



# Creating Value in 2021

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# Letter from the Chairman



**Albert M. Baehny**

Chairman of the Board of Directors

## Dear Stakeholders

For Lonza, 2021 was a year characterized by transformation and growth. We have divested our former Specialty Ingredients business and refocused our energy and attention as a dedicated healthcare partner. As part of our transformation program, the Board has worked assiduously to set the company strategy and laid the foundation for future success with significant growth investments. It has also driven progress in corporate responsibility while ensuring we maintain a rigorous and robust approach to company governance.

## Business Transformation

Completing the divestment of our former Specialty Ingredients business has provided an opportunity for us to consolidate our focus and identity. The divestment to the Bain Capital and Cinven consortium was completed on 1 July 2021, for an enterprise value of CHF 4.2 billion. I would like to thank the members of the Lonza divestment team for their tireless work in completing this complex divestment in an expedited timeframe. I would also like to wish our former colleagues every success for their future in the new company, recently named Arxada.

With the divestment completed, we are able to refine our focus on the healthcare industry. As part of this consolidation, we undertook a structural redesign in 2020, enabling Lonza to operate as four clear divisions since the beginning of 2021. Our divisions include: Biologics, Small Molecules, Cell & Gene, and Capsules & Health Ingredients.

## Long-Term Growth

With the generated cash flow from operations as well as the proceeds from the divestment, we announced a series of strategic growth investments including a CHF 200 million investment in a new Small Molecules facility in Visp (CH) and an investment of CHF 850 million to expand mammalian capacity in Biologics. We also made investments in our Cell & Gene and Capsules businesses. These will ensure that we can continue to expand our capacity and offerings in these critical areas of our business.

When considering new growth investments, the Board works closely with management to identify opportunities that will generate attractive return on capital in areas of high market growth and sustained customer demand. This combination of factors will ensure that improved margins can be delivered by the Group in the long term.

We are committed to ensuring that Lonza Group is able to capture market opportunities and drive competitive advantage. By maintaining our ambitious approach to new growth investments, we will ensure that we are able to anticipate customer needs and capture future demand. Given our current focus on growth investments, we are proposing an unchanged dividend for shareholders of CHF 3.00 per share, in line with last year.

### Corporate Responsibility

As a global healthcare partner, it is critical that our business demonstrates a world class approach to corporate responsibility. We have worked diligently in 2021 to ensure that responsibility is integrated and embedded across our global network. Commencing in 2022, environmental, social and governance (ESG) metrics will be incorporated into our compensation policy for both management and employees. This is a significant commitment that is designed to ensure that our whole employee community understands the importance of responsible business and works actively to support our ambitious ESG agenda.

We have also worked to create a clear, comprehensive and systematic framework around our ESG activities. Using the UN Sustainable Development Goals, we have defined seven key ESG priorities. These include: good health and well-being; quality education; gender equality; clean water and sanitation; industry, innovation and infrastructure; responsible consumption and production; and climate action. Each of these goals provides a long-term objective that resonates with our own vision for sustainability, based on the role we fulfil for our customers and the industry in which we operate.

While ensuring that we maintain good corporate citizenship, we also remain aware of our responsibility to support a robust and representative approach to governance within the business. There is a high proportion of female representation on the Board and we are committed to ensuring that this continues in the future.

More on our 2021 sustainability activities can be found in our [Sustainability Report](#), which forms a companion document to this 2021 Annual Report.

### The World in 2022

Looking to 2022, we continue to observe the pandemic with humility and do not speculate on future events. As a Board, our role is to set the company strategy, while ensuring we remain resilient to challenges and ready to capture opportunities. Within this framework we have built a strong foundation, enabling the company to pursue its role as a dedicated partner to the healthcare industry. As such, we are strongly placed to deliver on our purpose to enable a healthier world, and pursue our vision to bring any therapy to life.

I would like to close by recognizing our management and employee community for their work over the course of 2021. Our business relies on the talent and dedication of its people, and our success is a testament to their tireless efforts. On behalf of the Board of Directors, I thank you for your work in 2021, and I look forward to working with you all in 2022.

