jr. retired from the Board of Directors at the Shareholders General Meeting of 12 May 2020.

In 2020, the shareholders elected Prof. Dr. Philippe Block and Mr. Kim Fausing as new members of the Board of Directors. The shareholders re-elected ten members of the Board of Directors. Dr. Beat Hess was re-elected as Chairman of the Board of Directors. Furthermore, the shareholders confirmed three members of the Nomination, Compensation & Governance Committee. Colin Hall and Claudia Sender Ramirez were newly elected to the Nomination, Compensation & Governance Committee.

New 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, as of March 2020 all Board and Committee meetings were organized as video-conferences.

In 2020, five regular meetings and seven additional meetings were held. Two meetings focused on strategy topics. The CEO regularly attends the meetings of the Board of Directors. 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 Chairmen 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 five hours.

Elections and terms of office

All members of the Board of Directors, the Chairman 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.

Board composition 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 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 to fulfill 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 LafargeHolcim.

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 Chairman, the Chairman 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.

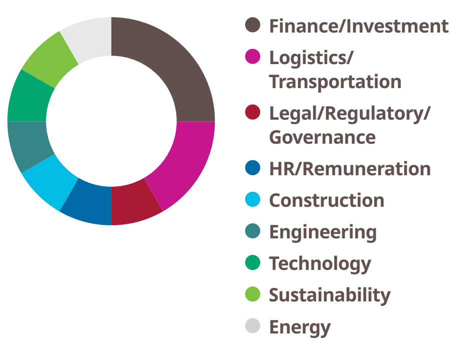
Board and Committee performance and effectiveness evaluation

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 Chairman of the Board and the Chairman 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.

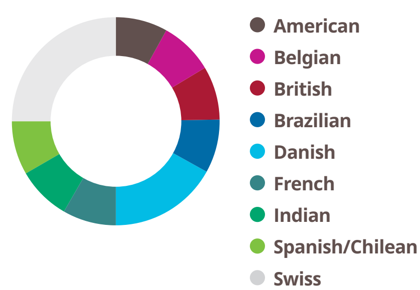
Honorary Chairman

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 LafargeHolcim.

Expertise

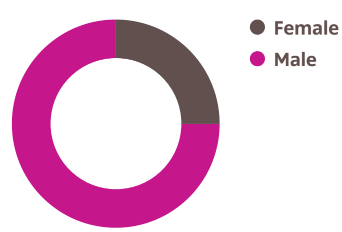


Nationality



Tenure
(incl. at Lafarge S.A. and Holcim Ltd)

Gender



As of 31 December 2020 our members of the Board of Directors served on the following expert Committees:

Audit Committee (AC)	Nomination, Compensation & Governance Committee (NCGC)	Health, Safety & Sustainability Committee (HSSC)
Patrick Kron (Chairman)	Oscar Fanjul (Chairman)	Adrian Loader (Chairman)
Kim Fausing	Colin Hall	Philippe Block
Jürg Oleas	Adrian Loader	Naina Lal Kidwai
Hanne B. Sørensen	Claudia S. Ramirez	Patrick Kron
Dieter Spälti	Hanne B. Sørensen	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 2020, four regular meetings of the Audit Committee were held. The average duration of the regular meetings was two hours and forty-five minutes.

In 2020, 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 also evaluated the performance of the external auditors and their fees.

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

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 2020, the Nomination, Compensation & Governance Committee held four regular meetings. The average duration of the regular meetings was two hours and thirty 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 114.

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

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 2020 the Health, Safety & Sustainability Committee held four regular meetings. The average duration of the meetings was 1 hour and forty-five minutes.

In 2020, the Health, Safety & Sustainability Committee regularly reviewed resources and processes employed to minimize or eliminate risks to health & safety and took note of the implementation of the security program. The Health, Safety & Sustainability Committee discussed the ESG strategy with main focus on the "Business Ambition for 1.5°C " pledge with intermediate targets approved by the Science-Based Targets initiative (SBTi) in alignment with net zero pathway. The Health, Safety & Sustainability Committee further took note of the update on COVID-19 crisis management at the company and on corporate social responsibility initiatives supporting local communities to fight against the COVID-19.

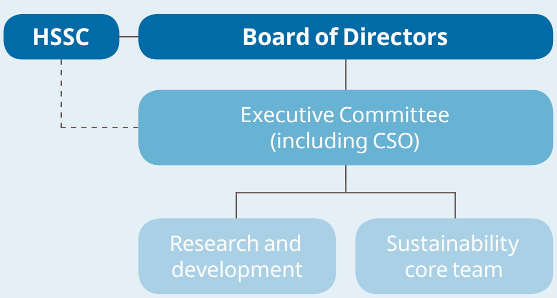
The charter of the Health, Safety & Sustainability Committee is available at: *www.lafargeholcim.com/articles-association*

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]	Chairman	5/5	–	–	–
Oscar Fanjul[3]	Vice-Chairman	5/5	–	4/4	–
Philippe Block[4]	Member	3/3	–	–	2/2
Paul Desmarais, Jr.[5]	Member	2/2	–	1/1	–
Kim Fausing[6]	Member	2/3	2/2	–	–
Colin Hall[7]	Member	5/5	2/2	3/3	–
Naina Lal Kidwai	Member	5/5	–	–	4/4
Patrick Kron	Member	5/5	4/4	–	4/4
Adrian Loader	Member	5/5	–	4/4	4/4
Jürg Oleas	Member	5/5	4/4	–	–
Claudia Sender Ramirez[8]	Member	5/5	–	3/3	–
Hanne B. Sørensen[9]	Member	5/5	2/2	4/4	2/2
Dieter Spälti	Member	5/5	4/4	–	4/4

1 The Board held seven extraordinary meetings in 2020
2 Although the Chairman is not formally a member of the Committees he regularly attends as a guest
3 Although the Vice-Chairman is not formally a member of the Audit Committee and of the Health, Safety & Sustainability Committee he regularly attends as a guest
4 Member of the Board and of the Health, Safety & Sustainability Committee as of Shareholders General Meeting 2020
5 Member of the Board and of the Nomination, Compensation & Governance Committee until Shareholders General Meeting 2020
6 Member of the Board and of the Audit Committee as of Shareholders General Meeting 2020
7 Member of the Audit Committee until May 2020 and Member of the Nomination, Compensation & Governance Committee as of Shareholders General Meeting 2020
8 Member of the Nomination, Compensation & Governance Committee as of Shareholders General Meeting 2020
9 Member of the Health, Safety & Sustainability Committee until May 2020 and Member of the Audit Committee as of May 2020

LafargeHolcim 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 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 Board members. The Chairman of the Board (unless he is a member of the HSSC), the Group CEO, Group Chief Sustainability Officer (CSO), Group General Counsel, Group Head of Security and the Group 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 Chief Sustainability Officer (CSO), an Executive Committee-level position. The CSO 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 LafargeHolcim'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 Center in Lyon, France, dedicated to low-carbon products and more than 40% of our patents currently in this area.

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 2020 and may be found at: *www.lafargeholcim.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 Chairman 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-Chairman 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 Chairman of the Board 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 Chairman 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

LafargeHolcim 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 2020 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

LafargeHolcim 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 LafargeHolcim 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 no changes within the Executive Committee have occurred and the Executive Committee of LafargeHolcim was comprised of the ten members reported in the table below.

Please refer to pages 96–97 for biographical information on the members of the Executive Committee. None of the members of the Executive Committees have important functions outside the LafargeHolcim 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 Officer
Keith Carr	Member	Group General Counsel
Marcel Cobuz	Member	Region Head Europe
Feliciano González Muñoz	Member	Group Head of Human Resources
Miljan Gutovic	Member	Region Head Middle East Africa
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 twenty 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 forty 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.lafargeholcim.com/corporate-governance*

Shareholders General Meeting 2020 – COVID-19

As a result of the exceptional circumstances due to the COVID-19 pandemic, the 2020 Shareholders General Meeting of LafargeHolcim Ltd could not take place in the usual format. The Shareholders General Meeting has therefore been held in accordance with the requirements of the Ordinance of the Swiss Federal Council regarding measures on combating the Coronavirus. These measures meant that the personal attendance of shareholders at the Shareholders General Meeting on site was not possible. The Board of Directors had resolved that shareholders shall be represented at the Shareholders General Meeting exclusively by the independent proxy.

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 2020, 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 LafargeHolcim since 2017 and was re-elected at the Shareholders General Meeting 2020. 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.

The fees shown below were charged for professional services rendered to the Group by the auditors in 2020 and 2019:

Million CHF	**2020**	2019
Audit services related to Deloitte fees [1]	**11.2**	11.8
Audit services for joint ventures related to Deloitte fees	**1.0**	0.9
Total audit services fees related to Deloitte	**12.2**	12.6
Audit services related to other audit firms fees	**2.1**	2.1
Total audit services fees	**14.3**	14.7
Audit-related services fees related to Deloitte [2]	**0.2**	0.2
Tax services fees related to Deloitte	**0.1**	0.1
Other services fees related to Deloitte [3]	**0.0**	0.1
Total other fees related to Deloitte	**0.4**	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

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

Mandates outside LafargeHolcim

Please refer to Art. 27 of the company's Articles of Incorporation for information about the number of permitted mandates outside of LafargeHolcim for the members of the Board of Directors and of the Executive Committee: *www. lafargeholcim.com/articles-association.*

Compensation, shareholdings and loans

Details of Board and management compensation, shareholdings, and loans are contained in the Compensation Report (starting at page 114) and in the Holding company results (note 13, page 263).

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 1/3 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

LafargeHolcim 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, LafargeHolcim 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). LafargeHolcim 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*

http://www.amf-france.org/en_US/Acteurs-et- produits/Societes-cotees-et-operations-financieres/ Information-financiere-et-comptable/Obligations-d-information.html?#title_paragraph_1

The most important information tools are the annual and half-year reports, the website *www.lafargeholcim.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.lafargeholcim.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.lafargeholcim.com/sustainability.*

The financial reporting calendar is shown on page 71 of this Annual Report.

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

Corporate Communications

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E-Mail:
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Investor Relations

Phone: +41 58 858 87 87
E-Mail:
investor.relations@lafargeholcim.com

Our Board of Directors

Beat Hess

- Chairman of the Board of Directors

Biography on page 90

Oscar Fanjul

- Vice-Chairman of the Board of Directors
- Chairman of the Nomination, Compensation & Governance Committee

Biography on page 90

Philippe Block

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

Biography on page 90

Patrick Kron

- Member of the Board of Directors
- Chairman of the Audit Committee
- Member of the Health, Safety & Sustainability Committee

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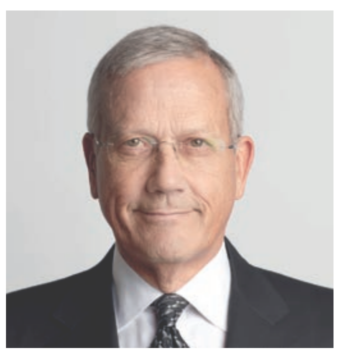

Adrian Loader

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

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Jürg Oleas

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

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Kim Fausing

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

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Colin Hall

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

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Naina Lal Kidwai

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

Biography on page 91

Claudia Sender Ramirez

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

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Hanne Birgitte Breinbjerg Sørensen

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

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Dieter Spälti

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

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Corporate Governance
Our Board of Directors Continued

Beat Hess
Chairman of the Board

Professional background
Swiss national born in 1949, Beat Hess was elected to the Board of Directors of LafargeHolcim (then "Holcim Ltd") 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

Other activities and functions
- Vice-Chairman of the Board of Directors and Member of the Nomination and Compensation Committee of Sonova Holding AG, Stäfa, Switzerland
- Member of the Curatorium of The Hague Academy of International Law

Oscar Fanjul
Vice-Chairman

Professional background
Dual Spanish and Chilean national born in 1949, Oscar Fanjul was elected to the Board of Directors of LafargeHolcim in 2015. Oscar Fanjul holds a PhD in Economics. He began his career working for the industrial holding INI, Madrid, Spain. He was Chairman founder and CEO of Repsol, S.A., Madrid, Spain. He has been Chairman of Hidroeléctrica del Cantábrico, S.A., Oviedo, Spain and of Deoleo S.A., Madrid, Spain. He has also been a board member of the London Stock Exchange, Unilever, London/ Rotterdam, UK/ Netherlands, Areva, France, and BBVA, Spain.

Other activities and functions
- Vice-Chairman of Omega Capital, Madrid, Spain
- Member of the Board of Directors of Marsh & McLennan Companies, New York NY, USA
- Vice-Chairman of the Board of Directors of Ferrovial S.A., Madrid, Spain

Philippe Block
Member

Professional background
Belgian national born in 1980, Philippe Block was elected to the Board of Directors 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 LafargeHolcim Foundation for Sustainable Construction.

Kim Fausing
Member

Professional background
Danish national born in 1964, Kim Fausing was elected to the Board of Directors of 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 began his professional career with the Hilti Group in 1990, initially starting in Sales and Marketing, in Denmark, before being promoted to Country General Manager. He then was appointed to run the Austrian operation in Vienna before becoming President Hilti Japan for 3 years. In 2003, he transferred to Division President at the headquarter in Schaan, Lichtenstein. In 2007, he moved to the Danish Danfoss Group where he was named Chief Operating Officer and became Member of the Executive Committee in January 2008. He has chaired since July 2017 as President and CEO.

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

Colin Hall
Member

Professional background
American national born in 1970, Colin Hall was elected to the Board of Directors of 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

Naina Lal Kidwai
Member

Professional background
Indian national born in 1957, Naina Lal Kidwai was elected to the Board of Directors of 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 Chairman 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 Larsen & Toubro Ltd, Mumbai, India
- Non-Executive Member of the Board of Directors of Nayara Energy Ltd, Mumbai, India (including of its subsidiary Vadinar Oil Terminal Ltd)
- Chairperson of the India Advisory Board Advent International Private Equity, Mumbai, India

Corporate Governance

Our Board of Directors Continued

Patrick Kron
Member

Professional background

French national born in 1953, Patrick Kron was elected to the Board of Directors of 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 Chairman 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 LafargeHolcim (then "Holcim Ltd") 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 Ltd 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 LafargeHolcim (then "Holcim Ltd") in 2014, retired from the Holcim Ltd 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, Chairman of the Strategy Committee and Member of the Audit Committee of RUAG Holding AG, Bern, Switzerland.
- Chairman of the Board of Directors of Hochdorf Holding AG, Hochdorf 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 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
- Member of the Board of Directors of Yducs Participações S.A., Rio De Janeiro, Brazil

Hanne Birgitte Breinbjerg Sørensen
Member

Professional background
Danish national born in 1965, Hanne Birgitte Breinbjerg Sørensen was elected to the Board of Directors of LafargeHolcim (then "Holcim Ltd") 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 Ltd 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 and Member of the Nomination and Remuneration Committee and Chair of the CSR Committee of Delhivery Pvt. Ltd., Gurgaon, India
- 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 Audit Committee and of the Nomination and Remuneration Committee of Jaguar Land Rover Automotive PLC, Coventry, UK (including those of its subsidiaries Jaguar Landrover Holdings Ltd. and Jaguar Landrover Ltd.)
- Member of the Board of Directors, Member of the Nomination and Remuneration Committee, and Chairperson of the Audit Committee of Sulzer Ltd, Winterthur, Switzerland
- Member of the Board of Directors, Member of the Remuneration and Nomination Committee and the Audit Committee of Tata Consultancy Services Ltd, Mumbai, India

Dieter Spälti
Member

Professional background
Swiss national born in 1961, Dieter Spälti was elected to the Board of Directors of LafargeHolcim (then "Holcim Ltd") 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 Ltd from 2013 to 2015. He was Chairman of the Strategy Committee of 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, he has been 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

Executive Committee

Jan Jenisch
CEO

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Géraldine Picaud
CFO

Biography on page 96

Magali Anderson
Chief Sustainability Officer

Biography on page 96

Keith Carr
Legal and Compliance

Biography on page 96

Feliciano González Muñoz
Human Resources

Biography on page 96

Marcel Cobuz
Europe

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Miljan Gutovic
Middle East Africa

⊕ Biography on page 97

Martin Kriegner
Asia Pacific

⊕ Biography on page 97

Oliver Osswald
Latin America

⊕ Biography on page 97

René Thibault
North America

⊕ Biography on page 97

Corporate Governance
Executive Committee Continued

Jan Jenisch
CEO

Jan Jenisch, German national, 1966, was appointed Chief Executive Officer of LafargeHolcim in September 2017. From 2012 Jan served as Chief Executive Officer of Sika AG, the Swiss manufacturer of products and systems for the building materials and automotive sector. Jan joined Sika in 1996 and went on to work in various management functions and countries. He was appointed to the Management Board in 2004 as Head of the Industry Division and he served as President Asia Pacific from 2007 to 2012. He is also a non-executive Director of the privately held Glas Troesch Holding AG. Jan did his studies in Switzerland and the US and is a graduate of the University of Fribourg, Switzerland, and holds an MBA (lic.rer.pol.).

Géraldine Picaud
Member

Géraldine Picaud, French national, 1970, was appointed as Chief Financial Officer of LafargeHolcim 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 LafargeHolcim in October 2019. 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.

Keith Carr
Member

Keith Carr, British national, 1966, was appointed as Group Head of Legal and Compliance and a member of the Group Executive Committee of LafargeHolcim as of January 2019. Keith joined LafargeHolcim in 2017 as Group General Counsel. In addition to the Legal and Compliance function, he became responsible for the Security department during 2018. Prior to LafargeHolcim Keith was General Counsel of GE's Power Division. Before that he held various roles in Alstom SA, ABB and Rolls Royce, including Group General Counsel and member of the Executive Committee of Alstom and General Counsel of its Power Division.

Keith gained his LLB degree from Northumbria University and is a qualified solicitor in England and Wales as well as a Chartered Company Secretary.

Marcel Cobuz
Member

Marcel Cobuz, Romanian and French national, 1971, was appointed as Head of Europe and member of the Group Executive Committee of LafargeHolcim in January 2018. Since 2019 he has also been responsible for the Group Innovation team. Marcel joined LafargeHolcim in 2000 and has held various senior leadership roles in six different countries in Europe, the Middle East, Africa and Asia. From 2012 to 2015 he held Group roles leading organizational change projects in marketing across Lafarge and subsequently led the Global Pre-Merger Integration Project between Lafarge and Holcim. He studied Law and Global Economics and is a graduate of the University of Bucharest.

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 LafargeHolcim as of January 2019. He has developed his career for more than thirty years in senior Human Resources roles in LafargeHolcim. 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 LafargeHolcim in July 2018. 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.

Oliver Osswald
Member

Oliver Osswald, Swiss national, 1971, was appointed as Head of Latin America and member of the Group Executive Committee of LafargeHolcim 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.

Martin Kriegner
Member

Martin Kriegner, Austrian national, 1961, was appointed as Head of Asia Pacific and member of the Group Executive Committee of LafargeHolcim 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.

René Thibault
Member

René Thibault, Canadian national, 1966, was appointed as Head of North America and member of the Group Executive Committee of LafargeHolcim 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

As a global leader in our industry, LafargeHolcim adheres to the highest standards in managing risks around the world.

LafargeHolcim operates in a constantly evolving environment which exposes the company to different external, operational and financial risks, whether under our control or not. In order to ensure the sustainability of our business and to meet our targets, we make continuous efforts to prevent and control the risks to which we are exposed. A comprehensive Risk Management and Internal Control framework is deployed throughout the company, with appropriate governance and tools. Through this process we identify, assess, mitigate and monitor the company's overall risk exposure.

To this end, we incorporate 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.

In 2020, the outbreak of the COVID-19 pandemic has created an unprecedented disruption in the markets where the Group operates. Several existing risks have been amplified and new areas of risks have emerged. The Risk & Control section below explains how the company identified, assessed and responded to these risks.

RISK MANAGEMENT

The Risk Management process is structured around several coordinated approaches, including bottom-up and top-down risk assessments, addressing all strategic pillars, financial and non-financial targets. These assessments are 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, typically within a three-year period, in alignment with LafargeHolcim's mid-term plan. For the sustainability and climate-related risks, the horizon has been extended to a ten-year period in order to consider various scenarios (e.g. regulatory discontinuity, acceleration of trends or significant changes in stakeholders expectations) that might impair the achievement of our 2030 sustainability targets. Our comprehensive risk assessment process includes the assessment of external risks, including the physical impacts of climate change. 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 form an integral part of our Risk Management approach. This is complemented with LafargeHolcim's 'Minimum Control Standards' which clarify and reinforce the responsibility of businesses in the countries. Additionally, LafargeHolcim has a robust fraud prevention program in place to prevent, deter, and detect fraud. It includes the LafargeHolcim 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 (page 104) and Internal Control (page 111).
- **Verification & Remediation**
  Group Internal Audit performs independent assessments of the effectiveness of mitigating actions and controls. It also assesses the effectiveness of Internal Control and the risk assessment process. 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 work 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 LafargeHolcim Risk Management tool. Updates on mitigating actions, controls and overall risk exposure are reported to the Audit Committee and other executive committees. Additional reports of 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 111.

As COVID-19 spread throughout the world and impacted the global economy, our Risk Management process has been continuously adapted to efficiently respond to the new challenges posed to LafargeHolcim's business. Therefore, management at country and Group levels specifically addressed the COVID-19 challenge by factoring the potential impacts to our business and adjusting the actions plans accordingly. The potential impacts and responses provided are described in the detailed risk descriptions on pages 101 to 110.

Roles and responsibilities

LafargeHolcim 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 controls standards defined by the Group.

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 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 and internal controls.

Through the Audit Committee and the Health, Safety and Sustainability Committee (HSSC), the Board of Directors oversees LafargeHolcim Risk Management, Internal Control, Sustainability and climate change-related risks. 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 LafargeHolcim's climate strategy framework, reviews performance against key indicators and authorizes major climate-related capital expenditures, acquisitions and /or divestitures. More details of the Audit Committee and HSSC are disclosed in the Corporate Governance section on page 80.

Ethics, Integrity & Risk Committee

The Ethics, Integrity & Risk Committee reports to the Audit Committee of the Board of Directors and meets quarterly. The Committee is composed of two sub-groups: (i) Risk and (ii) Ethics & Integrity.

The Risk sub-group 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. The sub-group includes the Group CFO, the Group General Counsel and Chief Sustainability Officer who report to the Group CEO and are members of the Executive Committee.

The Ethics & Integrity sub-group 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 fully supports the Group's acceleration to a green and decarbonized construction business. Our sustainability ambition focuses on Climate & Energy, Circular Economy, Nature, People and Communities. The ambition articulates our efforts to improve the sustainability performance of our operations and puts the focus on developing innovative and sustainable solutions for better building and infrastructure. It goes beyond our own business activities and covers the entire construction value chain and the lifecycle of buildings. As a result of past efforts, we are one of the most carbon-efficient cement companies among international groups. We will further decrease our emissions per ton of cement by increasing the use of byproducts and waste-derived resources and through investments in energy efficiency and innovation. Additionally, our solutions and products help our customers to reduce their CO_2 emissions during the construction and use phase of buildings and infrastructure.

Task force on Climate-related Financial Disclosures (TCFD)

As a business leader, we must ensure transparency and action around climate-related risks and opportunities. LafargeHolcim 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 below we map where the recommended TCFD disclosures can be found in our report. Additional metrics & 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.lafargeholcim.com/additional-esg-resources

With the company being identified as a reference in providing effective climate-related financial disclosures, LafargeHolcim 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 "LafargeHolcim governance approach for climate-related risks and opportunities" and "Risk and Control" section > "Roles and Responsibilities", page 81, 99	**Risks and opportunities over the short, medium and long term** Refer to "Risk and Control" section page 103–104 and CDP response on https://www.lafargeholcim.com/additional-esg-resources	**Climate change-related risks identification and assessment** Refer to "Risk and Control" section page: 98, 103–104	**Reporting CO_2 metrics** Refer to our net zero pledge, page 56–59 and our Sustainability Performance Report (SPR) on www.lafargeholcim.com/sustainability
Management's role Refer to "Risk and Control" section > "Roles and Responsibilities", page 99	**Impact on the organization's business, strategy and financial planning** Refer to "Risk and Control" section page 103–104 and CDP response on https://www.lafargeholcim.com/additional-esg-resources	**Climate change-related risks management** Refer to "Risk and Control" section page 98–100 and "Information and control instruments of the Board of Directors" page 83	**Details Scope 1, 2 and 3** Refer to our Net Zero Pledge, page: 56–59 and our Sustainability Performance Report (SPR) on www.lafargeholcim.com/sustainability
	Scenario planning Refer to CDP response on https://www.lafargeholcim.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 83	**CO_2 targets** Refer to our "Net Zero Pledge", page: 56–59

The risks on pages 101 to 110 are considered material to our strategy and our value creation. This list is not exhaustive and represents the principal risks and uncertainties faced by LafargeHolcim at the time of 2020 Integrated Annual Report preparation. 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 (page 76 to 97), Management Discussion & Analysis (page 142 to 157) and note 14.6 of the consolidated Financial Statements (page 220).

Strategy drivers

Our values

Growth
Financial strength
Simplification + performance
Vision + people

Our sustainability pillars

Climate + energy
Circular economy
Environment
Communities

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 2020, the COVID-19 pandemic presented new challenges to LafargeHolcim's business. Those challenges are volatile and different from country to country. While the construction sector and construction sites are generally more resilient than other sectors, LafargeHolcim has experienced major disruptions across its operations.	LafargeHolcim maintains a globally diversified portfolio with leading positions in all regions and a good balance between geographies which helps limit our exposure to any particular market. There is no single entity where net sales amount to 10% or more of the Group net sales. We also trade in clinker, cement and other products to take advantage of shifting demand between countries. With regard to the COVID-19 pandemic, the company implemented its action plan HEALTH, COST & CASH which aims to protect the health of its employees, customers, suppliers and other stakeholders while limiting the impact on profitability. Mitigating measures have been implemented at Group and country levels from early January to enhance the preparedness of the company including: close monitoring of all markets according to the evolving situation and to the guidance provided by the local authorities, tight grip on cash and costs to counter the effect of volume decrease, proactive supply chain management and protection of long-term relationships with the company's partners and communities. Fixed costs were reduced by CHF 385 million on a like-for-like basis compared to 2019, far surpassing the initial target of CHF 300 million for the full year. In addition, the reduction in energy prices has led to savings of CHF 125 million on a like-for-like basis compared to 2019. CAPEX was CHF 370 million lower, at CHF 1.0 billion, while net working capital was reduced by 11 working days.
Political risks LafargeHolcim 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).	When necessary, mitigation measures are taken to adapt the Group's activities and to protect our people and assets. Dedicated directives 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. In the mid-to-long term, as with market demand, the best defense against political risk is diversification. LafargeHolcim's broad geographic portfolio helps to limit our exposure to any particular market and currency. In addition, the Group reinforced its preparedness to civil unrest and political instability that might increase in the wake of the COVID-19 crisis, especially in countries where the impact on the economy has been severe.
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 has the potential to impact our people's health and operations. In addition, it may cause disruption to global economic growth therefore affecting the value of investment assets, reducing demand for the Group's products and leading to a drop in commodity prices.	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 LafargeHolcim is prepared to manage and respond to unwanted events at every level of the organization to protect our people, environment, assets and operations.

Key operational risks

Risk	Potential Impact	Our Response
Sustainability The risk that we are not effectively managing our commitments to sustainability and corporate social responsibility. The nature of our activities and geographic footprint poses inherent economic, environmental and social risks, which are also subject to an evolving regulatory framework and changing societal expectations. The range of sustainability risks areas includes: ▪ Local community engagement, impact and value creation ▪ Human Rights management (including responsible sourcing) ▪ Employee diversity and inclusion ▪ Waste-derived resources and circular economy ▪ Air emissions and fugitive dust management ▪ Water Management ▪ Biodiversity management and quarry rehabilitation ▪ Internal waste management Strategic pillars impacted:	Failure to meet our environmental, social and governance (ESG) standards and targets 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 or ESG scores. Our ESG performance is scrutinized by a large spectrum of stakeholders and it can influence external investment decisions. This requires to reinforce risk culture and rapid response for any incidents.	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. The risk assessment uses external references such as the Freedom House Index and UN Development Index for Human Rights risks and the World Resources Institute (WRI) Aqueduct and World Business Council for Sustainable Development (WBCSD) tool for water risks. The sustainability risks are subject to a close monitoring at the country level, supported at Group level by the sustainability team. A robust framework for mitigating those risks is in place as following: ▪ Articulated ambitions and Group targets set at the Group level, while performance against these ambitions and targets is monitored and reported on regularly. We provide details of our ambitions and targets in the Integrated Annual Report (please refer to page 23) and further information is published on our website. ▪ A Water Stewardship Program aiming to reduce our specific freshwater withdrawal as well as to return the water we use through (i) process water efficiency improvement, (ii) maximization of rainwater harvesting and (iii) development of innovative products. Additionally, we have significantly invested in the development of sustainable solutions, led by our R&D 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. ▪ Comprehensive framework 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 Conduct, both of which contain provisions for Human Rights (including child labor) and environment. Country CEOs are ultimately responsible and accountable for implementation and compliance with policies and directives. Our sustainability practices, performance and data as published in the Integrated Report and available on our website are subjected to external assurance. The assurance statement can be found in the Sustainability Performance Report published on our website. ▪ Robust air emissions (dust, NOX, SO_2) monitoring 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. In addition, LafargeHolcim initiated a program which includes accelerated review of investment needs to reduce fugitive emissions in our plants. For CO_2 emissions, please refer to 'Greenhouse gas emissions and climate change' risk on the next page.

Human Rights

Our approach to Human Rights is fully aligned with the UN Guiding Principles on Business and Human Rights and includes a strong commitment, due diligences, remediation measures and regular engagement with stakeholders at local and global levels. Our methodologies and standards are applicable in every country where the Group operates, with action plans to mitigate any issues that are identified in the entity's risk assessments. See more details on our human rights due diligence methodology on www.lafargeholcim.com/community.

This framework is complemented by a global Integrity Line, a whistle-blowing mechanism available on integrity.lafargeholcim.com, enabling all employees and their families, contractors, suppliers, business partners, community members and any other stakeholders to report concerns in 36 languages.

Issues raised are investigated and addressed through action plans and followed up by the Group, while upholding the responsibilities and accountabilities of operating companies in this regard.

The statement on modern slavery from our Group company in the UK can be found on: www.aggregate.com

Air emissions

All our cement sites have the responsibility to monitor and manage their air emissions in accordance with Group standards and local regulations. In 2020, we monitored dust, NOX and SO_2 emissions from 97% of the clinker we produced. 85% of clinker production is measured continuously, with the objective to increase to 92% in 2021.

The majority of LafargeHolcim plants operate within best practice emission ranges and some are among the best in the sector. Following significant investments and plant upgrades, dust emissions (g/ton of clinker) were reduced by 13.0% in 2020. To address other sources of dust, such as from dirt roads surrounding our plants, we have started a program to consistently reduce fugitive emissions in all our plants, to preserve the local environment and minimize the impacts on the neighboring communities. The program includes an accelerated review of investment needs. Pilot projects are ongoing and are already improving the situation in selected plants.

Key operational risks Continued

Risk

Greenhouse gas emissions and climate change

The cement industry is associated with high CO_2 intensity and LafargeHolcim 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 LafargeHolcim. 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

Based on TCFD recommendations, LafargeHolcim assesses in a systematic way all potential impacts of climate-related risks:

Transition risks

Policy and regulatory

In the wake of the COP21, climate policy frameworks have been evolving significantly across jurisdictions where LafargeHolcim is present. The likely effect of this growing number of frameworks will be to increase the cost of emitting CO_2 (and associated costs of fuels) and more stringent obligations relating to the products brought to market (carbon footprint of final products over their lifecycle).

In parallel, policy makers are paying increased attention to the necessity to create a level-playing field on carbon costs between domestic players and importers in order to maintain competitiveness and incentivise investments in low-carbon technologies and solutions.

In Europe, which is the most mature carbon market, the Phase IV of the European Trading System (ETS) comes into force in 2021, reducing CO_2 allowances. New regulations are also expected to arise in other markets, such as the US and Australia. In the US, as the new administration has pledged to cut emissions to align with a net-zero pathway and already set to rejoin the Paris Agreement, a carbon pricing system might be implemented, coupled with a border tax policy in order to protect local industry from cheaper imports from regions with lax climate policies.

Technology

The risk of the cost of technology being significantly higher than existing carbon pricing mechanisms could prevent LafargeHolcim from its successful implementation.

Market

As the carbon debate intensifies, cement and concrete could be challenged by our customers as the building material of first choice because of perceived high embodied CO_2. 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.

Reputation

The risk of being perceived as a large carbon emitter could reduce our attractiveness to stakeholders such as customers, investors, and employees.

Physical risks

Impact of climate change (such as flooding, changes in precipitation patterns or extreme variability in weather patterns) on our operations might lead to higher logistics and transportation costs and reduced production capacities (e.g., delayed planning approval, supply chain interruptions). Significant variations in river water levels (such as the Rhine in 2018 or the Mississippi in 2019) can cause supply chain interruptions and impact our shipping capabilities. In addition, our operations could be affected by chronic physical risks such as water scarcity due to global warming.

Our Response

Transition risks

LafargeHolcim has already reduced its net carbon scope one emissions per ton of cementitious material by 28% compared to 1990 and remains one of the best performers among international peers. In 2020, LafargeHolcim launched its Net-Zero Pledge, becoming the first global building materials company to sign the "Business Ambition for 1.5°C" pledge with intermediate targets for 2030 approved by the Science-Based Targets initiative (SBTi). In order to reflect the credibility of our 'Sustainability' commitments to investors, LafargeHolcim priced the first of its kind sustainability-linked bond in the building material industry back in November 2020.

In its 2030 goals, LafargeHolcim is further lowering its target for scope 1 CO_2 intensity in cement to 475kg net CO_2 per ton of cementitious material (net CO_2/t cem), and will reduce its scope 2 emissions by 65% per ton of cementitious material from a 2018 base year.

In addition to this pledge to reduce scope 1 and scope 2 emissions, LafargeHolcim will expand its actions across its value chain to include scope 3 emissions, reducing its transportation and fuel-related emissions by 20%.

To achieve the 2030 goals, LafargeHolcim is maximizing the deployment of existing technologies and processes, such as: reduced clinker content, increased use of waste-derived fuels and alternative raw materials, waste heat recovery, renewable energy portfolio.

