

# Say-on-Pay

Shareholder information on  
compensation proposals  
Alcon Inc. 2020 Annual General Meeting

**Alcon**  
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# Dear shareholder,

On April 9, 2019, Alcon was spun-off as an independent global company with listings on both the SIX Swiss Exchange and the New York Stock Exchange. Our Board of Directors, including the Compensation, Governance and Nomination Committee ("CGNC"), has since focused its efforts on creating a compensation framework and philosophy for the members of the Executive Committee of Alcon ("ECA"). The framework considers Alcon's position as a newly independent company with ambitious growth and business objectives and the realities of the competitive global market for executive talent. The compensation philosophy we developed serves as the foundation in establishing our pay for performance framework and guides us in our decision-making process.

This Brochure provides you with additional information on the compensation-related proposals submitted to the 2020 Annual General Meeting ("AGM") and confirms our commitment towards a transparent Say-on-Pay approach.

The framework for the Board's compensation will remain broadly unchanged for the upcoming term of office from the 2020 AGM to the 2021 AGM. During 2020, the Board will undertake a comprehensive review of the compensation of its members for future terms.

On behalf of the Board and the members of the CGNC, we thank you for your trust in Alcon. We are grateful for your participation in this year's AGM.

Sincerely,




A stylized, handwritten signature in black ink.

F. Michael Ball  
*Chair of the Board  
of Directors*



A handwritten signature in black ink that reads "K May".

Karen May  
*Chair of the Compensation,  
Governance and Nomination  
Committee*



In line with the Swiss Ordinance against Excessive Compensation in Listed Stock Companies and our Articles of Incorporation, we are asking you to cast the following three votes:

## Agenda item 4.1

### Consultative vote on the 2019 Compensation Report

The Board of Directors proposes that the 2019 Compensation Report, included in the 2019 Annual Report, be accepted (non-binding consultative vote).

## Agenda item 4.2

### Binding vote on the maximum aggregate amount of compensation of the Board of Directors for the next term of office, i.e. from the 2020 AGM to the 2021 AGM

The Board of Directors proposes that shareholders approve the maximum aggregate amount of compensation of the Board of Directors covering the period from the 2020 AGM to the 2021 AGM in the amount of CHF 3,320,000.

## Agenda item 4.3

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

The Board of Directors proposes that shareholders approve the maximum aggregate amount of compensation of the ECA for the 2021 financial year in the amount of CHF 35,300,000.

# 4.1 Consultative vote on the 2019 Compensation Report

The Board of Directors proposes that the 2019 Compensation Report, included in the 2019 Annual Report, be accepted (non-binding consultative vote).

The Compensation Report, included on pages 87-117 of Alcon's 2019 Annual Report, provides detailed information regarding compensation awarded to the ECA members and Board members in 2019. It also sets out Alcon's compensation framework and philosophy. Alcon's 2019 Annual Report is available in electronic form on our website at the following address: <https://investor.alcon.com/financials/annual-reports/default.aspx>

## ECA Compensation 2019

Last year represented a transition year for Alcon as we became an independent, stand-alone company after the Spin-off from Novartis on April 9, 2019. We leveraged, with only slight modification, the executive compensation program of our former parent company.

The compensation program consisted of a balanced set of fixed and variable elements rewarding short-term and long-term performance through the delivery of cash payments and equity awards. Performance goals were aligned to the strategic plan in a mix of absolute and relative measures including financial and non-financial metrics. At a glance, the program included:

	Annual Base Salary	Short-Term Incentive (annual incentive)	Long-Term Incentives	Benefits
Purpose	In line with global pay practices, reflects responsibilities, experience and skills	Rewards annual performance against key objectives	Rewards long-term performance in line with Alcon's strategy and business priorities	Retirement savings and insurance in line with local market practices and benefits associated with global mobility and international relocation
Payment	Cash	Cash and equity	Equity (Performance Stock Units)	Cash or in-kind, contributions to retirement savings and insurance policies
Performance period	—	One year	Three-year cliff vesting	—
Performance measures	—	Three financial performance measures and individual performance rating	Four equally weighted performance measures including financial, external and innovation metrics	—
Payout range	—	0%-200% of the individual target award	0%-200% of the number of Performance Stock Units granted	—
Basis	Fixed	Variable	Variable	Fixed and variable

## Board compensation 2019

During 2019, we paid our Board members a portion of their fixed fee payable for their services from the date of Spin-off on April 9, 2019 to the 2020 AGM. In addition, we paid a one-time fee for their significant activities prior to the Spin-off date.