**Albert M. Baehny**

Chairman of the Board of Directors

# Letter from the CEO



**Pierre-Alain Ruffieux**  
Chief Executive Officer

## Dear Stakeholders

A warm welcome to the Lonza Group 2021 Annual Report. During the past year we remained agile and responsive to capture opportunities in a business landscape that has continued to evolve with the COVID-19 pandemic. Post-divestment, we have worked with focus and determination to reposition our business as a dedicated partner to the healthcare industry across our four divisions: Biologics, Small Molecules, Cell & Gene and Capsules & Health Ingredients. We have also continued to drive our accelerated growth agenda in a dynamic operating context. Looking at our business across the year, it is fair to say that 2021 was characterized by a combination of strong performance and resilience.

## Financial Performance

We are pleased to present another successful year. Lonza has reported sales of CHF 5.4 billion, growing 20% AER (20% CER) and CHF 1.7 billion CORE EBITDA, resulting in a margin of 30.8%. This strong momentum at Group level was driven by sales growth ahead of market across all divisions.

As we continued to navigate the uncertainties arising from the COVID-19 pandemic, we actively worked to maintain a dialogue with our investor community. Our shareholders received business and financial updates at Half-Year and Full-Year, as well as being invited to our Capital Markets Day, which took place in Zurich (CH) in October. This was a chance for us to present our strategic priorities at a Group and divisional level. It was also an opportunity for us to introduce Philippe Deecke, our new Chief Financial Officer, who joined us in December 2021. Alongside these formal gatherings, we have also organized multiple briefing sessions and meetings with investors over the course of the year.

## Creating a Path to Long-Term Success

We have continued to focus on our long-term success by progressing with our growth investment strategy. For the Full-Year 2021, our total capital expenditure (CAPEX) reached CHF 1.3 billion or 24% of sales, and it is expected to increase to around 30% in 2022. We have made strategic investments in areas of sustained customer demand, which allow us to consolidate our global reach and deliver end-to-end solutions across modalities. During the year, we confirmed an investment of CHF 200 million to construct a new manufacturing facility in Visp (CH), to accommodate future Small Molecules expansions. We also committed a further CHF 850 million to build two new large-scale mammalian facilities in Visp and Portsmouth (US) over the next two years. Our sustained approach to organic investment will ensure we are able to deliver for our customers and capitalize on long-term market growth.

Our organic growth investments are supported by a considered and selective approach to bolt-on acquisitions. In November 2021, we added an exosomes manufacturing facility in Lexington (US) from Codiak Biosciences, and the Exosomics Service Unit in Siena (IT) to our network. These sites extended our Cell & Gene Technologies business with offerings in exosome assay and process development, analytics and manufacturing services. Inevitably, these selected highlights only provide a snapshot of expansion activities, and many other plans are in development or on the horizon.

Across our operations, we are now working to deliver a Lean approach to business. We are already focused on driving continuous improvement by eliminating waste and maintaining our high levels of quality. This will help us to ensure that we can deliver with speed and efficiency for our customers while improving our own business performance. We will increase our focus on Lean operations in 2022, while continuing to engage and educate our leadership and the entire organization around Lean principles.

## Managing Through the Pandemic

Our operating environment remained uncertain and changeable as the pandemic continued to evolve through 2021. Many of our markets experienced “hard lockdowns” through the first half. During this time, our office workers maintained their home working routines, while our laboratory and manufacturing employees continued to attend our facilities to fulfil our role as a supplier of essential goods and services. Through the commitment and relentless efforts of our teams around the world, along with some increase in inventories, we managed the global supply disruptions with minor impact for our customers and our growth projects.

While we anticipate that delivery and distribution issues will continue in 2022, we expect to continue to manage the impact, as long as conditions remain comparable with the last two years.