In Europe, LafargeHolcim is making investments up to CHF 160m and working on more than 80 projects across 19 countries with a focus on low-carbon fuels, recycled materials and carbon-efficient solutions, reducing annual CO_2 emissions by a further 15% representing 3 million tons by 2022. LafargeHolcim has also announced it will be investing CHF 100m in waste heat recovery across six sites in India to reduce 0.5 million tons of CO_2 emissions per year. The company is also actively partnering with power producers worldwide to install renewable energy facilities across its sites and increase its share of renewable energy from the grid.

In the longer term (beyond 2030), the Group is considering innovation, research and development into breakthrough technologies such as carbon capture usage and storage (CCUS). Our approach is to leverage early benefits by piloting projects in Europe and North America. Over the next 10 years we will explore CCUS technologies to reach the scalable and cost effective solutions to support our net zero ambition. Our 2030 target does not depend on CCUS.

Please refer to www.lafargeholcim.com/our-net-zero-roadmap for more details on our net zero roadmap and key actions to reduce CO_2 emissions.

In addition, LafargeHolcim engages proactively and transparently with external stakeholders on the basis of positions that are aligned and consistent with the goals of the Paris Agreement. Some of the short / long-term policy priorities that we have identified as the cornerstone of the net-zero transition are the following:

- Effective carbon pricing mechanisms
  - Supporting carbon border adjustment mechanisms;
  - Supporting carbon prices to sustain investments in low-carbon technologies;
  - Developing carbon pricing mechanisms that encompass both carbon emissions and carbon consumption.
- Market demand for low-carbon products and solutions
  - Integrating carbon performance in public procurement;
  - Building standards and construction codes on the basis of material or technology neutrality and lifecycle performance.
- Carbon Capture technologies
  - Providing continued short-term support for the development and scaling-up of advanced technologies;
  - Supporting the recognition of CCUS as a carbon mitigation avenue for hard-to-abate sectors.
- Access to competitive non-fossil energy
  - Facilitating the co-processing of waste;
  - Ensuring access to abundant and competitively priced renewable energy.

Key operational risks Continued

Risk	Potential Impact	Our Response
Greenhouse gas emissions and climate change Continued Strategic pillars impacted:		**Physical risks** LafargeHolcim has introduced a risk-based Security and Resilience Management System (SRMS) to plan for, respond 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 river water levels, our logistics departments have developed response plans which involve a change in product sourcing from our network of plants, additional storage options for inventory and an adaptation of the transport used. This allows LafargeHolcim to better anticipate the impact of physical risks, overcome the business interruptions and ensure the delivery of our services to our customers. Our response to water scarcity risk is based on our initiatives embedded in the Water Stewardship Program. See more details under "Sustainability 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:	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. In connection with disposals made in the past years, the Group provided customary warranties. LafargeHolcim and its subsidiaries may receive claims arising from these warranties.	The Group maintains a comprehensive risk-based compliance program which aligns with the legal requirements expressed through national legislation such as the US FCPA, 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** is the starting point for identifying compliance risk in the business. It applies both at a program 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. ▪ **Controls**, which are the policies, directives, instructions, workflows and internal control elements that are 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. ▪ **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**, which establishes 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:		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**: as in previous years, the program focused 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 (trainings, instructions) have been implemented to address four risks 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) were updated 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. 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 risk 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:	Increase in energy prices could adversely impact our financial performance, since the increase may not be passed on (fully or partially) in the sales price of our products. Long term impacts of the COVID-19 crisis could lead to less crude oil and petcoke production, which may lead to shortages and higher prices. Moreover, 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.	Optimizing fuel mix and energy efficiency, as well as the use of alternative fuels, is a key area of focus at all our plants. At Group level, we use derivative instruments to hedge part of our exposure and avoid volatility. Derivative instruments are generally limited to swaps and standard options. 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.
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 locations where the supply of raw materials is at risk (due to own reserve depletion, permitting issues, poor quality, lack of suppliers and scarcity of certain raw materials resulting in increased costs), we apply a range of tactics including monitoring of permitting process, strategic sourcing, 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.

Key operational risks Continued

Risk	Potential Impact	Our Response
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 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 and circular economy.	Our approach is to meet customer needs along the whole construction value chain by developing and delivering products, solutions and technologies and by partnering with customers, suppliers and start-ups. LafargeHolcim has an important range of products and brands which can be considered as sustainable low carbon products and solutions. The Group is continuously developing and introducing new products with lower CO_2 emissions, realizing opportunities of circular economy and related sustainability performance of products and solutions. More than 55% of the time spent by our researchers in our Innovation Center in Lyon, France is dedicated to low-carbon products, with more than 40% of our patents currently in this area. From our sustainable cement Susteno to the ECOPact line of green concretes, LafargeHolcim offers global solutions with cutting-edge materials and innovation. Beyond the 2030 targets, LafargeHolcim is exploring the potential of breakthrough technologies, such as carbon capture utilization and storage (CCUS). The Group is preparing for the future today by piloting more than twenty CCUS projects in Europe and North America. Working with other multinationals as well as start-ups, the pilots are evaluated in terms of cost, technical feasibility, compatibility with CO_2 usage opportunities, and other aspects of viability and scalability. 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.
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:	Injury, illness or fatality, reputational damage and the possibility of business interruption, which could impact 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. H&S experts are employed in each country where we operate to support the implementation of the LafargeHolcim H&S standards (please see page 50 for more details). The Group H&S team conducts regular audits to ensure the full deployment of our H&S policy and internal standards in all LafargeHolcim 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 80 for more details). Since early January 2020, when the first reports of epidemic disease in Hubei were emerging, a Group level team has been in place to orchestrate the global response. The Health stream of our HEALTH, COST & CASH action plan has been built on a cross-functional Business Resilience methodology, followed at all levels (corporate, countries, sites). Its implementation has been placed under the country CEO's accountability, with constant monitoring and reporting to the Executive Committee and Board by the central Health Stream team. Continued operations during the pandemic have been coupled with a strong set of measures aiming to protect all persons in direct contact with operating units (plant/office) or unit personnel, including contractors, suppliers, and visitors. The Group has a comprehensive program for managing the health and safety risks based on local assessment, planning, and preparation. The main components are: ▪ Access control and entrant screening enhancing hygiene measures, PPE requirements and COVID-19 biosecurity measures, ▪ Work planning, ▪ Training, ▪ Communication and Awareness, ▪ Community support, ▪ Monitoring and Review, ▪ Infection Incident Management and Response. The company is constantly monitoring and adapting its approach for each country, carefully following developments of COVID-19 pandemic as well as the instructions of local health authorities.

Key operational risks Continued

Risk	Potential Impact	Our Response
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 computer malware, cyber attacks, network outages, natural disasters or human mistakes. Strategic pillars impacted:	An information or cybersecurity event could lead to financial loss, reputational damage, safety or environmental impact. In the context of the COVID-19 crisis, modified business processes and alternative working locations, together with the natural human reactions of fear and uncertainty, have exposed a range of technical and human centered vulnerabilities increasing the risk of loss both from targeted cyber attacks/data fraud and from operational errors. The onset of the crisis has been accompanied by a marked and sustained increase in the volume of cyber attacks – particularly phishing attacks linked to COVID-19-related themes – and requiring constant vigilance and awareness throughout the organization.	To prevent major risks related to critical IT infrastructure or applications either operated by the Group or its service providers, LafargeHolcim 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 redundant data centers per region, redundant layout of critical IT systems, backup recovery procedures, computer malware and access protection as well as 24/7 operations in a Security Operations Center (SOC) to detect unusual traffic in our networks. Our personnel are constantly trained to detect and mitigate cyber risks and counter attacks like ransomware. A targeted IT Security awareness e-learning course was rapidly launched in 2020 in response to an increase in COVID-19 themed phishing attacks. Due to the fact that the risk landscape is constantly evolving, the Group's IT risk register is regularly assessed and updated. Additionally, the measures to prevent new risks and impacts from occurring are permanently improved and updated as well as regularly audited and controlled by the Internal Audit and Internal Control departments.
Joint ventures and associates The Group does not always have a controlling interest in joint ventures and 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 manage joint ventures and associates effectively and/or realize the strategic goals for these businesses. In addition this might hamper the ability of LafargeHolcim to implement organization 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.	In subsidiaries where we have joint control we seek to govern our relationships with formal agreements to implement LafargeHolcim controls and programs. In these joint venture arrangements, the Group has traditionally appointed LafargeHolcim personnel to facilitate integration, best practice transfer and drive performance. In addition, the Group Legal & Compliance function performed a comprehensive risk assessment covering all joint ventures and associates in which LafargeHolcim does not have a controlling interest in order to identify any potential deviations from the Group's compliance program. Mitigation actions were identified and implementation is ongoing.
Talent management The risk that the company does not have a sufficiently robust talent pipeline. Strategic pillars impacted:	Without the right people, LafargeHolcim will be unable to deliver its growth ambition.	We have a global talent review and succession planning process to evaluate current and future talents. We invest significantly in developing both functional and management skills. Core human resources processes, like performance management, leadership development, reward & recognition and talent management are implemented in all LafargeHolcim countries and corporate functions. Under the Employer Branding initiative launched in 2020, the Group promotes its attractiveness to new talents and the engagement of our current employees through a strong and clarified communication. 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. (for more information, see People on page 48).

Key financial risks

Risk	Potential Impact	Our Response
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.	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.	Individual companies 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) by organizing additional bank loans or issuing bonds. In addition, the strong creditworthiness of the Group allows it to access international financial markets. Please refer to Note 14.6 of the Consolidated Financial Statements page 220 for details on the contractual maturity analysis and LafargeHolcim 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. 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 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. Please refer to Note 14.6 of the Consolidated Financial Statements (Financial risks associated with operating activities, page 220) for additional details.
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 instability 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 domestic 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 percent. 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 managing its funding needs in an autonomous way. As of 31 December 2020, Argentina, Lebanon and Zimbabwe are considered as hyperinflationary countries.

Key financial risks Continued

Risk	Potential Impact	Our Response
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, LafargeHolcim 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 220) for additional details. In the context of the COVID-19 crisis and the anticipation of a prolonged recession of the economy, 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, were or are being implemented.
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.

Key financial risks Continued

Risk	Potential Impact	Our Response
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 and duties or 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.	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 LafargeHolcim Group Tax Policy and the Transfer Pricing Directive provide the binding rules for all countries where we operate, in line with the Organisation for Economic Cooperation and Development (OECD) and local arm's-length standards. 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.

INTERNAL CONTROL

As part of Strategy 2022 – Building for Growth, LafargeHolcim's Internal Control framework defines mandatory 'Minimum Control Standards' to clarify and reinforce the responsibility of businesses in the countries. Every country and business in our organization must follow these standards; there is clear guidance and consequence management if they are not met completely.

These standards encompass controls on Governance and Compliance, Accounting and Consolidation, Tax, Treasury, Fixed Assets, Inventory, Revenue, Expenditure, Human Resources, IT and Sustainability. They are managed and checked by our Internal Control team with control owners in all our businesses across the globe. Our local CEOs and CFOs certify through signed letters to the Group that the Minimum Control Standards are in place and operating effectively. Our Internal Control process is in accordance with the Swiss Code of Obligations and Swiss Code of Best Practices for Corporate Governance.

LafargeHolcim 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. Each LafargeHolcim 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

LafargeHolcim 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 the mandatory compliance within the Group and the main reference for LafargeHolcim Corporate Governance Framework.

The following key documents are part of the Minimum Control Standards and supports the internal control environment:

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

Risk identification and analysis

The approach implemented by the Group relating to identification and analysis of risks is described on page 98.

LH Group has developed a quick response to the COVID-19 crisis by defining critical controls related to cash & cost and notifying stringent implementation worldwide. Proper execution of these critical controls over cash & cost was verified throughout the year by Internal Audit.

Mandatory Minimum Control Standards

Our mandatory 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 forex, 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 provision 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 mandatory minimum internal control standards. This work is 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.

Risk and Control Continued

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 mandatory 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.

Minimum Control Standards that every country and business in our organization must follow

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 mandatory minimum control standards needs to be documented, mitigated and approved by the Group.

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 definition of 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 mandatory minimum controls. 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. 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 83.

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 LafargeHolcim share ownership over time.

The Compensation Report provides detailed information on compensation programs at LafargeHolcim, on the compensation awarded to the members of the Board of Directors and the Executive Committee in 2020 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.

Compensation Report

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

Dear shareholders,

I am pleased to share with you the LafargeHolcim Compensation Report for the financial year 2020, which was prepared in accordance with applicable laws, rules and regulations. As the leading global construction materials and solutions company, 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 our shareholders.

We will explain in this report how our performance in 2020 impacted the compensation awarded to the members of the Executive Committee under the incentive plans.

As announced in the 2019 Compensation Report, the following changes to the compensation plans applicable to the Executive Committee were implemented in 2020:

- The Health & Safety objective used in the performance assessment of the annual incentive 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).
- The long-term incentive now includes a sustainability objective applicable to the performance shares. This objective is based on three pillars of the company's sustainability strategy: climate and energy (reduction of CO_2 emissions), circular economy (re-use of waste derived resources), and environment (reduction of freshwater withdrawal). This sustainability objective is in line with our commitment to build a net zero future with science-based targets.

2020 was a particular year heavily impacted by the COVID-19 pandemic. In order to mitigate the effect of the pandemic on the company and its stakeholders, the action plan "HEALTH, COST & CASH" was implemented at the end of March 2020 in all countries. Our first priority was to safeguard the health of our employees, customers, suppliers and communities in general. 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. In order to reflect those efforts in the performance measurement of the Executive Committee, the weighting of the financial targets in the annual incentive was adjusted to reflect the equal importance of the cost and cash initiatives: Recurring EBIT and Free Cash Flow after leases are now both equally weighted at 35%.

When determining the compensation payouts for the Executive Committee, the NCGC reflected on the impact of the COVID-19 pandemic on the company and its stakeholders. Despite the severe repercussions of the pandemic on the company's operations, we were able to protect the health of our employees and communities, to safeguard jobs and only applied for short-time work in a few locations for a limited time frame, where it was absolutely necessary to close down the operations. Further, we delivered strong financial results by exceeding the targets of the action plan "HEALTH, COST & CASH" and maintained our dividend payment policy towards our shareholders. These considerations were taken into account to determine whether the NCGC would use discretion in the determination of the incentive payout outcomes. The NCGC concluded that it was not necessary or appropriate to apply any discretionary adjustments.

Otherwise, 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 this Compensation Report and of the say-on-pay vote at the Annual

Oscar Fanjul
Chairman of the NCGC

General Meeting. 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 2021.

We are convinced that the compensation framework supports our commitment to creating both financial and non-financial value over the long term and that it 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 dialog 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.

Oscar Fanjul
Chairman of the Nomination, Compensation and Governance Committee (NCGC)

Compensation at a glance

Summary of compensation of the Board of Directors in 2020

To ensure 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)	Chairman (CHF)	Member (CHF)
Board chairman[1]	825,000	825,000	70,000[2]	AC	160,000	40,000
Board vice-chairman[1]	200,000	200,000	10,000	NCGC	0[3]	40,000
Board member	100,000	100,000	10,000	HSSC	125,000	40,000

[1] The Board chairman and vice-chairman are not eligible for committee fees.
[2] Includes a secretarial allowance of CHF 60,000 p.a.
[3] The committee chairman fee of CHF 125,000 is not paid out considering that this function is currently held by the Board vice-chairman who is not eligible for committee fees.

Summary of compensation of the Executive Committee in 2020

The executive compensation framework is designed to reinforce the LafargeHolcim strategy by helping the company attract, motivate and retain talent while aligning their interests with those of the shareholders. 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 short-term (STI) and the long-term (LTI) incentive 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	Executive Committee
Base salary	Reward for the role		
Pension and benefits	Protect against risks, attract and retain		
Annual incentive	Reward annual performance ▪ Group relative Sales growth (15%) ▪ Group relative Recurring EBIT growth (15%) ▪ Recurring EBIT (20%) ▪ Free Cash Flow after leases (35%) ▪ Health & Safety (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 in 2020

The compensation awarded to the Board of Directors in financial year 2020 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 2021 Annual Report.

Compensation period	Approved amount (CHF)	Effective amount (CHF)
AGM 2019 – AGM 2020	5,100,000	4’713’852
AGM 2020 – AGM 2021	5,400,000	To be determined [1]

[1] The compensation period is not yet completed; a definitive assessment will be provided in the Compensation Report 2021

Compensation of the Executive Committee for 2020

The compensation awarded to the Executive Committee in financial year 2020 is within the limits approved by the shareholders at the Annual General Meeting 2019.

Compensation period	Approved amount (CHF)	Effective amount (CHF)
Financial year 2020	40,000,000	30,484,787

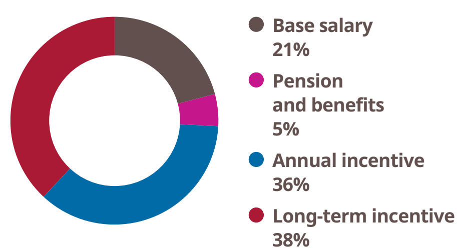
Summary of performance in 2020

In 2020 LafargeHolcim reached a new level of financial performance, returning to growth in Q4 with a 1.5% increase in net sales and over-proportional Recurring EBIT of 14.1%. The company delivered a record free cash flow of CHF 3.2 billion and reduced its net debt by CHF 1.6 billion to emerge stronger from the crisis. Staying focused on its growth agenda, LafargeHolcim completed eight bolt-ons in 2020 and agreed in January 2021 to acquire Firestone Building Products, the iconic leader in flat-roofing systems in the US. In this context, the NCGC concluded that it was not necessary or appropriate to apply any discretionary adjustments in the determination of the incentive payout outcomes.

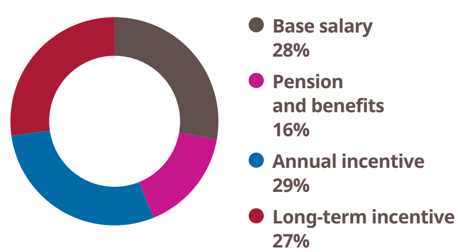
- Annual incentive 2020: payout of 136% of target on average for the Executive Committee.
- Long-term incentive 2017: the vesting level for the performance shares granted in 2017 was 92.5%.
- Long-term incentive 2018: the vesting level for the performance shares granted in 2018 was 98.3%.

Compensation awarded for 2020

CEO



Other EC



Compensation governance

- Authority for decisions related to compensation are governed by the Articles of Incorporation and the Organizational Regulations of LafargeHolcim 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 LafargeHolcim's employee benefits plan. Part of the compensation is paid in blocked shares in order to strengthen the alignment with shareholders' interests.

Board compensation consists of an annual retainer for the Board chairman, Board vice-chairman and Board members plus additional fees for assignments to the committees of the Board of Directors either as chairman or member. The Board chairman and vice-chairman 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 chairman 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 chairman. 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.

2021 onwards

A benchmarking analysis of the compensation of the Board of Directors was conducted 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 chairman functions are above market median, while they are below market for the Board and committee members without chairman 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 chairmen, the NCGC decided not to make any change to the compensation system. The compensation system remains unchanged for 2021 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 chairman[1]	825,000	825,000	10,000	60,000
Board vice-chairman[1]	200,000	200,000	10,000	
Board member	100,000	100,000	10,000	

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

[1] The Board chairman and vice-chairman are not eligible for committee fees.
[2] Converted into shares based on the average share price between 1 January 2021 and 15 February 2021.

Compensation system: Executive Committee

Compensation principles

Executive compensation is designed to reinforce the LafargeHolcim strategy by helping the company 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 performance objectives.
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 LafargeHolcim share ownership over time.
Market competitiveness	Compensation is competitive with other companies against which LafargeHolcim 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 incentives

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	Variable amount paid half in cash and half in shares blocked for 3 years	Annual financial and non-financial performance	– Relative sales growth – Relative Recurring EBIT growth – Recurring EBIT – Free Cash Flow after leases – Health & Safety
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 LafargeHolcim's defined benefit pension scheme applicable to Swiss-based senior management, which is set up to achieve, for executives retiring from LafargeHolcim 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 LafargeHolcim 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 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 revenue growth and Group Recurring EBIT growth compared to peer companies. 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 that are thus exposed to similar market cycles. The companies of the peer group are listed below (unchanged from the previous year). The measurement of the relative Group performance is provided by Obermatt, an independent Swiss financial research firm focused on indexing company performance.

In March 2020, the action plan "HEALTH, COST & CASH" was implemented in order to mitigate the effect of the COVID-19 pandemic on the company. The first priority of the company was to safeguard the health and safety of its employees, customers, suppliers and communities. Secondly, the focus was set equally between preserving the cash position of the company and reduce cost. In this context, the NCGC decided that, as cash and costs measures were both equally important to the company, they should be equally weighted in the measurement of the performance in the annual incentive. Therefore, the weights of the Recurring EBIT and Free Cash Flow after leases measures have been adjusted, 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. 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, have not been adjusted.

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

Performance objective	Weighting in 2019	Weighting as of 2020	
Group Relative Sales growth	15%	15%	
Group Relative Recurring EBIT growth	15%	15%	**35%**
Recurring EBIT	30% →	20%	
Free Cash Flow after leases	25% →	**35%**	
H&S Scorecard	15%	15%	

As of 2020, the achievement of the Health & Safety objective is measured as a scorecard including both leading and lagging performance objectives and based on three equally weighted elements.

- Health & Safety Improvement Plan (HSIP): 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, 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 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.

The NCGC also considers the overall related outcomes during the year, including fatalities and their causes, when determining the achievement level of this objective and may exercise downwards discretion.

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 122.

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).

2021 onwards

The design of the annual incentive remains unchanged for 2021. The equal weighting between Recurring EBIT (relative and absolute) and Free Cash Flow after leases will continue to apply, in line with the HEALTH, COST & CASH action plan.

H&S scorecard

Overall H&S Continuous Improvement Score (CIS)

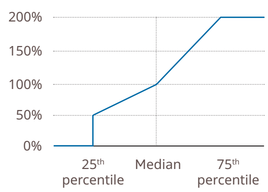
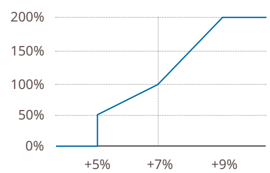
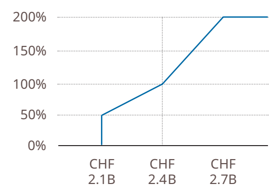
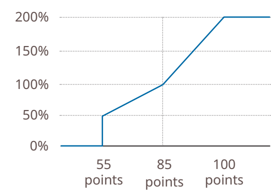
CIS = average (HSIP score + CRE score + LTIFR score) between 0 and 100

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

Health & Safety Improvement Plan (HSIP)
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 ▪ Fatality elimination role HSIP score based on percentage completion of strategic objectives (score of 85 if all objectives are achieved)
Critical Rist Elimination (CRE)
At country level: Group H&S audit and Process Safety Management (PSM) inspection CRE score based on action closure (score of 100% if action closure of audit + PSM findings complete 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

Design of the annual incentive 2020

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 (Sales and Recurring EBIT growth)	Recurring EBIT growth (Group or region)*	Free Cash Flow after leases (Group or region)*	Health & Safety (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 and safety indicators to ensure a safe workplace
Definition	Relative Group revenue growth (50%) and relative Group Recurring EBIT growth (50%) expressed as percentile ranking in the peer group of companies	Operating profit before impairment of operating assets and before restructuring, litigation, implementation and other non-recurring costs, at budget 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 three elements: the Health & Safety Improvement Plan (HSIP), Critical Risk Elimination (CRE) and Lost-Time Injury Frequency Rate (LTIFR)
Weighting	30%	20% (previously 30%)	35% (previously 25%)	15%
Payout formula (threshold, target and stretch 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 the 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 was first introduced in 2020 encompasses three pillars of the company's sustainability strategy in line with LafargeHolcim's commitment to build a zero net future with science-based targets (see also box on the right):

- Climate and energy: reduction of CO_2 emissions per ton of cement produced (50% weight);
- Circular economy: quantity of re-used waste derived resources (25% weight);
- Environment: reduction of freshwater withdrawal per ton of cement 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

In 2020, performance options are subject to a five-year vesting period based on LafargeHolcim'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 120.

Once vested, the LTI awards (performance shares and performance options) are not subject to 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 M&A 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 prorated 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

LafargeHolcim's commitment to a net zero pledge with science-based targets include ambitious targets related to climate, waste and water consumption. LafargeHolcim 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 validated Science-Based CO_2 targets.

For more details on the net zero pledge and the SBTi targets, please refer to pages 56-59.

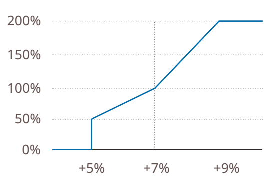
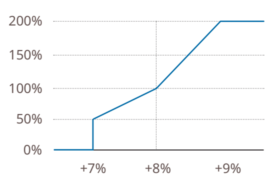
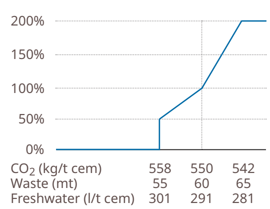
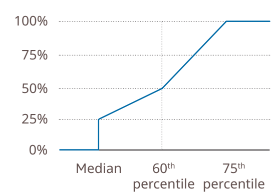
2021 onwards

The design of the LTI remains unchanged for 2021.

Compensation Report Continued

Design of the long-term incentive

Role	CEO	Other Executive Committee members
Grant size in 2020	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 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 2022, adjusted for changes in scope between 2020 and 2022	Climate and energy: CO_2 emission measured in kg CO_2/t cem (50% weight); circular economy: quantity of waste re-used in million tons (25% weight); environment: freshwater withdrawn in liters freshwater/t cem (25% weight)	LafargeHolcim's TSR over the five-year performance period, starting on January 1st, 2020, and ending on December 31st, 2024 expressed as a percentile ranking in a peer group of companies
Weighting	33⅓% of performance share grant	33⅓% of performance share grant	33⅓% of performance share grant	100% of performance option grant
Performance period	2020–2022	2022	2022	2020–2024
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 LafargeHolcim shares as set out below:

- CEO: 500% of annual base salary
- 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.

Employment contracts for the Executive Committee

The contracts of employment of the Executive Committee members are concluded for an indefinite period of time 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 2020

The tables on page 126 and 127 were audited according to Article 17 of the Ordinance against Excessive Compensation in Listed Stock Corporations.

↘
C: Committee chairman
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	Number	Value CHF	Other[5] CHF	Subtotal CHF	Social Security[6] CHF	**2020 Total CHF**	2019 Total CHF
Beat Hess, Chairman				825,000	16,395	825,000	70,000	1,720,000		**1,720,000**	1,720,000
Oscar Fanjul		C		200,000	3,975	200,000	10,000	410,000		**410,000**	410,000
Philippe Block[1,7]			M	89,667	1,159	58,333	5,833	153,833	4,501	**158,334**	0
Paul Desmarais, Jr.[2]				58,333	828	41,667	4,167	104,167		**104,167**	250,000
Kim Fausing[1]	M			81,667	1,159	58,333	5,833	145,833	4,501	**150,334**	0
Colin Hall[4]		M		140,000	1,987	100,000	10,000	250,000		**250,000**	145,833
Patrick Kron	C		M	300,000	1,987	100,000	10,000	410,000		**410,000**	410,000
Naina Lal Kidwai[4]			M	140,000	1,987	100,000	10,000	250,000		**250,000**	145,833
Gérard Lamarche[3]				0	0	0	0	0		**0**	104,167
Adrian Loader		M	C	265,000	1,987	100,000	10,000	375,000		**375,000**	375,000
Jürg Oleas	M			140,000	1,987	100,000	10,000	250,000	4,501	**254,501**	254,336
Nassef Sawiris[3]				0	0	0	0	0		**0**	104,167
Claudia Sender Ramirez[4]		M		123,333	1,987	100,000	10,000	233,333		**233,333**	122,499
Hanne B. Sørensen	M	M		180,000	1,987	100,000	10,000	290,000		**290,000**	290,000
Dieter Spälti	M		M	180,000	1,987	100,000	10,000	290,000	4,501	**294,501**	294,336
Total[8]				2,723,000	39,412	1,983,333	175,833	4,882,166	18,004	**4,900,170**	4,626,171

1 Board-Member since May 12, 2020
2 Board-Member until May 12, 2020
3 Board-Member until May 15, 2019
4 Board-Member since May 15, 2019
5 Expense allowances and secretarial allowance for the Board chairman.
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 90,528 are excluded).
7 Includes CHF 8,000 as compensation for participation in the LafargeHolcim Foundation for Sustainable Construction.
8 All amounts are disclosed gross.

Explanations

In 2020, thirteen non-executive members of the Board of Directors received in total compensation of CHF 4.9 million (2019: CHF 4.6 million) of which CHF 2.7 million was paid in cash (2019: CHF 2.6 million), CHF 0.02 million in the form of social security contributions (2019: CHF 0.01 million), and CHF 2.0 million in shares (2019: CHF 1.9 million). Other compensation paid totaled CHF 0.2 million (2019: CHF 0.2 million).

The compensation of the Board of Directors increased by 6% compared to previous year, which is due to changes in the composition of the Board of Directors. The compensation structure and level remained unchanged from previous year.

At the Annual General Meeting 2019, shareholders approved a maximum aggregate amount of compensation of CHF 5,100,000 for the Board of Directors for the term until the Annual General Meeting 2020. The compensation paid to the Board of Directors for this term was CHF 4,713,852 and is therefore within the approved limits.

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 is anticipated to be approximately CHF 5.0 million. The final amount will be disclosed in the 2021 Annual Report.

Executive Committee

				Performance shares[2]	Performance options[3]			
Executive	Base salary CHF	Other fixed pay[1] CHF	Annual incentive CHF	Fair value at grant CHF	Fair value at grant CHF	Social/ pension contributions[4] CHF	**Total 2020 CHF**	Total 2019 CHF
Jan Jenisch 01.01.2020 bis 31.12.2020	1,700,000	26,000	2,890,000	2,082,637	890,001	353,915	**7,942,553**	8,633,958
other members 01.01.2020 bis 31.12.2020	6,350,847	916,824	6,469,176	4,365,574	1,673,529	2,766,284	**22,542,234**	21,453,994
Total[5]	8,050,847	942,824	9,359,176	6,448,211	2,563,530	3,120,199	**30,484,787**	30,087,952

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 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.
5 All amounts are disclosed gross.

Explanations

The total annual compensation for the ten members of the Executive Committee in 2020 amounted to CHF 30.5 million (2019: CHF 30.1 million). This amount comprises base salaries, other fixed pay and annual incentive of CHF 18.4 million (2019: CHF 18.9 million), share-based compensation of CHF 9.0 million (2019: CHF 8.4 million), employer contributions to social security and pension plans of CHF 3.1 million (2019: CHF 2.9 million).

The compensation changes in 2020 compared to 2019 are mainly caused by the following factors:

- The composition of the Executive Committee has changed with 10 members on a full-year basis in 2020 compared to 10 members, of which 9 on a full-year basis, in 2019.
- The base salary of one Executive Committee member was increased between 2019 and 2020 to align to market practice. 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, which have not been changed in 2020, the target STI and LTI as a monetary amount increased for the said member who received a salary increase and remained unchanged for all other members.
- Performance in 2020 was strongly impacted by the COVID-19 pandemic. As a result, the performance achievement under the annual incentive was lower in 2020 than in 2019. Further details are provided on the next page.

The compensation awarded to the Executive Committee members for 2020 in the amount of 30,484,787 is within the total maximal amount of compensation for the Executive Committee for the financial year 2020 of CHF 40,000,000 approved at the Annual General Meeting 2019.

Performance in 2020

2020 was a particular year severely impacted by the COVID-19 pandemic. Our primary focus was to safeguard the health of our employees, customers, suppliers and communities. Secondly, we focused on preserving our cash flow through strict discipline in capital expenditure and net working capital management. In line with those efforts, the weighting of the financial targets in the annual incentive was amended to reflect the equal importance of preserving our cash flow and reducing cost, as described in the section "Annual Incentive" on page 120.

After year-end, the NCGC assessed the company performance based on the targets set at the beginning of the year, prior to the outbreak of the COVID-19 pandemic. Those performance targets and the payout corridors (threshold and stretch) have not been adjusted. The assessment showed that despite the repercussions of the pandemic on the results of the company, the payout outcome was reflective of the company performance.

In order to assess whether this result was appropriate and to decide whether it was necessary to apply discretion in determining the final payouts, the NCGC also reviewed in detail the impact of the pandemic on LafargeHolcim's stakeholders. The results of this analysis are summarized in the box on the right. On this basis, the NCGC concluded that it was not necessary or appropriate to use any discretion.

Consequently, the annual incentive amounted to 136% of target for the CEO (170% of salary) and 136% on average for the other members of the Executive Committee (102% of salary). The ratio of variable versus fixed compensation amounted to 282% for the CEO and to 125% on average for the other members of the Executive Committee.

Impact of the COVID-19 pandemic on key stakeholders and link to performance assessment of the Executive Committee

Since the outbreak of the COVID-19 pandemic in January 2020 all necessary measures were taken to protect the health of the employees, customers, suppliers and other stakeholders. In March 2020, the "HEALTH, COST & CASH" action plan was implemented in all countries to also mitigate the financial impact of the crisis on the company and its stakeholders:

- Employees: LafargeHolcim made all efforts to protect its employees in terms of employment and health. Through its Business Resilience teams, measures were put in place early to ensure continued employment and to guarantee a safe work environment. Layoffs were avoided and government subsidies for short-time work were implemented to a very limited extent, only where it was absolutely necessary to close down the operations;
- Shareholders: at the 2020 Annual General Meeting, LafargeHolcim was able to maintain a full dividend payment in line with the dividend payment policy, the dividend payment policy will be maintained in 2021 as well;
- Customers and suppliers: clear rules to protect the health of customers and suppliers were successfully implemented and LafargeHolcim was able to support its customers so that their essential work could continue;
- Communities: specific projects to support and safeguard the health of the communities in the markets where the company operates were implemented.

In light of these achievements, the NCGC concluded that the annual incentive payout due to the Executive Committee members was justified and that it was not appropriate to apply any discretionary adjustments (upwards or downwards).

Further information on LafargeHolcim stakeholders can be found beginning on page 26.

