Based on enquiries by investors we would like to provide further clarification on the following points.

Changes already communicated in the 2017 compensation report and in the invitation to the 2018 AGM:

- **LTI pay opportunity** - Performance options were introduced in 2018 along-side performance shares as additional long-term compensation awards in line with the Strategy 2022 Building for Growth. These changes were voted on (and approved) at the 2018 General Meeting. No additional increase is proposed at this year’s General Meeting.

- **LTI performance schedule** – Until the end of 2018, the vesting of the performance options was based on a TSR of at least 35% (threshold performance) or 50% (full vesting). As of 2019, the performance options will vest based on relative TSR compared to a peer group of companies. There will be no vesting for performance below the median of the peer group. This means that the options will only vest if shareholders realized better returns than if they had invested in other listed companies, therefore there is a direct link between compensation of executives and returns realized by shareholders.

- **STI pay opportunity** – The maximum payout opportunity of the STI plan in 2019 will be increased from 167% to 200% of target, which is in line with market practice in Switzerland. In order to keep the maximum payout opportunity stable for the CEO, his target STI has been decreased from 150% of annual base salary to 125% of base salary. The increase in maximum payout opportunity means that compensation may increase but only in cases of extremely strong performance. This is fundamentally different than if an increase were provided on the target values (e.g. compensation increase for same performance).

- **Strategic alignment** – As highlighted above, any changes in the composition of executive remuneration, including fix, maximum and target pay, aim to align pay and 2022 Building for Growth Strategy. Benchmarking results and alignment with Swiss market practice were considered but did not motivate the adjustments.
Additional changes proposed at the 2019 General Meeting, also taking account of investor feedback following the 2018 General Meeting¹:

- **Clawback** implemented for STI, in addition to LTI
- Change from absolute to **relative TSR metric for LTI** vesting
- **Revised termination provisions** (e.g., full vesting of STI awards abolished)
- **Increased shareholding requirements** (the CEO is expected to build up and hold 500% of his annual base salary in LafargeHolcim shares and other Executive Committee members are expected to build up and hold 200% of their annual base salary in LafargeHolcim shares)

The Board of Directors of LafargeHolcim considers it important not to mix decisions and changes on the compensation system over the past years because, most of the Executive Committee members including the CEO were hired/promoted to the Executive Committee in 2017 and 2018. The compensation system as it is structured in 2018 and in 2019 is relevant, as it reflects the conditions under which the current Executive Committee members are employed. The Board of Directors is confident that the compensation system is well aligned to the business strategy, to the long-term interests of our shareholders and to market practice.

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