## Our Contribution to Controlling COVID-19

Alongside our focus on maintaining business continuity, we have also continued to make active contributions to controlling the pandemic. In 2020, we entered into an agreement with Moderna to install three mRNA production lines at our Visp (CH) site and one production line in Portsmouth (US) to manufacture the drug

substance for Moderna's Spikevax COVID-19 vaccine. Based on the success of this collaboration, we entered into a new agreement with Moderna in May 2021 to add three further production lines at our Visp site. In June 2021, we further extended our collaboration once more, with an agreement to build an additional line at our site in Geleen (NL) to fulfil a crucial step in the drug substance manufacturing process. Again, we were able to leverage our existing infrastructure and assets to deliver an accelerated build-out and ramp-up of operations. Our rapid response in the manufacture of the Moderna vaccine drug substance has supported in controlling the spread of the pandemic.

Alongside our continuing collaboration with Moderna, we continue to work with other customers on COVID-related projects, including AstraZeneca, Capricor and Humanigen.

### Attracting and Retaining Leading Talent

Our people are the beating heart of our business, and their contributions have been even more critical as we have managed through the pandemic and continued to operationalize new facilities. To support our accelerated growth over the last year, we have hired more than 4,500<sup>1</sup> people. While working to ensure that we can provide competitive offers to these new candidates, we also understand that retaining existing talent is a crucial component of our business success. Like many companies in the last year, we have seen an increase in turnover, and we are working to address this by ensuring our people are engaged with meaningful work and opportunities in a highly competitive employment market.

For current colleagues, we have reviewed and updated our approach to reward and recognition over the course of the last year. In our updated bonus structure, we have placed greater emphasis on rewarding individual performance. We have also placed a focus on sustainability by aligning the bonus evaluation of company performance with our environmental, social and governance (ESG) commitments. The new bonus system will be launched in 2022, alongside a new share purchase scheme for colleagues in selected test markets. This will enable our people to purchase shares at a discounted rate, and benefit from a share match plan after three years, so that they can truly share in the company's success.

Building on our launch of the Employee Assistance Program (EAP) in 2020, we have continued to deliver a more active approach to supporting our colleagues in a wide range of areas. In 2021, we delivered a global information series on wellbeing and hosted employee sessions on a broad range of topics including parenting through the pandemic, mental health and empowering women in leadership. We have already commenced work on a wellbeing app for colleagues, and this is due to be tested and released in 2022.

### Our Commitment to Sustainability

During 2021, we also focused on driving further progress with our ambitious sustainability agenda. Our CO<sub>2</sub> emissions were reduced by 35% with the divestment of our former Specialty Ingredients business. As we embark on a new era of business, we have also

taken the opportunity to address legacy issues arising from our past activities. In 2021, we installed a catalyzer to manage nitrous oxide emissions at our niacin facility in Visp (CH) before divesting the facility with the Specialty Ingredients segment. The catalyzer helped to further reduce the N<sub>2</sub>O footprint of Switzerland. In the same locality, we completed remediation works on the most affected residential plots containing mercury, and we will commence work on agricultural land parcels in 2022. Finally in 2021, we continued working with the cantonal authorities to find an agreement on a lasting solution to the groundwater pollution issues caused by the legacy Gamsenried (CH) landfill. We have made a provision of CHF 285 million, which we expect to cover the majority of total remediation costs. The first phase of work will take around ten years to complete and will commence in 2023 or 2024.

We recognize sustainability is a critical component of our long-term strategy and forms an ethical imperative for our business. In this context, we were pleased to have been recognized as one of the World's Most Ethical Companies 2021 by the Ethisphere® Institute. This recognition is based on a comprehensive review of our company's governance, leadership and reputation, environmental and societal impact, ethics and compliance program and overall commitment to a culture of ethics.

A full overview of our sustainability activities in 2021 are detailed in our designated [Sustainability Report](#), which forms a companion document to this 2021 Annual Report.

### Group Outlook 2022

We have remained resilient to the challenges of the pandemic in 2021. As long as the conditions remain comparable with the last two years, we expect to be able to manage the impact. In this context, our 2022 Outlook anticipates low to mid-teens CER sales growth, driven by sustained strong momentum across our businesses. We expect this to translate into an improved CORE EBITDA margin on the path to reach the Mid-Term Guidance. We also reconfirm our Mid-Term Guidance of low teens CER sales growth until 2024, and we guide for a CORE EBITDA margin of around 33% to 35%.