Payout of the annual incentive in 2020

Performance objectives	Results	Payout Percentage (Threshold / Target / Stretch)
Relative Group performance (30%)[1]	With a Net Sales growth of -8.7% (adjusted basis), LafargeHolcim achieved the 63rd percentile in the peer group (152% payout). With a Recurring EBIT growth of -0.9% (adjusted basis), LafargeHolcim achieved the 51st percentile in the peer group (104% payout).	Net Sales growth Recurring EBIT growth
Recurring EBIT (20%) (Group or regional)	The 2020 Group Recurring EBIT growth like-for-like was –1.9% compared to a target of 7%, which corresponds to a payout factor of 0%. The regional EBIT performance was mixed with three regions below the threshold (0% payout), one region slightly above threshold and one region exceeding the target (200% payout).	Group Recurring EBIT Regional Recurring EBIT
Free Cash Flow after leases (35%) (Group or regional)	The Group Free Cash Flow after leases was CHF 3.25 billion compared to a target of CHF 2.40 billion, which corresponds to a payout factor of 200%. The Free Cash Flow after leases performance of all regions exceeded the target (169% payout on average).	Group FCF after leases Regional FCF after leases
Health & Safety (15%) (Group or regional)	At Group level, the Group H&S score reached 97.6 points, with a Health & Safety Improvement Plan (HSIP) score of 95.3 points, a Critical Risk Elimination (CRE) of 97.6 points and a Lost-Time Injury Frequency Rate (LTIFR) score of 100 points, resulting in a payout of 184%. All regional H&S scores were well above target (187% payout on average).	Group H&S score Regional H&S score
Total		**Overall payout of 136% for the CEO and of 136% on average for the other Executive Committee members**

[1] 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 2021 based on the annual report publications of the peer companies.

The LafargeHolcim LTI plan granted in July 2017 vested in July 2020. It included performance shares subject to a vesting conditional upon EPS before impairment and divestments pre-IFRS 16, ROIC pre-IFRS 16 and relative TSR. The vesting of this grant applies to five current Executive Committee members and is illustrated in the first table below.

Performance shares granted in 2018 under the LafargeHolcim LTI plan will vest in March 2021 conditional upon EPS before impairment and divestments and ROIC, both measured over the year 2020. 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 six 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.

Based on the considerations described above in the context of the COVID-19 pandemic, the NCGC discussed and concluded that it was not justified or necessary to either amend the performance targets set at the time of the grant, nor to apply any discretion (downwards of upwards) on the vesting level of those plans.

Vesting of the long-term incentive in 2020: performance shares granted under the long-term incentive in 2017

Grant	Performance objectives	Definition	Result and payout	Payout calculation
2017 Performance shares	**EPS pre-IFRS 16 (30%)**	Earnings per share adjusted for after tax impairment and gains and losses on divestments in 2019	EPS pre-IFRS 16 of CHF 3.40 leads to a 151.6% payout	30% * 151.6%
	ROIC pre-IFRS 16 (40%)	Return on invested capital measured as net operating profit after tax divided by the average invested capital in 2019	ROIC pre-IFRS 16 of 7.6% leads to a 80.0% payout	40% * 80.0%
	Relative TSR (30%)	Percentile-ranking of LafargeHolcim's TSR vs TSR of a peer group of 17 similar sector companies from around the world (ACS, Bouygues, Buzzi Unicem, Cemex, CRH, HeidelbergCement, James Hardie Industries, Kingspan, Martin Marietta Materials, Mitsubishi Materials, NCC, Saint-Gobain, Sika, Skanska, Vicat, Vinci and Vulcan Materials) over the period from 25 July 2017 to 24 July 2020	Relative TSR at 50th percentile leads to a 50% payout	30% * 50.0%
	Total			**= overall vesting of 92.5%**

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 (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%**

Loans granted to members of governing bodies

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 (2019: CHF 0.1 million). This loan had been granted before the nomination to the Executive Committee. There were no loans to other 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 2020.

Compensation for former members of governing bodies

During 2020, no payments were made to former members of the Executive Committee. This compares to a total amount of CHF 4.0 million for six former members in 2019.

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

Share ownership information

Board of Directors

On 31 December 2020, members of the Board of Directors held a total of 247,112 registered shares in LafargeHolcim 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 LafargeHolcim 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 December 31, 2020**	Shares held as of December 31, 2019
Beat Hess	Chairman	**84,115**	57,205
Oscar Fanjul	Vice-Chairman	**19,612**	15,707
Philippe Block	Member (since May 12, 2020)	**0**	n/a
Paul Desmarais Jr	Member (until May 12, 2020)	**n/a**	44,469
Kim Fausing	Member (since May 12, 2020)	**0**	n/a
Colin Hall	Member (since May 15, 2019)	**1,139**	0
Patrick Kron	Member	**5,298**	3,345
Naina Lal Kidwai	Member (since May 15, 2019)	**1,139**	0
Adrian Loader	Member	**23,540**	21,587
Jürg Oleas	Member	**9,607**	7,654
Claudia Sender Ramirez	Member (since May 15, 2019)	**1,139**	0
Hanne B. Sørensen	Member	**13,137**	11,184
Dieter Spälti	Member	**88,386**	77,946
Total		**247,112**	239,097

Ownership of shares and options: Executive Committee

As of 31 December 2020, members of the Executive Committee held a total of 593,130 registered shares in LafargeHolcim Ltd. This figure includes both privately acquired shares and those allocated under the Group's compensation schemes.

Furthermore, at the end of 2020, the Executive Committee held a total of 1,682,224 performance options and 367,741 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 LafargeHolcim Ltd. One option entitles the holder to buy one registered share in LafargeHolcim Ltd.

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

Number of shares and options held by Executive Committee members as of 31 December 2019

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	260,000	268,452	536,903	113,719	227,437
Magali Andersen	Member	281	0	0	5,900	11,800
Keith Carr	Member	5,000	41,900	83,800	13,715	27,430
Marcel Cobuz	Member	15,091	75,438	135,576	22,251	44,501
Feliciano González Muñoz	Member	2,660	41,900	83,800	13,815	27,630
Milijan Gutovic	Member	8,389	42,545	85,089	13,855	27,710
Martin Kriegner	Member	16,271	78,031	158,761	28,318	56,636
Olivier Osswald	Member	5,852	69,783	139,566	25,091	50,182
Géraldine Picaud	Member	39,604	72,166	144,331	34,472	68,943
René Thibault	Member	12,394	66,334	117,368	21,450	38,300
Total		365,542	756,549	1,485,194	292,586	580,569

The share options outstanding held by the Executive Committee (including former members) at year end 2020 have the following expiry dates and exercise prices:

Option grant date	Issuing Company	Expiry date		Exercise price[1]	Number[1] 2020	Number[1] 2019
2008	Holcim Ltd	2020	CHF	62.95	**0**	33,550
2010	Holcim Ltd	2022	CHF	70.30	**33,550**	33,550
2012	Holcim Ltd	2020	CHF	54.85	**0**	165,538
2013	Holcim Ltd	2021	CHF	67.40	**122,770**	122,770
2014	Holcim Ltd	2022	CHF	64.40	**99,532**	99,532
2015 (2010[2])	Lafarge S.A.	2020	CHF	55.52	**0**	22,125
2015 (2011[2])	Lafarge S.A.	2020	CHF	48.16	**0**	24,675
2015 (2012[2])	Lafarge S.A.	2020	CHF	38.96	**0**	24,360
2015	Holcim Ltd	2023	CHF	66.85	**144,970**	144,970
2015	Holcim Ltd	2023	CHF	63.55	**47,333**	47,333
2015	LafargeHolcim Ltd	2025	CHF	50.19	**18,900**	24,946
2016[3]	LafargeHolcim Ltd	2026	CHF	53.83	**0**	503,120
2018	LafargeHolcim Ltd	2028	CHF	55.65	**236,866**	246,404
2019	LafargeHolcim Ltd	2029	CHF	49.92	**1,166,760**	1,166,760
2020	LafargeHolcim Ltd	2030	CHF	45.62	**1,942,068**	0
Total					**3,812,749**	2,659,633

1 Adjusted to reflect former share splits and/or capital increases and/or scrip dividend.
2 These options were granted through the Lafarge Stock-Options plans. The figures presented in this table are based on the application of the actual exchange ratio of 0.884 in 2019 and of 0.884 in 2020. The year specified between brackets is the original option grant date and the exercise price is converted from EUR to CHF at the closing rate of 1.082 for 2020
3 No payout due to below threshold performance

Equity overhang and dilution as of December 31, 2020

In total as of 31 December 2020, the equity overhang, defined as the total number of unvested share units and options divided by the total number of shares issued amounts to 0.7%.

The company's gross burn rate defined as the total number of equities (shares, share units and options) granted in 2020 divided by the total number of shares issued amounts to 0.42%.

Compensation governance

Rules relating to compensation in the LafargeHolcim 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 www.lafargeholcim.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 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 LafargeHolcim'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 nomination and size of the Board of Directors to ensure appropriate expertise, diversity and independence of the Board of Directors; 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 performance targets and assessment of the CEO and the other members of the Executive Committee; preparation of the Compensation Report;
- Governance: Dealing with all Corporate Governance related matters; reviewing proposals 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 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.

Compensation Report Continued

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	Approves	Is informed	

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 2020, Mr. Oscar Fanjul (Chairman), Mrs. Hanne Birgitte Breinbjerg Sørensen, and Mr. Adrian Loader were re-elected members of the NCGC. Two new members, Colin Hall and Claudia Sender Ramirez, were elected to the NCGC.

The NCGC holds ordinary meetings at least three times a year. In 2020, 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 constitution for coming term (committees)	▪ Selection criteria and succession planning Board of Directors ▪ Selection criteria and succession planning Executive Committee	▪ Update succession planning Board of Directors and Executive Committee	▪ Update succession planning Board of Directors and Executive Committee
Compensation	▪ Board compensation current term ▪ Proposal AGM motions (amounts to be submitted to vote) ▪ Performance assessment and incentive payouts previous year for Executive Committee ▪ LTI vesting previous year ▪ LTI grant approval current year	▪ Review of compensation system ▪ Review of disclosure approach (feedback from shareholders)	▪ Benchmarking of Board of Directors (every 2-3 years) and Executive Committee compensation (annual) ▪ Incentive plan design for coming year ▪ Forecast expected incentive payouts current year	▪ Proposal Board compensation coming term ▪ Target compensation Executive Committee coming year ▪ Performance targets Executive Committee coming year (annual incentive, LTI) ▪ Forecast expected incentive payouts current year
Governance	▪ Board assessment ▪ NCGC self-assessment ▪ Governance Report ▪ Compensation Report (final) ▪ Proposal AGM motions (other than compensation) ▪ Governance update	▪ AGM retrospective: shareholders feedback ▪ Review of Board composition ▪ Review of independence of Board members ▪ Review of NCGC members' independence ▪ Governance update	▪ Review of Corporate Governance in general	▪ Review of governance documents: Articles of Incorporation, organizational rules, committees charters, code of conduct ▪ Review of external mandates Executive Committee ▪ Compensation Report (draft) ▪ NCGC schedule for coming year ▪ Governance update

In 2020, all NCGC members attended all meetings. Further information on meeting attendance is provided in the Corporate Governance Report on page 81.

The NCGC Chairman 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 2020, Agnès Blust Consulting was appointed as independent compensation advisor. Obermatt was appointed to measure relative performance of LafargeHolcim for the purpose of the incentive plans. These companies do not have other mandates with LafargeHolcim. 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

The compensation of the Board of Directors is regularly reviewed against prevalent market practice. In 2019, a benchmarking analysis was conducted on the basis of other multinational industrial companies of the SMI: ABB, Givaudan, Lonza, Nestle, Novartis, Richemont, Roche, SGS, Sika and Swatch Group. This peer group of SMI companies was selected on the basis of their sector (exclusion of financial services), market capitalization, revenue and headcount, so that LafargeHolcim is positioned around the middle of the peer group. No further analysis was conducted in 2020.

The compensation of the Executive Committee is annually benchmarked against market practice. In 2020, the 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 same peer group as the Board of Directors, 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 LafargeHolcim is to target market median compensation for on-target performance, with significant upside for above target performance.

For the compensation strategy and the design of compensation programs for the Executive Committee, the Swiss peer group described above is considered, as well as a secondary international peer group (same peer group as the one used for the relative performance measurement under the annual incentive).

To the General Meeting of LafargeHolcim Ltd, Rapperswil-Jona

Zurich, 25 February 2021

Report of the statutory auditor on the Compensation report

We have audited the compensation report of LafargeHolcim Ltd for the year ended December 31, 2020. 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 126 and 127 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

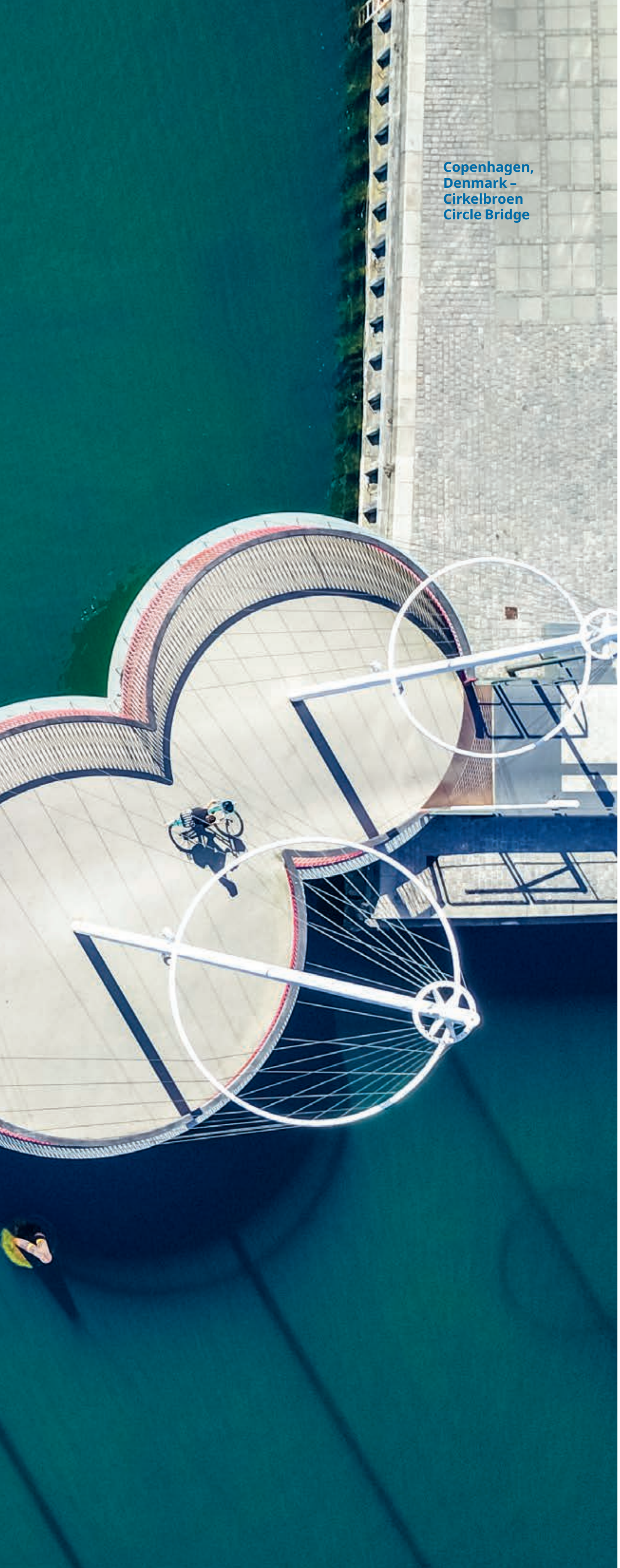
In our opinion, the compensation report for the year ended December 31, 2020 of LafargeHolcim Ltd complies with Swiss law and articles 14 – 16 of the Ordinance.

Deloitte AG

David Quinlin
Licensed Audit Expert
Auditor in charge

Alexandre Dübi
Licensed Audit Expert

—Management discussion & analysis



Copenhagen, Denmark – Cirkelbroen Circle Bridge

Contents

Management discussion & analysis

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

Group

		2020	2019	±%	±% like-for-like
Sales of cement	million t	**190.4**	207.9	–8.4%	–6.9%
Sales of aggregates	million t	**256.3**	269.9	–5.0%	–5.4%
Sales of ready-mix concrete	million m^3	**42.3**	47.7	–11.3%	–9.9%
Net sales	million CHF	**23,142**	26,722	–13.4%	–5.6%
Recurring operating costs [1]	million CHF	**(17,974)**	(21,093)	–14.8%	–7.2%
Recurring EBITDA after leases	million CHF	**5,616**	6,177	–9.1%	–0.9%
Recurring EBIT	million CHF	**3,676**	4,102	–10.4%	–1.9%
Recurring EBIT margin	%	**15.9**	15.4	+3.5%	
Operating profit (EBIT)	million CHF	**3,371**	3,833	–12.0%	
Net income Group share	million CHF	**1,697**	2,246	–24.5%	
Net income before impairment and divestments Group share	million CHF	**1,900**	2,055	–7.5%	
Earnings per share before impairment and divestments	CHF	**3.07**	3.37	–8.7%	
Cash flow from operating activities	million CHF	**4,618**	4,825	–4.3%	
Capex	million CHF	**1,026**	1,396	–26.5%	
Free Cash Flow after leases	million CHF	**3,249**	3,019	+7.6%	
Return On Invested Capital (ROIC)	%	**7.4**	7.4	0.0%	
Net financial debt	million CHF	**8,483**	10,110	–16.1%	
Debt leverage	times	**1.4x**	1.5x		

[1] Includes CHF 5,798 million of recurring fixed costs (2019: CHF 6,649 million), a reduction of CHF 385 million (5.8%) on a like-for-like basis.

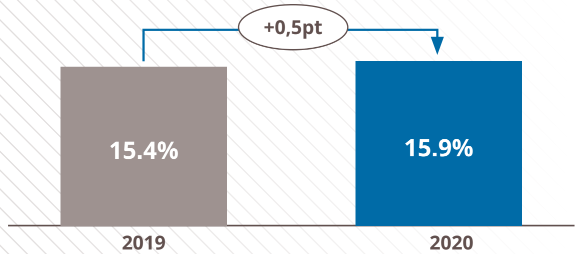
COST

- Over-proportional cost decline compared to volumes development leading to 0,5pt improvement of Recurring EBIT margin.
- Recurring fixed costs reduction by CHF 385 million on a like-for-like basis in 2020, above the Group's full year target of CHF 300 million.
- Realization of reduction in energy prices with CHF 125 million savings in 2020.

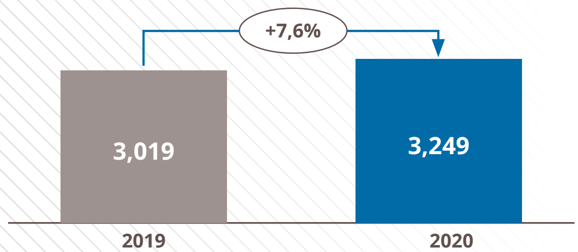
CASH

- Record Free Cash Flow after leases generation CHF 3,249 million, up by 7,6 percent versus 2019.
- Net working capital reduced by 11 days on sales versus 2019.
- Capex reduction by CHF 370 million versus 2019.

Recurring EBIT margin
(%)



Free Cash Flow after leases
(CHFM)



Financial highlights

CHF
23,142m
–5.6%

Net sales[1]
2019: 26,722m

CHF
3,676m
–1.9%

Recurring EBIT[1]
2019: 4,102m

CHF
3,249m
+7.6%

Free Cash Flow after leases
2019: 3,019m

CHF
8,483m
–16%

Net financial debt
2019: 10,110m

[1] Percentage change figures compare 2020 and 2019 on a like-for-like basis.

Record Free Cash Flow generation and Net debt at its lowest level since 2016

Net sales of CHF 23,142 million declined by 5.6 percent on a like-for-like basis for the full year. The first half year was impacted by COVID-19 strict lockdowns. In the second half, net sales recovered gradually and reached a positive growth of 1.5 percent like-for-like in the last quarter. The strong appreciation of the Swiss franc against all major currencies accounted for 7.4 percent of the absolute decrease for the year.
Recurring EBIT of CHF 3,676 million declined by 1.9 percent on a like-for-like basis for the full year with a largely V-shaped recovery across all regions delivering an improvement of 14,1 percent on a like-for-like basis in the last quarter. The strong appreciation of the Swiss franc against all currencies accounted for 8.6 percent of the absolute decrease for the year.

Net Income before impairment and divestments, Group share of CHF 1,900 million declined by 7.5 percent reflecting the contraction of the Recurring EBIT partially offset by lower non-recurring cost, decrease in interest expenses and reduction of the effective tax rate.

Earnings per share before impairment and divestments of CHF 3.07 declined by CHF 30 cents compared to 2019 of which a decrease by CHF 48 cents in the first half and an increase by CHF 18 cents (+8.7 percent) in the second half.

Record Free Cash Flow after leases of CHF 3,249 million, up by 7.6 percent versus 2019 reflecting a reduction in working capital by 11 days of sales and lower Capex spend.

Net Debt of CHF 8,483 million reduced by CHF 1,627 million versus December 2019 thanks to strong Free Cash Flow generation. Overall, since 2016 Net Debt has reduced by more than CHF 6 billion.

Return On Invested Capital (ROIC) was 7.4 percent stable versus prior year. The company remains on track to achieve its 2022 target of above 8 percent.

In January 2021, LafargeHolcim signed an agreement to acquire Firestone Building Products, a leader in commercial roofing and building envelope solutions based in the United States, with estimated 2020 net sales of USD 1.8 billion and EBITDA of USD 270 million. This transaction is valued at USD 3.4 billion, to be financed with cash and debt while maintaining debt leverage below 2x. This acquisition is a milestone in the Group's transformation to become the global leader in innovative and sustainable building materials and solutions.

HEALTH, COST & CASH

CHF
1,026m
CAPEX (2019: 1,396m)

CHF
385m
Reduction of fixed costs

Sustainability KPIs

Climate and energy

555 kg
Net CO_2 emitted per ton of cementitious material (scope 1)
2019: 561 kg

Circular economy

46 m
Tons of waste recycled in operations
2019: 48 m

Environment

273 l
Liters of fresh water withdrawn per ton of cementitious material
2019: 299 l

Communities

CHF
6.2 m
Beneficiaries of our programs
2019: 5.9 m

COVID-19: The Group's response to the crisis

The Group was swift to respond to the crisis by putting in place our "HEALTH, COST AND CASH" action plan with urgency.

HEALTH

Protection and promotion of the health and well-being of LafargeHolcim personnel and communities continues to be the focus of the Group's response to the COVID-19 pandemic. The results of these efforts have produced strong results with a low COVID-19 case rate. The Group continues to support health efforts in the communities in which it operates in dealing with the pandemic. The interventions to date include:

- Over 1.7 million masks and gloves
- Contributed more than 3,750 tons of our products to build hospitals and other emergency facilities
- Over 700,000 meals and food packages distributed for communities

COST & CASH

Business was adversely impacted by the COVID-19 crisis particularly in the first half of the year during the strict lockdowns imposed in many countries. As part of the response to the crisis, the Group focused on a set of rigorous actions to safeguard Cash and reduce Costs:

- Reduction in fixed costs by focusing on critical spend, temporary closure of sites in response to the short term changes in demand, renegotiation of supplier contracts and close monitoring of all possible support from authorities such as furlough schemes. As a result, Recurring fixed costs reduced by CHF 385 million (5.8 percent) like-for-like compared to last year, ahead of the target of CHF 300 million reduction.
- Reduction in unit variable costs through realization of lower prices for energy and full review of all third party products and services.
- Reduction of Capex by thorough review of all projects, re-prioritization and renegotiation with Capex suppliers. As a result, in 2020, the Group spent CHF 1,026 million on Capex which is CHF 370 million lower than in 2019.

Health & Safety

In 2020, LafargeHolcim continued to improve its Health & Safety performance in all regions, with strong progress in the long-term injury frequency rate which reached 0.50 representing a decrease by 25% versus 2019 and 53% since Ambition "0" was launched in 2017.

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

Sustainability is linked to LafargeHolcim's core Strategy to make the transition towards low carbon construction and creating a circular economy.

In 2020, LafargeHolcim became the first global building materials company to sign the "Business Ambition for 1.5˚C" pledge with intermediate targets approved by the Science-Based Targets initiative (SBTi). In its revised 2030 goals, LafargeHolcim is further lowering its target for scope 1 CO_2 intensity in cement to 475kg net CO_2 per ton of cementitious material which to date, the most ambitious stated target amount international peers.

Furthermore, LafargeHolcim was the first player in the building materials industry to bind Climate commitments to its financial engagements by launching a Sustainability-linked bond.

Sustainability-Linked Financing Framework

Recognizing the role of sustainable finance in supporting the transition to a low-carbon and more resource efficient economy, LafargeHolcim has put in place a Sustainability-Linked Financing Framework to link funding with its sustainability objectives. 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).

LafargeHolcim intends to pursue its journey with Sustainability-Linked finance instruments in the capital, money and loan markets which includes a EUR 850 million Sustainability-Linked bond issued in November 2020 with a coupon of 0.5% maturing in 2031. Bond investors will be entitled to a higher coupon should the company not meet its target of 475 kg net CO_2 per ton of cementitious material by 2030. This bond was swapped into USD and the cost of the swap is also linked to the achievement of the same CO_2 target. Additionally, costs for all committed corporate bilateral bank facilities have been linked to LafargeHolcim's ESG performance and a EUR 3 billion commercial paper program for issuance of ESG notes has been established in 2020, bringing the total ESG-linked funding agreements close to CHF 6 billion. Some of the cash and cash equivalents have been invested in sustainable deposits to help finance activities supporting the UN Sustainable Development Goals.

Financing activity

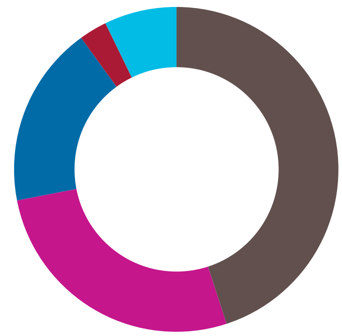
LafargeHolcim's investments were funded from the cash flow from operating activities. New debt capital issuances were mainly conducted for refinancing and general corporate purposes. In the year under review, capital market issuances of CHF 1.7 billion equivalent were undertaken. The main capital market transactions were the following:

CHF 250 million issued in April 2020	CHF 250 million with a coupon of 1.05% maturing in 2022.
EUR 500 million issued in April 2020	EUR 500 million with a coupon of 2.375% maturing in 2025.
EUR 850 million issued in November 2020	EUR 850 million Sustainability-Linked Bond with a coupon of 0.50% maturing in 2031.

For more information, please refer to note 14.4 from the notes to the consolidated financial statements

During the course of 2020, the Group also repurchased a nominal of CHF 167 million of Holcim Overseas Finance Ltd and LafargeHolcim Ltd outstanding bonds as well as USD 10 million of LafargeHolcim Finance US LLC outstanding bonds and exercised a make-whole clause for the early redemption of the full amount of USD 500 million issued by Holcim US Finance S. à r.l. & Cie S.C.S. in 2013 and initially maturing in 2023.

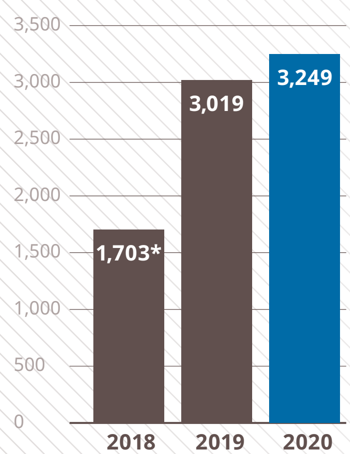
Capital market financing of the Group as per 31 December 2020 (CHF: 11,640 million).



- **EUR Bonds** CHF 5,258 m ~ 45%
- **USD Bonds** CHF 3,154 m ~ 27%
- **CHF Bonds** CHF 2,048 m ~ 18%
- **GBP Bonds** CHF 356 m ~ 3%
- **Others*** CHF 824 m ~ 7%

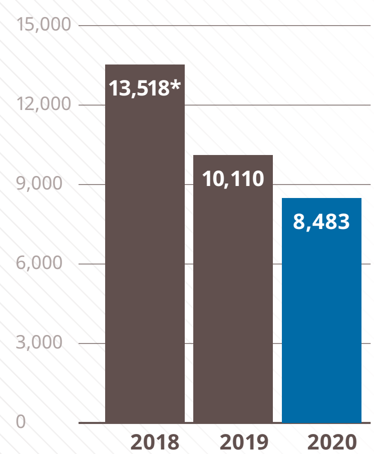
* AUD and NGN bonds, USD private placements and commercial paper

Free Cash Flow after leases (CHFM)



* Year 2018 not restated for IFRS16 impact

Net financial debt (CHFM)



Financing profile

LafargeHolcim 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 7.1[1] years on 31 December 2020. 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 LafargeHolcim therefore gives priority to achieving its financial targets and retaining its solid investment-grade rating (current rating information is displayed on page 71). The average nominal interest rate on LafargeHolcim financial liabilities decreased from 3.3 percent at 31 December 2019 to 2.7 percent[2] at 31 December 2020, and the proportion of financial liabilities at fixed interest rates was at 67 percent[3] as at 31 December 2020.

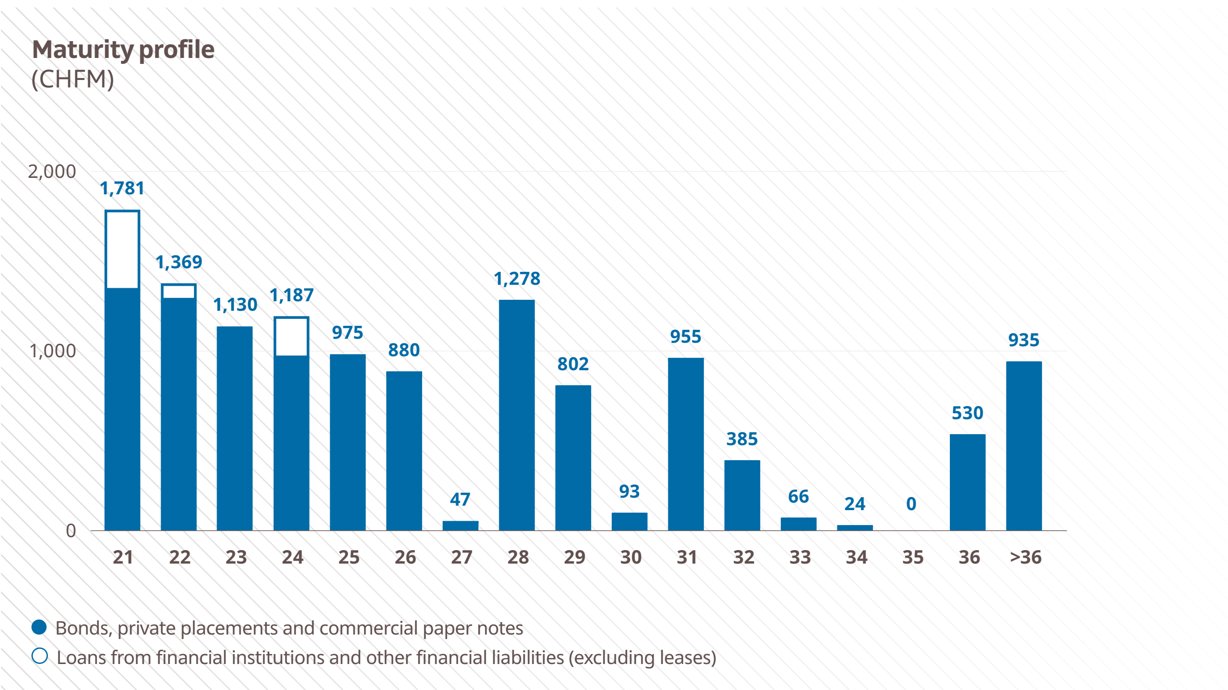
Note 14 contains detailed information on financial liabilities.

Liquidity

To secure liquidity, the Group held cash and cash equivalents of CHF 5,190 million at 31 December 2020. 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 constantly monitored on the basis of clearly defined principles as part of the risk management process. As of 31 December 2020, LafargeHolcim had unused committed credit lines of CHF 6,982 million (see note 14).

Current financial liabilities as at 31 December 2020 of CHF 2,064 million are comfortably covered by existing cash, cash equivalents and unused committed credit lines. LafargeHolcim has USD and EUR commercial paper programs. The aim of these programs is to fund short-term liquidity needs at attractive terms. As per 31 December 2020, commercial papers of CHF 216 million were outstanding.

1 The average maturity of financial liabilities excluding lease liabilities was 6.7 years on 31 December 2020.
2 The average nominal interest rate on LafargeHolcim financial liabilities excluding lease liabilities was 2.5 percent on 31 December 2020.
3 The proportion of financial liabilities excluding lease liabilities at fixed interest rates was at 64 percent as at 31 December 2020.



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.

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	2020	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	23,142	(180)	(73)	(245)	(94)	(78)	(154)	(95)	(58)
Recurring EBIT	3,676	(11)	(5)	(52)	(11)	(21)	(26)	(28)	(10)
Cash flow from operating activities	4,618	(24)	(4)	(53)	(15)	(21)	(32)	(23)	(13)
Net financial debt	8,483	(248)	(26)	(102)	3	7	43	(10)	4

Europe

		2020
Sales of Cement	million t	44.6
Sales of Aggregates	million t	111.9
Sales of Ready-Mix Concrete	million m^3	18.1
Net sales to external customers	million CHF	7,061
Like-for-like growth	%	–4.2%
Recurring EBITDA after leases	million CHF	1,507
Like-for-like growth	%	–1.8%
Recurring EBIT	million CHF	927
Like-for-like growth	%	–2.5%

The Health and Safety of the employees and contractors became a key priority early in the year. Strict lockdown measures, in particular, in France, the United Kingdom, Italy and Spain led to volume declines in the second quarter. The Building materials sector has resisted the crisis well and displayed a strong and quick rebound of activity in the third and fourth quarters. New offers as well as more innovative and sustainable products reached the market. Net sales decreased by 4.2 percent on a like-for-like basis due to lower volumes sold in all segments. Early price increases implemented in all markets helped to mitigate the volume losses.

Cement volumes declined by 3.7 percent on a like-for-like basis as a result of the COVID-19 crisis and, in particular, in France, Spain, Italy and Austria. The Region witnessed a good recovery in the second half of the year with volumes stemming from infrastructure projects as well as resilience in the residential segment which have partially compensated the second quarter volume losses.

Aggregates volumes sold declined by 5.7 percent versus the prior year on a like-for-like basis particularly impacted by the market slowdowns in the United Kingdom and France. The Ready-Mix Concrete segment showed the same trend as Cement and Aggregates. Volumes were down by 6.3 percent on a like-for-like basis and, again, mainly due to the activity drop in large cities in the United Kingdom and France.

