

Invitation to the 2020 Annual General Meeting of Lonza Group Ltd

Ladies and Gentlemen

The Board of Directors of Lonza Group Ltd (Lonza) is pleased to invite you to the Annual General Meeting to be held on:

Tuesday, 28 April 2020, at 10:00 CEST at the company's head office at Muenchensteinerstrasse 38, 4002 Basel, Switzerland.

Agenda

1. Annual Report, Consolidated Financial Statements and Financial Statements of Lonza

The Board of Directors **proposes** the approval of the Annual Report, the Consolidated Financial Statements and the Financial Statements of Lonza for the financial year 2019.

2. Consultative Vote on the Remuneration Report

The Board of Directors **proposes** the approval of the Remuneration Report 2019 (consultative vote).

Explanation:

The Remuneration Report 2019 is included in the Lonza Annual Report 2019 (annualreport.lonza.com/2019/remuneration). It provides information on the compensation system and the remuneration paid to the Board of Directors and the Executive Committee for the financial year 2019. The Board of Directors has decided, in accordance with the Swiss Code of Best Practice for Corporate Governance, to submit the Remuneration Report to shareholders for a separate consultative vote in addition to the binding approvals of compensation under agenda items 8 and 9.

The purpose of the Remuneration Report is to inform shareholders about the Board of Directors and Executive Committee compensation systems, policies, practices and any changes implemented during the relevant financial year, if applicable, as well as the compensation paid to the respective bodies as approved by the shareholders at the 2019 Annual General Meeting.

Lonza is committed to a high degree of transparency. This year we have taken further steps to enhance our reporting on remuneration principles and outcomes. It includes: 1) a letter from the Nomination and Compensation Committee Chairman; 2) a visual "At a Glance" section presenting company performance and remuneration outcomes; 3) the use of more tables

throughout the report to further support the transparency of our remuneration disclosure; and 4) in light of our promise in 2018, we present for the first time, retrospective target disclosure for the STIP 2019 and LTIP 2017, which vested on 31 January 2020. Any prior disclosure would provide insights into confidential and strategic considerations that could threaten Lonza's competitive advantage. Through this approach, Lonza aims to protect the interests of the company and its shareholders by disclosing respective targets only after the completion of a plan period.

3. Discharge of the Members of the Board of Directors and the Executive Committee

The Board of Directors **proposes** that the members of the Board of Directors and the Executive Committee be granted discharge for the financial year 2019.

4. Appropriation of Available Earnings / Reserves from Capital Contribution

Proposal of the Board of Directors:

Balance Sheet Profit		
Available earnings brought forward	CHF	2,202,123,954
Profit for the year	CHF	567,960,057
Available earnings at the disposal of the Annual General Meeting	CHF	2,770,084,011
Payment of a dividend (out of available earnings brought forward) in 2019 of CHF 1.375 per share on the share capital eligible for dividend of CHF 74,288,802 ¹	CHF	(102,147,103)
Available earnings carry-forward	CHF	2,667,936,908

Reserves from Capital Contributions		
Legal capital reserves qualified as reserves from capital contributions	CHF	2,677,762,695
Reserves from capital contribution	CHF	2,677,762,695
Payment of a dividend (out of reserves from capital contributions) of CHF 1.375 per share on the share capital eligible for dividend of CHF 74,288,802 ²	CHF	(102,147,103)
Reserves from capital contributions carry-forward	CHF	2,575,615,592
Proposed payment of a dividend out of available earnings brought forward	CHF	102,147,103
Proposed payment of a dividend out of reserves from capital contributions	CHF	102,147,103
Total proposed payment of a dividend	CHF	204,294,206

Explanation:

If the above proposal for appropriation of available earnings and distribution of reserves from capital contribution is approved, the dividend of total CHF 2.75 per share will be paid. 50% of such dividend will be paid out as repayment from reserves from capital contributions without deduction of Swiss withholding tax in accordance with Art. 5 para. 1bis of the Federal Law on Withholding Tax. The last trading day with entitlement to receive the dividend is 29 April 2020. As from 30 April 2020 (ex-date), the shares will be traded ex-dividend. The dividend will be payable from 5 May 2020.

- 1 Depending on the amount of share capital eligible for dividend on the record date of 4 May 2020. No dividend will be paid out on shares held by the company.
- 2 Depending on the amount of share capital eligible for dividend on the record date of 4 May 2020. No dividend will be paid out on shares held by the company.