### Thanks to our Stakeholders

I would like to extend my thanks to all our colleagues, customers, shareholders and business partners. More than ever in 2021, our business success has been a collaborative and collective endeavor in which we have all participated.

Looking towards 2022, it will be the first full year in which Lonza will act as a dedicated partner to the healthcare industry. With this new clarity and focus, I am eager and excited to work with you all on driving progress towards our purpose of enabling a healthier world.

### Pierre-Alain Ruffieux

Chief Executive Officer

<sup>1</sup> More than 4,500 is the total number of new joiners in 2021 (headcount, excluding contingent workers). The net increase of FTE totaled more than 2,000

# 2021 Highlights

## January

We started 2021 by announcing strong [Full-Year 2020](#) results.

## April

We announced CHF 200 million [investment](#) in a new small molecule manufacturing complex in Visp (CH).

## May

We announced a CHF 850 million [investment](#) to build two new state-of-the-art mammalian facilities in Visp (CH) and Portsmouth (US).

We expanded our [collaboration](#) with Moderna to double the drug substance production for its Spikevax COVID-19 vaccine in Visp (CH).

## February

We were recognized by Ethisphere® as one of the [world's most ethical companies](#) in 2021.

Hong Kong, Boats moored behind a pier

## June

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We announced further [collaboration](#) with Moderna for the installation of a new drug substance production line at our site in Geleen (NL).

We announced new [investments](#) in GMP laboratories and mid-scale manufacturing assets at our API manufacturing center in Nansha (CN).

## September

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We [invested](#) to expand drug product development and manufacturing services in Switzerland.

## July

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We completed the [divestment](#) of our Specialty Ingredients business.

We reported continued strong momentum in [H1 2021](#), with 14.7% CER sales growth and 33.3% CORE EBITDA margin

We extended our [collaboration](#) with a major biopharmaceutical partner for large-scale monoclonal antibody commercial supply.

## October

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We announced an [expansion](#) of mammalian development services in Singapore.

At our [Capital Markets Day 2021](#), we outlined strategic priorities and innovation highlights with a clear focus on sustainable value creation.

## November

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We expanded our exosomes manufacturing offering by adding two sites to our network: Codiak Bioscience's [exosome manufacturing site](#) in Lexington (US); and Exosomics' [Service Unit](#) located in Siena (IT).

We [invested](#) to [expand](#) microbial development laboratories at our Visp (CH) site by 50%.

## August

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We announced an [investment](#) to establish drug product manufacturing capabilities at our site in Guangzhou (CN).

## December

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We welcomed our new Chief Financial Officer - Philippe Deecke.

# Lonza at a Glance

1,665m

CORE EBITDA in CHF

5,409m

Sales in CHF

30.8

CORE EBITDA margin in %

20.0

Sales growth in %<sup>1</sup>

10.7

ROIC in %

# 16,218

Employees (Full-time equivalent)

Creating Value in 2021

# >100

Nationalities

# 125

Years of history

# 37

Global development and manufacturing sites

# 2,597

Trademark filings

# 275

Brands

# >1,025

Small<sup>2</sup> and large<sup>3</sup> molecules

# 357

Active patent families

<sup>1</sup> Constant exchange rate (CER); in actual exchange rate (AER) +20.0%

<sup>2</sup> Including active pharmaceutical ingredients (API), highly potent API (HPAPI), dosage form and delivery systems and particle engineering

<sup>3</sup> Including mammalian, microbial, bioconjugates and cell and gene therapy products (early development services, drug product services and personalized medicines are included for pre-clinical and clinical molecules only)

# Financial Highlights

We are looking back at another successful year with CHF 5.4 billion sales (20% AER; 20% CER<sup>1</sup> sales growth) and CHF 1.7 billion CORE EBITDA, resulting in a margin of 30.8%. This strong momentum at Group level was driven by sales growth ahead of market across all divisions. The margin improvement was achieved through productivity improvements, which were partially offset by the dilutive effect of ramping up growth projects and a negative divisional mix. Looking more closely at our divisions, we saw a strong performance, with margin improvement across most divisions.