The resilience of the cement activity, the good industrial performance as well as swift and effective action plans to protect the employees, customers and operations through the HEALTH, COST & CASH program have contained the impact on the results. Recurring EBITDA after leases fell 1.8 percent on a like-for-like basis and Recurring EBIT declined 2.5 percent on a like-for-like basis, with a 0.2 percentage point improvement in the Recurring EBIT margin.

With three bolt-on acquisitions completed in the year and another three signed in 2021, Europe is strengthening its Ready-Mix and Aggregates positions in key markets and will benefit from development projects in large cities and government stimulus packages.

Key

Grinding plant

Cement plant

Total cement grinding capacity
(million tons per year)

73.6

Cement grinding capacity
(million tons per year)

Countries	2020
France	9.7
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	1.8
Moldova	1.7
Serbia	1.5
Bulgaria	1.3
Czech Republic	1.2
Croatia	0.9

North America

		2020
Sales of Cement	million t	19.8
Sales of Aggregates	million t	108.0
Sales of Ready-Mix Concrete	million m^3	10.0
Net sales to external customers	million CHF	5,749
Like-for-like growth	%	–3.3%
Recurring EBITDA after leases	million CHF	1,584
Like-for-like growth	%	+2.9%
Recurring EBIT	million CHF	1,033
Like-for-like growth	%	+5.8%

In North America, businesses have proven to be quite resilient in the face of the COVID-19 pandemic with strong "HEALTH, COST & CASH" mitigation actions and continued operational discipline. In the United States, after a strong first quarter we experienced varying market impacts related to COVID-19 across our footprint throughout the remainder of the year. In Canada, the Prairie provinces continued to experience challenges arising from the economic downturn triggered by the oil and gas industry. Across North America, effective price management and rigorous cost control resulted in positive growth in Recurring EBIT. The growth strategy was further supported by bolt-on acquisitions completed in 2020.

Volumes of Cement and Aggregates sold decreased over the prior year by 4.8 percent and 5.0 percent respectively, on a like-for-like basis, with both the United States and Canada impacted by the pandemic.

Ready-Mix Concrete sales volumes declined by 1.7 percent on a like-for-like basis with Western Canada experiencing the largest impact, while Eastern Canada and the United States showed modest growth. Net sales amounted to CHF 5,749 million, representing a like-for-like decrease of 3.3 percent over the prior year, partially mitigated by price gains.

Despite the volume decline, the successful implementation of our HEALTH, COST & CASH action plans contributed to an improvement in Recurring EBITDA after leases of 2.9 percent and in Recurring EBIT of 5.8 percent both on a like-for like-basis. The recurring EBIT margin improved by 1.6 percentage points.

In January 2021, LafargeHolcim signed an agreement to acquire Firestone Building Products, a leader in commercial roofing and building envelope solutions based in the United States, with estimated 2020 net sales of USD 1.8 billion and EBITDA of USD 270 million.

Key

- Grinding plant
- Cement plant

Total cement grinding capacity
(million tons per year)

32.0

Cement grinding capacity
(million tons per year)

Countries	2020
United States	23.6
Canada	8.4

Asia Pacific

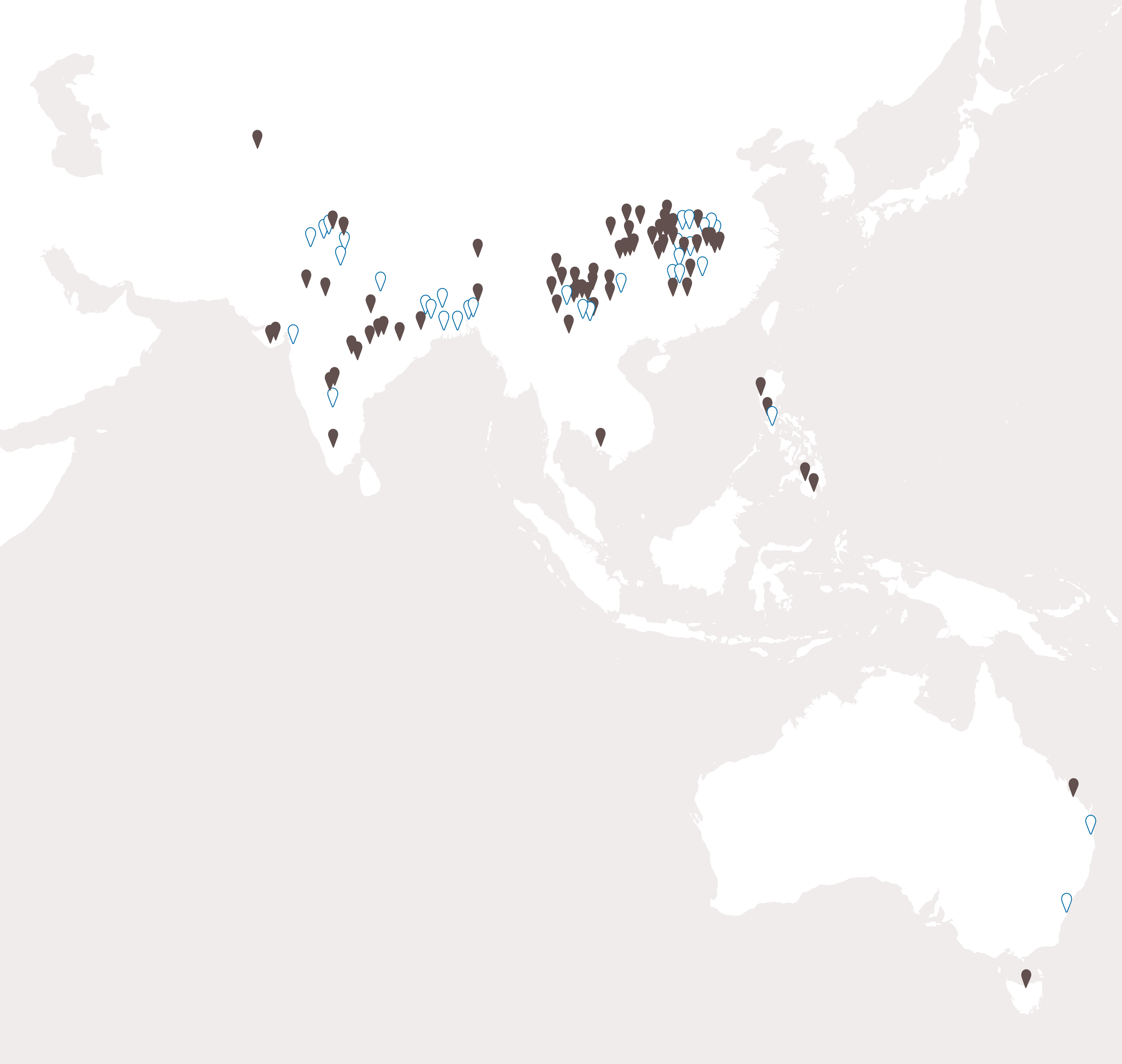
		2020
Sales of Cement	million t	63.0
Sales of Aggregates	million t	28.1
Sales of Ready-Mix Concrete	million m^3	7.4
Net sales to external customers	million CHF	5,243
Like-for-like growth	%	–9.1%
Recurring EBITDA after leases	million CHF	1,458
Like-for-like growth	%	–6.0%
Recurring EBIT	million CHF	1,103
Like-for-like growth	%	–12.1%

The construction industry was heavily impacted in Asia Pacific due to severe lockdowns in early 2020. However, the region has gradually recovered from the COVID-19 pandemic in subsequent months. Monthly cement sales volumes have swiftly rebounded in China in the second quarter and in India in the third quarter. COVID-19 lockdowns and typhoons led to a decline in volumes in the Philippines, while Australia's volumes faced continued headwinds from the economic slowdown as well as some impact from the pandemic. Fast and rigorous execution of the "HEALTH, COST & CASH" action plan in all countries produced strong financial results in the second half of the year, compensating for a large part the pandemic related losses in the first half of the year.

Net sales for the Asia Pacific region declined by 9.1 percent on a like-for-like basis, mainly in India, the Philippines and China. Cement net sales reduced by 9.9 percent on a like-for-like basis, while Aggregates sales fell short of prior year by 4.9 percent and Ready-Mix Concrete reduced by 8.8 percent with India leading the decline. Cement and Ready-Mix sales volumes reduced by 10.0 percent and 14.7 percent respectively on a like-for-like basis suffering from COVID-19 impacts while Aggregates sales volumes were on par with the prior year, supported by strong sales in China in the second half of the year.

Recurring EBITDA after leases ended the year –6.0 percent below the prior year on a like-for-like basis and Recurring EBIT fell 12.1 percent on the same basis. However, the strong cost savings actions allowed for a Recurring EBIT margin improvement. The 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 by China (including the wholly owned operations) was CHF 445 million and the total contribution to Recurring EBIT was CHF 424 million.

The agreement for the divestment of the Philippines lapsed in May 2020 after the Philippines Competition Commission did not issue approval for the transaction and, hence, the business remains part of the LafargeHolcim Group and was consolidated for the full year. The acquired business of Sibelco in Australia has performed well in the year.



Key

Grinding plant

Cement plant

Total cement grinding capacity
(million tons per year)

87.3

(190.5 including joint ventures)

Cement grinding capacity
(million tons per year)

Countries	2020
China (joint venture)	97.7
India	66.2
Philippines	9.4
China	7.7
Australia (joint venture)	5.5
Bangladesh	4.0

Latin America

		2020
Sales of Cement	million t	23.9
Sales of Aggregates	million t	4.8
Sales of Ready-Mix Concrete	million m^3	4.0
Net sales to external customers	million CHF	2,225
Like-for-like growth	%	+2.4%
Recurring EBITDA after leases	million CHF	847
Like-for-like growth	%	+11.4%
Recurring EBIT	million CHF	696
Like-for-like growth	%	+13.4%

After the first half of 2020, in which the COVID-19 restrictions impacted volumes, especially in Ecuador, Colombia and El Salvador, most markets achieved a strong recovery starting from June. Excellent execution of the HEALTH, COST & CASH action plan combined with effective price management, allowed the Recurring EBIT margin to expand in the region by 3.8 percentage points in 2020.

Total Cement volumes sold declined by 3.0 percent on a like-for-like basis but with strong growth of 6.0 percent and 9.9 percent on a like-for-like basis in the third and fourth quarters, respectively partially compensating for the decline in the first half of 2020. Bagged cement volumes increased fuelled by the continued growing Disensa network of construction materials stores as part of the commercial strategy to combine LafargeHolcim's resources with the entrepreneurial spirit of the store owners. The product portfolio has expanded in selected countries to support the Group's growth strategy. Volumes in the Ready-Mix Concrete segment declined 18.8 percent on a like-for-like basis impacted by COVID-19 restrictions in major urban areas but Mexico has seen growth driven by the participation in iconic infrastructure projects (such as the Dos Bocas oil refinery in Tabasco and the Santa Lucia/AIFA airport in Mexico City, through technical capabilities).

For the year, net sales to external customers increased 2.4 percent on a like-for-like basis driven by strong pricing. Recurring EBITDA after leases increased 11.4 percent on a like-for-like basis, supported by the increase in net sales as well as being driven by strong operational performance and cost savings initiatives including a substantial usage of alternative fuels. Consequently, Recurring EBIT increased 13.4 percent on a like-like-basis.

Key

Grinding plant

Cement plant

Total cement grinding capacity
(million tons per year)

38.6

Cement grinding capacity
(million tons per year)

Countries	2020
Mexico	12.2
Brazil	10.2
Ecuador	5.5
Argentina	4.7
Colombia	2.1
El Salvador	1.7
Costa Rica	1.1
French West Indies	0.7
Nicaragua	0.4

Middle East Africa

		2020
Sales of Cement	million t	33.3
Sales of Aggregates	million t	3.5
Sales of Ready-Mix Concrete	million m^3	2.7
Net sales to external customers	million CHF	2,349
Like-for-like growth	%	–8.9%
Recurring EBITDA after leases	million CHF	563
Like-for-like growth	%	–4.3%
Recurring EBIT	million CHF	330
Like-for-like growth	%	–4.7%

Despite strict restrictions imposed in response to COVID-19, the Middle East Africa region has demonstrated resilience in 2020 by delivering higher profit margins, as a result of strong commercial actions across the region, solid market share positions in our branded products, combined with the program to reduce costs and strict discipline in the allocation of cash in full execution of the HEALTH, COST & CASH program.

Cement and Clinker volumes declined 6.4 percent on a like-for-like basis. In the core markets, there is a continued challenge of excess cement production capacity in already oversupplied markets, notably Egypt and Algeria. Nigeria and Iraq managed to capture strong volume growth. East African and Indian Ocean markets suffered heavily from the COVID-19 crisis, although there was positive momentum in Tanzania and Zambia. South Africa endured one of the strictest lockdowns and, hence, a substantial drop in volumes.

Volumes in the Ready-Mix and Aggregates segments were significantly lower due to the stoppage of major infrastructure construction projects during the pandemic and limited effects of government support.

The successful implementation of ambitious turnaround programs in all countries contributed to achieving improved industrial performance and a leaner cost structure. At regional level and in most countries, fixed costs declined over-proportionally compared to the declines in net sales, demonstrating agility in variabilising these costs.

Net sales to external customers declined 8.9 percent on a like-for-like basis, while Recurring EBIT declined 4.7 percent on a like-for-like basis which resulted in a Recurring EBIT margin gain of 0.6 percentage points.

Key

Grinding plant

Cement plant

Total cement grinding capacity (million tons per year)

56.3

(76.2 including joint ventures)

Cement grinding capacity (million tons per year)

Countries	2020
Morocco (joint venture)	11.8
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 (joint venture)	2.7
Lebanon (including Cyprus)	2.5
Ivory Coast (joint venture)	2.2
Uganda	2.0
Cameroon (joint venture)	1.6
Zambia	1.5
Tanzania	1.1
Guinea (joint venture)	0.9
Benin (joint venture)	0.7
Qatar	0.6
Reunion	0.5
Zimbabwe	0.4
Malawi	0.3
Madagascar	0.2

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, 25 February 2021

Beat Hess
Chairman

Jan Jenisch
Chief Executive Officer

Géraldine Picaud
Chief Financial Officer

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Financial information

Singapore

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Notes to the consolidated financial statements

Consolidated statement of income of LafargeHolcim

Million CHF	Notes	2020	2019
Net sales	3.3	**23,142**	26,722
Production cost of goods sold	4.3	**(13,453)**	(15,441)
Gross profit		**9,689**	11,281
Distribution and selling expenses		**(5,558)**	(6,657)
Administration expenses		**(1,207)**	(1,340)
Share of profit of joint ventures	6.4	**448**	548
Operating profit		**3,371**	3,833
Profit on disposals and other non-operating income	5.2	**15**	302
Loss on disposals and other non-operating expenses	5.3	**(60)**	(117)
Share of profit of associates	6.9	**15**	12
Financial income	7.2	**101**	158
Financial expenses	7.3	**(723)**	(870)
Net income before taxes		**2,719**	3,319
Income taxes	8.2	**(717)**	(806)
Net income		**2,002**	2,513
Net income attributable to:			
Shareholders of LafargeHolcim Ltd		**1,697**	2,246
Non-controlling interest		**305**	267
Earnings per share in CHF			
Earnings per share	9	**2.74**	3.69
Fully diluted earnings per share	9	**2.74**	3.68

The non-GAAP measures used in this report are defined on page 273.

Consolidated statement of comprehensive earnings of LafargeHolcim

Million CHF	Notes	2020	2019
Net income		**2,002**	2,513
Items that will be reclassified to the statement of income in future periods			
Currency translation effects			
– Exchange differences on translation[1]		**(3,310)**	(524)
– Realized through statement of income		**0**	65
– Tax effect		**14**	(4)
Cash flow hedges			
– Change in fair value		**68**	(32)
– Realized through statement of income		**(54)**	(25)
– Tax effect		**(3)**	9
Net investment hedges in subsidiaries			
– Change in fair value		**(2)**	(3)
– Realized through statement of income		**15**	6
– Tax effect		**0**	0
Subtotal		**(3,273)**	(507)
Items that will not be reclassified to the statement of income in future periods			
Defined benefit plans			
– Remeasurements	15.3	**46**	(311)
– Tax effect		**(13)**	61
Strategic equity investments at fair value through other comprehensive earnings			
– Change in fair value		**(48)**	0
– Tax effect		**12**	3
Subtotal		**(3)**	(246)
Total other comprehensive earnings		**(3,275)**	(753)
Total comprehensive earnings		**(1,273)**	1,759
Total comprehensive earnings attributable to			
Shareholders of LafargeHolcim Ltd		**(1,206)**	1,522
Non-controlling interest		**(67)**	237

[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.

Consolidated statement of financial position of LafargeHolcim

Million CHF	Notes	**31.12.2020**	31.12.2019
Cash and cash equivalents	14.3	**5,190**	4,148
Short-term derivative assets	14.5	**30**	28
Current financial receivables	12.3	**247**	124
Trade accounts receivable	10.2	**2,305**	2,871
Inventories	10.3	**1,983**	2,494
Prepaid expenses and other current assets	10.4	**1,017**	1,175
Assets classified as held for sale	13.2	**114**	1,370
Total current assets		**10,886**	12,210
Long-term financial investments and other long-term assets	12.2	**859**	1,092
Investments in associates and joint ventures	6.4, 6.9	**3,473**	3,337
Property, plant and equipment	11.2	**24,220**	27,189
Goodwill	11.3	**12,413**	13,039
Intangible assets	11.3	**533**	644
Deferred tax assets	8.4	**513**	649
Pension assets	15.3	**257**	145
Long-term derivative assets	14.5	**70**	5
Total non-current assets		**42,338**	46,100
Total assets		**53,224**	58,310

Million CHF	Notes	31.12.2020	31.12.2019
Trade accounts payable	10.5	**3,351**	3,535
Current financial liabilities	14.4	**2,064**	2,089
Current income tax liabilities		**473**	585
Other current liabilities		**1,967**	2,286
Short-term provisions	16.2	**323**	376
Liabilities directly associated with assets classified as held for sale	13.2	**0**	272
Total current liabilities		**8,178**	9,144
Long-term financial liabilities	14.4	**11,710**	12,202
Defined benefit obligations	15.3	**1,091**	1,413
Long-term income tax liabilities	8.6	**348**	385
Deferred tax liabilities	8.4	**1,885**	2,090
Long-term provisions	16.2	**1,389**	1,578
Total non-current liabilities		**16,422**	17,667
Total liabilities		**24,600**	26,811
Share capital	17.2	**1,232**	1,232
Capital surplus		**21,597**	22,811
Treasury shares	17.2	**(197)**	(121)
Reserves		**3,439**	4,644
Total equity attributable to shareholders of LafargeHolcim Ltd		**26,071**	28,566
Non-controlling interest	2.5	**2,553**	2,933
Total shareholders' equity		**28,625**	31,499
Total liabilities and shareholders' equity		**53,224**	58,310

Consolidated statement of changes in equity of LafargeHolcim

Million CHF	Share capital	Capital surplus	Treasury shares
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 [2]			
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)**
Equity as at 31 December 2018	1,214	23,157	(612)
Impact of change in accounting policies [5]			
Restated equity as at 1 January 2019	1,214	23,157	(612)
Net income			
Other comprehensive earnings			
Total comprehensive earnings			
Payout		(322)	
Scrip dividend [1]	39	(39)	
Transaction costs relating to scrip dividend		(1)	
Share buyback and cancellation of shares	(21)		581
Subordinated fixed rate resettable notes [2]			
Remuneration on subordinated fixed rate resettable notes			
Hyperinflation [3]			
Change in treasury shares			(91)
Share-based remuneration		16	
Capital repaid to non-controlling interest			
Disposal of participation in Group companies			
Change in participation in existing Group companies			
Equity as at 31 December 2019	1,232	22,811	(121)

[1] See more information in note 9.
[2] See more information in note 17.1.
[3] See more information in note 2.2.
[4] Equity as at 31 December 2020 does not include any currency translation adjustment relating to assets and directly associated liabilities classified as held for sale (2019: CHF –103 million).
[5] See more information in note 14.7.

	Currency translation adjustments	Other reserves and Retained earnings	Total equity attributable to shareholders of LafargeHolcim Ltd	Non-controlling interest	Total shareholders' equity
	(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**[4]
	(14,019)	17,185	26,925	3,128	30,053
		(36)	(36)	(2)	(38)
	(14,019)	17,149	26,889	3,126	30,015
		2,246	2,246	267	2,513
	(444)	(280)	(724)	(29)	(753)
	(444)	1,966	1,522	237	1,759
			(322)	(118)	(440)
			(1)		(1)
		(561)			
		550	550		550
		(20)	(20)		(20)
		70	70	15	85
		(8)	(99)		(99)
			16		16
				(405)	(405)
	(64)	26	(38)	77	40
	(14,527)	19,172	28,566	2,933	31,499[4]

Consolidated statement of cash flows of LafargeHolcim

Million CHF	Notes	2020	2019
Net income		**2,002**	2,513
Income taxes	8.2	**717**	806
(Profit)/loss on disposals and other non operating items		**43**	(234)
Share of profit of associates and joint ventures	6.3, 6.9	**(463)**	(560)
Financial expenses net	7.2, 7.3	**623**	712
Depreciation, amortization and impairment of operating assets	4.5	**2,515**	2,559
Employee benefits and other operating items		**(274)**	(231)
Change in inventories		**302**	357
Change in trade accounts receivables		**396**	144
Change in trade accounts payable		**17**	48
Change in other receivables and liabilities		**(279)**	(259)
Cash generated from operations		**5,598**	5,854
Dividends received		**214**	234
Interest received		**93**	171
Interest paid		**(572)**	(723)
Income taxes paid	8.3	**(715)**	(711)
Cash flow from operating activities (A)		**4,618**	4,825
Purchase of property, plant and equipment		**(1,114)**	(1,534)
Disposal of property, plant and equipment		**88**	137
Acquisition of participation in Group companies		**(135)**	(142)
Disposal of participation in Group companies		**18**	1,335
Purchase of financial assets, intangible and other assets		**(190)**	(131)
Disposal of financial assets, intangible and other assets		**103**	116
Cash flow from investing activities (B)	19	**(1,231)**	(219)
Payout on ordinary shares	9	**(1,224)**	(322)
Dividends paid to non-controlling interest		**(279)**	(114)
Capital (repaid to) paid-in by non-controlling interest		**(4)**	76
Movements of treasury shares		**(106)**	(108)
Proceeds from subordinated fixed rate resettable notes		**0**	550
Coupon paid on subordinated fixed rate resettable notes		**(22)**	(6)
Net movement in current financial liabilities		**175**	(198)
Proceeds from long-term financial liabilities		**1,731**	515
Repayment of long-term financial liabilities		**(1,809)**	(2,531)
Repayment of long-term lease liabilities		**(342)**	(409)
Increase in participation in existing Group companies		**(12)**	(82)
Cash flow from financing activities (C)		**(1,891)**	(2,630)
Increase in cash and cash equivalents (A + B + C)		**1,496**	1,975
Cash and cash equivalents as at the beginning of the period (net)		**4,014**	2,264
Increase in cash and cash equivalents		**1,496**	1,975
Currency translation effects		**(408)**	(224)
Cash and cash equivalents as at the end of the period (net)	14.3	**5,101**	4,014

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	
		2020	2019	**31.12.2020**	31.12.2019
1 Argentinian Peso	ARS	**0.01**	0.02	**0.01**	0.02
1 Australian Dollar	AUD	**0.65**	0.69	**0.68**	0.68
1 Brazilian Real	BRL	**0.18**	0.25	**0.17**	0.24
1 Canadian Dollar	CAD	**0.70**	0.75	**0.69**	0.74
1 Chinese Renminbi	CNY	**0.14**	0.14	**0.13**	0.14
100 Algerian Dinar	DZD	**0.74**	0.83	**0.67**	0.81
1 Egyptian Pound	EGP	**0.06**	0.06	**0.06**	0.06
1 Euro	EUR	**1.07**	1.11	**1.08**	1.09
1 British Pound	GBP	**1.20**	1.27	**1.20**	1.27
100 Indian Rupee	INR	**1.27**	1.41	**1.21**	1.36
100 Mexican Peso	MXN	**4.39**	5.16	**4.43**	5.12
100 Nigerian Naira	NGN	**0.23**	0.27	**0.19**	0.27
100 Philippine Peso	PHP	**1.89**	1.92	**1.83**	1.91
1 US Dollar	USD	**0.94**	0.99	**0.88**	0.97

For more information see note 2.2.

Notes to the consolidated financial statements

As used herein, the terms "LafargeHolcim" or "Group" refer to LafargeHolcim Ltd 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).

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.

Use of estimates

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. These estimates are based on management's best knowledge of current events and actions that the Group may undertake in the future. However, actual results could differ from those estimates. Management also uses judgment in applying the Group's accounting policies.

Critical estimates and assumptions

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.

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results.

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 (note 11.3).
- 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 15.2).
- The measurement of site restoration and other environmental provisions requires long-term assumptions regarding the completion of raw material extraction and the phasing of the restoration work to be carried out (note 16.2).
- The recognition and measurement of provisions such as litigation 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 2020, LafargeHolcim adopted the following amended standards relevant to the Group:

Amendments to IFRS 3	Business Combinations
Amendments to IAS 1 and IAS 8	Presentation of Financial Statements and Accounting Policies, Changes in Accounting Estimates and Errors
Amendments to IFRS 9, IAS 39 and IFRS 7	Interest Rate Benchmark Reform (Phase 1)
Amendments to IFRS 16	COVID-19 Related Rent Concessions

Amendment to IFRS 3 – Business Combinations

The IASB issued amendments to IFRS 3 *Business Combinations* in October 2018 by providing additional guidance as to when an acquisition would result in a business combination. The new guidance provides a framework to evaluate when an input and a substantive process are present that together significantly contribute to the ability to create outputs.

As detailed in the 2019 Integrated Annual Report (note 1.2), the adoption of the amendments to IFRS 3 has not materially impacted the Group financial statements of LafargeHolcim and they have been applied on a prospective basis.

Amendment to IAS 1 and IAS 8 – Presentation of Financial Statements and Accounting Policies, Changes in Accounting Estimates and Errors

The IASB issued amendments to IAS 1 *Presentation of Financial Statements* and IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors* in October 2018. The amendments do not only clarify the definition of material but also have changed the threshold without altering the underlying concept of materiality.

As detailed in the 2019 Integrated Annual Report (note 1.2), the adoption of the amendments to IAS 1 and IAS 8 have not materially impacted the Group financial statements of LafargeHolcim.

Amendments to IFRS 9, IAS 39 and IFRS 7 – Interest Rate Benchmark Reform (Phase 1)

In September 2019, the IASB issued amendments to IFRS 9, IAS 39 and IFRS 7 – Interest Rate Benchmark Reform (Phase 1), effective for annual periods beginning on or after 1 January 2020. These amendments provide a number of temporary reliefs, which apply to all hedging relationships that are directly affected by interest rate benchmark reform. A hedging relationship is affected if the reform gives rise to uncertainty about the timing and/or amount of benchmark-based cash flows of the hedged item or the hedging instrument.

The amendments are relevant to the Group as it applies hedge accounting to certain of its benchmark interest rate exposures (see note 14.6). The amendments permit continuation of hedge accounting even if in the future hedged benchmark interest rates may no longer be separately identifiable and there is uncertainty about the replacement of the floating interest rates included in the interest rate swaps.

Amendments to IFRS 16 – COVID-19-Related Rent Concessions

In May 2020, the IASB issued an amendment to IFRS 16 Leases with immediate effect titled "COVID-19-Related Rent Concessions" which provides a practical expedient that permits lessees not to assess whether rent concessions that occur as a direct consequence of the COVID-19 pandemic and meet specified conditions are lease modifications and, instead, to account for those rent concessions in profit or loss as if they were not lease modifications. As LafargeHolcim decided not to apply the practical expedient, the amendment will not impact the Group financial statements.

In 2021, LafargeHolcim will adopt the following amended standards relevant to the Group:

Amendments to IFRS 9, IAS 39, 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 August 2020, the IASB issued Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 – Interest Rate Benchmark Reform (Phase 2). The Phase 2 Amendments provide additional guidance with respect to changes in the basis for determining the contractual cash flows for financial assets and financial liabilities (including lease liabilities) that are directly required by the interest rate benchmark reform.

The Phase 2 Amendments are effective for annual periods beginning on or after 1 January 2021 on a retrospective basis. The Group has assessed that the amendments will not materially impact the financial statements but will monitor closely any changes in the future.

In 2022, LafargeHolcim 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 IFRSs (issued in May 2020)

Amendments to IAS 16 – Property, Plant and Equipment (PPE): 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 IFRSs (issued in May 2020)

The adoption of the improvements to IFRSs will not materially impact the Group financial statements.

In 2023, LafargeHolcim will adopt the following amended standard relevant to the Group:

Amendments to IAS 1	Classifications of Liabilities as Current or Non-current

In January 2020, the IASB issued amendments to IAS 1 Classification of Liabilities as Current or Non-current, 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.

1.3 Impact from COVID-19

Due to the COVID-19 crisis, 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. These factors led to a high degree of uncertainty on the estimates and assumptions concerning the future that were considered in multiple scenarios which are believed to be reasonable, supportable and realistic under the circumstances. The estimates and assumptions, notably those relating to assets and goodwill impairments, inventory valuation, expected credit loss of trade receivables, recovery of deferred tax assets, employee defined benefit plans, hedged positions, income taxes and government grants have been based on the available information as of 31 December 2020.

Risk Management

While risks and uncertainties that may have a significant impact as described in note 1.1 remain valid, the COVID-19 pandemic may present new challenges to LafargeHolcim's business.

Those challenges are volatile and significantly different from country to country. While the construction sector and construction sites are generally more resilient than other sectors, LafargeHolcim has experienced disruptions across its operations.

Since the demand for cement and construction material is closely linked to gross domestic product (GDP), the magnitude and the length of the crisis is a source of uncertainty.

In order to face the current crisis, the Group has implemented its action plan HEALTH, COST & CASH which aims 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, tight grip on cash and cost according to any potential volume decrease, proactive supply chain management and protection of long-term relationships with the company's partners and communities.

Impairment testing
As a consequence of the potential impacts of COVID-19 which the Group considers to be a continuous indicator of impairment, the impairment tests performed at the end of 2019 for goodwill, property, plant and equipment and intangible assets were also performed as of 30 June 2020 and as of 31 December 2020.

The cash flow projections used for the recovery have been considered based on external data issued by the International Monetary Fund (IMF) such as forecasted GDP rates, which closely reflects, for example, demand for cement and construction materials.

Furthermore, the weighted average cost of capital (WACC) was adjusted as of 31 December 2020 to largely reflect changes in the country risk premiums (CRP). Overall, the review resulted in a total impairment charge of CHF 206 million (excluding reversal of impairment of CHF 43 million for the reportable segment Asia Pacific) relating to property, plant and equipment, of which CHF 111 million was within the reportable segment Middle East Africa, CHF 42 million was within the reportable segment Europe, CHF 28 million was within the reportable segment Asia Pacific, CHF 16 million was within the reportable segment Latin America and CHF 9 million was within the reportable segment North America. These amounts have been largely reflected in "Production cost of goods sold".

The above analysis has been based on the information available at the end of December 2020 and the Group will continue to closely monitor the situation over the coming months.

Inventories
The Group has reviewed its inventories in light of the COVID-19 situation and has not identified material impairment losses on inventories in the reporting period as the Group believes it will consume its inventories on a short-term basis.

Credit Loss of trade receivables
The Group has considered the impact of COVID-19 pandemic on the expected credit loss of trade receivables. The amount and timing of the expected credit losses, as well as the probability assigned thereto, has been based on the available information at the end of December 2020.

As a result of this review, no material credit losses were recognized for trade receivables in 2020.

Pensions
Over the full year 2020, the COVID-19 pandemic had in itself no material impact on the net pension provision. Over the year, actuarial losses due to the decrease in discount rate were more than offset by actuarial gains on the plan assets, thanks to efficient hedging strategies utilizing liability-driven investments (LDIs) and to a strong performance on return-seeking assets, including alternative investments and hedge funds.

Cash flow hedges
In the course of its business, the Group has entered into future purchase of commodities such as fuel. Whenever these transactions were designated as hedged forecasted transactions in a cash flow hedge, the Group has reviewed whether these transactions were still highly probable forecasted transactions. There was no material impact as of December 2020.

Taxes
The Group's recognition of deferred tax assets reflects that the Group considers it probable that sufficient taxable income will be generated to recover these assets in future periods. 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 long-term future profitability resulting in a material adjustment to the deferred tax assets.

Government grants
In response to the COVID-19 pandemic, governments implemented measures to assist entities. These measures include temporary salary subsidies, additional tax deductions and credits, rental reductions or deferrals and below-market rate loans. The governments' measures primarily affecting the Group were temporary salary subsidies in Europe.

The Group analysed all facts and circumstances in relation to these schemes and accordingly applied the relevant accounting standards.

1.4 Climate change-related impacts

The Group makes estimates and assumptions concerning the future including climate-related matters. There is considerable uncertainty over assumptions on various climate change scenarios and how they will impact the Group's business operations and the cash flow projections. LafargeHolcim 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, recovery of deferred tax assets, provisions and contingent liabilities, insurance costs and defined benefit pension plans have been based on the available information and regulations in place as of 31 December 2020.

Risk Management

The cement industry is associated with high CO_2 intensity and LafargeHolcim 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 LafargeHolcim. Based on Taskforce for Climate-related Financial Disclosures (TCFD) recommendations, LafargeHolcim 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.

Sustainability is linked to LafargeHolcim's core strategy to make the transition towards low carbon construction and creating a circular economy. LafargeHolcim has set intermediate targets for 2030 approved by the Science-Based Targets Initiative (SBTi). Furthermore, recognizing the role of sustainable finance in supporting the transition to a low-carbon and more resource efficient economy, LafargeHolcim has put in place a Sustainability-Linked Financing Framework to link funding with its sustainability objectives.

In the longer term (beyond 2030), the Group is considering innovation, research and development into breakthrough technologies such as carbon capture usage and storage (CCUS); our approach is to leverage early benefits by piloting projects in Europe and North America. Over the next 10 years LafargeHolcim will explore CCUS technologies to reach the scalable and cost effective solutions to support its net zero ambition. The Group's 2030 target does not depend on CCUS.