To maintain the independence and integrity of our Board, we do not pay any performance-based compensation to our Board. At a glance, the Board fees include:

	Base fee <sup>1</sup>	Additional fee <sup>1</sup>	Payment in cash <sup>2</sup>	Payment in shares
Board Chair	Chair fee	Not entitled to additional fee	50% of the Chair fee	50% of the Chair fee
Board member	Member fee	For roles in Committees as Chair and/or member <sup>3</sup> , and/or as Vice Chair of the Board	50% of the base and additional fees	50% of the base and additional fees

<sup>1</sup> Payable from Spin-off to AGM 2020

<sup>2</sup> Board members may also elect to receive all or part of the cash fee (50%) in shares

<sup>3</sup> Audit and Risk Committee; Compensation, Governance and Nomination Committee; and Innovation Committee

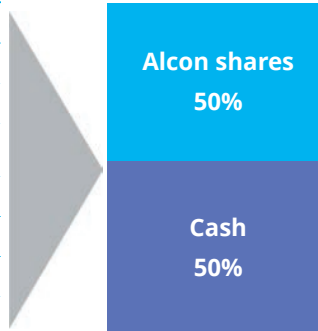
## 4.2 Binding vote on the maximum aggregate amount of compensation of the Board of Directors for the next term of office, i.e. from the 2020 AGM to the 2021 AGM

The Board of Directors proposes that shareholders approve the maximum aggregate amount of compensation of the Board of Directors covering the period from the 2020 AGM to the 2021 AGM in the amount of CHF 3,320,000.

In the next term of service, from the 2020 AGM to the 2021 AGM, Alcon's Board will be comprised of 10 members, as in 2019. The Board compensation framework will remain broadly unchanged, except that, effective as of the date of our 2020 AGM, the Board has split the current responsibilities of the CGNC into two separate committees: the Compensation Committee and the Governance and Nomination Committee. The Board recognized the heavy workload assigned to the CGNC since the Spin-off from Novartis; this split enables the two newly created committees to better focus on their respective key responsibilities. For the Governance and Nomination Committee, this includes a focus on leading governance practices and environmental, social and governance topics in general. And for the Compensation Committee, this includes a focus on human resource strategy and executive compensation. The fees for the new committee's Chair and members will be added to the Board compensation framework and are included in the aggregate maximum compensation amount.

The fixed compensation of non-executive Board members is comprised of a base fee for Board membership and additional fees for roles on Board committees. Board membership fees, as well as additional fees as Chair or member of committees and/or for specific roles such as Vice-Chair of the Board, are paid on a per-term basis in installments. Board members receive a minimum of 50% of their compensation in the form of Alcon shares. Each member of the Board may elect to receive a greater percentage (up to 100%) of their compensation in Alcon shares. The Chair of the Board receives no additional fees for roles on Board committees. David J. Endicott, our CEO, does not receive any additional compensation for his Board membership.

<b>Base fee for Board membership for non-executive Directors</b>		
Chair of the Board		CHF 950,000
Vice-Chair of the Board		CHF 240,000
Member of the Board		CHF 200,000
<b>Additional fees for non-executive Directors</b>	<b>Chair</b>	<b>Member</b>
Audit and Risk Committee	CHF 70,000	CHF 35,000
Compensation Committee	CHF 50,000	CHF 25,000
Governance and Nomination Committee	CHF 50,000	CHF 25,000
Innovation Committee	CHF 50,000	CHF 25,000



**Pay Mix<sup>1</sup>**

<sup>1</sup> Board members may elect to change the Pay Mix of cash and shares by increasing the portion of Alcon shares up to 100%.



## 4.3 Binding vote on the maximum aggregate amount of compensation of the ECA for the 2021 financial year

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The Board of Directors proposes that shareholders approve the maximum aggregate amount of compensation of the ECA for the 2021 financial year in the amount of CHF 35,300,000.

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Our compensation framework for members of the ECA, based on our pay-for-performance philosophy, considers Alcon's position as a newly independent company with ambitious growth and business objectives. It is also designed to reflect the realities of the competitive global market for executive talent. The Company's compensation philosophy:

- Ensures a broadly competitive level of remuneration appropriate to each executives' scale of responsibility and individual performance;
- Attracts, retains and motivates a world-class executive team to drive performance;
- Supports long-term value creation for shareholders;
- Considers the geographic and industry-specific nature of our talent pool and the medical device industry;
- Aligns the compensation program for the senior executives with the broader management and employee population; and
- Fully embraces Swiss governance expectations and follows principles of simplicity and transparency.

The peer group companies used for external executive compensation benchmarking represent a blend of European and North American companies and provide a good balance of industries, companies and geographies from which executive talent is sourced.