5. Re-Elections and Elections to the Board of Directors and the Nomination and Compensation Committee

All members of the Board of Directors except for Patrick Aebischer and Margot Scheltema will stand for re-election.

5.1 Re-Elections to the Board of Directors

The Board of Directors **proposes** the re-election of the following individuals to the Board of Directors for a further one-year term each until completion of the Annual General Meeting 2021:

- a) Werner Bauer,
- b) Albert M. Baehny,
- c) Angelica Kohlmann,
- d) Christoph Mäder,
- e) Barbara Richmond,
- f) Jürgen Steinemann,
- g) Olivier Verscheure.

Explanation:

Re-elections will be held individually. Detailed biographical data of the candidates for re-election can be found in the Corporate Governance Report:

annualreport.lonza.com/2019/governance.

5.2 Elections to the Board of Directors

The Board of Directors **proposes** the election of the following individuals to the Board of Directors each for a one-year term until completion of the Annual General Meeting 2021:

- a) Dorothee Deuring, and
- b) Moncef Slaoui.

Explanation:

Dorothee Deuring (Austrian, 1968) is a professional board director and a corporate finance adviser who brings more than 25 years of experience in the fields of manufacturing, biotech, pharmaceuticals and finance. Ms Deuring currently serves on the board of Bilfinger SE (listed), Elementis plc (listed) and two non-listed companies. Her board memberships span the energy, chemical and biopharmaceutical sectors. She received her Master of Science in Chemistry from Université Louis Pasteur, Strasbourg, France in 1994. She later received her Master of Business Administration from INSEAD in Fontainebleau (France) in 1996. If elected, Ms Deuring would act as independent member of the Board of Directors of Lonza.

Dr Moncef Slaoui (Moroccan, Belgian, US-American, 1959) brings to Lonza extensive experience from his career with GlaxoSmithKline spanning nearly 30 years. In this time, he held a number of leadership positions, including member of the board of GSK Plc, Chairman Pharmaceutical R&D; Chairman, Global R&D for Vaccines & Oncology; and Chairman, Global Vaccines. Currently, Dr Slaoui is partner at Medicxi, a venture capital firm specializing in seed, Series A, early stage and late stage life sciences investments; he also serves on the board of Moderna, Inc. (listed), four non-listed biotechnology companies and a non-profit organization. Dr Slaoui received his Ph.D. in Molecular Biology and Immunology from Brussels University in 1983. He later received an accelerated Master of Business Administration from IMD in Lausanne (Switzerland) in 1998. If elected, Dr. Slaoui would act as independent member of the Board of Directors of Lonza.

5.3 Re-Election of the Chairman of the Board of Directors

The Board of Directors **proposes** the re-election of Albert M. Baehny as Chairman of the Board of Directors for a one-year term until completion of the Annual General Meeting 2021.

Explanation:

According to Article 16 of Lonza's Articles of Association, the General Meeting shall elect the Chairperson of the Board of Directors for a one-year term of office until completion of the next Annual General Meeting.

On 12 November 2019, **Albert M. Baehny** took on the additional responsibility as Chief Executive Officer on an ad interim basis (not to exceed 2 years) until a permanent successor is found. In line with its designated responsibility and remit, the Nomination and Compensation Committee (NCC) of Lonza's Board of Directors is currently leading the search and evaluation process for a new Chief Executive Officer (CEO). The NCC is recommending potential candidates for assessment by the Board of Directors. The process has been initiated still in 2019, is ongoing as planned and expected to be successfully completed with a candidate announced during the course of 2020.

To ensure continuing good corporate governance, Lonza appointed Christoph Mäder as Lead Independent Director in accordance with Article 19 of the Swiss Code of Best Practice for Corporate Governance. Christoph Mäder has been a member of Lonza's Board of Directors and Nomination and Compensation Committee since 2016 and the Chairman of the Nomination and Compensation Committee since 2018. Christoph Mäder is an experienced board member as well as an executive with extensive experience in mergers & acquisitions, capital markets transactions, industry regulation and governance. In accordance with Article 19 of the Swiss Code of Best Practice for Corporate Governance, the Lead Independent Director is entitled to convene and chair meetings of the Board of Directors on his own, if necessary.