In addition, LafargeHolcim engages proactively and transparently with external stakeholders on the basis of positions that are aligned and consistent with the goals of the Paris Agreement. Some of the short/long-term policy priorities that we have identified as the cornerstone of the net-zero transition are the following:

- Effective carbon pricing mechanisms
  - Supporting carbon border adjustment mechanisms;
  - Supporting carbon prices to sustain investments in low-carbon technologies;
  - Developing carbon pricing mechanisms that encompass both carbon emissions and carbon consumption.
- Market demand for low-carbon products and solutions
  - Integrating carbon performance in public procurement;
  - Building standards and construction codes on the basis of material or technology neutrality and lifecycle performance.
- Carbon Capture technologies
  - Providing continued short-term support for the development and scaling-up of advanced technologies;
  - Supporting the recognition of CCUS as a carbon mitigation avenue for hard-to-abate sectors.
- Access to competitive non-fossil energy
  - Facilitating the co-processing of waste;
  - Ensuring access to abundant and competitively priced renewable energy.

Impairment testing

Cash flow projections used in the impairment process are based upon 3 years financial periods and extrapolated based on increasing sustainable cash flows fully aligned with the Group's 2030 targets under the "Business Ambition for 1.5 °C" and the climate-related regulations currently in place notably in Europe.

Useful lives of assets

Useful lives of assets may be affected by the climate-related matters because of obsolescence and legal restrictions. The change in useful lives will have a direct impact on the amount of depreciation or amortisation recognized each year. Management's review of useful lives has taken into consideration the impacts of the Group's 2030 targets under the "Business Ambition for 1.5 °C".

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 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 realisable value.

Financial expenses
The increased diversification of financial assets with sustainability-linked bonds for instance which are changing the profile of LafargeHolcim's debt and equity structure 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 the ones used in the impairment process taken 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 LafargeHolcim'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.

Defined benefit pension plans
Climate-related risks could also affect the financial position of defined benefit pension plans. As such, climate-related risks (alongside other risks) are regularly reviewed and monitored. Where changes are made to investment or governance approaches to better manage climate-related risk, then the implications for expected returns, and employer costs or contributions are also considered.

2. Fully consolidated companies and non-controlling interests

2.1 Scope of consolidation

The consolidated financial statements comprise those of LafargeHolcim 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 LafargeHolcim acquires or partially disposes of a non-controlling interest in a subsidiary, without changing 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 in 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 2019 and 2020. 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 2019 and 2020. The resulting gain of CHF 12 million (2019: CHF 25 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 69 million (2019: CHF 85 million) was reflected as an increase in retained earnings, of which CHF 11 million (2019: CHF 15 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 2019 and 2020.

Since the beginning of 2020, inflation in Lebanon has increased significantly, and the three-year cumulative inflation is expected to exceed 100 percent. Market guidance therefore suggests that Lebanon should be considered hyperinflationary as of 31 December 2020. No hyperinflation accounting was applied for the consolidated financial statements as of 31 December 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 2020 and 2019, as the impact is considered immaterial.

2.3 Change in the scope of consolidation

As part of its strategy, LafargeHolcim has completed several acquisitions and disposals during the past two years.

Aggregated information of the acquisitions and disposals conducted is disclosed in note 19.

Acquisitions in the current reporting period
In 2020, LafargeHolcim acquired several businesses:

- 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)
- Stalybridge Readymix in the United Kingdom, comprising one ready-mix plant in Manchester area (February 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 readymix business in Canada (December 2020)

Acquisitions in the previous comparative period
In 2019, LafargeHolcim acquired several businesses:

- Alfons Greten Betonwerk in Northern Germany (January 2019)
- Transit Mix Concrete Co., a leading supplier of building materials in Colorado and subsidiary of Continental Materials Corporation (February 2019)
- Colorado River Concrete in Fort Worth, Texas (March 2019)
- Donmix in Australia, comprising of five ready-mix concrete plants on the Bass Coast, in the State of Victoria (March 2019)
- Bedrock Redi-Mix comprising two ready-mix concrete plants on Vancouver Island, British Columbia (September 2019)
- Maxi Readymix Concrete comprising one ready-mix concrete plant in the Leicester area in the United Kingdom (September 2019)
- Somaco comprising five precast plants and one bricks plant in Romania (October 2019)

Divestments in the current reporting period
In 2020, LafargeHolcim did not undertake any material divestments.

Divestments in the previous comparative periods
In 2019, LafargeHolcim finalized its divestments in South East Asia region:

- 80.6 percent shareholding in Holcim Indonesia for a total consideration of CHF 911 million which resulted in a net gain of CHF 179 million
- 51 percent shareholding in Lafarge Malaysia Berhard for a total consideration of CHF 387 million which resulted in a net gain of CHF 47 million
- 91 percent shareholding in Holcim Singapore for a consideration of CHF 48 million, which resulted in a net gain on disposal of CHF 20 million

Held for sale in the current period
The net assets classified as held for sale as of 31 December 2020 amount to CHF 114 million.

In May 2020, the Philippines Competition Commission did not issue an approval for the sale of the Group's entire interest of 85.7% in Holcim Philippines Inc. to San Miguel Corporation. The sale agreement signed in May 2019 with San Miguel Corporation lapsed and consequently, Holcim Philippines Inc. was declassified as held for sale.

Held for sale in the comparative period
The net assets classified as held for sale as of 31 December 2019 amount to CHF 1,098 million and mostly include the assets and liabilities of Holcim Phillipines.

Notes to the consolidated financial statements

Continued

2.4 Principal consolidated companies of the Group

Region / Company	Country	Municipality	Share Capital as at 31 December 2020	Cement	Aggregates	Ready-Mix Concrete	Percentage of interest	Listed company
Asia Pacific								
Holcim (Australia) Pty Ltd	Australia	Chatswood	AUD 1 million		◆	●	100.0%	
LafargeHolcim Bangladesh Limited	Bangladesh	Dhaka	BDT 11,614 million	■			29.4%	X
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 1,878 million	■		●	36.1%	X
Ambuja Cements Ltd.	India	Mumbai	INR 3,971 million	■			63.1%	X
Holcim (New Zealand) Ltd	New Zealand	Christchurch	NZD 34 million	■	◆		100.0%	
Holcim Philippines Inc.	Philippines	Taguig City	PHP 6,452 million	■	◆		85.7%	X
Latin America								
Holcim (Argentina) S.A.	Argentina	Cordoba	ARS 366 million	■	◆	●	82.2%	X
LafargeHolcim (Brasil) S.A.	Brazil	Rio de Janeiro	BRL 5,770 million	■	◆	●	100.0%	
Holcim (Colombia) S.A.	Colombia	Bogotà	COP 217,343,297 million	■	◆	●	100.0%	
Holcim (Costa Rica) S.A.	Costa Rica	San José	CRC 8,577 million	■	◆	●	65.3%	X
Holcim (Ecuador) S.A.	Ecuador	Guayaquil	USD 61 million	■	◆	●	92.2%	X
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%	

Region / Company	Country	Municipality	Share Capital as at 31 December 2020		Cement	Aggregates	Ready-Mix Concrete	Percenage of interest	Listed company
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	Dottern -hausen	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 Gruppo (Italia) S.p.A.	Italy	Merone	EUR	9 million	■	◆	●	100.0%	
Lafarge Ciment (Moldova) S.A.	Moldova	Rezina	MDL	445 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%	
LH 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	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

Notes to the consolidated financial statements

Continued

Region / Company	Country	Municipality	Share Capital as at 31 December 2020			Cement	Aggregates	Ready-Mix Concrete	Percentage of interest	Listed company
North America										
Lafarge Canada Inc.	Canada	Toronto	CAD	n.a.[2]		■	◆	●	100.0%	
Holcim (US) Inc.	USA	Chicago	USD	n.m.[3]		■			100.0%	
Aggregate Industries Management Inc.	USA	Chicago	USD	n.m.[3]			◆	●	100.0%	
Middle East Africa										
Lafarge Ciment de M'sila "LCM"	Algeria	Algiers	DZD	7,257	million	■			100.0%	
Lafarge Béton Algérie "LBA"	Algeria	Algiers	DZD	4,671	million		◆	●	100.0%	
Lafarge Ciment d'Oggaz "LCO"	Algeria	Algiers	DZD	3,848	million	■			100.0%	
Cilas Spa	Algeria	Algiers	DZD	3,808	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%	X
Holcim (Liban) S.A.L.	Lebanon	Beirut	LBP	97,580	million	■			52.1%	X
Lafarge Cement Malawi Ltd	Malawi	Blantyre	MWK	16	million	■			100.0%	
Lafarge (Mauritius) Cement Ltd	Mauritius	Port-Louis	MUR	146	million	■		●	58.4%	
Ashakacem Plc.	Nigeria	Gombe	NGN	1,120	million	■			83.8%	
Lafarge Africa Plc.	Nigeria	Ikoyi	NGN	8,054	million	■		●	83.8%	X
Holcim Réunion S.A.	Reunion	Le Port	EUR	5	million	■	◆	●	100.0%	
Lafarge Industries South Africa (Pty) Ltd	South Africa	Edenvale	ZAR	n.m.[3]		■		●	100.0%	
Lafarge Mining South Africa (Pty) Ltd	South Africa	Edenvale	ZAR	n.m.[3]		■	◆		100.0%	
Mbeya Cement Company Limited	Tanzania	Songwe	TZS	5,636	million	■			61.5%	
Hima Cement Ltd.	Uganda	Kampala	UGX	19,080	million	■			71.0%	
Lafarge Zambia Plc	Zambia	Lusaka	ZMW	10	million	■	◆		75.0%	X
Lafarge Cement Zimbabwe Limited	Zimba-bwe	Harare	ZWL	1	million	■	◆		76.5%	X

1 On 5 July 2020, Jordan Cement Factories (JCF) filed for insolvency before the Court of First Instance in the city of Salt, Jordan. The insolvency process was published in the Jordanian Official Gazette on 4 August 2020. On 28 September 2020, the Court of Appeal of Amman, Jordan, issued a decision adverse to the validity of the insolvency procedure.
On 14 November 2020, Jordan Cement Factories (JCF) filed a petition before the Court of Cassation to overturn the decision of the Court of Appeal.
The shares of Jordan Cement Factories (JCF) are delisted from Amman Stock Exchange since 16 June 2020.

2 n.a.: not applicable

3 n.m.: not material

Principal finance and holding companies

Company	Country	Municipality	Share Capital as at 31 December 2020			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%
Holcim Overseas Finance Ltd.	Bermuda	Hamilton	CHF	n.m.[2]		100.0%
Holcim Investments (France) S.A.S.	France	Paris	EUR	136	million	100.0%
Lafarge S.A.	France	Paris	EUR	1,161	million	100.0%
Financière Lafarge S.A.S.	France	Paris	EUR	5,969	million	100.0%
Société financière immobilière et mobilière "SOFIMO" S.A.S.	France	Paris	EUR	1,055	million	100.0%
Lafarge Centre de recherche (LCR)	France	Saint Quentin Fallavier	EUR	23	million	100.0%
Holcim Auslandbeteiligungs GmbH (Deutschland)	Germany	Hamburg	EUR	3	million	100.0%
Holcim Beteiligungs GmbH (Deutschland)	Germany	Hamburg	EUR	102	million	100.0%
LH Global Hub Services Private Limited	India	Navi Mumbai	INR	300	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%
LafargeHolcim 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%
Cemasco B.V.	Netherlands	Amsterdam	EUR	1	million	100.0%
Holcim Investments (Spain), S.L.	Spain	Madrid	EUR	174	million	100.0%
LafargeHolcim Ltd[1]	Switzerland	Rapperswil-Jona	CHF	1,232	million	100.0%
LafargeHolcim Continental Finance Ltd	Switzerland	Zug	CHF	50	million	100.0%
LafargeHolcim Helvetia Finance Ltd	Switzerland	Zug	CHF	10	million	100.0%
LafargeHolcim International Finance Ltd	Switzerland	Zug	CHF	50	million	100.0%
Holcim Group Services Ltd	Switzerland	Zug	CHF	1	million	100.0%
Holcim Technology Ltd	Switzerland	Zug	CHF	10	million	100.0%
Aggregate Industries Holdings Limited	United Kingdom	Markfield	GBP	340	million	100.0%
LafargeHolcim Finance US LLC	USA	Wilmington	USD	n.a.[3]		100.0%
Holcim Participations (US) Inc.	USA	Chicago	USD	n.m.[2]		100.0%

[1] LafargeHolcim Ltd, Zürcherstrasse 156, CH-8645 Rapperswill-Jona
[2] n.m.: not material
[3] n.a.: not applicable

Notes to the consolidated financial statements

Continued

Listed Group companies

Region	Company	Country	Municipality	Place of listing		Market capitalization at 31 December 2020		Security code number
Asia Pacific	LafargeHolcim Bangladesh Limited	Bangladesh	Dhaka	Chittagong, Dhaka	BDT	55,514	million	BD0643LSCL09
	ACC Limited	India	Mumbai	Mumbai	INR	303,774	million	INE012A01025
	Ambuja Cements Ltd.	India	Mumbai	Mumbai	INR	494,128	million	INE079A01024
	Holcim Philippines Inc.	Philippines	Taguig City	Manila	PHP	46,778	million	PHY3232G1014
Latin America	Holcim (Argentina) S.A.	Argentina	Cordoba	Buenos Aires	ARS	45,261	million	ARP6806N1051
	Holcim (Costa Rica) S.A.	Costa Rica	San José	San José	CRC	117,939	million	CRINC00A0010
	Holcim (Ecuador) S.A.	Ecuador	Guayaquil	Quito, Guayaquil	USD	1,147	million	ECP516721068
Middle East Africa	Bamburi Cement Limited	Kenya	Nairobi	Nairobi	KES	13,278	million	KE0000000059
	Holcim (Liban) S.A.L.	Lebanon	Beirut	Beirut	USD	283	million	LB0000012833
	Lafarge Africa Plc.	Nigeria	Ikoyi	Lagos	NGN	339,069	million	NGWAPCO00002
	Lafarge Zambia Plc	Zambia	Lusaka	Lusaka	ZMW	414	million	ZM0000000011
	Lafarge Cement Zimbabwe Limited	Zimbabwe	Harare	Harare	USD	640	million	ZW0009012056

2.5 Non-controlling interests

LafargeHolcim 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		**2020**	2019	**2020**	2019	**2020**	2019	**2020**	2019
ACC Limited	India	**63.9%**	63.9%	**119**	109	**867**	864	**15**	27
Ambuja Cements Ltd.	India	**36.9%**	36.9%	**75**	80	**673**	862	**172**	10

[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.

Statement of financial position

Million CHF	ACC Limited 2020	ACC Limited 2019	Ambuja Cements Ltd. 2020	Ambuja Cements Ltd. 2019
Current assets	**992**	982	**531**	930
Long-term assets	**1,380**	1,584	**1,971**	2,153
Total assets	**2,372**	2,566	**2,502**	3,083
Current liabilities	**495**	542	**537**	598
Long-term liabilities	**182**	279	**127**	148
Total liabilities	**677**	821	**663**	746
Net assets	**1,695**	1,745	**1,839**	2,337

Statement of income

Million CHF	2020	2019	2020	2019
Net sales	**1,724**	2,190	**1,421**	1,627
Net income	**186**	171	**220**	235

Statement of cash flows

Million CHF	2020	2019	2020	2019
Cash flow from operating activities	**306**	298	**352**	379
Increase (decrease) in cash and cash equivalents	**175**	214	**(227)**	192

3. Segment reporting

3.1 Accounting principles

For purposes of presentation to the Chief Operating Decision Maker (i.e. the Group CEO), five regions corresponding to the aggregation of countries or regional clusters are reported:

- **Asia Pacific**
- **Europe**
- **Latin America**
- **Middle East Africa**
- **North America**

Each region is reviewed separately by the Chief Operating Decision Maker (i.e. the Group CEO). The countries have been aggregated into five operating segments as they have similar long-term average gross margins and are similar in respect of products, production processes, distribution methods and types of customers.

Each of the above operating segments derives its revenues largely from the sale of Cement, Aggregates and Ready-Mix Concrete. 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 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 on 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

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3.2 Operating segments

Information by operating segment

	Asia Pacific		Europe	
	2020	2019	**2020**	2019
Capacity and volumes sold (unaudited)				
Annual cement production capacity (Million t)	**87.3**	85.4	**73.6**	73.6
Sales of Cement (Million t)	**63.0**	73.5	**44.6**	46.3
Sales of Aggregates (Million t)	**28.1**	27.3	**111.9**	118.7
Sales of Ready-Mix Concrete (Million m^3)	**7.4**	9.6	**18.1**	19.3
Statement of income (Million CHF)				
Net sales to external customers	**5,243**	6,491	**7,061**	7,670
Net sales to other segments		5	**93**	117
Total net sales	**5,243**	6,497	**7,154**	7,787
Recurring EBITDA after leases	**1,458**	1,687	**1,507**	1,600
Recurring EBITDA after leases margin in %	**27.8**	26.0	**21.1**	20.5
Recurring EBIT	**1,103**	1,364	**927**	990
Recurring EBIT margin in %	**21.0**	21.0	**13.0**	12.7
Operating profit (loss)	**1,096**	1,354	**881**	971
Operating profit (loss) margin in %	**20.9**	20.8	**12.3**	12.5
Statement of financial position (Million CHF)				
Invested capital	**7,264**	6,854	**10,671**	11,311
Investments in associates and joint ventures	**1,781**	1,607	**218**	219
Total assets	**9,801**	10,722	**15,974**	16,777
Total liabilities	**3,666**	4,109	**7,159**	7,741
Statement of cash flows (Million CHF)				
Capex [1]	**285**	371	**309**	437
Income taxes paid	**201**	207	**100**	101
Personnel (unaudited)				
Number of personnel	**16,447**	17,505	**20,423**	20,880
Reconciliation of measures of profit and loss to the consolidated statement of income				
Recurring EBITDA after leases	**1,458**	1,687	**1,507**	1,600
Depreciation and amortization of property, plant and equipment, intangible and long-term assets	**(355)**	(323)	**(580)**	(610)
Recurring EBIT	**1,103**	1,364	**927**	990
Restructuring, litigation and other non-recurring costs	**(29)**	(13)	**(5)**	(32)
Impairment of operating assets	**21**	3	**(42)**	13
Operating profit (loss)	**1,096**	1,354	**881**	971
Profit on disposals and other non-operating income				
Loss on disposals and other non-operating expenses				
Share of profit of associates				
Financial income				
Financial expenses				
Net income before taxes				

[1] The capex consists of the purchase and disposal of property, plant and equipment.

Latin America		Middle East Africa		North America		Corporate/Eliminations		Total Group	
2020	2019	**2020**	2019	**2020**	2019	**2020**	2019	**2020**	2019
38.6	38.6	**56.3**	56.3	**32.0**	32.0			**287.8**	285.9
23.9	24.7	**33.3**	35.6	**19.8**	20.8	**5.7**	6.9	**190.4**	207.9
4.8	4.1	**3.5**	6.3	**108.0**	113.5			**256.3**	269.9
4.0	4.9	**2.7**	3.8	**10.0**	10.2			**42.3**	47.7
2,225	2,620	**2,349**	2,903	**5,749**	6,311	**516**	727	**23,142**	26,722
22	9	**40**	37			**(155)**	(168)		
2,247	2,629	**2,389**	2,939	**5,749**	6,311	**361**	559	**23,142**	26,722
847	892	**563**	666	**1,584**	1,632	**(344)**	(301)	**5,616**	6,177
37.7	33.9	**23.6**	22.7	**27.5**	25.9			**24.3**	23.1
696	715	**330**	390	**1,033**	1,035	**(414)**	(392)	**3,676**	4,102
31.0	27.2	**13.8**	13.3	**18.0**	16.4			**15.9**	15.4
677	700	**150**	244	**1,013**	1,001	**(445)**	(437)	**3,371**	3,833
30.1	26.6	**6.3**	8.3	**17.6**	15.9			**14.6**	14.3
2,354	2,814	**5,208**	6,559	**9,937**	11,032	**453**	726	**35,887**	39,296
39	33	**1,379**	1,360	**56**	54		64	**3,473**	3,337
3,813	4,508	**5,525**	7,370	**14,127**	15,198	**3,984**	3,735	**53,224**	58,310
1,514	1,841	**2,169**	2,929	**5,652**	6,532	**4,439**	3,659	**24,600**	26,811
116	145	**97**	141	**220**	301			**1,026**	1,396
172	164	**48**	60	**139**	123	**56**	56	**715**	711
9,007	8,871	**9,911**	11,277	**10,111**	12,614	**1,510**	1,306	**67,409**	72,452
847	892	**563**	666	**1,584**	1,632	**(344)**	(301)	**5,616**	6,177
(151)	(177)	**(233)**	(276)	**(551)**	(597)	**(70)**	(92)	**(1,940)**	(2,075)
696	715	**330**	390	**1,033**	1,035	**(414)**	(392)	**3,676**	4,102
(3)	(16)	**(11)**	(61)	**(11)**	(22)	**(31)**	(45)	**(89)**	(190)
(16)	1	**(169)**	(85)	**(9)**	(13)			**(215)**	(80)
677	700	**150**	244	**1,013**	1,001	**(445)**	(437)	**3,371**	3,833
								15	302
								(60)	(117)
								15	12
								101	158
								(723)	(870)
								2,719	3,319

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Information by product line

	Cement[1]		Aggregates		
Million CHF	**2020**	2019	**2020**	2019	**2020**
Statement of income and statement of cash flows					
Net sales to external customers	**13,970**	16,261	**2,722**	2,997	**4,584**
Net sales to other segments	**1,072**	1,238	**992**	1,129	**26**
Total net sales	**15,043**	17,498	**3,713**	4,125	**4,610**
– Of which Asia Pacific	**3,968**	5,009	**515**	548	**817**
– Of which Europe	**3,669**	3,889	**1,748**	1,948	**1,874**
– Of which Latin America	**1,968**	2,290	**24**	25	**323**
– Of which Middle East Africa	**2,189**	2,621	**36**	71	**185**
– Of which North America	**2,848**	3,093	**1,390**	1,532	**1,411**
– Of which Corporate/Eliminations	**401**	597			
Recurring EBITDA after leases	**4,516**	4,783	**761**	907	**166**
– Of which Asia Pacific	**1,241**	1,370	**149**	181	**47**
– Of which Europe	**1,076**	1,055	**298**	369	**52**
– Of which Latin America	**827**	857		3	**12**
– Of which Middle East Africa	**541**	617	**6**	16	**2**
– Of which North America	**1,123**	1,136	**334**	364	**77**
– Of which Corporate	**(291)**	(251)	**(27)**	(26)	**(25)**
Recurring EBITDA after leases margin in %	**30.0**	27.3	**20.5**	22.0	**3.6**
Recurring EBIT	**3,112**	3,273	**432**	560	**32**
– Of which Asia Pacific	**978**	1,115	**92**	139	**29**
– Of which Europe	**697**	664	**163**	213	**10**
– Of which Latin America	**692**	696	**(4)**	(1)	**1**
– Of which Middle East Africa	**322**	360	**3**	9	**(7)**
– Of which North America	**746**	734	**206**	229	**47**
– Of which Corporate	**(324)**	(297)	**(28)**	(30)	**(48)**
Recurring EBIT margin in %	**20.7**	18.7	**11.6**	13.6	**0.7**
Capital expenditure	**778**	1,056	**181**	217	**57**
Personnel (unaudited)					
Number of personnel	**39,061**	41,205	**8,498**	9,150	**10,872**

[1] Cement, clinker and other cementitious materials
[2] Precast, concrete products, asphalts, mortars and contracting and services

Ready-Mix Concrete	Solutions & Products[2]		Corporate/Eliminations		Total Group	
2019	**2020**	2019	**2020**	2019	**2020**	2019
5,254	**1,866**	2,210			**23,142**	26,722
35	**27**	38	**(2,117)**	(2,439)		
5,289	**1,893**	2,248	**(2,117)**	(2,439)	**23,142**	26,722
1,012	**187**	223	**(244)**	(295)	**5,243**	6,497
2,070	**862**	1,003	**(1,000)**	(1,124)	**7,154**	7,787
432	**56**	54	**(124)**	(172)	**2,247**	2,629
294	**56**	81	**(76)**	(128)	**2,389**	2,939
1,482	**732**	887	**(633)**	(683)	**5,749**	6,311
			(40)	(38)	**361**	559
264	**173**	223			**5,616**	6,177
90	**22**	46			**1,458**	1,687
89	**82**	87			**1,507**	1,600
24	**8**	8			**847**	892
12	**13**	22			**563**	666
73	**49**	60			**1,584**	1,632
(24)	**(1)**	0			**(344)**	(301)
5.0	**9.2**	9.9			**24.3**	23.1
111	**100**	158			**3,676**	4,102
74	**4**	37			**1,103**	1,364
46	**57**	66			**927**	990
12	**7**	7			**696**	715
0	**12**	20			**330**	390
29	**34**	43			**1,033**	1,035
(50)	**(14)**	(15)			**(414)**	(392)
2.1	**5.3**	7.0			**15.9**	15.4
82	**29**	36	**(19)**	5	**1,026**	1,396
11,752	**8,157**	9,015	**821**	1,331	**67,409**	72,452

3.3 Information by country

Million CHF	Net sales to external customers 2020	Net sales to external customers 2019	Property, plant and equipment and intangible assets 2020	Property, plant and equipment and intangible assets 2019
USA	**3,992**	4,312	**4,548**	5,170
India	**3,075**	3,793	**2,346**	2,627
Canada	**1,870**	2,118	**2,257**	2,545
France	**1,761**	1,929	**2,344**	2,448
United Kingdom	**1,459**	1,764	**1,322**	1,412
Australia	**1,103**	1,173	**1,019**	1,054
Mexico	**894**	917	**494**	555
Germany	**829**	844	**658**	683
Switzerland	**805**	929	**688**	717
Others	**7,354**	8,943	**9,077**	10,622
Total	**23,142**	26,722	**24,753**	27,833

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 normal 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, disputes with minority shareholders, other major lawsuits, share of profit or loss of associates and financial income and expenses.

4.2 Revenue recognition

Revenue from the sale of the Group's core products cement, aggregates and ready-mix concrete 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.

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. As of 31 December 2020, contract liabilities amounted to CHF 526 million (2019: CHF 509 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 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.

Interest is recognized on a time proportion basis that reflects the effective yield on the asset.

Dividends are recognized when the shareholder's right to receive payment is established.

4.3 Production cost of goods sold

Million CHF	**2020**	2019
Material expenses	**(4,689)**	(5,569)
Fuel expenses	**(1,092)**	(1,510)
Electricity expenses	**(1,035)**	(1,218)
Personnel expenses	**(1,806)**	(2,128)
Maintenance expenses	**(1,267)**	(1,538)
Depreciation, amortization and impairment	**(2,080)**	(2,050)
Other production expenses	**(1,197)**	(1,317)
Changes in inventory	**(286)**	(112)
Total	**(13,453)**	(15,441)

4.4 Research and development

Innovation through research and development projects plays a key part in the Group's activities. LafargeHolcim'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 LafargeHolcim'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 171 million of which CHF 124 million was incurred in LafargeHolcim's innovation centers (2019: CHF 155 million of which CHF 96 million in LafargeHolcim's innovation centers)

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4.5 Summary of depreciation, amortization and impairment

Million CHF	2020	2019
Production facilities	**(2,080)**	(2,050)
Distribution and sales facilities	**(315)**	(356)
Administration facilities	**(120)**	(153)
Total depreciation, amortization and impairment of operating assets (a)	**(2,515)**	(2,559)
Of which net impairment charge relating to property, plant and equipment and assets classified as held for sale (note 11.2)	**(163)**	(68)
Of which impairment charge relating to intangible assets (note 11.3)	**(7)**	(2)
Of which impairment charge relating to investments in joint ventures (note 6.4)	**(45)**	(9)
Impairment of long-term financial assets (note 7.3)	**(18)**	(13)
Impairment of investments in associates (note 6.9)	**(7)**	(1)
Ordinary depreciation of non-operating assets	**0**	(12)
Other unusual items	**2**	(6)
Total depreciation, amortization and impairment of financial and non-operating assets (b)	**(24)**	(32)
Total depreciation, amortization and impairment (a + b)	**(2,539)**	(2,591)
Of which depreciation of property, plant and equipment (note 11.2)	**(1,820)**	(1,916)
Of which depreciation of right-of-use assets	**(360)**	(404)

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 normal operating activities such as revaluation gains or losses on previously held equity interests, disputes with non-controlling interests and other major lawsuits.

5.2 Profit on disposals and other non-operating income

Million CHF	2020	2019
Dividends earned	4	4
Net gain on disposals before taxes	8	293
Other	3	5
Total	**15**	302

In 2020, the position "Net gain on disposal before taxes", mainly includes several gains on disposal of property, plant and equipment.

In 2019, the position "Net gain on disposals before taxes", mainly includes gain on disposals of:
- Holcim Indonesia of CHF 179 million;
- Lafarge Malaysia Berhad of CHF 47 million;
- Holcim Singapore Ltd of CHF 20 million; and
- several gains on disposals of property, plant and equipment of CHF 26 million.

Further information is disclosed in note 2.3.

5.3 Loss on disposals and other non-operating expenses

Million CHF	2020	2019
Depreciation, amortization and impairment of non-operating assets	(6)	(20)
Net loss on disposals before taxes	(20)	(5)
Other	(35)	(92)
Total	**(60)**	(117)

In 2020 and in 2019, the position "Other" includes expenses incurred in connection with assets, which are non-operating, abandoned or not part of the operating business cycle.

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 right and obligation 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 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 2020, LafargeHolcim acquired a participation of 30% in CPC AG, Carbon Fiber reinforced Precast business, in Switzerland and Germany.

6.3 Main changes during the comparative period

During 2019, there were no individually material changes in the scope of investments in associates and joint ventures.

Million CHF	**2020**	2019
Investments in associates	**256**	258
Investments in joint ventures	**3,217**	3,079
Total	**3,473**	3,337

6.4 Movements in investments in joint ventures

Million CHF	2020	2019
1 January	**3,079**	2,869
Share of profit of joint ventures	**448**	548
Dividends earned	**(184)**	(226)
Net (disposals) acquisitions	**(12)**	(12)
Reclassifications	**8**	(3)
Impairments	**(45)**	(9)
Currency translation effects	**(78)**	(87)
31 December	**3,217**	3,079

In 2020, the position "Net (disposals) acquisitions" 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.

In 2019, the position "Reclassifications" mainly relates to the swap of the Group's stake in an associate in Europe for the non-controlled interest in a joint venture in Europe. This led to the Group gaining control over the joint venture and to its subsequent full consolidation. The position "Net (disposals) acquisitions" mainly relates to the sale of the Group's interest in a joint venture in Canada. 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%
	Lafarge Emirates Cement LLC	United Arab Emirates	50.0%

Listed joint ventures companies

Region	Company	Country	Municipality	Place of listing		Market capitalization at 31 December 2020		Security code number
Asia Pacific	Huaxin Cement Co. Ltd. – cement A shares	China	Wuhan	Shanghai	CNY	28,096	million	CNE000000DC6
	Huaxin Cement Co. Ltd. – cement B shares	China	Wuhan	Shanghai	USD	1,592	million	CNE000000HL8
Middle East Africa	LafargeHolcim Maroc S.A.	Morocco	Casablanca	Casablanca	MAD	37,490	million	MA0000012320

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6.6 Huaxin Cement Co. Ltd (China)

As of 31 December 2020, the Group holds 41.8 percent (2019: 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 2020 amounted to CHF 2,067 million (2019: CHF 2,517 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 2020, the disclosed amounts for the investments in the joint venture Huaxin Cement Co. Ltd. are as of 30 September 2020.

The summarized financial information presented below are the amounts included in the IFRS financial statements of Huaxin Cement Co. Ltd. as at 30 September 2020 and as at 31 December 2019. As of 30 September 2020, dividends of CHF 142 million (31 December 2019: CHF 107 million) were received from Huaxin Cement Co. Ltd.

Huaxin Cement Co. Ltd. – Statement of financial position

Million CHF	30.09.2020	31.12.2019
Cash and cash equivalents	788	711
Other current assets	880	701
Non-current assets	3,933	3,913
Total assets	5,602	5,324
Current financial liabilities	314	138
Other current liabilities	1,100	1,118
Long-term financial liabilities	487	450
Other non-current liabilities	126	141
Total liabilities	2,027	1,847
Net assets	3,575	3,477
Shareholders' equity (excluding non-controlling interest)	3,272	3,191

Huaxin Cement Co. Ltd. – Statement of comprehensive earnings

Million CHF	Jan-Sep 2020	Jan-Dec 2019
Net sales	2,773	4,523
Operating profit[1]	748	1,254
(Loss) / Profit on disposals and other non-operating income	(4)	23
Financial income	6	9
Financial expenses	(26)	(39)
Income taxes	(143)	(244)
Net income	581	1,003
Net income (excluding non-controlling interest)	526	906
Other comprehensive earnings	(19)	(2)
Total comprehensive earnings (excluding non-controlling interest)	507	904

[1] Of which CHF –206 million (2019: CHF –275 million) relate to depreciation and amortization

6.7 Lafarge Maroc S.A.S. (Morocco)

As of 31 December 2020, the Group holds 50 percent (2019: 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 2020, the disclosed amounts for the investment in the joint venture Lafarge Maroc S.A.S. are as of 30 June 2020.

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 2020 and as at 31 December 2019. As of 30 June 2020, no dividends (31 December 2019: CHF 18 million) were received from Lafarge Maroc S.A.S..

Lafarge Maroc S.A.S. – Statement of financial position

Million CHF	**30.06.2020**	31.12.2019
Cash and cash equivalents	**10**	11
Other current assets	**272**	303
Non-current assets	**2,394**	2,493
Total assets	**2,677**	2,807
Current financial liabilities	**123**	141
Other current liabilities	**293**	248
Long-term financial liabilities	**676**	721
Other non-current liabilities	**270**	291
Total liabilities	**1,363**	1,401
Net assets	**1,314**	1,406
Shareholders' equity (excluding non-controlling interest)	**904**	966

Lafarge Maroc S.A.S. – Statement of comprehensive earnings

Million CHF	**Jan-Jun 2020**	Jan-Dec 2019
Net sales	**455**	1,079
Operating profit[1]	**122**	337
Loss on disposals and other non-operating expenses	**(55)**	(9)
Financial expenses	**(18)**	(46)
Income taxes	**(29)**	(102)
Net income	**20**	180
Net income (excluding non-controlling interest)	**(9)**	116
Other comprehensive earnings	**1**	(8)
Total comprehensive earnings (excluding non-controlling interest)	**(8)**	108

[1] Of which CHF –61 million (2019: CHF –104 million) relate to depreciation and amortization

Notes to the consolidated financial statements

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6.8 Other Joint Ventures

The following table summarizes, in aggregate, the financial information of all individually immaterial joint ventures that are accounted for using the equity method:

Aggregated financial information of LafargeHolcim's share in joint ventures

Million CHF	31.12.2020	31.12.2019
Carrying amount of investments in joint ventures	**369**	321
Net income	**96**	107
Other comprehensive earnings	**1**	0
Total comprehensive earnings	**97**	107

The unrecognized share of losses relating to a joint venture that was fully impaired amounted to CHF 15 million in 2020 (2019: CHF 13 million).