Through 2021, we continued to execute our ongoing organic growth projects, as well as confirming new investments. For the Full Year, the total capital expenditures (CAPEX) reached CHF 1.3 billion or 24% of sales, from which around 80% was deployed for growth projects. This level of investment was supported by strong underlying cash generation, alongside the proceeds from the divestment of our former Specialty Ingredients business. We anticipate that the current levels of CAPEX will continue to increase and will reach around 30% of sales in 2022. Our growth projects carry an attractive financial return profile and larger projects are de-risked by customer commitments, long-term contracts and strong pipeline.

We are pleased to have achieved a strong 29.1% year on year increase of diluted CORE EPS (CHF 12.63 for 2021). ROIC reached 10.7% as net operating profit after tax grew five times faster than invested capital.

Our tax rate was slightly higher in 2021 compared to prior year, but remained below the Mid-Term Guidance range of 16 to 18%. This was driven by a favourable country profit mix and the provision for the old Gamsenried landfill remediation. Moving to the mid-term, we expect our tax rate to converge to the guided range.

We have achieved an operational free cash flow before acquisitions of CHF 0.4 billion in 2021. Reported EBITDA was impacted by the provision of CHF 285 million for the environmental remediation of Gamsenried landfill, with no impact on CORE EBITDA and cash flow. We ended 2021 with a cash position including short-term investments of CHF 3.4 billion and a negative net debt leverage ratio of 0.5 times CORE EBITDA. For the mid-term, we expect an increase of leverage to our pre-divestment level, as a result of future planned organic investments and bolt-on acquisitions. We remain fully committed to maintain our current BBB+ investment rating.

<sup>1</sup> Constant exchange rate

## Outlook 2022 and Mid-Term Guidance 2024

We provide the following Outlook for Full-Year 2022:

- Low to mid-teens CER<sup>1</sup> sales growth
- CORE EBITDA margin improvement on the path to reach Mid-Term Guidance

Outlook assumes no further deterioration of supply chain due to COVID-19 pandemic.

We reconfirm our Mid-Term Guidance 2024:

- Low teens CER<sup>1</sup> sales growth
- CORE EBITDA margin of around 33%–35%
- Double-digit ROIC

## Personal Perspective

### Philippe Deecke

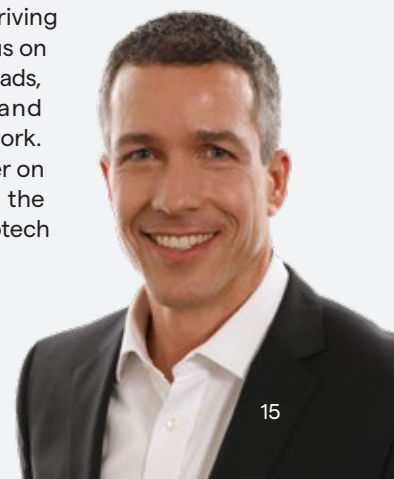
Chief Financial Officer

Having been appointed as the incoming CFO in August 2021, I finally joined Lonza Group in December. It is a pleasure and privilege to come into the company at this time of accelerated growth momentum and focus on operational excellence to secure long-term value creation.

Completing the divestment of our former Specialty Ingredients business in 2021 consolidated our focus as a strategic partner to the healthcare industry. The proceeds give us the opportunity to invest strongly in our businesses to capture market growth opportunities. We have already made landmark CAPEX commitments to accelerate organic growth across all our businesses, alongside bolt-on acquisitions that will add strategic value to our customer value proposition. Completing the divestment also changed our net debt position into a net cash position for 2021. With the use of the proceeds for attractive growth investments, we expect to return to a debt position in the coming years, while comfortably maintaining our S&P investment grade rating at our current level of BBB+.

Inside the function, our people have continued to show incredible flexibility and resilience through the pandemic, as well as helping to deliver the divestment of our former Specialty Ingredients business. In the IT function, we have worked to ensure that our global employee community can connect virtually with our customers, colleagues and investors. We have also redoubled our efforts to maintain strong levels of cybersecurity to protect our information, including the information that is entrusted to us by our customers and partners.