5.4 Re-Elections to the Nomination and Compensation Committee

The Board of Directors **proposes** the re-election of the following individuals to the Nomination and Compensation Committee each for a further one-year term until completion of the Annual General Meeting 2021:

- a) Angelica Kohlmann,
- b) Christoph Mäder, and
- c) Jürgen Steinemann.

Explanation:

Re-elections will be held individually. According to Article 20 para. 2 of Lonza's Articles of Association, the General Meeting shall elect the members of the Nomination and Compensation Committee for a one-year term of office until completion of the next Annual General Meeting.

The Board of Directors intends to re-elect Christoph Mäder as Chairman of the Nomination and Compensation Committee.

6. Re-Election of the Auditors

The Board of Directors **proposes** the re-election of KPMG Ltd, Zurich (CH), as auditors for the financial year 2020.

7. Election of the Independent Proxy

The Board of Directors **proposes** the election of ThomannFischer, Attorneys at Law and Notaries, Elisabethenstrasse 30, 4010 Basel, Switzerland, as the independent proxy for a one-year term until completion of the Annual General Meeting 2021.

Explanation:

According to Article 7 para. 2 letter b) of Lonza's Articles of Association, the General Meeting shall elect the independent proxy for a one-year term of office until completion of the next Annual General Meeting.

8. Compensation of the Board of Directors

The Board of Directors **proposes** the approval of the maximum aggregate amount of compensation of the Board of Directors for the period from the Annual General Meeting 2020 to the Annual General Meeting 2021 of up to CHF 2,926,600.

Explanation:

Why this approval?

This approval is a prospective and binding vote according to Article 22 para. 1 letter a) of Lonza's Articles of Association. It allows shareholders to approve the aggregate maximum compensation of the Board of Directors for the forthcoming term of office.

How is the proposed maximum amount calculated?

This maximum amount has been derived from adding the following components:

- Gross fixed compensation of CHF 2,640,000 comprising the gross Chairperson fee (CHF 600,000), gross board membership fees (CHF 200,000 per director), gross committee chair fees (CHF 80,000 per committee chairperson), and gross committee membership fees (CHF 40,000 per committee member) for nine Board members proposed for election under agenda item 5.1 and 5.2;
- Mandatory employer contributions to social security of approximately CHF 136,600; and
- A reserve of CHF 150,000 for unforeseen events has been included in the proposed maximum amount. The Board of Directors will only make use of this reserve amount in exceptional circumstances (e.g. possible changes in social security contributions).

The fixed compensation above is expected to remunerate all activities to be performed by the board members.

The board compensation will be paid in quarterly instalments, 50% in cash and 50% in shares. The number of shares will be determined based on the average closing share price of the last five trading days of each quarter, the first time at the end of June 2020. These shares are blocked for a period of three years and are eligible to receive dividends. For further details on the board compensation, please refer to the Lonza Remuneration Report 2019 (annualreport.lonza.com/2019/remuneration).

Does the proposed maximum amount represent an increase compared with the previous reference period?

The proposed maximum amount reflects a small increase in budget compared to the budget that was approved by shareholders at the Annual General Meeting 2019 for the previous reference period (Annual General Meeting 2019 to Annual General Meeting 2020). This small increase reflects the requirement for a greater social security reserve as a result of our Board members having greater international representation.