6.9 Movements in investments in associates

Million CHF	2020	2019
1 January	**258**	264
Share of profit of associates	**15**	12
Dividends earned	**(7)**	(9)
Net acquisitions	**5**	1
Reclassifications	**(2)**	(3)
Impairments	**(7)**	(1)
Currency translation effects	**(6)**	(6)
31 December	**256**	258

As of 31 December 2020, the Group has no interests in associates that are considered as individually material. The following table summarizes, in aggregate, the financial information of all individually immaterial associates that are accounted for using the equity method:

Aggregated financial information of LafargeHolcim's share in associates

Million CHF	31.12.2020	31.12.2019
Carrying amount of investments in associates	**256**	258
Net income	**15**	12
Other comprehensive earnings	**0**	(1)
Total comprehensive earnings	**15**	11

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 since 1 January 2019, interest expenses on lease liabilities.

7.2 Financial income

Million CHF	2020	2019
Interest earned on cash and cash equivalents	88	100
Other financial income	13	58
Total	**101**	158

Other financial income relates primarily to interest income from loans and receivables.

7.3 Financial expenses

Million CHF	2020	2019
Interest expenses	(387)	(541)
Interest expenses on lease liabilities	(67)	(80)
Fair value changes on financial instruments	(1)	0
Unwinding of discount on long-term provisions	(8)	(51)
Net interest expense on retirement benefit plans	(34)	(49)
Impairment of long-term financial assets	(18)	(13)
Other financial expenses	(142)	(147)
Foreign exchange loss net	(74)	(1)
Financial expenses capitalized	7	11
Total	**(723)**	(870)

Interest expenses relate primarily to financial liabilities measured at amortized cost and include amortization on bonds and private placements amounting to CHF 7 million (2019: CHF 52 million). The remaining balance related to the purchase price allocation on bonds and private placements amounting to CHF 69 million as at end of December 2020 (2019: CHF 82 million). The decrease in interest expenses in 2020 is a consequence of the continued reduction in financial liabilities due to bond maturities and early redemptions, as well as a decline in average interest rate (see note 14.4).

Interest expenses on lease liabilities include interest expenses related to ongoing lease contracts (see note 14.7).

The decrease in unwinding of discount on long-term provisions between 2019 and 2020 is driven by discount rate changes in a number of countries.

Impairment of long-term financial assets includes essentially write-offs of long-term financial receivables.

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 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.

Notes to the consolidated financial statements

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8. Income taxes

8.1 Accounting principles

Income taxes

Our business operations are subject to numerous income taxes imposed by state and local governments. Taxes recognized in our Consolidated Financial Statements reflect our 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 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, even if, in each jurisdiction where we operate, we assess our 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, except 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	**2020**	2019
Current taxes	**(625)**	(808)
Deferred taxes and non-current taxes	**(92)**	2
Total	**(717)**	(806)

In 2019, the current tax expense included CHF 7 million in connection with the divestment of Group companies.

8.3 Reconciliation of tax rate

	2020		2019	
Net income before taxes	**2,719**		3,319	
Group's expected tax charge /rate	**(683)**	**+25%**	(876)	+26%
Effect of non-deductible items	**(141)**		(151)	
Effect of non-taxable items	**156**		247	
Effect of unrecognized tax losses and deferred tax asset write-offs	**(62)**		(9)	
Other effects	**13**		(17)	
Group's effective tax charge / rate	**(717)**	**+26%**	(806)	+24%

The expected tax expense at the applicable tax rate is the result of applying the domestic statutory tax rates to net income (loss) before taxes and non-recoverable withholding tax on income of each entity in the country it operates. For the Group, the applicable tax rate varies from one year to the other depending on the relative weight of net income (loss) of each individual entity in the Group's profit as well as the changes in statutory and withholding tax rates.

The effective tax rate includes the impact of the reduction in tax rates in India for Ambuja Cement Ltd. and ACC Limited. ACC Limited adopted the new tax regime in 2020 and Ambuja Cements Ltd. in 2019.

The Group's effective tax rate amounts to 25 percent (2019: 26 percent), excluding impairment and divestments.

In 2020, total income taxes paid amounts to CHF 715 million (2019: CHF 722 million). In 2019, the amount of income tax paid of CHF 722 million includes CHF 711 million reflected in Income Taxes Paid in the cash flow statement, CHF 6 million reflected in "Disposal of participation in Group companies" and CHF 5 million reflected in "Dividends paid to non-controlling interest".

8.4 Deferred taxes

Deferred tax in the consolidated statement of financial position as follows:

Million CHF	2020	2019
Deferred tax assets	**(513)**	(649)
Deferred tax liabilities	**1,885**	2,090
Deferred tax liabilities net	**1,372**	1,442

The Group's recognition of deferred tax assets amounting to CHF 513 million (2019: CHF 649 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

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Change in deferred tax assets and liabilities

Million CHF	Property, plant and equipment	Intangible and other long-term assets	Provisions	Other	Tax losses carryforward	Total
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	**0**	**(12)**	**13**	**(11)**	**0**	**(10)**
Change in structure	**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**
2019						
Deferred tax liabilities net as at 1 January 2019	**3,216**	**20**	**(436)**	**(160)**	**(1,034)**	**1,607**
Charged (credited)						
– to the statement of income	**(128)**	**(57)**	**83**	**(86)**	**186**	**(2)**
– to other comprehensive income	**0**	**1**	**(61)**	**(8)**	**0**	**(69)**
Change in structure	**(95)**	**(1)**	**23**	**(39)**	**39**	**(73)**
Hyperinflation[1]	**4**	**0**	**0**	**18**	**0**	**22**
Impact of change in accounting policies	**(8)**	**0**	**0**	**0**	**0**	**(8)**
Currency translation effects	**(58)**	**(4)**	**(2)**	**20**	**8**	**(35)**
Deferred tax liabilities net as at 31 December 2019	**2,931**	**(41)**	**(393)**	**(255)**	**(801)**	**1,442**

[1] See more information in note 2.2.

8.5 Tax losses carryforward

Million CHF	Tax losses carry-forward **2020**	Tax effect **2020**	Tax losses carry-forward 2019	Tax effect 2019
Total tax losses carryforward	**9,498**	**2,222**	9,766	2,423
Of which reflected in deferred taxes	**(3,131)**	**(636)**	(3,213)	(801)
Total tax losses carryforward not recognized	**6,367**	**1,585**	6,553	1,622
Expiring as follows:				
Within 1 year	**45**	**9**	54	11
Between 2 and 5 years	**266**	**53**	486	94
Thereafter	**6,056**	**1,523**	6,013	1,518

In 2020, CHF 1,585 million (2019: CHF 1,622 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 long-term income tax liabilities of CHF 348 million (2019: CHF 385 million) includes the repatriation tax arising from the US tax reform amounting to CHF 56 million (2019: CHF 66 million).

9. Earnings per share

	2020	2019
Earnings per share in CHF	**2.74**	3.69
Net income – shareholders of LafargeHolcim Ltd – as per statement of income (in million CHF)	**1,697**	2,246
Coupon relating to the subordinated fixed rate resettable notes [1]	**(18)**	(16)
Adjusted net income – shareholders of LafargeHolcim Ltd	**1,679**	2,231
Weighted average number of shares outstanding	**612,261,923**	605,208,200
Fully diluted earnings per share in CHF	**2.74**	3.68
Adjusted net income – shareholders of LafargeHolcim Ltd	**1,679**	2,231
Weighted average number of shares outstanding	**612,261,923**	605,208,200
Adjustment for assumed exercise of share options and performance shares	**644,070**	1,330,440
Weighted average number of shares for diluted earnings per share	**612,905,993**	606,538,640

[1] LafargeHolcim 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.

In conformity with the decision taken at the Annual General Meeting on 12 May 2020, a payout related to 2019 of CHF 2.00 per registered share was paid out of capital contribution reserves. This resulted in a total payment of CHF 1,224 million.

In 2019, the number of shares was impacted in conformity with two decisions taken at the Annual General Meeting on 15 May 2019:
- a dividend of CHF 2.00 per registered share for the financial year 2018 was paid out of capital surplus on 25 June 2019. LafargeHolcim offered to its shareholders the option of receiving the distribution in the form of new LafargeHolcim shares, cash or a combination thereof. A percentage of 72.98 percent of the distribution was paid in the form of new LafargeHolcim Ltd shares. This resulted in a total payment of CHF 322 million. In total, 19,303,633 new shares were issued out of authorized capital for the scrip dividend.
- the Annual General Meeting also approved the cancellation of shares repurchased under the share buyback program announced in June 2017 and completed in March 2018. In the third quarter 2019, 10,283,654 shares have been cancelled.

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 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.

10.2 Trade accounts receivable

Million CHF	2020	2019
Trade accounts receivable – associates and joint ventures	**96**	84
Trade accounts receivable – third parties	**2,209**	2,787
Total	**2,305**	2,871

Overdue accounts receivable

Million CHF	2020	2019
Not overdue	**1,733**	1,773
Overdue 1 to 89 days	**474**	848
Overdue 90 to 180 days	**44**	132
Overdue more than 180 days	**272**	323
Allowances for doubtful accounts	**(218)**	(205)
Total	**2,305**	2,871

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	2020	2019
1 January	**(205)**	(211)
Disposals of Group companies	**3**	1
Allowance recognized	**(62)**	(50)
Amounts used	**2**	17
Unused amounts reversed	**26**	33
Currency translation effects	**18**	5
31 December	**(218)**	(205)

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	2020	2019
Raw materials and additives	278	340
Semi-finished and finished products	1,120	1,358
Fuels	155	224
Parts and supplies	430	572
Total	1,983	2,494

In 2020, the Group recognized inventory write-downs to net realizable value of CHF 3 million (2019: CHF 3 million) relating mainly to semi-finished and finished products.

10.4 Prepaid expenses and other current assets

Million CHF	2020	2019
Prepaid expenses and accruals	189	177
Other current assets	266	276
Other receivables – associates and joint ventures	5	11
Other receivables – third parties	558	711
Total	1,017	1,175

10.5 Trade accounts payable

Million CHF	2020	2019
Trade accounts payable – associates and joint ventures	**115**	108
Trade accounts payable – third parties	**2,957**	3,166
Advance payments from customers – third parties	**279**	261
Total	**3,351**	3,535

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

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 or 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 based on a three- year financial planning period using business plans approved by management. Cash flows beyond the three-year planning period are extrapolated based on increasing sustainable cash flows. 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.

The business plans include among others, management's latest view on market growth, pricing and sustainable costs savings implemented as part of the Health, Cash and Costs program in 2020 as a direct response to the COVID-19 crisis. In any event, the growth rate used to extrapolate cash flow projections beyond the three-year 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 Products for the relevant market concerned as published by the International Monetary Fund (IMF). Management believes that a reasonably possible change in any of the above key assumptions would not cause the carrying amount of aggregated cash-generating units to materially exceed its recoverable amount. For further details, see note 11.3.

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.

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.

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.

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11.2 Property, plant and equipment

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	64	30	279	998	1,371
Disposals	(21)	(2)	(24)	0	(47)
Modifications and reassessments of leases	5	(1)	(35)	0	(31)
Changes in classification as held for sale [1]	65	118	288	(2)	468
Reclassifications	137	269	682	(1,048)	38
Depreciation	(238)	(374)	(1,568)	0	(2,180)
Hyperinflation [2]	18	11	32	18	79
Net impairment charge	(13)	(69)	(70)	(11)	(163)
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
2019					
At cost of acquisition	7,477	10,568	30,661	1,395	50,101
Accumulated depreciation/impairment	(2,106)	(4,741)	(15,274)	(90)	(22,211)
Net book value as at 1 January	5,372	5,827	15,387	1,305	27,890
Impact of changes in accounting policies [3]	460	270	682	0	1,412
Restated net book value as at 1 January	5,832	6,098	16,069	1,305	29,302
Acquisitions	36	29	47	3	115
Divestments	(53)	(55)	(659)	(28)	(794)
Additions	108	47	287	1,487	1,930
Disposals	(32)	(8)	0	(15)	(56)
Modifications and reassessments of leases	(4)	(13)	(25)	0	(42)
Reclassifications	186	199	779	(1,138)	27
Reclassifications to held for sale [1]	(65)	(94)	(163)	(177)	(499)
Depreciation	(251)	(388)	(1,681)	0	(2,321)
Hyperinflation [2]	28	16	42	21	108
Net impairment charge	(15)	6	(72)	13	(68)
Currency translation effects	(101)	(102)	(263)	(47)	(513)
Net book value as at 31 December	5,670	5,734	14,361	1,424	27,189
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 31 December	5,670	5,734	14,361	1,424	27,189

[1] See more information in note 13.
[2] See more information in note 2.2.
[3] See more information in note 14.7.

In connection with an on going legal case (see note 16.3), property, plant and equipment of a carrying amount of CHF 17 million (2019: CHF 23 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
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)
Changes in classification as held for sale [1]	(1)	6	11	15
Modifications and reassessments of leases	5	(1)	(35)	(31)
Currency translation effects	(20)	(14)	(56)	(90)
Net book value as of 31 December	**400**	**204**	**665**	**1,269**
2019				
Net book value as of 1 January	**463**	**283**	**838**	**1,584**
Divestments	(19)	0	(3)	(23)
Lease additions	44	37	268	349
Depreciation	(60)	(60)	(285)	(404)
Net impairment charge	0	(6)	(2)	(8)
Reclassification to held for sale [1]	0	(6)	(14)	(19)
Modifications and reassessments of leases	(4)	(13)	(25)	(42)
Currency translation effects	(4)	0	(14)	(18)
Net book value as of 31 December	**420**	**235**	**763**	**1,419**

[1] See more information in note 13.

Notes to the consolidated financial statements

Continued

11.3 Goodwill and intangible assets

Million CHF	Goodwill	Intangible assets
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 consolidation scope	25	(4)
Changes in classification as held for sale [2]	436	5
Reclassifications	0	7
Additions	0	53
Disposals	0	(11)
Amortization	0	(118)
Net impairment charge	0	(7)
Hyperinflation [1]	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

2019		
At cost of acquisition	16,783	2,283
Accumulated amortization/impairment	(2,738)	(1,473)
Net book value as at 1 January	14,045	810
Change in consolidation scope	(368)	(9)
Reclassification to held for sale [2]	(444)	(8)
Reclassifications	0	(15)
Additions	0	48
Disposals	0	(5)
Amortization	0	(159)
Net impairment charge	0	(2)
Hyperinflation [1]	14	0
Currency translation effects	(207)	(18)
Net book value as at 31 December	13,039	644
At cost of acquisition	15,405	2,171
Accumulated amortization/impairment	(2,366)	(1,527)
Net book value as at 31 December	13,039	644

[1] See more information in note 2.2.
[2] See more information in note 13.

Intangible assets

Intangible assets mainly consist of mining rights, trademarks, brands, and software. Intangible assets have finite useful lives, over which the assets are amortized.

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 2020

Operating segments (Million CHF)	Carrying amount of goodwill	Currency	Post-tax discount rate [1]	Long-term growth rate
North America	4,366	USD/CAD	6.6%	2.2%
Europe	3,998	Various	6.0%–12.7%	1.0%–5.0%
Asia Pacific (excluding China)	1,802	Various	6.8%–12.4%	2.4%–5.5%
Middle East Africa	1,210	Various	7.9%–20.9%	2.0%–16.0%
Latin America	1,016	Various	8.0%–44.6%	1.0%–40.0%
Others	22	Various	5.7%–8.1%	1.0%–2.6%
Total	12,413			

[1] The discount rate is determined on country or regional cluster level, and therefore disclosed as a range at the operating segment level.

Key assumptions used for value-in-use calculations in respect of goodwill 2019

Operating segments (Million CHF)	Carrying amount of goodwill	Currency	Post-tax discount rate [1]	Long-term growth rate
North America	4,746	USD/CAD	6.6%	2.2%
Europe	4,083	Various	5.6%–12.7%	1.0%–5.0%
Asia Pacific (excluding China)	1,500	Various	6.7%–12.3%	2.5%–5.5%
Middle East Africa	1,524	Various	7.8%–18.3%	2.0%–11.0%
Latin America	1,162	Various	8.2%–34.7%	1.0%–30.0%
Others	24	Various	5.6%–8.4%	1.0%–3.0%
Total	13,039			

[1] The discount rate is determined on country or regional cluster level, and therefore disclosed as a range at the operating segment level.

In 2020 and in 2019, there was no impairment of goodwill recognized.

12. Financial investments and other financial assets

12.1 Accounting principles

Financial investments and other financial assets consist of (a) financial investments – third parties, (b) long-term receivables – associates and joint ventures, (c) long-term receivables – third parties and (d) other long-term assets:

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 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	2020	2019
Financial investments – third parties	**143**	187
Long-term receivables – associates and joint ventures	**48**	125
Long-term receivables – third parties	**112**	166
Deferred charges	**86**	87
Other long-term assets	**470**	527
Total	**859**	1,092
Of which pledged/restricted	**0**	0

Long-term receivables are primarily denominated in USD, EUR and BRL. The repayment dates vary between one and 20 years (2019: one and 20 years).

12.3 Current financial receivables

Million CHF	2020	2019
Marketable securities	**4**	4
Current financial receivables – associates and joint ventures	**86**	30
Current financial receivables – third parties	**158**	90
Total	**247**	124
Of which pledged/restricted	**112**	39

The increase in pledged / restricted current financial receivables mainly relates to the declassification of Holcim Philippines Inc. from held for sale (see note 13.2).

Notes to the consolidated financial statements

Continued

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 2020 amount to CHF 114 million (2019: CHF 1,098 million).

Million CHF	**2020**	2019
Cash and cash equivalents	**0**	62
Inventories	**0**	63
Other current assets	**0**	125
Property, plant and equipment	**81**	564
Goodwill and intangible assets	**33**	478
Other long term assets	**0**	78
Assets classified as held for sale	**114**	1,370
Current liabilities	**0**	189
Long-term liabilities	**0**	83
Liabilities directly associated with assets classified as held for sale	**0**	272
Net assets classified as held for sale	**114**	1,098

The assets and related liabilities classified as held for sale as of 31 December 2019, included mainly the assets and liabilities of Holcim Philippines Inc. and its subsidiaries.

In May 2020, the Philippines Competition Commission did not issue an approval for the sale of the Group's entire interest of 85.7% in Holcim Philippines Inc. to San Miguel Corporation. The sale agreement signed in May 2019 with San Miguel Corporation lapsed and consequently, Holcim Philippines Inc. was declassified from 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 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”.

14.2 Net financial debt

Million CHF	31.12.2019	Cash flows	Non cash flows	**31.12.2020**
Current financial liabilities [1]	2,089	107	(132)	**2,064**
Long-term financial liabilities	12,202	(418)	(74)	**11,710**
Gross financial debt	14,291	(311)	(207)	**13,774**
Derivative assets	(33)	–	(67)	**(100)**
Cash and cash equivalents	(4,148)	(1,428)	386	**(5,190)**
Net financial debt	10,110	(1,739)	112	**8,483**

[1] Including bank overdraft cash flow movement for CHF 68 million.

Million CHF	**2020**	2019
Net financial debt as at the beginning of the period	**10,110**	13,518
Impact of changes in accounting policies [1]	**0**	1,451
Restated Net financial debt as at the beginning of the period	**10,110**	14,969
Cash flow from operating activities	**(4,618)**	(4,825)
Cash flow from investing activities	**1,231**	219
Payout on ordinary shares	**1,224**	322
Dividends paid to non-controlling interest	**279**	114
Coupon paid on subordinated fixed rate resettable notes	**22**	6
Capital (paid-in by) / repaid to non-controlling interest	**4**	(76)
Movements of treasury shares	**106**	108
Increase in participation in existing Group companies	**12**	82
Proceeds from subordinated fixed rate resettable notes	**0**	(550)
Total cash effective movements as per statement of cash flows	**(1,739)**	(4,598)
Change in scope	**0**	(492)
Change in fair values	**(177)**	(7)
Currency translation effects	**(108)**	(165)
Increase in long-term lease liabilities	**317**	350
Others	**80**	52
Total non cash effective movements	**112**	(261)
Net financial debt as at the end of the period	**8,483**	10,110

[1] See more information in note 14.7.

14.3 Cash and cash equivalents

Million CHF	**2020**	2019
Cash at banks and on hand	**1,815**	2,315
Short-term deposits [1]	**3,375**	1,833
Total	**5,190**	4,148
Bank overdrafts	**(89)**	(195)
Cash and cash equivalents classified as held for sale	**0**	62
Cash and cash equivalents for the purpose of the consolidated statement of cash flows	**5,101**	4,014

[1] Of which CHF 357 million (2019: CHF 663 million) are investments in monetary mutual funds.

14.4 Financial liabilities

Million CHF	2020	2019
Current financial liabilities – associates and joint ventures	**32**	31
Current financial liabilities – third parties	**544**	511
Current portion of long-term financial liabilities	**1,472**	1,443
Derivative liabilities (note 14.5)	**16**	104
Total current financial liabilities	**2,064**	2,089
Long-term financial liabilities – third parties	**11,707**	12,183
Derivative liabilities (note 14.5)	**3**	19
Total long-term financial liabilities	**11,710**	12,202
Total	**13,774**	14,291
Of which secured	**75**	83

Details of total financial liabilities

Million CHF	2020	2019
Loans from financial institutions	**778**	1,009
Bonds and private placements	**11,424**	11,695
Commercial paper notes	**216**	0
Total loans and bonds	**12,418**	12,704
Lease liabilities (note 14.7)	**1,336**	1,465
Derivative liabilities (note 14.5)	**19**	123
Total	**13,774**	14,291

"Loans from financial institutions" include amounts due to banks and other financial institutions. Repayment dates vary between one and eleven years (2019: one and ten years). As per the loans agreements, the Group is required to comply with certain provisions or covenants. As of 31 December 2020, the Group complied with its debt covenants in all material respects.

As of 31 December 2020, the unused committed credit lines totalled CHF 6,982 million (2019: CHF 5,776 million).

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Financial liabilities by currency

	2020			2019		
Currency	**Million CHF**	**In %**	**Interest rate**[1]	**Million CHF**	**In %**	**Interest rate**[1]
EUR	**5,880**	**42.7**	**1.6**	5,414	37.9	1.7
USD	**4,139**	**30.1**	**3.8**	4,645	32.5	4.7
CHF	**2,117**	**15.4**	**1.9**	2,030	14.2	2.0
GBP	**498**	**3.6**	**3.0**	522	3.7	2.9
AUD	**329**	**2.4**	**3.7**	517	3.6	3.7
CAD	**201**	**1.5**	**3.5**	204	1.4	4.0
INR	**169**	**1.2**	**5.1**	199	1.4	7.0
NGN	**96**	**0.7**	**14.1**	178	1.2	14.0
Others	**345**	**2.5**	**6.2**	583	4.1	8.1
Total	**13,774**	**100.0**	**2.7**	14,291	100.0	3.3

[1] Weighted average nominal interest rate on financial liabilities at 31 December with lease discount rates used for the lease liabilities.

Interest rate structure of total financial liabilities

Million CHF	**2020**	2019
Financial liabilities at fixed rates	**9,254**	10,677
Financial liabilities at floating rates	**4,520**	3,614
Total	**13,774**	14,291

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						**2020**	2019
LafargeHolcim Ltd							
CHF	412	3.00%	2.97%	2012–2022	Bonds (partially repaid 2020)	**412**	450
CHF	222	2.00%	2.02%	2013–2022	Bonds (partially repaid 2020)	**222**	250
CHF	240	0.38%	0.40%	2015–2021	Bonds (partially repaid 2020)	**240**	250
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%	3.41%	2011–2021	Bonds guaranteed by LafargeHolcim Ltd (partially repaid 2020)	**335**	425
Lafarge S.A.							
EUR	217	4.75%		2005–2020	Bonds (partially repaid 2016 and 2019)	**0**	237
USD	524	7.13%	5.90%	2006–2036	Bonds (partially repaid 2019)	**530**	589
Holcim Capital Corporation Ltd.							
USD	50	7.65%	7.65%	2001–2031	Private placement guaranteed by LafargeHolcim Ltd	**44**	48
USD	250	6.88%	7.28%	2009–2039	Bonds guaranteed by LafargeHolcim Ltd	**214**	235
USD	250	6.50%	6.85%	2013–2043	Bonds guaranteed by LafargeHolcim Ltd	**214**	236
Holcim Capital México, S.A. de C.V.							
MXN	1,700	8.12%		2015–2020	Bonds guaranteed by LafargeHolcim Ltd, with floating interest rates	**0**	87
Holcim Finance (Luxembourg) S.A.							
EUR	320	3.00%	3.12%	2014–2024	Bonds guaranteed by LafargeHolcim Ltd (partially exchanged 2019)	**345**	346
EUR	33	2.00%	2.03%	2016–2026	Schuldschein loan guaranteed by LafargeHolcim Ltd	**35**	35
EUR	152	1.46%	1.51%	2016–2023	Schuldschein loan guaranteed by LafargeHolcim Ltd	**164**	165
EUR	869	1.38%	1.44%	2016–2023	Bonds guaranteed by LafargeHolcim Ltd (partially exchanged in 2019)	**939**	941
EUR	413	1.04%	1.10%	2016–2021	Schuldschein loan guaranteed by LafargeHolcim Ltd	**447**	448
EUR	1,150	2.25%	1.74%	2016–2028	Bonds guaranteed by LafargeHolcim Ltd, swapped into floating interest rates in 2019	**1,276**	1,237
EUR	750	1.75%	1.90%	2017–2029	Bonds guaranteed by LafargeHolcim Ltd	**802**	804
EUR	500	0.50%	2.25%	2019–2026	Bonds guaranteed by LafargeHolcim Ltd (bond exchange)	**489**	483
EUR	500	2.38%	2.49%	2020–2025	Bonds guaranteed by LafargeHolcim Ltd	**539**	0
EUR	850	0.50%	0.59%	2020–2031	Bonds guaranteed by LafargeHolcim Ltd (sustainability-linked bond), swapped into USD and floating interest rate at inception[3]	**910**	0
Holcim Finance (Australia) Pty Ltd							
AUD	250	3.75%		2015–2020	Bonds guaranteed by LafargeHolcim Ltd	**0**	170
AUD	300	3.50%	3.73%	2017–2022	Bonds guaranteed by LafargeHolcim Ltd	**203**	203
Subtotal						**8,951**	8,230

1 With fixed rates unless indicated.
2 Includes adjustments for fair value hedge accounting, where applicable.
3 LafargeHolcim issued in November 2020 a EUR 850 million sustainability-linked bond with a coupon of 0.5% maturing in 2031. Bond investors will be entitled to a higher coupon should the company not meet its target of 475 kg net CO_2 per ton of cementitious material by 2030. This bond was swapped into USD and the cost of the swap is also linked to the achievement of the same CO_2 target. Additionally, costs for all committed corporate bilateral bank facilities have been linked to LafargeHolcim's ESG performance and a EUR 3 billion commercial paper program for issuance of ESG notes has been established in 2020, bringing the total ESG-linked funding agreements close to CHF 6 billion.

Nominal value		Nominal interest rate	Effective interest rate	Term	Description[1]	Net book value in CHF[2]	Net book value in CHF[2]
Million						**2020**	2019
Subtotal						**8,951**	8,230
Holcim US Finance S. à r.l. & Cie S.C.S.							
EUR	500	2.63%		2012–2020	Bonds guaranteed by LafargeHolcim Ltd, swapped into USD and floating interest rates at inception	**0**	546
USD	500	5.15%		2013–2023	Bonds guaranteed by LafargeHolcim Ltd (early repaid in 2020)	**0**	482
USD	50	4.20%	4.20%	2013–2033	Bonds guaranteed by LafargeHolcim Ltd	**44**	48
LafargeHolcim International Finance Ltd							
USD	40	2.80%	2.88%	2016–2021	Schuldschein loan guaranteed by LafargeHolcim Ltd	**35**	39
USD	15	3.20%	3.27%	2016–2023	Schuldschein loan guaranteed by LafargeHolcim Ltd	**13**	15
USD	110	1.16%	2.12%	2018–2022	Schuldschein loan guaranteed by LafargeHolcim Ltd, with floating interest rates	**97**	106
USD	38	4.38%	4.48%	2018–2024	Schuldschein loan guaranteed by LafargeHolcim Ltd	**33**	36
USD	28	1.41%	2.14%	2018–2024	Schuldschein loan guaranteed by LafargeHolcim Ltd, with floating interest rates	**25**	27
USD	60	4.59%	4.68%	2018–2025	Schuldschein loan guaranteed by LafargeHolcim Ltd	**53**	58
USD	60	1.61%	2.21%	2018–2025	Schuldschein loan guaranteed by LafargeHolcim Ltd, with floating interest rates	**53**	58
LafargeHolcim Finance US LLC							
USD	400	3.50%	3.59%	2016–2026	Bonds guaranteed by LafargeHolcim Ltd	**351**	386
USD	590	4.75%	5.00%	2016–2046	Bonds guaranteed by LafargeHolcim Ltd (partially repaid in 2020)	**506**	567
USD	180	4.79%	4.84%	2018–2025	Private placement guaranteed by LafargeHolcim Ltd	**159**	174
USD	52	4.92%	4.98%	2018–2027	Private placement guaranteed by LafargeHolcim Ltd	**46**	50
USD	106	5.03%	5.09%	2018–2030	Private placement guaranteed by LafargeHolcim Ltd	**93**	103
LafargeHolcim Continental Finance Ltd							
EUR	30	0.88%	0.95%	2018–2022	Schuldschein loan guaranteed by LafargeHolcim Ltd	**32**	33
EUR	60	0.14%	0.34%	2018–2022	Schuldschein loan guaranteed by LafargeHolcim Ltd, with floating interest rates	**65**	65
EUR	109	1.32%	1.37%	2018–2024	Schuldschein loan guaranteed by LafargeHolcim Ltd	**117**	117
EUR	5	1.68%	1.72%	2018–2025	Schuldschein loan guaranteed by LafargeHolcim Ltd	**5**	5
EUR	2	2.22%	2.24%	2018–2028	Schuldschein loan guaranteed by LafargeHolcim Ltd	**2**	2
LafargeHolcim Helvetia Finance Ltd							
CHF	250	1.05%	1.15%	2020–2022	Bonds guaranteed by LafargeHolcim Ltd	**250**	0
LafargeHolcim Sterling Finance (Netherlands) B.V.							
GBP	300	3.00%	3.16%	2017–2032	Bonds guaranteed by LafargeHolcim Ltd	**356**	376
Holcim (US) Inc.							
USD	33	0.11%	0.11%	1999–2032	Industrial revenue bonds – Mobile Dock & Wharf, with floating interest rates	**29**	32
USD	25	0.14%	0.14%	2003–2033	Industrial revenue bonds – Holly Hill, with floating interest rates	**22**	24
USD	27	0.10%	0.10%	2009–2034	Industrial revenue bonds – Midlothian, with floating interest rates	**24**	26
Lafarge Africa PLC							
NGN	33,614	14.75%	16.39%	2016–2021	Bonds	**63**	90
Total						**11,424**	11,695

[1] With fixed rates unless indicated.
[2] Includes adjustments for fair value hedge accounting, where applicable.

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 2020	Fair value liabilities 2020	Nominal amount 2020	Fair value assets 2019	Fair value liabilities 2019	Nominal amount 2019
Fair value hedges						
Interest rate	**45**	**1**	**2,164**	0	14	1,249
Cross-currency	**0**	**0**	**0**	0	57	608
Total fair value hedges	**45**	**1**	**2,164**	0	71	1,857
Cash flow hedges						
Currency	**1**	**6**	**316**	0	2	168
Cross-currency	**24**	**0**	**890**	0	0	0
Commodity	**17**	**3**	**191**	15	22	285
Total cash flow hedges	**42**	**9**	**1,397**	16	24	454
Net investment hedges						
Currency	**0**	**0**	**0**	1	5	453
Total net investment hedges	**0**	**0**	**0**	1	5	453
Held for trading						
Currency	**13**	**9**	**819**	15	23	2,814
Cross-currency	**0**	**0**	**0**	1	0	19
Total held for trading	**13**	**9**	**819**	16	23	2,833
Total	**100**	**19**	**4,380**	33	123	5,597

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, sustainable development 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

LafargeHolcim'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.

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							
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)
Financial guarantees	0	0	0	0	0	0	0	0
Total	5,561	1,808	1,526	1,557	1,321	8,212	19,985	
2019								
Trade accounts payable and others [1]	3,499	0	0	0	0	0	3,499	3,499
Loans from financial institutions	625	79	290	8	7	8	1,017	1,009
Bonds, private placements and commercial paper notes	1,039	1,255	1,107	1,609	965	5,765	11,740	11,695
Interest payments	368	319	289	250	214	1,988	3,428	287
Lease liability payments	383	212	160	147	134	642	1,678	1,465
Derivative financial instruments net [2]	95	(5)	(4)	(5)	(5)	(30)	46	90
Financial guarantees	12	0	0	0	0	0	12	0
Total	6,021	1,860	1,843	2,009	1,316	8,373	21,422	

[1] Trade accounts payable and others include trade accounts payable and payables related to purchase of property, plant and equipment included in other current liabilities.
[2] The contractual cash flows include both cash inflows 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 LafargeHolcim could be required to pay. Contractual interest cash flows relating to a variable interest rate are calculated based on the rates prevailing as of 31 December.

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
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)*	*0*
– Outflows	*1,140*	*12*	*12*	*12*	*12*	*959*	*2,147*	*0*
Total	(17)	2	2	1	1	(19)	(30)	(81)
2019								
Net settled derivatives	11	(5)	(4)	(5)	(5)	(30)	(38)	21
Gross settled derivatives	84	0	0	0	0	0	84	69
– Inflows	*(4,016)*	*0*	*0*	*0*	*0*	*0*	*(4,016)*	*0*
– Outflows	*4,100*	*0*	*0*	*0*	*0*	*0*	*4,100*	*0*
Total	95	(5)	(4)	(5)	(5)	(30)	46	90

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.

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

The Group is exposed to the EURIBOR and USD LIBOR interest rate benchmark within its hedge accounting relationships, which is subject to interest rate benchmark reform (see note 1.2).