Looking ahead, we will continue to capture growth opportunities by leveraging our strong market and financial position. Alongside driving sales growth, we will renew our focus on productivity in operations and overheads, while maintaining our focused and disciplined capital allocation framework. With that, we are confident to deliver on our Mid-Term Guidance and remain the partner of choice to the pharma, biotech and nutrition industries.



## Historical Progression

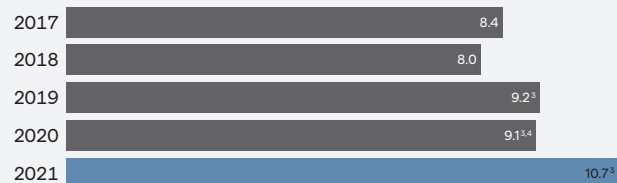
### Sales

Million CHF



### ROIC

in %

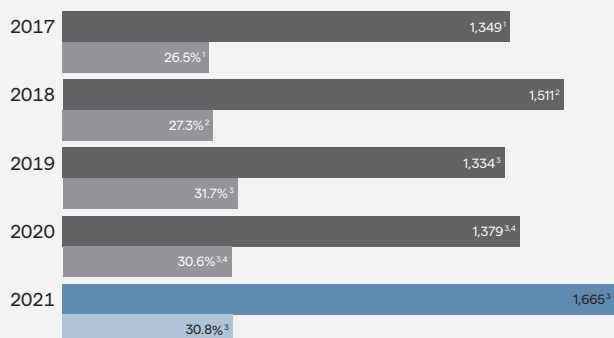


### CORE EBITDA

Million CHF

### CORE EBITDA Margin

In %

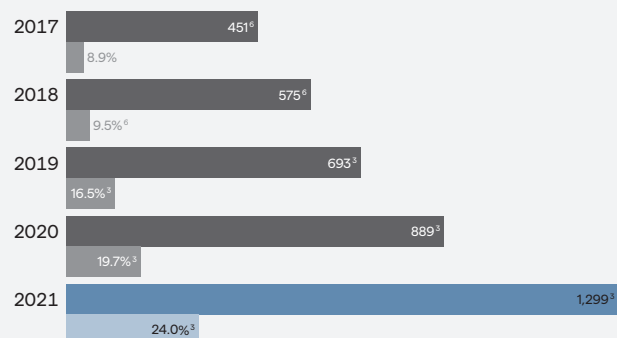


### Capital Expenditures (CAPEX)

Million CHF

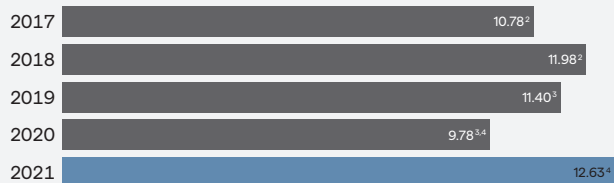
### CAPEX/Sales

In %



### CORE EPS diluted

CHF



### Net Debt/CORE EBITDA<sup>5</sup>

Ratio



<sup>1</sup> Reported pro-forma 2017 financial results (restated for IFRS 15) include Capsugel Full-Year 2017 financial result

<sup>2</sup> Lonza continuing operations, excluding the Water Care business classified as discontinued operations

<sup>3</sup> Lonza continuing operations, excluding the Specialty Ingredients business classified as discontinued operations

<sup>4</sup> CORE results for the Full-Year 2020 were restated to reflect the changes from the revised Alternative Performance Measures policy that was introduced on 1 January 2021

<sup>5</sup> "Net debt / CORE EBITDA" reflect total group including discontinued operations. In 2021, the net debt / Core EBITDA ratio calculated on continuing operations only would result in a ratio of (0.58)

<sup>6</sup> Lonza including Water Care business





# Investor Information

Shares of Lonza Group Ltd are listed on the SIX Swiss Exchange and Swiss Market Index (SMI). We also maintain a secondary listing on the SGX Singapore Exchange. The nominal value of the Lonza Group Ltd share is CHF 1. Our share price closed at the end of 2021 at CHF 761.6 per share, which represents an increase of 34.3% in 2021.

The free float in Lonza Group Ltd registered shares reached 99.6% at year-end, and the average daily trade volume was 172,068 shares in 2021.