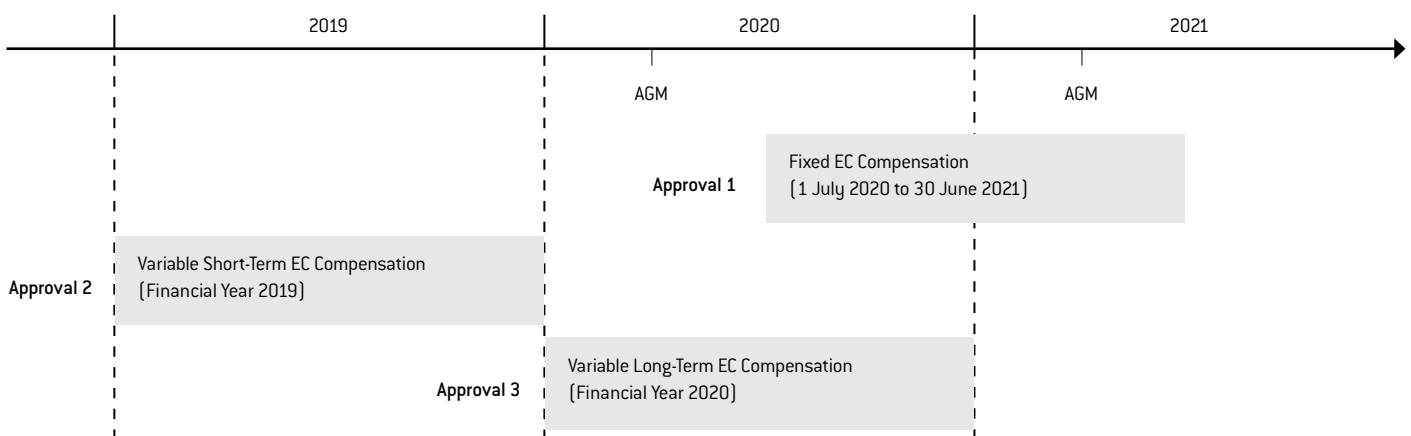
Will the effective pay-out be disclosed?

The actual pay-out to the members of the Board of Directors for the term of office from the Annual General Meeting 2020 to the Annual General Meeting 2021 will be disclosed in the Remuneration Reports 2020 and 2021. Please note, the Board compensation disclosed in the Remuneration Report reflects the total amount for the full year (1 January to 31 December) of the applicable year, while the Annual General Meeting budget request reflects the period between Annual General Meetings (1 April to 31 March).

9. Compensation of the Executive Committee

The approval of the compensation of the members of the Executive Committee (EC) is divided into three separate votes:

1. The first approval relates to the maximum **fixed compensation** of the members of the Executive Committee for the period from 1 July 2020 to 30 June 2021 (prospective budget approval).
2. The second approval relates to the **variable short-term compensation** to be paid to the members of the Executive Committee under the company's Short-Term Incentive Plan (STIP) for the financial year 2019 (retrospective approval).
3. The third approval relates to the maximum **variable long-term compensation** granted to the members of the Executive Committee under the company's Long-Term Incentive Plan (LTIP) for the financial year 2020 (prospective budget approval).



9.1 Maximum Aggregate Amount of Fixed Compensation of the Executive Committee

The Board of Directors **proposes** the approval of the maximum aggregate amount of fixed compensation of the Executive Committee for the period from 1 July 2020 to 30 June 2021 of up to CHF 5,830,000.

Explanation:

Why this approval?

This approval is a prospective, binding vote according to Article 22 para. 1 letter b) of Lonza's Articles of Association. It allows shareholders to approve the aggregate maximum fixed compensation of the Executive Committee (EC) for the forthcoming period.

How is the proposed maximum amount calculated?

This maximum amount has been derived from adding the following components:

- Gross base salaries of CHF 3,699,200 as of 1 July 2020, comprise gross levels for 3 active, 1 recently appointed (please see lonza.com/news-and-media/news-archive), 1 prospective and 1 departing EC member for part of the period (reflecting the remaining contractual notice period). The levels reflect no change to base salary levels for existing EC members compared to the previous period;
- Total employer contributions to social security and pension fund of CHF 1,381,000 (include one-time financing of CHF 630,000 for retirement of the former CEO according to the pension fund plan regulations and as announced in January 2019);
- Other benefits (such as car allowance, executive medical insurance, etc.) of CHF 399,800; and
- An unchanged reserve of CHF 350,000 for unforeseen events has been included in the proposed maximum amount. The Board of Directors will only make use of the reserve amount in exceptional circumstances (e.g. possible changes in social security contributions, new allocation of responsibilities among existing EC members, etc.).

Does the proposed maximum amount represent a change compared with the previous reference period?

Compared with the budget approved by the shareholders at the Annual General Meeting 2019 (CHF 5,002,900) for the previous reference period (1 July 2019 to 30 June 2020), the proposed aggregate maximum amount reflects an increase of 16.5% as a result of the increase in the number of Executive Committee members (5.4 active or departing EC members (reflecting the remaining contractual notice period), compared to 4.5 EC members for the 2019 AGM vote).

Will the effective pay-out be disclosed?

The actual fixed compensation paid out to the EC members for the period from 1 July 2020 until 30 June 2021 will be disclosed in the Remuneration Report 2020 and in the Remuneration Report 2021.