The Group is closely monitoring the market and the output from the various industry working groups managing the transition to new benchmark interest rates. This includes announcements made by EURIBOR and LIBOR ("IBOR") regulators regarding the transition away from EURIBOR and LIBOR (including GBP LIBOR, CHF LIBOR, USD LIBOR and JPY LIBOR) to the European Short Term Rate (ESTER), Swiss Average Rate Overnight (SARON), Sterling Overnight Index Average Rate (SONIA), the Secured Overnight Financing Rate (SOFR) and the Tokyo Overnight Average Rate (TONA) respectively. Regulators expect, by the end of 2021, that it will no longer seek to persuade, or compel, banks to submit to "IBOR".

In response to the announcements, the Group has set up an IBOR transition programme comprised of the following work streams: risk management, tax, treasury, legal, accounting and systems. The aim of the programme is to understand where IBOR exposures are within the Group and prepare and deliver an action plan to enable a smooth transition to alternative benchmark rates.

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
Fair value hedge	Pay 6 month EURIBOR, receive EUR fixed interest rate swaps	2028	Interest rate risk (EURIBOR 6m)	EUR 550 million (part of the EUR 1,150 million bond)	EUR fixed rate debt of same maturity and same nominal value as swaps
Fair value hedge	Pay 6 month EURIBOR, receive EUR fixed interest rate swaps	2031	Interest rate risk (EURIBOR 6m)	EUR 850 million	EUR fixed rate debt of same maturity and same nominal value as swaps
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

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. This will, in part, be dependent on the introduction of fall back clauses.

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 2020, a one percentage point shift in interest rates, with all other assumptions held constant, would result in approximately CHF 28 million (2019: CHF 24 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.

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.

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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 2020 was CHF 68 million (2019: CHF –32 million). The change in related hedged items was CHF –68 million (2019: CHF 32 million) and no amount was recorded as ineffectiveness directly to the consolidated statement of income in 2020 and 2019 for cash flow hedges.

Cash flow hedge – hedging instruments: maturity analysis	2020	2019
Foreign exchange forwards	2021	2020
Commodity swaps	2021–2023	2020–2022
Cross currency swaps	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 2020 nor in 2019.

Closing balance in the cash flow hedge reserve for hedges that are accounted as cash flow hedge is CHF 7 million (2019: CHF –6 million).

b) Fair value hedge accounting

The change in fair value of hedging instruments under fair value hedge accounting in 2020 was CHF 39 million (2019: CHF –19 million). The change in related hedged items was CHF -39 million (2019: CHF 19 million) and no amount was recorded as ineffectiveness directly to the consolidated statement of income in 2020 and 2019 for fair value hedges.

Fair value hedge – hedging instruments: maturity analysis	2020	2019
Interest rate swaps	2028 and 2031	2020 and 2028

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 2020 nor in 2019.

c) Net investment hedge accounting

The change in the fair value of hedging instruments under net investment hedge accounting in 2020 was CHF –2 million (2019: CHF –3 million). The change in related hedged items was CHF 2 million (2019: CHF 3 million) and no amount was recorded as ineffectiveness directly to the consolidated statement of income in 2020 and 2019 for net investment hedges.

Net investment hedge – hedging instruments: maturity analysis	2020	2019
Foreign exchange forwards	–[1]	2020

[1] No outstanding hedging instruments as of 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 2020 nor in 2019.

Closing balance in the foreign currency translation reserve for hedges that are accounted as net investment hedge is CHF 29 million (2019: CHF 16 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 fulfill its obligations under its respective financing agreements. At year end, LafargeHolcim 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.

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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.

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 2020

		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	**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 liabilities.
[3] The comparison fair value for long-term financial liabilities consists of CHF 10,327 million level 1 and CHF 2,648 million level 2 fair value measurements.

Fair values as of 31 December 2019

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	4,148			4,148	
Trade accounts receivable	Receivables at amortized cost	2,871			2,871	
Financial receivables	Receivables at amortized cost	124			124	
Derivative assets	Held for hedging at fair value			12	12	
Derivative assets	Held for trading at fair value			16	16	
Long-term financial assets						
Long-term receivables	Loans at amortized cost	291			291	291[1]
Financial investments third parties	Strategic equity investments at fair value through other comprehensive earnings			187	187	
Derivative assets	Held for hedging at fair value			5	5	
Derivative assets	Held for trading at fair value			0	0	
Current financial liabilities						
Trade accounts payable and others[2]	Financial liabilities at amortized cost	3,499			3,499	
Current financial liabilities	Financial liabilities at amortized cost	1,985			1,985	
Derivative liabilities	Held for hedging at fair value			81	81	
Derivative liabilities	Held for trading at fair value			23	23	
Long-term financial liabilities						
Long-term financial liabilities	Financial liabilities at amortized cost	12,183			12,183	13,142[3]
Derivative liabilities	Held for hedging at fair value			18	18	

[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 2020 and 2019, there were no financial assets and liabilities allocated to level 3.

There have been no transfers between the different hierarchy levels in 2020 and 2019.

14.7 Leases

Since 1 January 2019, the Group assesses at inception of a contract 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 2020 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 2020, the current portion of the long-term lease liability included in the position "current financial liabilities" amounts to CHF 283 million (2019: CHF 328 million) and the long-term lease liabilities included in the position "long-term financial liabilities" amounted to CHF 1,053 million (2019: CHF 1,137 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 105 million (2019: CHF 83 million).

Additional information related to leases not included in the lease liabilities

Million CHF	2020	2019
Statement of income		
Expenses for short-term lease payments	**(81)**	**(98)**
Expenses for variable lease payments	**(73)**	**(88)**
Cash outflow for leases		
Cash outflow for short-term, low value and variable leases [1]	**(163)**	**(193)**
Payment of interest [2]	**(65)**	**(76)**
Payment of lease liabilities [2]	**(342)**	**(409)**
Total	**(570)**	**(677)**

[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, kilometers 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 2020 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-employments 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, 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 benefits 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.

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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.

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 3,859 million (2019: CHF 4,451 million). As of 31 December 2020, the Group employed 67,409 people (2019: 72,452 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 54 percent (2019: 53 percent), 20 percent (2019: 22 percent) and 17 percent (2019: 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 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 boards 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.

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 repayment contributions were required, nor any paid during 2020 and 2019.

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.

For the Ronez 2000 pension plan, based on the 31 December 2018 funding valuation, no deficit repayment contributions were required, nor any paid during 2020 and 2019.

In relation to risk management and asset allocation, the Boards 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 Boards of Trustees target to maximize the long-term investment return whilst appropriately minimizing risk and volatility. The Boards of Trustees are responsible for the plans' long-term investment strategies but usually delegate strategy design and monitoring to Investment Committees.

The Lafarge UK pension plan and the Aggregate Industries pension plan both contain elements of pension called Guaranteed Minimum Pension ("GMP"). GMPs were accrued by individuals who were contracted out of the State Second Pension prior to 6 April 1997. Historically, there was an inequality in the benefits between male and female members who had GMP. A High Court case concluded on 26 October 2018 confirmed that all UK pension plans must equalise GMPs between men and women. In the light of these events, a net experience adjustment of CHF 47 million was recognized in 2018. Following a further High Court ruling in November 2020, an additional net experience adjustment of CHF 2 million was recognized in other comprehensive income in 2020.

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. Active members will then participate in a defined contribution plan. Additionally, as announced in 2020, effective at the end of 2020, the Canadian supplemental pension plan is being frozen to new pay increases.

In October 2020, an insurance contract was purchased to settle liabilities totaling CHF 122 million related to the Union pension plan.

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.

Reconciliation of retirement benefit plans to the statement of financial position

Million CHF	2020	2019
Net liability arising from defined benefit pension plans	606	1,023
Net liability arising from other post-employment benefit plans	228	245
Net liability	834	1,268

Million CHF		
Present value of funded obligations	8,610	8,762
Fair value of plan assets	(8,592)	(8,375)
Plan deficit of funded obligations	18	387
Present value of unfunded obligations	811	875
Effect of asset ceiling	5	5
Net liability from funded and unfunded plans	834	1,268

Reflected in the statement of financial position as follows (Million CHF):		
Pension assets	(257)	(145)
Defined benefit obligations	1,091	1,413
Net liability	834	1,268

	Defined benefit pension plans		Other post-employment benefit plans	
Million CHF	2020	2019	2020	2019
Amounts recognized in the statement of income are as follows:				
Current service costs	(71)	(79)	(1)	(2)
Past service costs (including curtailments)	50	67	11	(1)
Gains on settlements	2	7	0	0
Net interest expense	(27)	(39)	(7)	(10)
Special termination benefits	(2)	(2)	0	0
Total recorded in the statement of income	(48)	(45)	3	(13)
Amounts recognized in other comprehensive earnings are as follows:				
Actuarial gains (losses) arising from changes in demographic assumptions	(12)	67	0	(9)
Actuarial (losses) gains arising from changes in financial assumptions	(626)	(1,006)	(21)	(12)
Actuarial (losses) gains arising from experience adjustments	(6)	(10)	2	11
Return on plan assets excluding interest income	707	648	0	0
Change in effect of asset ceiling excluding interest (income) expense	0	0	0	0
Total recorded in other comprehensive earnings	65	(301)	(19)	(11)

Reconciliation of present value of funded and unfunded obligations

Million CHF	Defined benefit pension plans 2020	2019	Other post-employment benefit plans 2020	2019
Opening balance as per 1 January	**9,393**	8,602	**245**	239
Reclassifications and change in structure	**32**	84	**0**	0
Current service costs	**71**	79	**1**	2
Interest expense	**188**	244	**7**	10
Contribution by the employees	**30**	25	**0**	0
Actuarial (gains) losses	**643**	950	**19**	11
Benefits paid	**(509)**	(545)	**(13)**	(17)
Past service costs (including curtailments)	**(50)**	(67)	**(11)**	1
Settlements	**(122)**	(30)	**0**	0
Special termination benefits	**2**	2	**0**	0
Currency translation effects	**(483)**	50	**(20)**	0
Closing balance as per 31 December	**9,193**	9,393	**228**	245
Of which:				
United Kingdom	**5,003**	4,970	**0**	0
North America (United States and Canada)	**1,875**	2,086	**162**	173
Switzerland	**1,579**	1,573	**0**	0
Others	**736**	764	**65**	72

Reconciliation of fair value of plan assets

Million CHF	Defined benefit pension plans 2020	2019	Other post-employment benefit plans 2020	2019
Opening balance as per 1 January	**8,375**	7,614	**0**	0
Reclassifications and change in structure	**71**	57	**0**	0
Interest income	**161**	205	**0**	0
Return on plan assets excluding interest income	**707**	648	**0**	0
Contribution by the employer	**319**	328	**13**	17
Contribution by the employees	**30**	25	**0**	0
Benefits paid	**(509)**	(545)	**(13)**	(17)
Settlements	**(120)**	(23)	**0**	0
Currency translation effects	**(441)**	65	**0**	0
Closing balance as per 31 December	**8,592**	8,375	**0**	0
Of which:				
United Kingdom	**5,110**	4,979	**0**	0
North America (United States and Canada)	**1,624**	1,697	**0**	0
Switzerland	**1,549**	1,434	**0**	0
Others	**309**	265	**0**	0

Plan asset allocation

Million CHF	Defined benefit pension plans 2020	2019
Equity instruments	**25%**	26%
Real estate and core infrastructure investments	**12%**	12%
Debt instruments	**45%**	40%
Insurance contracts	**8%**	9%
Cash and cash equivalents	**3%**	5%
Other assets	**7%**	9%
Total plan assets	**100%**	100%

Plan assets based on non-quoted prices represent 19 percent (2019: 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 in 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	
	2020	2019	**2020**	2019	**2020**	2019	**2020**	2019
Discount rate in %	**+1.5%**	+2.0%	**+1.4%**	+2.0%	**+2.5%**	+3.1%	**+0.1%**	+0.2%
Life expectancy in years after the age of 65	**22.1**	22.1	**23.1**	23.1	**23.1**	23.2	**23.3**	23.4

Weighted average duration of defined benefit pension plans

	Total Group		United Kingdom		North America		Switzerland	
	2020	2019	**2020**	2019	**2020**	2019	**2020**	2019
Weighted average duration in years	**15.3**	14.7	**16.9**	16.3	**14.2**	13.6	**14.3**	13.7

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)**

Sensitivity analysis as per 31 December 2019 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)	(646)	729	(375)	429	(130)	154	(109)	109
Life expectancy in years after the age of 65 (±1 year change in assumption)	405	(405)	282	(281)	63	(65)	52	(52)

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.

15.4 Share compensation plans

The total personnel expense arising from the LafargeHolcim share compensation plans amounted to CHF 35.1 million in 2020 (2019: CHF 28.8 million) as presented in the following table:

Million CHF	Personnel expenses 2020	Personnel expenses 2019
Employee share purchase plan	**1.1**	0.6
Performance Share Plan and Performance Option Plan	**27.5**	20.7
Restricted shares	**6.5**	7.4
Share option plans (Holcim)	**0.0**	0.1
Total	**35.1**	28.8

All shares granted under these plans are either purchased from the market or derived from treasury shares.

The increase in the personnel expense is primarily related to the timing of the grant of the Performance Share Plan. In 2020, the Performance Share Plan was granted on 01 March 2020 whereas in 2019 the Performance Share Plan was granted on 30 July 2019.

Description of plans

Employee share purchase plan

LafargeHolcim offers an employee share-ownership plan. This plan entitles employees to acquire a limited amount of discounted LafargeHolcim 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, senior management and other employees 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 Performance Share Plan is presented below:

	2020		2019	
	Performance shares	**Performance options**	**Performance shares**	**Performance options**
1 January	**2,024,504**	**2,022,787**	2,357,109	1,355,202
Granted	**676,046**	**1,942,068**	622,048	1,166,760
Forfeited	**(522,093)**	**(619,161)**	(877,359)	(42,843)
Delivered	**(290,493)**	**0**	(77,294)	(456,332)
31 December	**1,887,964**	**3,345,694**	2,024,504	2,022,787

- 676,046 (2019: 622,048) performance shares at a fair value of CHF 44.71 per share (2019: CHF 49.09) were granted in 2020. 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 Growth (EPS), Group Return on Invested Capital (ROIC) and Sustainability indicators (CO_2 emitted quantity of waste reused, freshwater withdrawn).
- 1,942,068 (2019: 1,166,760) performance options at a fair value of CHF 1.32 (2019: CHF 2.04) were granted in 2020. In 2020, performance options are subject to a five-year vesting period.
- External conditions are attached to the options and are based on LafargeHolcim'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 2020 and 2019 are presented below:

Grant date	01 March 2020
Share price at grant date	44.71
Exercise price	45.62
Expected dividend yield (continiuous) [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.

Grant date	30 July 2019
Share price at grant date	49.09
Exercise price	49.92
Expected dividend yield (continiuous) [1]	+4.3%
Expected volatility of stock [2]	+25.0%
Risk-free interest rate	−0.5%
Expected life of the options	7 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 LafargeHolcim 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 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. 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.

Board compensation consists of an annual retainer which is paid half in shares subject to a five-year restriction period.

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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 LafargeHolcim 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.

Liquidity mechanism for remaining rights under the Lafarge long-term incentive plans
The Lafarge long-term incentive plans consisted of stock options (granted up to 2015) and performance share (granted up to 2014) plans, all subject to performance conditions.

Performance conditions included internal conditions and a market condition related to Total Shareholder Return. The market condition is included in the fair value of each granted instrument.

Following the success of its public exchange offer on Lafarge S.A. and the completion of the subsequent squeeze-out of Lafarge S.A. shares on 23 October 2015, LafargeHolcim proposed a liquidity mechanism for:

Lafarge S.A. shares that may be issued following the exercise on or after the date of the squeeze-out of stock options that have been allocated pursuant to the Lafarge stock option plans; or
Lafarge S.A. shares that may be definitively allotted on or after the squeeze-out in accordance with the Lafarge performance share plans.

In 2020, the liquidity mechanism was applied as follows:

- No Lafarge S.A. shares have been purchased (2019: 0);
- No Lafarge S.A. shares have been exchanged for LafargeHolcim shares (2019: 179,820 Lafarge S.A. shares for 158,861 LafargeHolcim shares);
- 6,480 Lafarge S.A. options have been exercised in 2020 and exchanged for 5,724 LafargeHolcim shares (2019: 0 options);
- 101,724 Lafarge S.A. options have been exercised in cash in 2020 (2019: 113,760 options);

All Lafarge stock options are vested and expired at the end of 2020.

In 2020, the exchange ratio of the liquidity mechanism remains stable compared to last year at 0.884 (1 Lafarge S.A. share for 0.884 LafargeHolcim Ltd share).

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 [1]		Number [1] 2020	Number [1] 2019
1 January	CHF	53.31	**3,230,489**	2,698,556
Granted and under vesting period [2]	CHF	45.62	**1,942,068**	1,166,760
Change in exchange ratio for Lafarge stock-options plans	CHF	38.96	**(5,728)**	0
Forfeited	CHF	53.79	**(625,461)**	(74,150)
Exercised	CHF	38.96	**(78,951)**	(94,886)
Expired	CHF	52.52	**(564,803)**	(465,791)
31 December	CHF	49.92	**3,897,614**	3,230,489
Of which exercisable at the end of the year			**551,920**	1,217,702

[1] Adjusted to reflect former share splits and/or capital increases and/or scrip dividend.
[2] 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.

The weighted average share price for the options exercised in 2020 was CHF 38.96 (2019: CHF 35.46). Share options outstanding at the end of the year have the following expiry dates and give the right to acquire one registered share of LafargeHolcim Ltd at the exercise prices as listed below:

Option grant date	Issuing company	Expiry date		Exercise price [1]	Number [1]	Number [1]
					2020	2019
2008	Holcim Ltd	2020	CHF	62.95	**0**	33,550
2010	Holcim Ltd	2022	CHF	70.30	**33,550**	33,550
2012	Holcim Ltd	2020	CHF	54.85	**0**	165,538
2013	Holcim Ltd	2021	CHF	67.40	**122,770**	122,770
2014	Holcim Ltd	2022	CHF	64.40	**99,532**	99,532
2015 (2010 [2])	Lafarge S.A.	2020	CHF	55.52	**0**	184,481
2015 (2011 [2])	Lafarge S.A.	2020 [3]	CHF	48.16	**0**	127,269
2015 (2012 [2])	Lafarge S.A.	2020 [3]	CHF	38.96	**0**	138,644
2015	Holcim Ltd	2023	CHF	66.85	**144,970**	144,970
2015	Holcim Ltd	2023	CHF	63.55	**47,333**	47,333
2015	LafargeHolcim Ltd	2025	CHF	50.19	**103,765**	110,065
2016	LafargeHolcim Ltd	2026	CHF	53.83	**0**	609,623
2018	LafargeHolcim Ltd	2028	CHF	55.65	**236,866**	246,404
2019	LafargeHolcim Ltd	2029	CHF	49.92	**1,166,760**	1,166,760
2020	LafargeHolcim Ltd	2030	CHF	45.62	**1,942,068**	
Total					**3,897,614**	3,230,489

1 Adjusted to reflect former share splits and/or capital increases and/or scrip dividend.
2 These options were granted through the Lafarge stock-options plans. The figures presented in this table are based on the application of the actual exchange ratio of 0.884 in 2019 and of 0.884 in 2020. The year specified between brackets is the original option grant date and the exercise price is converted from EUR to CHF at the closing rate of 1.082 for 2020.
3 No payout due to below threshold performance.

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.

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 LafargeHolcim. They are accordingly disclosed in the notes to the financial statements.

16.2 Provisions

Million CHF	Site restoration and other environ-mental provisions	Specific business risks	Restructuring provisions	Other provisions	Total 2020	Total 2019
1 January	908	485	162	398	**1,954**	1,986
Change in consolidation scope	14	0	0	1	**15**	(2)
Reclassification to liabilities directly associated with assets held for sale	3	1	0	0	**4**	(4)
Provisions recognized	90	35	54	57	**236**	436
Provisions used during the year	(45)	(6)	(91)	(50)	**(192)**	(345)
Provisions released during the year	(46)	(43)	(23)	(40)	**(153)**	(116)
Unwinding of discount and discount rate changes	4	1	0	0	**5**	41
Currency translation effects	(68)	(45)	(5)	(38)	**(157)**	(41)
31 December	860	427	96	328	**1,712**	1,954
Of which short-term provisions	43	135	96	49	**323**	376
Of which long-term provisions	817	292	0	279	**1,389**	1,578

Specific business risks
The total provision for specific business risks amounted to CHF 427 million as of 31 December 2020 (2019: CHF 485 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 96 million decreasing from 2019 (CHF 162 million) notably due to cash payments during the year for CHF 91 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 amounted to CHF 328 million (2019: CHF 398 million). The composition of these items is manifold and comprised, as of 31 December 2020, among other things: provisions for health insurance and pension schemes, which do not qualify as benefit obligations and provisions related to sales and other taxes. 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 warranties notably related to accounting, tax, compliance with laws, litigation, labor and environmental matters. LafargeHolcim and its subsidiaries have received or may receive in the future notices of claims arising from such 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 2020, the Group's contingencies amounted to CHF 1,644 million (2019: CHF 1,835 million). The decrease is mainly related to change in exchange rates. 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

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).

A Group subsidiary has an investment in a joint venture which owns a cement plant in Cuba. The Trump Administration allowed the waiver of Title III of the Helms-Burton Act (formally known as Cuban Liberty and Democratic Solidarity Act of 1996) to lapse as of 2 May 2019. Previously, Title III had been waived by every Administration since President Clinton waived it shortly after the Act became effective. 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 has been filed in the federal court in Florida. Although the amounts claimed are substantial, LafargeHolcim believes the lawsuit lacks merit and will defend the matter vigorously in court. Consequently, LafargeHolcim believes that the impact of this claim on the group's results, financial position or liquidity will not be material.

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 482 million as of 31 December 2020. 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 matter may be listed for hearings in 2021.

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 at an early stage and therefore no assessment can be make at this time.

Previously disclosed legal matters with no developments since last reporting period

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 Group has completed its internal independent investigation into the alleged underlying facts under the supervision of the Board of Directors. On 24 April 2017, the Group reported on the main findings of the investigation and the remediation measures decided on by the Board of Directors. On 28 June 2018, the investigating judges decided to put Lafarge S.A. under judicial investigation and the legal charges put forward against individual wrongdoings have been received. In addition, Lafarge S.A. was requested by the investigating judges to deposit a bail guarantee of EUR 30 million. Bar the qualification of the charges, the placement of Lafarge S.A. under judicial investigation was expected given that several of its former managers have previously been placed under judicial investigation. Lafarge S.A. has appealed against those charges in December 2018 which, in its view, do not fairly represent the responsibilities of Lafarge S.A. The Court of Appeal decided on 7 November 2019 to drop one of the charges, complicity in crimes against humanity. In December 2019, Lafarge SA replaced the bail guarantee with a payment to the court in the same amount.

In July 2016, Lafarge Brasil S.A. 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 60 million (BRL 353 million) as of 31 December 2020 and includes any penalty and interest. 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 judgement. In November 2018, LafargeHolcim (Brasil) S.A. received an equal assessment from the Brazilian Internal Revenue Service, again claiming reversal of deducted Goodwill for the years 2013 and 2014. 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 some clarification to the judges from the 1st Administrative Level, which is still pending. The amount in dispute for this second case is CHF 47 million (BRL 277 million). Additionally, in December 2019, LafargeHolcim (Brasil) S.A. received a third equal assessment, referring to the year 2015.

The company challenged it at 1st Administrative Level, had an unfavourable decision and recently appealed to the Administrative Tax Appeals Council. The amount in dispute is CHF 4 million (BRL 22 million).

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 508 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. As of 31 December 2020, the total amount including interests and monetary adjustment is approximately CHF 136 million (BRL 801 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 LafargeHolcim will continue to defend its legal position in all courts of competent jurisdiction.

Guarantees
At 31 December 2020, the Group's guarantees issued in the ordinary course of business amounted to CHF 867 million (2019: CHF 919 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 2020, the Group's commitments amounted to CHF 2,306 million (2019: CHF 2,034 million) and included CHF 1,739 million (2019: CHF 1,614 million) related to the purchase of various products, inventories and services and CHF 567 million (2019: CHF 420 million) related to the purchase of property, plant and equipment.

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 2020, the total contingent assets for various claims in favor of the Group are estimated at CHF 26 million (2019: CHF 26 million).

17. Shareholders' information

17.1 Equity

At 31 December 2020, the Group's subordinated fixed rate resettable perpetual notes carried in equity amounted to CHF 750 million (2019: CHF 750 million).

Issue	Currency	Coupon	Nominal Amount (Million)
28 November 2018	CHF	3.50%	**200**
05 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	2020	2019
Total outstanding shares	**611,712,152**	613,693,581
Treasury shares		
Reserved for share compensation plans	**4,216,907**	2,235,478
Total treasury shares	**4,216,907**	2,235,478
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 (2019: CHF 1,232 million) and the carrying amount of the treasury shares amounts to CHF 197 million (2019: CHF 121 million).

On 25 June 2019, 19,303,633 new shares were issued out of authorized capital for the scrip dividend.

In July 2019, the Group has cancelled 10,283,654 of its shares, which were previously repurchased under the share buyback program at an average price per share of CHF 56.55 for a total of CHF 581 million.

The following table reconciles the movement of the total issued shares for the period:

Million CHF	2020	2019
Total issued shares as per 1 January	**615,929,059**	606,909,080
New shares issued	**0**	19,303,633
Share buy-back program	**0**	(10,283,654)
Total issued shares as per 31 December	**615,929,059**	615,929,059

Notes to the consolidated financial statements

Continued

18. Related party transactions

Key management compensation

Board of Directors

In 2020, thirteen non-executive members of the Board of Directors received in total compensation of CHF 4.9 million (2019: CHF 4.6 million) of which CHF 2.7 million was paid in cash (2019: CHF 2.6 million),
CHF 0.02 million in the form of social security contributions (2019: CHF 0.01 million), and CHF 2.0 million in shares (2019: CHF 1.9 million). Other compensation paid totaled CHF 0.2 million (2019: CHF 0.2 million).

The compensation of the Board of Directors increased by 6 percent compared to previous year, which is due to changes in the composition of the Board of Directors. The compensation structure and level was unchanged from the previous year.

Executive Committee

The total annual compensation for the ten members of the Executive Committee amounted to CHF 30.5 million (2019: CHF 30.1 million). This amount comprises base salaries, other fixed pay and annual incentive of CHF 18.4 million (2019: CHF 18.9 million), share-based compensation of CHF 9.0 million (2019: CHF 8.4 million), employer contributions to social security and pension plans of CHF 3.1 million (2019: CHF 2.9 million).

Compensation for former members of governing bodies

During 2020, no payments were made to former members of the Executive Committee (2019: CHF 4.0 million for six former members).

Loans granted to members of governing bodies

As at 31 December 2020, there was one loan in the amount of CHF 0.1 million (2019: CHF 0.1 million for one loan) outstanding from a member of the Executive Committee. There were no loans to other members of the Executive Committee, members of the Board of Directors or to parties closely related to members of governing bodies outstanding at 31 December 2020.

Other transactions

As part of the employee share purchase plan, LafargeHolcim manages employees' shares. It sells and purchases LafargeHolcim Ltd shares to and from employees and in the open market. In 2020 and 2019, the company did not purchase any LafargeHolcim Ltd share from members of the Executive Committee.

As at 31 December 2020, LafargeHolcim has one indemnification claim under the indemnification guarantee from Orascom Construction Industries S.A.E (OCI) in relation to an acquisition in 2008. 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 LafargeHolcim Ltd (until 15 May 2019).

In addition, the Group entered into a cooperation agreement dated 9 December 2007 allowing OCI to participate in tenders in respect of the construction of new plants in countries where OCI has the capability to meet certain of LafargeHolcim's construction needs. There are no outstanding balances under this agreement as at 31 December 2020.

19. Cash flow

Cash flow information related to investing activities

Million CHF	2020	2019
Purchase of property, plant and equipment net		
Replacements	**(735)**	(1,048)
Proceeds from sale of property, plant and equipment	**88**	137
Capital expenditures on property, plant and equipment to maintain productive capacity and to secure competitiveness	**(647)**	(911)
Expansion investments	**(379)**	(486)
Total purchase of property, plant and equipment net (a)	**(1,026)**	(1,397)
Acquisition of participation in Group companies (net of cash and cash equivalents acquired)	**(135)**	(142)
Disposal of participation in Group companies (net of cash and equivalents disposed of)	**18**	1,335
Purchase of financial assets, intangible and other assets		
Increase in financial investments including associates and joint ventures	**(15)**	(3)
Increase in other financial assets, intangible and other assets	**(175)**	(128)
Total purchase of financial assets, intangible and other assets	**(190)**	(131)
Disposal of financial assets, intangible and other assets		
Decrease in financial investments including associates and joint ventures	**3**	10
Decrease in other financial assets, intangible and other assets	**100**	106
Total disposal of financial assets, intangible and other assets	**103**	116
Total (purchase) disposal of financial assets, intangible and other assets businesses net (b)	**(205)**	1,177
Total cash flow from investing activities (a + b)	**(1,231)**	(219)

Notes to the consolidated financial statements

Continued

Cash flow from acquisitions and disposals of Group companies

	Acquisitions		Disposals	
	2020	2019	**2020**	2019
Million CHF	**Total**	**Total**	**Total**	**Total**
Cash and cash equivalents	**(3)**	(12)	**1**	28
Assets classified as held for sale	**0**	0	**0**	1,397
Other current assets	**(12)**	(41)	**2**	207
Property, plant and equipment	**(134)**	(115)	**31**	794
Other assets	**1**	(7)	**7**	21
Bank overdrafts	**0**	0	**0**	(16)
Other current liabilities	**12**	68	**(1)**	(1,031)
Long-term provisions	**10**	6	**5**	(24)
Other long-term liabilities	**13**	18	**(3)**	(402)
Net assets	**(113)**	(83)	**41**	974
Non-controlling interest	**1**	3	**0**	(322)
Net assets (acquired) disposed	**(113)**	(79)	**41**	652
Goodwill (acquired) disposed	**(26)**	(69)	**1**	424
Fair value of previously held equity interest	**0**	0	**0**	0
Net gain on disposals	**0**	0	**5**	279
Total (purchase) disposal consideration	**(139)**	(148)	**47**	1,355
Acquired (disposed) cash and cash equivalents	**3**	12	**(1)**	(35)
Tax and disposal costs paid		0	**(5)**	(9)
Deferred consideration	**(1)**	(6)	**(24)**	24
Net cash flow	**(135)**	(142)	**18**	1,335

20. Events after the reporting period

In January 2021, LafargeHolcim signed an agreement to acquire Firestone Building Products, a leader in commercial roofing and building envelope solutions based in the United States, with estimated 2020 net sales of USD 1.8 billion and EBITDA of USD 270 million. This transaction is valued at USD 3.4 billion, to be financed with cash and debt while maintaining debt leverage below 2x. To finance this transaction, the Group issued a EUR 500 million bond with a coupon of 0.125% maturing in 2027 and a EUR 650 million bond with a coupon of 0.625% maturing in 2033. These capital market transactions were swapped into US dollars. The remaining acquisition price is expected to be paid from available cash in US dollars.

21. Authorization of the financial statements for issuance

The consolidated financial statements were authorized for issuance by the Board of Directors of LafargeHolcim Ltd on 25 February 2021 and are subject to shareholder approval at the Annual General Meeting of shareholders scheduled for 04 May 2021.

To the General Meeting of LafargeHolcim Ltd, Rapperswil-Jona

Zurich, 25 February 2021

Report on the audit of the consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of LafargeHolcim Ltd and its subsidiaries (the Group), which comprise the consolidated statement of financial position as at 31 December 2020 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 162 to 249) give a true and fair view of the consolidated financial position of the Group as at 31 December 2020, 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:

- Impairment of property, plant and equipment;
- Goodwill; and
- Taxation.

Group materiality

We have set materiality for the current year at CHF 154 million (2019: CHF 141 million), based on 5% of normalised three-year average profit before tax.

Audit scope

Our scope covered 18 components and three shared service centres. Of these 18 components, 3 were full scope audits and the remaining 15 were subject to specific procedures on certain balances by component audit teams or the group audit team. These covered 83% (2019:75%) of Group net sales, 82% (2019:90%) of Group EBIT and 99% (2019:83%) 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.

Impairment of property, plant and equipment

Key audit matter

The Group's balance sheet includes property, plant and equipment (PP&E) of CHF 24,220 million (2019: CHF 27,189 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.

Due to the COVID-19 crisis, market conditions were disrupted, resulting in a significant decline in sales volumes during the second quarter of 2020. Management took into consideration the impacts of the uncertainty with respect to the outlook created by the pandemic on the estimates and assumptions concerning the future when developing their forecasts – refer to Note 1.3.

As a consequence, management performed a review of all CGUs for indicators of impairment and impairment reversal as at 31 December 2020 in accordance with the requirements of International Accounting Standard (IAS) 36 "Impairment of Assets" – refer to Note 1. We identified and focused on certain individual CGUs with a total carrying amount of CHF 1,060 million, which we determined would be most at risk of a material impairment as a result of reasonably possible changes in the key assumptions.

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 operating 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 on 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 PP&E impairment assessments is the forecasting of cement prices over the three 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. Cost Savings – In direct response to the COVID-19 crisis, management implemented a HEALTH, COST & CASH program (Program) that included achieving significant cost savings in 2020. The sustainability of those cost savings and further cost reductions to be achieved from the Program are key inputs into the PP&E impairment assessments and are inherently uncertain. There is a risk that management's assessment of the sustainability of costs is not realised, 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.

How the scope of our audit responded to the key audit matter
We considered the controls implemented by management in testing for impairment and the setting of forecasts used in the impairment valuation tests. In addition we performed the following substantive procedures for those CGUs 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 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.

In considering the impact of COVID-19 on demand recovery we benchmarked assumptions with cement volumes sold in the second half of 2020, compared the results with historical volumes sold in 2019 and 2020 budgets and economic forecasts of the rates of recovery for the economy.

Cement Prices
We reviewed management's estimates of cement prices over the three 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 engaged Deloitte cost specialists to assess the sustainability of costs savings over the three year forecast period. They compared management's estimate of cost savings to detailed documentation supporting implemented and planned cost saving initiatives.

We obtained an understanding of the processes established by management for monitoring cost performance within the operations and the reporting of key performance indicators against which cost savings are measured.

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 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.

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, to be appropriate.