## Listing and Security Information

### Stock Exchange Listing / Trading:

SIX Swiss Exchange  
SGX Singapore Exchange

### Common Stock Symbols:

Bloomberg LONN SW  
Reuters LONN.S  
Six Swiss Exchange LONN  
SGX Singapore Exchange O6Z

### Security Number:

Valor 001384101  
ISIN CH0013841017

## Shareholdings

According to disclosure notifications filed with Lonza, the following shareholders held more than 3% of Lonza's share capital as of 31 December 2021:

### Principal Shareholders:

BlackRock, Inc., New York, NY (USA) 9.00%

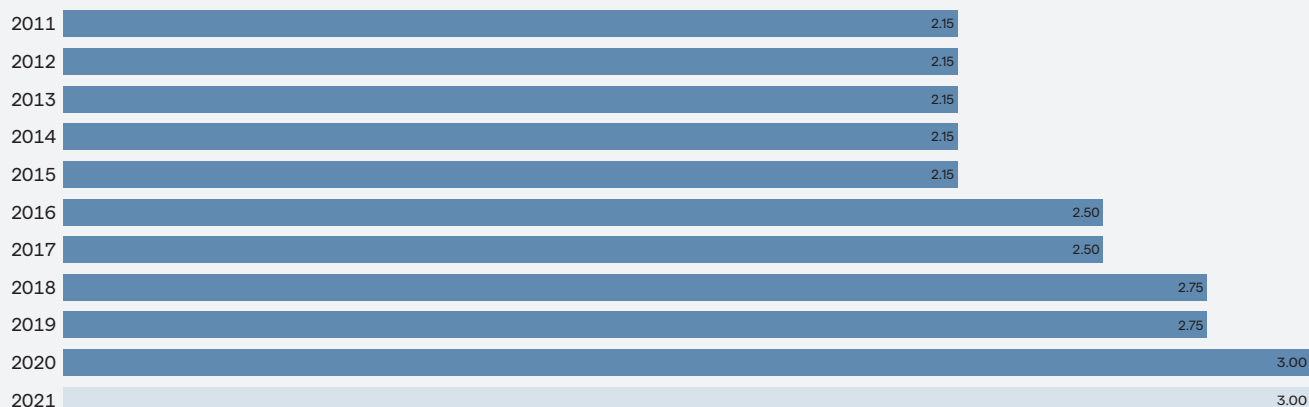
We know of no other shareholder(s) that owned more than 3% of our share capital as of 31 December 2021. To the best of our knowledge, the shareholder mentioned above is not linked by any shareholders' agreement or similar arrangement with respect to their shareholdings in Lonza or the exercise of shareholders' rights. For a full review of the individual disclosure notifications made during 2021, please refer to the [SIX Swiss Exchange disclosure platform](#).

## Dividend

Lonza's Board of Directors is proposing an unchanged dividend for shareholders of CHF 3.00 per share for 2021. The proposal represents a pay-out of 7.5%<sup>1</sup> of 2021 reported net profit of Lonza Group. Subject to approval at the upcoming Annual General Meeting (AGM) on 5 May 2022, 50% of the dividend of CHF 3.00 per share will be paid out of the capital contribution reserve and will therefore be free from Swiss withholding tax.