9.2 Aggregate Amount of Variable Short-Term Compensation of the Executive Committee

The Board of Directors **proposes** the approval of the aggregate amount of variable short-term compensation under the Short-Term Incentive Plan (STIP) of the Executive Committee for the 2019 financial year in the amount of CHF 4,048,800.

Explanation:

Why this approval?

This approval is a retrospective, binding vote according to Article 22 para. 1 letter c) of Lonza's Articles of Association. It allows shareholders to approve the aggregate variable short-term compensation of the Executive Committee. This retrospective vote on the variable short-term compensation of the Executive Committee for the 2019 financial year provides for optimal accountability towards the shareholders and fully implements the notion of "say on pay."

How is the proposed amount calculated?

This amount results from the addition of the following components:

- Cash STIP of CHF 3,770,100; and
- Total employer contributions to social security and pension fund of CHF 278,700.

For more details on the proposed STIP pay-out (including targeted percentage of base salary, performance metrics, achievement and the link between pay and performance), please refer to page 199 of the Lonza Remuneration Report 2019.

Does the proposed amount represent an increase compared with the previous reference period?

Compared with the STIP for the 2018³ financial year, the proposed STIP amount for the 2019 financial year represents a decrease of 22.6%. This decrease is primarily a result of lower performance achievement in 2019 (Lonza's achievement was 102.24% in 2019 compared with 140.10% in 2018) while for a comparable number of EC members (5.1 for 2019 AGM vote compared with 5.0 for 2018).

Will the effective pay-out be disclosed?

The proposed amount corresponds to the effective pay-out (subject to approval by the Annual General Meeting 2020) as disclosed in the Lonza Remuneration Report 2019.

9.3 Maximum Aggregate Amount of Variable Long-Term Compensation of the Executive Committee

The Board of Directors **proposes** the approval of the maximum aggregate amount of variable long-term compensation under the Long-Term Incentive Plan (LTIP) of the company of the Executive Committee for the financial year 2020 of up to CHF 11,953,100.

Explanation:

Why this approval?

This approval is a binding vote according to Article 22 para. 1 letter d) of Lonza's Articles of Association. It allows shareholders to approve the aggregate maximum variable long-term compensation of the Executive Committee (EC) under the LTIP for the current financial year. The LTIP 2020 is an equity-based plan under which equity awards are granted to EC members in 2020. Those equity awards will only vest after a three-year vesting period if the predetermined performance metrics are fully or partially met as of year-end 2022. If the performance metrics are not met, no LTIP equity award will vest.

How is the proposed maximum amount calculated?

This maximum amount results from the addition of the following components:

- Maximum value under the LTIP 2020 is CHF 11,361,200, assuming 200% maximum target achievement. The value of the LTIP 2020 at target (100%) would amount to CHF 5,680,600. The number of LTIP equity awards to be granted is calculated according to the closing share price as of the last trading day of January 2020 (31 January 2020, CHF 396.20). The LTIP target (as a percentage of the base salary) is 125% for each EC member and 150% for the CEO. At the vesting date, which is three years from grant, the CEO and EC members may receive between 0% and 200% of the target equity awards granted, subject to the achievement of predetermined performance metrics (CORE⁴ EPS (Earnings Per Share) and ROIC (Return On Invested Capital) during the performance period, each weighted at 50%). For transparency reasons Lonza has decided to use the maximum vesting at 200% at market value for the proposed amount under this agenda item 9.3., i.e., a maximum compensation of CHF 11,361,200 and estimated maximum total employer contributions to social security of CHF 591,900 were calculated at grant date at maximum vesting of 200%.
- CORE EPS and ROIC target performance levels are determined on the basis of supporting Lonza's 2022 Mid-Term Plan and align to the vesting of 100% of the LTIP equity awards. A potential vesting of 200% of the LTIP equity awards granted would require the achievement at year-end 2022 of CORE EPS and ROIC at challenging levels versus our 2022 Mid-Term Guidance. As shown in the past, Lonza has consistently set

³ The STIP 2018 amounted to CHF 5,230,400. See Section 9.2 of the Lonza 2019 AGM Invitation under "Aggregate Amount of Variable Short-Term Compensation of the Executive Committee."