Goodwill
Key audit matter
The Group's balance sheet includes goodwill of CHF 12,413 million (2019: CHF 13,039 million).

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.

Due to the COVID-19 crisis, market conditions were disrupted, resulting in a significant decline in sales volumes during the second quarter of 2020. Management took into consideration the impacts of the uncertainty with respect to the outlook created by the pandemic on the estimates and assumptions concerning the future when developing their forecasts – refer to Note 1.3.

The cement industry is associated with high CO_2 intensity and LafargeHolcim is exposed to a variety of regulatory frameworks to reduce admissions. In response management has initiated 2030 CO_2 emission targets under its "Business Ambition for

1.5°C" pledge. Management has taken into consideration the impacts of achieving the emission targets of this pledge in developing their 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.

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 goodwill impairment assessments is the forecasting of cement prices over the three 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. Cost Savings – In direct response to the COVID-19 crisis, management implemented a HEALTH, COST & CASH program (Program) that included achieving significant cost savings in 2020. The sustainability of those cost savings and further cost reductions to be achieved from the Program are key inputs into the goodwill impairment assessments and are inherently uncertain. There is a risk that management's assessment of the sustainability of costs is not realised, leading to a material misstatement.

e. Climate Change – Management made certain assumptions in their cashflow projections on implementing its 2030 targets under the "Business Ambition for 1.5°C" pledge in response to climate change. 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.

We identified and focused on certain individual CGUs with a total carrying amount of CHF 1,808 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 5,478 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.

How the scope of our audit responded to the key audit matter

We considered the controls implemented by management in testing for impairment and the judgements in determining the allocation of goodwill to the operating segments. In addition 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

Substantive procedures were performed in respect of discount rates for those CGUs selected with a lower risk.

Cement Prices

We reviewed management's estimates of cement prices over the three 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 engaged Deloitte cost specialists to assess the sustainability of costs savings over the three year forecast period. They compared management's estimate of cost savings to detailed documentation supporting implemented and planned cost saving initiatives.

We obtained an understanding of the processes established by management for monitoring cost performance within the operations and the reporting of key performance indicators against which cost savings are measured.

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 initiated 2030 CO_2 emission targets under its "Business Ambition for 1.5°C" pledge (the "Pledge") will impact future operations.

We gained an understanding of the impacts of implementing the Pledge 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 evaluated that LafargeHolcim'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 discloses the sensitivities and the impacts of the change in the level at which goodwill impairment testing is undertaken.

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, to be appropriate.

Taxation

Key audit matter
As detailed in Note 8, there is significant judgement in accounting for income taxes, particularly given the large number of jurisdictions in which the Group operates and exposures to numerous different tax laws around the world. This gives rise to complexity and uncertainty in respect of the calculation of income taxes, deferred tax positions, as well as the assessment of provisions for uncertain tax positions, including estimates of interest and penalties where appropriate.

In the year ended 31 December 2020, the Group has recorded a tax expense of CHF 717 million (2019: CHF 806 million), and, at that date, CHF 1,372 million deferred tax liabilities net (2019: CHF 1,442 million) (refer to Note 8.4), CHF 473 million current income tax liabilities (2019: CHF 585 million) and CHF 348 million (2019: CHF 385 million) long-term income tax liabilities.

Given the high level of judgement and complexity of the estimations, combined with the significance of the above amounts to the financial statements as a whole, we assessed management's estimates for taxation to be an area of significant audit risk.

How the scope of our audit responded to the key audit matter
We discussed with management the adequate implementation of Group policies and controls regarding current and deferred tax, as well as the reporting of uncertain tax positions.

We evaluated the design and implementation of controls in respect of provisions for current tax and the recognition and recoverability of deferred tax assets. We examined the procedures in place for the current and deferred tax calculations for completeness and valuation and audited the related tax computations and estimates in the light of our knowledge of the tax circumstances. Our work was conducted with the support of our tax specialists.

We performed an assessment of the material components impacting the Group's tax expense, balances and exposures. We reviewed and challenged the information reported by components with the support of our own local tax specialists, where appropriate. With the support of our tax specialists at group level, we verified the consolidation and analysis of tax balances.

We considered management's assessment of the validity and adequacy of provisions for uncertain tax positions, evaluating the basis of assessment and reviewing relevant correspondence and legal advice where available including any information regarding similar cases with the relevant tax authorities. In respect of deferred tax assets and liabilities, we assessed the appropriateness of management's assumptions and estimates, including the likelihood of generating sufficient future taxable income to support deferred tax assets for tax losses carried forward as disclosed in Note 8.5 of CHF 636 million.

We validated the appropriateness and completeness of the related disclosures in Note 8 to the consolidated financial statements.

Based on the procedures performed above, we obtained sufficient audit evidence to corroborate management's estimates regarding current and deferred tax balances and provisions for uncertain tax positions.

To the General Meeting of LafargeHolcim Ltd, Rapperswil-Jona

Continued

Based on the audit procedures performed, we consider the judgements applied in the calculation of income taxes, deferred tax positions and assessment of uncertain tax positions, together with the disclosures set out in the consolidated financial statements, to be appropriate.

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 154 million, based on a calculation of 5% of normalised three-year average profit before tax for 2018, 2019 and 2020.

The materiality applied by the component auditors ranged from CHF 38.7 million to CHF 46.4 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 7.7 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 18 components, representing the Group's most material country operations, and three shared service centres and utilised 23 audit teams in 19 countries. There were 3 components and 3 shared service centres (2019: 17) subject to full scope audits and 15 components (2019: 14) 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 material misstatement and of the materiality of the Group's operations at those locations.

These 18 components, three shared service centres and specific procedures performed by the group audit team represent the principal business units and account for 99% of the Group's non-current assets, 83% of the Group's net sales and 82% of the Group's EBIT.

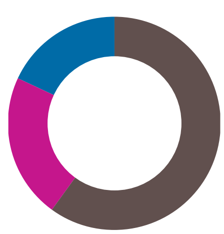
At the parent entity level we also tested the consolidation process and carried out analytical procedures to confirm our conclusion that there were no significant risks of material misstatement of the aggregated financial information of the remaining components not subject to audit or audit of specified 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.

Net sales

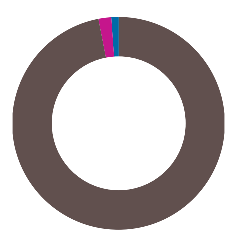
- **Full audit scope and SSCs 64%**
- **Specified audit procedures 19%**
- **Review at group level 17%**

EBIT



- **Full audit scope and SSCs 60%**
- **Specified audit procedures 22%**
- **Review at group level 18%**

Non-current assets



- **Full audit scope and SSCs 97%**
- **Specified audit procedures 2%**
- **Review at group level 1%**

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 114 to 138 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

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Holding Company Results

Statement of income LafargeHolcim Ltd

Million CHF	Notes	2020	2019
Dividend income – Group companies	2	**1,634**	1,334
Financial income – Group companies		**228**	226
Other income	3	**0**	132
Total income		**1,862**	1,692
Financial expenses – Group companies		**(55)**	(33)
Financial expenses – Third parties		**(102)**	(36)
Other expenses	4	**(254)**	(302)
Reversal of impairment / (impairment) of financial investments and financial receivables – Group companies	5	**31**	(450)
Direct taxes		**(1)**	(1)
Total expenses		**(381)**	(822)
Net income		**1,481**	870

Holding Company Results

Continued

Statement of financial position LafargeHolcim Ltd

Million CHF	Notes	31.12.2020	31.12.2019
Cash and cash equivalents		**128**	150
Current financial receivables – Group companies		**655**	543
Current financial receivables – Third parties		**95**	0
Other current receivables – Group companies		**55**	66
Current assets		**933**	759
Non-current financial receivables – Group companies	6	**2,781**	3,493
Financial investments – Group companies	7	**37,932**	36,454
Other assets		**54**	74
Non-current assets		**40,767**	40,021
Total assets		**41,700**	40,780
Current financial liabilities – Group companies		**567**	1,099
Current financial liabilities – Third parties	8	**240**	0
Other current liabilities – Group companies		**131**	292
Other current liabilities – Third parties		**53**	23
Current liabilities		**991**	1,414
Non-current financial liabilities – Group companies	9	**3,467**	1,984
Non-current financial liabilities – Third parties	10	**1,224**	1,540
Other non-current liabilities – Third parties		**0**	1
Non-current liabilities		**4,691**	3,525
Total liabilities		**5,682**	4,939
Share capital	15	**1,232**	1,232
Statutory capital reserves			
Capital reserves from tax capital contributions			
– Domestic		**1,514**	1,514
– Foreign		**16,119**	17,343
Statutory retained earnings			
– Statutory retained earnings		**2,531**	2,531
Voluntary retained earnings			
– Retained earnings prior year		**13,343**	12,473
– Net income		**1,481**	870
Treasury shares	11	**(202)**	(122)
Shareholders’ equity		**36,018**	35,841
Total liabilities and shareholders’ equity		**41,700**	40,780

Notes to the financial statements of LafargeHolcim Ltd

LafargeHolcim Ltd, with registered office in Rapperswil-Jona, is the ultimate holding company of the LafargeHolcim Group which comprises subsidiaries, associated companies and joint ventures around the world. During the reporting period, LafargeHolcim Ltd employed fewer than ten employees (previous year: fewer than ten employees).

1. Accounting Policies

Basis of preparation

The financial statements of LafargeHolcim Ltd comply with the requirements of the Swiss accounting legislation of the Swiss Code of Obligations (SCO). LafargeHolcim 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

Current assets and current liabilities denominated in foreign currencies are converted 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.

Financial receivables

Financial receivables are valued at acquisition cost less adjustments for foreign currency losses and any other impairment of value.

The CO_2 certificates are classified as current financial receivables and valued at acquisitions costs less impairment of the value. The net result of the sales of the CO_2 certificates is recorded in other income or other expenses.

Financial investments

Financial investments are initially recognized at cost. Investments in LafargeHolcim 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 five 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.

Notes to the financial statements of LafargeHolcim Ltd

Continued

2. Dividend income – Group companies

Million CHF	2020	2019
Holcim Reinsurance Limited	**0**	32
Holcim Beteiligungs GmbH	**69**	0
Holcim México Operaciones, S.A. de C.V.	**1**	0
Holchile S.A.	**12**	0
Holcim Technology Ltd	**800**	0
Holcim Finance (Belgium) S.A.	**0**	1
Holdertrade Ltd	**0**	40
Holcim (Colombia) S.A.	**0**	6
Holcim Participations (Australia) Pty Ltd	**49**	72
Holmin Limited	**0**	25
Holderfin B.V.	**703**	543
Lafarge S.A.	**0**	615
Total	**1,634**	1,334

3. Other income

Million CHF	2020	2019
Branding and trademark fees	**0**	22
CO_2 trading income	**0**	110
Total	**0**	132

4. Other expenses

Million CHF	2020	2019
Board of Director fees	**(5)**	(5)
Stewardship and project expenses	**(185)**	(256)
Administrative expenses	**(7)**	(13)
CO_2 trading expenses	**(1)**	0
Foreign exchange losses	**(56)**	(28)
Total	**(254)**	(302)

5. Reversal of impairment / (impairment) of financial investments and financial receivables – Group companies

Million CHF	2020	2019
Impairment of financial investments and financial receivables – Group companies		
LafargeHolcim International Finance Ltd	**0**	(395)
Other Group companies	**(99)**	(55)
Total impairment of financial investments and financial receivables – Group companies	**(99)**	(450)
Reversal of impairment of financial investments – Group companies		
LafargeHolcim Continental Finance Ltd	**130**	0
Total reversal of impairment of financial investments – Group companies	**130**	0
Total	**31**	(450)

6. Non-current financial receivables – Group companies

Million CHF	31.12.2020	31.12.2019
Fernhoff Ltd	**101**	104
Cementia Holding Inc.	**0**	9
LafargeHolcim Continental Finance Ltd	**0**	1,303
Holcim Participations (UK) Limited	**710**	740
Cemasco B.V.	**5**	5
Lafarge Cement Polska S.A.	**134**	144
Holcim (US) Inc.	**0**	58
Holcim (Schweiz) AG	**596**	626
LafargeHolcim International Finance Ltd	**585**	408
Holcim Participations (AUS) Pty Ltd	**650**	0
Holdertrade Ltd	**0**	96
Total	**2,781**	3,493

7. Financial investments – Group companies

The principal direct and indirect subsidiaries and other holdings of LafargeHolcim Ltd are shown in note 2.4 to the Group's consolidated financial statements.

8. Current financial liabilities – Third parties

Million CHF	31.12.2020	31.12.2019
0.38% fixed, Bond, 2015–2021 (partially repaid in 2020)	**240**	0
Total	**240**	0

Notes to the financial statements of LafargeHolcim Ltd

Continued

9. Non-current financial liabilities – Group companies

Million CHF	31.12.2020	31.12.2019
LafargeHolcim International Finance Ltd	**837**	6
Atlantic RE	**88**	88
Holcim Overseas Finance Ltd.	**0**	455
LafargeHolcim Helvetia Finance Ltd	**1,237**	659
Marine Cement Ltd	**0**	9
LafargeHolcim Continental Finance Ltd	**538**	0
LafargeHolcim Espana S.A.U.	**221**	221
Holcim Capital Corporation Ltd.	**546**	546
Total	**3,467**	1,984

10. Non-current financial liabilities – Third parties

Million CHF	31.12.2020	31.12.2019
3.00% fixed, Bond, 2012–2022 (partially repaid in 2020)	**412**	450
2.00% fixed, Bond, 2013–2022 (partially repaid in 2020)	**222**	250
1.00% fixed, Bond, 2015–2025	**150**	150
0.38% fixed, Bond, 2015–2021	**0**	250
1.00% fixed, Bond, 2018–2024	**440**	440
Total	**1,224**	1,540

11. Movement in treasury shares

		Number held by LafargeHolcim 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
01.01.2020	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	**(649,573)**	**(27)**	**41.0**	**0**	**0**	**0.0**
31.12.2020	Closing	**4,216,907**	**202**	**47.8**	**0**	**0**	**0.0**
01.01.2019	Opening	10,736,847	619	57.6	0	0	0.0
2019	Cancellation of shares – share buyback program	(10,283,654)	(581)	56.5	0	0	0.0
2019	Purchases	2,259,105	108	47.9	0	0	0.0
2019	Sales	(476,820)	(24)	49.6	0	0	0.0
31.12.2019	Closing	2,235,478	122	54.5	0	0	0.0

In 2019, the Annual General Meeting approved on 15 May 2019 the cancellation of 10,283,654 LafargeHolcim shares with a nominal value of CHF 2.00 each which were bought back by LafargeHolcim under the share buyback program announced in June 2017 and completed in March 2018.

12. Contingent liabilities

Million CHF	31.12.2020	31.12.2019
Holcim Capital Corporation Ltd. – Guarantees in respect of holders of		
7.65% USD 50 million private placement due in 2031	**65**	73
6.88% USD 250 million bonds due in 2039	**242**	266
6.50% USD 250 million bonds due in 2043	**242**	266
Holcim Capital México, S.A. de C.V. – Guarantees in respect of holders of		
8.12% MXN 1,700 million bonds due in 2020	**0**	96
Holcim Finance (Australia) Pty Ltd – Guarantees in respect of holders of		
3.75% AUD 250 million bonds due in 2020	**0**	187
3.50% AUD 300 million bonds due in 2022	**224**	224
Holcim Finance (Luxembourg) S.A. – Guarantees in respect of holders of		
1.04% EUR 413 million Schuldschein loans due in 2021	**492**	493
2.25% EUR 1,150 million bonds due in 2028	**1,369**	1,374
1.46% EUR 152 million Schuldschein loans due in 2023	**181**	182
3.00% EUR 320 million bonds due in 2024 (partially exchanged in 2019)	**381**	382
2.00% EUR 33 million Schuldschein loans due in 2026	**39**	39
1.38% EUR 869 million bonds due in 2023 (partially exchanged in 2019)	**1,034**	1,038
1.75% EUR 750 million bonds due in 2029	**893**	896
0.50% EUR 500 million bonds due in 2026	**595**	597
2.38% EUR 500 million bonds due in 2025	**595**	0
0.50% EUR 850 million bonds due in 2031	**1,012**	0
3.00% EUR 500 million Perpetual subordinated notes (Hybrid Bond)	**595**	597
EUR 200 million maximum, Commercial Paper Programme, guarantee based on utilization	**238**	0
Holcim Overseas Finance Ltd. – Guarantees in respect of holders of		
3.38% CHF 335 million bonds due in 2021 (partially repaid in 2020)	**369**	468

Notes to the financial statements of LafargeHolcim Ltd

Continued

Million CHF	31.12.2020	31.12.2019
Holcim US Finance S. à r.l. & Cie S.C.S. – Guarantees in respect of holders of		
2.63% EUR 500 million bonds due in 2020	**0**	597
4.20% USD 50 million bonds due in 2033	**49**	53
5.15% USD 500 million bonds due in 2023 (early repaid in 2020)	**0**	533
LafargeHolcim Continental Finance Ltd – Guarantees in respect of holders of		
0.88% EUR 30 million Schuldschein loans due in 2022	**36**	36
0.14% EUR 60 million Schuldschein loans due in 2022	**71**	72
1.32% EUR 109 million Schuldschein loans due in 2024	**130**	130
1.68% EUR 5 million Schuldschein loans due in 2025	**6**	6
2.22% EUR 2 million Schuldschein loans due in 2028	**2**	2
LafargeHolcim International Finance Ltd – Guarantees in respect of holders of		
2.80% USD 40 million Schuldschein loans due in 2021	**39**	43
3.20% USD 15 million Schuldschein loans due in 2023	**15**	16
1,16% USD 110 million Schuldschein loans due in 2022	**107**	117
4.38% USD 38 million Schuldschein loans due in 2024	**37**	41
1.41% USD 28 million Schuldschein loans due in 2024	**27**	30
4.59% USD 60 million Schuldschein loans due in 2025	**58**	64
1.61% USD 60 million Schuldschein loans due in 2025	**58**	64
LafargeHolcim Helvetia Finance Ltd – Guarantees in respect of holders of		
1.05% CHF 250 million bonds due in 2022	**275**	0
3.5% CHF 200 million Perpetual subordinated notes (Hybrid Bond)	**220**	220
LafargeHolcim Finance US LLC – Guarantees in respect of holders of		
3.50% USD 400 million bonds due in 2026	**388**	426
4.75% USD 590 million bonds due in 2046 (partially repaid in 2020)	**572**	640
4.79% USD 180 million private placement due in 2025	**190**	209
4.92% USD 52 million private placement due in 2027	**55**	60
5.03% USD 106 million private placement due in 2030	**112**	123
LafargeHolcim Sterling Finance (Netherlands) B.V. – Guarantees in respect of holders of		
3.00% GBP 300 million bonds due in 2032	**397**	420
Guarantees for committed credit lines, utilization CHF 0 million (2019: CHF 0 million)	**5,010**	5,280
Other guarantees	**0**	74
Other commitments	**0**	82
Total	**16,419**	16,516

LafargeHolcim 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. LafargeHolcim Ltd guarantees Holcim Finance (Luxembourg) S.A. any amount needed to fulfill its obligations from financing agreement.

13. Share interests of Board of Directors and Executive Committee

Shares owned by Board of Directors

On 31 December 2020, members of the Board of Directors held a total of 247,112 (2019: 239,097) registered shares in LafargeHolcim Ltd.

Name	Position	**Shares held as of 31 December 2020**	Shares held as of 31 December 2019
Beat Hess	Chairman	**84,115**	57,205
Oscar Fanjul	Vice-Chairman	**19,612**	15,707
Philippe Block	Member (since May 12, 2020)	**0**	n/a
Paul Desmarais Jr	Member (until May 12, 2020)	**n/a**	44,469
Kim Fausing	Member (since May 12, 2020)	**0**	n/a
Colin Hall	Member (since May 15, 2019)	**1,139**	0
Patrick Kron	Member	**5,298**	3,345
Naina Lal Kidwai	Member (since May 15, 2019)	**1,139**	0
Adrian Loader	Member	**23,540**	21,587
Jürg Oleas	Member	**9,607**	7,654
Claudia Sender Ramirez	Member (since May 15, 2019)	**1,139**	0
Hanne B. Sørensen	Member	**13,137**	11,184
Dieter Spälti	Member	**88,386**	77,946
Total		**247,112**	239,097

Ownership of shares and options: Executive Committee

As of 31 December 2020, members of the Executive Committee held a total of 593,130 registered shares (2019: 365,542 registered shares) in LafargeHolcim Ltd. This figure includes both privately acquired shares and those allocated under the Group's participation and compensation schemes.

Furthermore, at the end of 2020, the Executive Committee helds a total of 1,682,224 performance options at target (2019: 756,549 performance options) and 367,741 performance shares at target (2019: 292,586 performance shares); these arose as a result of the participation and compensation schemes of various years. Options are issued solely on registered shares in LafargeHolcim Ltd. One option entitles the holder to subscribe to one registered share in LafargeHolcim Ltd.

Notes to the financial statements of LafargeHolcim Ltd

Continued

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 full vesting)	Total number of performance shares held (at target)	Total number of performance shares held (at full vesting)
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

Number of shares and options held by Executive Committee Members as of 31 December 2019

Name	Position	Total number of shares owned	Total number of performance options held (at target)	Total number of performance options held (at full vesting)	Total number of performance shares held (at target)	Total number of performance shares held (at full vesting)
Jan Jenisch	CEO	260,000	268,452	536,903	113,719	227,437
Magali Anderson	Member	281	0	0	5,900	11,800
Keith Carr	Member	5,000	41,900	83,800	13,715	27,430
Marcel Cobuz	Member	15,091	75,438	135,576	22,251	44,501
Feliciano González Muñoz	Member	2,660	41,900	83,800	13,815	27,630
Miljan Gutovic	Member	8,389	42,545	85,089	13,855	27,710
Martin Kriegner	Member	16,271	78,031	158,761	28,318	56,636
Olivier Osswald	Member	5,852	69,783	139,566	25,091	50,182
Géraldine Picaud	Member	39,604	72,166	144,331	34,472	68,943
René Thibault	Member	12,394	66,334	117,368	21,450	38,300
Total		365,542	756,549	1,485,194	292,586	580,569

14. Significant shareholders

According to the share register and disclosed through notifications filed with LafargeHolcim Ltd and the SIX Swiss Exchange shareholders, owning 3 percent or more are as follows:

- Thomas Schmidheiny directly and indirectly holds 49,945,808 shares or 8.1 percent as per 31 December 2020[1] (31 December 2019: 45,804,388 shares or 7.4 percent and additionally 6,178,080 options or 1.0 percent, total of 8.4 percent);
- Groupe Bruxelles Lambert declared holdings of 46,699,973 shares or 7.6 percent as per 25 November 2020 (31 December 2019: 57,238,551 shares or 9.3 percent);
- Norges Bank (the Central Bank of Norway) declared holdings of 18,433,933 shares or 2.99 percent (falling below threshold of 3 percent) as per 24 March 2020 (10 November 2018: 18,330,151 shares or 3.0 percent);
- BlackRock Inc. declared holdings of 29,921,681 shares or 4.9 percent as per 2 December 2020.

[1] Excluding the shares of the family members

15. Share capital

		2020		2019
Shares	Number	Million CHF	Number	Million CHF
1 January	**615,929,059**	**1,232**	606,909,080	1,214
Share capital increased during the period/Scrip dividend	**0**	**0**	19,303,633	39
Number of shares cancelled/capital reduced during the period	**0**	**0**	(10,283,654)	(21)
31 December	**615,929,059**	**1,232**	615,929,059	1,232

As of 31 December 2020, LafargeHolcim Ltd share capital consists of 615,929,059 registered shares (2019: 615,929,059) with a nominal value of CHF 2.00 each.

In 2019, LafargeHolcim offered to its shareholders the option of receiving the distribution in the form of new LafargeHolcim shares, cash or a combination thereof. 72.98 percent of the distribution was paid in the form of new LafargeHolcim Ltd shares. This resulted in a total payment of CHF 322 million. 19,303,633 new shares were issued out of authorized capital for the scrip dividend and the total share capital increased by CHF 38.6 million. The total share capital decreased by CHF 20.6 million at 24 July 2019 as a result of the cancellation of 10,283,654 repurchased treasury shares under the share buyback program that was completed in March 2018.

16. Events after the reporting period

In January 2021, LafargeHolcim Ltd entered into an agreement as a guarantor of Holcim Participations (US) Inc. to acquire Firestone Building Products with, a leader in the commercial roofing building envelope solutions based in the United States.

In January 2021, LafargeHolcim Ltd entered into a committed term loan facility of USD 1,800 million and guaranteed two new bond issuances: a EUR 500 million bond and a EUR 650 million bond issued by Holcim Finance (Luxembourg) S.A. The new loan facility was then reduced to USD 400 million.

Notes to the financial statements of LafargeHolcim Ltd

Continued

Appropriation of retained earnings

Million CHF	2020	2019
Retained earnings brought forward	**13,343**	12,473
Net income of the year	**1,481**	870
Capital reserves from tax capital contributions:		
– Domestic	**1,514**	1,514
– Foreign	**16,119**	17,343
Amount available for annual general meeting of shareholders	**32,457**	32,200
The Board of Directors proposes to the annual general meeting of shareholders to distribute from the foreign capital reserves from tax capital contributions	**(1,224)**	(1,228)
Balance to be carried forward	**31,233**	30,972

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 2.00 (2019: CHF 2.00) per registered share up to an amount of CHF 1,224 million[1].

[1] There is no payout on treasury shares held by LafargeHolcim. On 01 January 2021 treasury shares holdings amounted to 4,216,907 registered shares.

To the General Meeting of LafargeHolcim Ltd, Rapperswil-Jona

Zurich, 25 February 2021

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

We have audited the financial statements of LafargeHolcim Ltd, which comprise the statement of income and the statement of financial position as at 31 December 2020 and notes for the year then ended, including a summary of significant accounting policies.

In our opinion the financial statements as at 31 December 2020, presented on pages 257 to 268 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 7 to the financial statements, LafargeHolcim Ltd holds investments in LafargeHolcim Group companies with a carrying value of CHF 37,932 million as of 31 December 2020 (2019: CHF 36,454 million), representing 90,96% (2019: 89,39%) 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 a lot of 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 LafargeHolcim Group companies.

We validated the appropriateness and completeness of the related disclosures in note 7 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.

To the General Meeting of LafargeHolcim Ltd, Rapperswil-Jona

Continued

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 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 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 Dübi
Licensed Audit Expert

5-year-review LafargeHolcim Group

5-year-review LafargeHolcim Group

		2020	2019	2018[1]	2017[1]	2016[1]
Statement of income						
Net sales[2]	million CHF	**23,142**	26,722	27,466	27,021	26,904
Gross profit	million CHF	**9,689**	11,281	11,548	7,781	11,272
Recurring EBITDA after leases[3]	million CHF	**5,616**	6,177	6,016	5,990	5,950
Recurring EBIT	million CHF	**3,676**	4,102	3,781	3,689	3,607
Recurring EBIT margin	%	**15.9**	15.4	13.8	13.7	13.4
Operating profit (EBIT)	million CHF	**3,371**	3,833	3,312	(478)	2,963
Depreciation, amortization and impairment of operating assets	million CHF	**2,515**	2,559	2,229	6,007	2,405
Income taxes	million CHF	**717**	806	656	536	835
Tax rate	%	**26**	24	28	(45)	29
Net income (loss)	million CHF	**2,002**	2,513	1,719	(1,716)	2,090
Net income (loss) – shareholders of LafargeHolcim Ltd	million CHF	**1,697**	2,246	1,502	(1,675)	1,791
Statement of cash flows						
Cash flow from operating activities	million CHF	**4,618**	4,825	2,988	3,040	3,295
Free Cash Flow after leases[4]	million CHF	**3,249**	3,019	1,703	1,685	1,660
Investments in property, plant and equipment for maintenance net	million CHF	**(647)**	(911)	(882)	(881)	(997)
Investments in property, plant and equipment for expansion	million CHF	**(379)**	(486)	(403)	(474)	(638)
(Purchase) Disposal of financial assets, intangible and other assets and businesses net	million CHF	**(205)**	1,178	(100)	680	2,342
Statement of financial position						
Current assets	million CHF	**10,886**	12,210	11,658	12,618	14,435
Non-current assets	million CHF	**42,338**	46,100	48,037	51,061	55,182
Total assets	million CHF	**53,224**	58,310	59,695	63,679	69,617
Current liabilities	million CHF	**8,178**	9,144	10,727	11,519	12,509
Non-current liabilities	million CHF	**16,422**	17,667	18,914	21,185	22,361
Total shareholders' equity	million CHF	**28,625**	31,499	30,053	30,975	34,747
Shareholders' equity as % of total assets	%	**53.8**	54.0	50.3	48.6	49.9
Non-controlling interest	million CHF	**2,553**	2,933	3,128	3,188	3,925
Net financial debt	million CHF	**8,483**	10,110	13,518	14,346	14,724
Capacity, sales and personnel						
Annual production capacity cement	million t	**287.8**	285.9	312.9	318.4	353.3
Sales of cement	million t	**190.4**	207.9	221.9	220.2	233.2
Sales of aggregates	million t	**256.3**	269.9	273.8	278.7	282.7
Sales of ready-mix concrete	million m^3	**42.3**	47.7	50.9	50.6	55.0
Personnel		**67,409**	72,452	77,055	81,960	90,903

[1] The comparative periods are not restated for IFRS 16 "Leases".
[2] Net sales for the year 2016 are not restated for IFRS 15 "Revenue from Contracts with Customers".
[3] For years 2016 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.
[4] For years 2016 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. LafargeHolcim 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 LafargeHolcim Ltd is published in English and is available on www.lafargeholcim.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 2021	23 April 2021
Annual General Meeting of shareholders	04 May 2021

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 2020 and 2019) and currency translation effects (2020 figures are converted with 2019 exchange rates in order to calculate the currency effects).

Recurring fixed costs
Recurring fixed costs refer to all recurring costs not directly related to volumes such as maintenance, personnel cost in production, administration, marketing and sales expenses, third party services and depreciation of right-of-use assets. Recurring fixed costs are part of the Recurring operating costs.

Recurring variable costs
Recurring variable costs include recurring operating costs directly related to volumes such as raw materials and finished goods purchases, inventory variation, energy, quarry outsourcing and distribution costs. The addition of variable and fixed recurring costs equals the total Recurring operating costs.

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 normal operating activities such as revaluation gains or losses on previously held equity interests, disputes with non-controlling interest and other 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 LafargeHolcim 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);

Definition of Non-GAAP measures used in this report

Continued

+ 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).

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.

Waste reused in operations (million tons)
The total volume of waste derived resources includes the following components: alternative fuels, alternative raw materials, industrial mineral components consumed and/or processed and sold externally, industrial gypsum, alternative aggregate produced and/or consumed and returned asphalt recycled.

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.

Ton
Refers to a Metric ton, or 1,000 kg

This set of definitions can be found on our website: www.lafargeholcim.com/non-gaap-measures

Reconciliation of non-GAAP measures

Reconciling measures of Profit and Loss to the Consolidated statement of income

Million CHF	2020	2019
Net sales	**23,142**	26,722
Recurring Operating costs	**(17,974)**	(21,093)
Share of profit of joint ventures	**448**	548
Recurring EBITDA after leases	**5,616**	6,177
Depreciation and amortization of property, plant and equipment, intangible and long-term assets	**(1,940)**	(2,075)
Recurring EBIT	**3,676**	4,102
Restructuring, litigation and other non-recurring costs	**(89)**	(190)
Impairment of operating assets	**(215)**	(80)
Operating profit	**3,371**	3,833

Million CHF	2020	2019
Recurring EBITDA after leases	**5,616**	6,177
Depreciation of right-of-use assets	**360**	404
Recurring EBITDA	**5,976**	6,581

Million CHF	2020	2019
Recurring fixed costs	**5,798**	6,649
Recurring variable costs	**12,176**	14,444
Recurring Operating costs	**17,974**	21,093

Million CHF	2020	2019
Net income before impairment and divestments	**2,218**	2,323
Net income before impairment and divestments, Non-Controlling interests	***318***	*268*
Net income before impairment and divestments, Group share	***1,900***	*2,055*
Impairment	**(203)**	(66)
Profit/(loss) on divestments	**(14)**	255
Net income	**2,002**	2,513

Adjustments disclosed net of taxation

Reconciling measures of Free Cash Flow to the Consolidated statement of Cash Flows

Million CHF	2020	2019
Cash flow from operating activities	**4,618**	4,825
Purchase of property, plant and equipment	**(1,114)**	(1,534)
Disposal of property, plant and equipment	**88**	137
Repayment of long-term lease liabilities	**(342)**	(409)
Free Cash Flow after leases	**3,249**	3,019

Reconciling measures of Net financial debt to the Consolidated statement of financial position

Million CHF	2020	2019
Current financial liabilities	**2,064**	2,089
Long-term financial liabilities	**11,710**	12,202
Cash and cash equivalents	**5,190**	4,148
Short-term derivative assets	**30**	28
Long-term derivative assets	**70**	5
Net financial debt	**8,483**	10,110

About this document

This extract is an integral part of the LafargeHolcim 2020 Integrated Annual Report, available in English and German. The complete LafargeHolcim 2020 Integrated Annual Report (English only) is available at www.lafargeholcim.com. The English version is legally binding.

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About LafargeHolcim

As the world's global leader in building solutions, LafargeHolcim is reinventing how the world builds to make it greener, smarter and healthier for all. On its way to becoming a net zero company, LafargeHolcim offers global solutions such as ECOPact, enabling carbonneutral construction. With its circular business model, the company is a global leader in recycling waste as a source of energy and raw materials through products like Susteno, its leading circular cement. Innovation and digitalization are at the core of the company's strategy, with more than half of its R&D projects dedicated to greener solutions. LafargeHolcim's 70,000 employees are committed to improving quality of life across more than 70 markets through its four business segments: Cement, Ready-Mix Concrete, Aggregates and Solutions & Products.

More information is available on www.lafargeholcim.com

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CDP DISCLOSURE INSIGHT ACTION

Named to the CDP's prestigious 'A List' for tackling climate change in 2020.

SCIENCE BASED TARGETS
DRIVING AMBITIOUS CORPORATE CLIMATE ACTION

2030 targets approved by the Science-Based Targets initiative (SBTi) in alignment with net zero pathway

TCFD TASK FORCE ON CLIMATE-RELATED FINANCIAL DISCLOSURES

For TCFD-guided disclosures on our climate-related risks and opportunities, see page 100 of our complete 2020 Integrated Annual Report on https://annual-report.lafargeholcim.com/

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