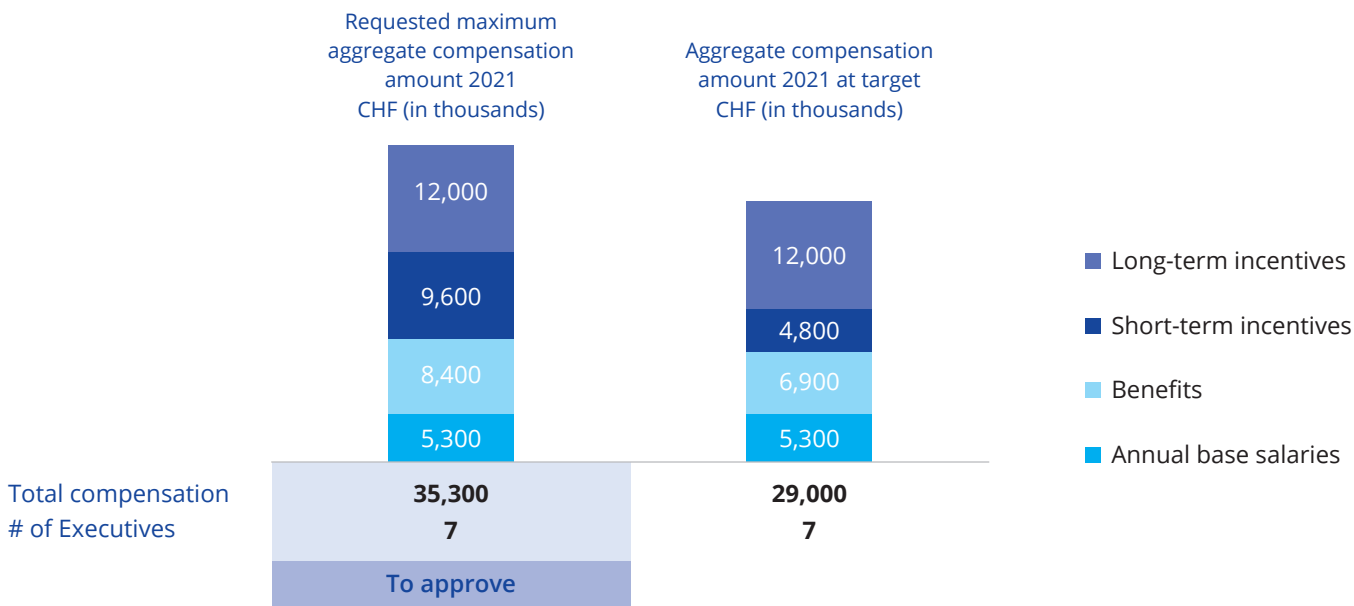
Based on our compensation framework, the ECA members' total compensation is comprised of an annual base salary, benefits and variable compensation elements.

**Annual Base Salary:** The base salary reflects each ECA member's individual role, performance, experience and potential as well as the market value of their respective roles.

**Benefits:** Employment benefits are provided in line with local market practices and legal requirements. Certain ECA members were relocated to Switzerland from the US in connection with the establishment of Alcon's new headquarters in Geneva. The affected ECA members are provided with allowances for their relocation under Alcon's international global mobility policy.

**Variable Compensation:** Alcon commits to the principle of "pay-for-performance," which is reflected in an emphasis on variable compensation, comprised of the Short-Term Incentive ("STI") and Long-Term Incentive ("LTI") awards. The STI, paid fully in cash and capped at 200% of the individual target award, focuses on Alcon's annual operating business performance and individual performance. The LTI, share-based and capped at 200% of the granted number of performance stock units, is designed to drive sustainable long-term value creation. These combined awards link a substantial portion of the overall total compensation to company and individual performance. For example, in 2021 our CEO's variable compensation, at target, represents approximately 85% of his total compensation, excluding retirement savings, mobility and insurance benefits.

The following table illustrates (i) the components of the maximum aggregate compensation proposed for 2021 (with STI measured at maximum payout of 200% of target); and (ii) a comparison amount of aggregate compensation with STI measured at a payout of 100% of target. In each case, LTI is measured at grant value.



The proposed maximum aggregate compensation amount for 2021 exceeds the 2019 actual aggregate compensation for certain reasons, including:

- 2019 compensation reflected three months of lower compensation and benefits for all ECA members, who were each serving in pre-Spin divisional roles;
- Alcon’s seventh ECA member was added in April 2019, so the 2019 aggregate compensation did not include a full year of compensation for this ECA member; and
- As described in the 2019 Compensation Report, Alcon increased the LTI award target percentage of the CEO to align his total compensation with the median of our peer group.

In addition, in accordance with good corporate governance practices, our proposed maximum compensation amount for 2021 assumes a maximum payout of 200% of target for our STI awards.