⁴ For the definition of "CORE" results, please refer to Financial Highlights of Company Section of the Annual Report 2019. The concept of "CORE" results has been applied consistently in all Lonza financial reports since 2013 and in the guidance provided to the market."

challenging LTIP targets in application of the pay-for-performance principle. Targets and target achievement will be fully disclosed in the Remuneration Report 2022.

WHY CORE EPS and ROIC?

- The 2020 LTIP awards are subject to CORE EPS and ROIC performance measures, each with an equal weighting. These long-term performance measures remain appropriate to measure the long-term performance of Lonza. They align the interests of the Executive Committee with Lonza's financial performance and in turn the interests of our shareholders.

CORE EPS

- The 2020 LTIP award threshold performance level was determined to be a double digit percentage above the Core EPS threshold performance level for the 2019 LTIP award. The maximum performance level was determined to be above the 2022 Mid-Term Guidance and is a double-digit percentage figure above threshold performance levels.

ROIC

- ROIC is defined as adjusted net operating profit after tax divided by invested capital. This measures the return the company generates on its organic and inorganic investments. The measure is a reflection of the effect of decisions taken by Executive Committee members and senior management over the course of the relevant LTIP performance period. The 2020 LTIP award threshold performance level was determined to be high single digit of the ROIC threshold performance level set for the 2019 LTIP award. The maximum performance level was determined to be above the 2022 Mid-Term Guidance and is a double-digit percentage figure above threshold performance levels.

Does the proposed maximum amount represent a change compared with the previous reference period?

- For the financial year 2020, this amount represents a reduction of 11% compared with the maximum LTIP budget approved at the AGM 2019 (CHF 13,432,700) for the financial year 2019. This is primarily due to the changes to the composition of the Executive Committee and a slightly reduced number of eligible members receiving a LTIP award in 2020 (6.0 in 2019 versus 5.7 in 2020). 2020 comprises 3 active, 1 recently appointed (please see lonza.com/news-and-media/news-archive), 1 prospective for part of the relevant performance period and 1 departed EC member. The 1 prospective member reflects pro-rata compensation for the new CEO. The 1 departed member reflects standard contractual obligations for the former CEO.
- When comparing the maximum LTIP budget for the roles CFO and two COOs, there is no change in the proposed maximum LTIP budget.

Documentation and Attendance Procedures

Documentation

The Annual Report 2019, which includes the Remuneration Report, is available as of today at the company's head office at Muenchensteinerstrasse 38, 4002 Basel, Switzerland. In addition, shareholders may consult the online Annual Report 2019 following the link: annualreport.lonza.com/2019 or through the Investorportal platform (see explanations below). Please note that the Annual Report 2019 is available only in English.

Shareholders Entitled to Vote

Shareholders entered into the share register, with the right to vote, by **14 April 2020, 5:00 pm (CEST)**, are entitled to vote at in the Annual General Meeting 2020. Shareholders who have sold their shares prior to the Annual General Meeting 2020 are no longer entitled to vote.

Power of Attorney

In line with the applicable Swiss regulation, we have decided that this year's Annual General Meeting will be conducted solely by voting through the independent proxy, and without physical attendance of shareholders. By granting power of attorney, your voting rights are fully guaranteed without you having to physically attend the Annual General Meeting. In case you would like to grant such power of attorney, you are requested to send your written instructions regarding votes and elections to the independent proxy, Daniel Plüss, LL.M., Attorney-at-Law, c/o ThomannFischer, Elisabethenstrasse 30, P.O. Box 632, CH-4010 Basel, Switzerland, or use the Investorportal platform.

Deadline for Completed Power of Attorney

Please note that the power of attorney must be in the hands of Daniel Plüss by **24 April 2020, 5:00 pm (CEST)**, at the latest.

Use of Investorportal Platform

Shareholders may use the Investorportal online platform. By using the Investorportal online platform, shareholders may electronically give their voting instructions to the independent proxy. To open an Investorportal account, please refer to the separate Investorportal explanations attached. Instructions can be issued electronically to the independent proxy until **24 April 2020, 5:00 pm (CEST)**.

Basel, 20 March 2020

On behalf of the Board of Directors

The Chairman

Albert M. Baehny

Annexes

- Letter of the Chairman of the Board of Directors
- Power of attorney
- Letter regarding electronic submission of proxies through the Investorportal platform