## Dividend Payment History

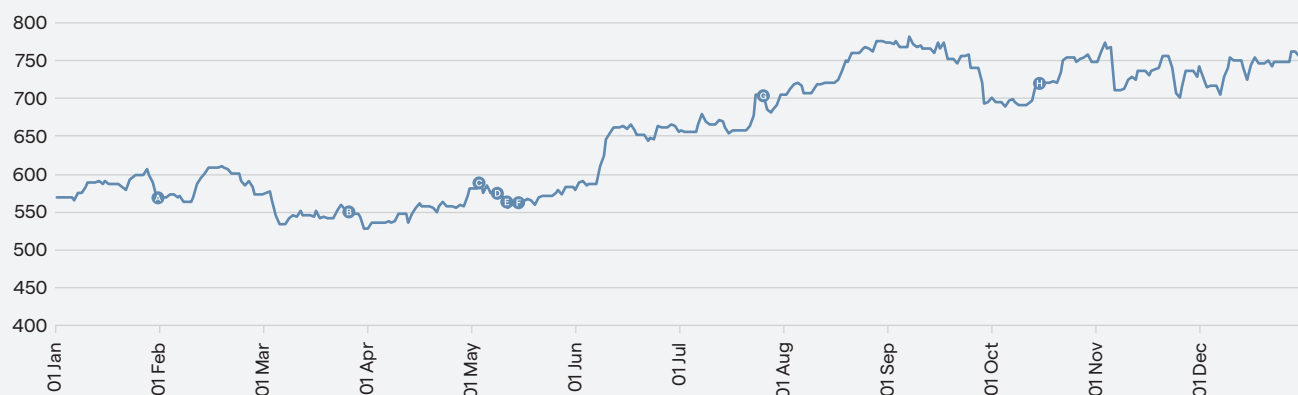
In CHF/Share



<sup>1</sup> Pay-out ratio of 7.5% based on the profit for the period of Lonza Group consolidated (incl. discontinued operations). The pay-out ratio based on the profit for the period of continuing operations would amount to 32.9%

## Lonza Share Price Development 2021

In CHF/Share



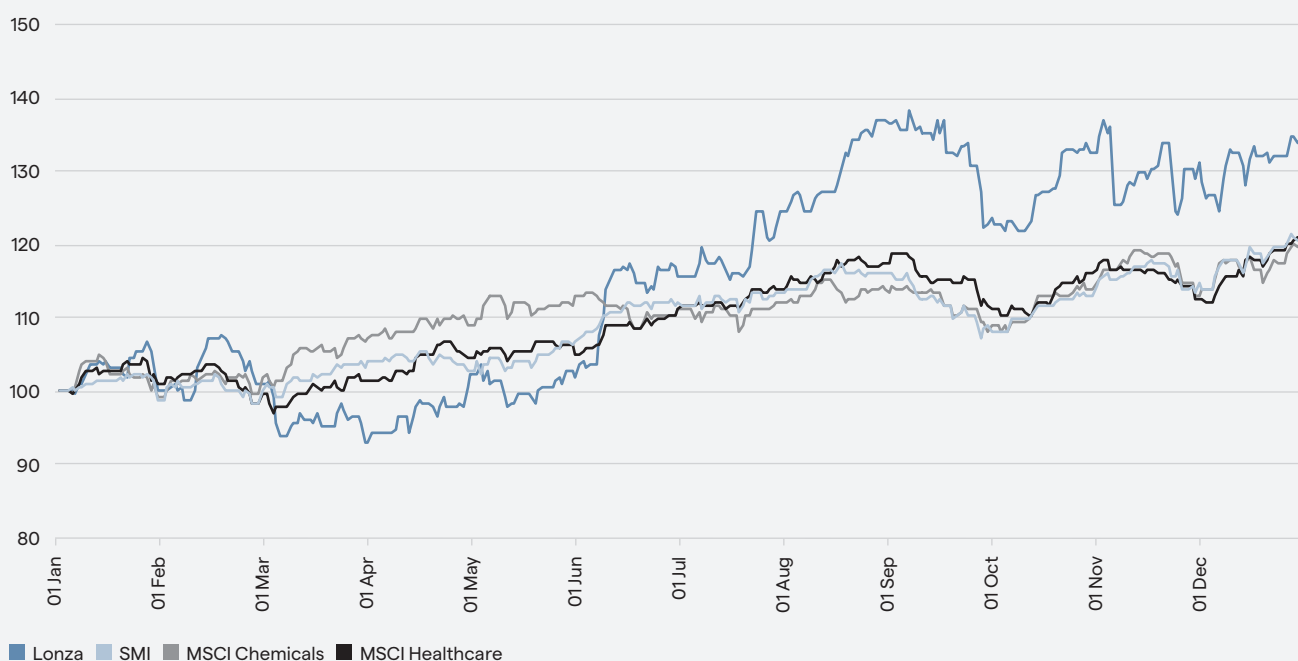
A Full-Year Results 2020	27.01.2021
B Annual Report 2020	25.03.2021
C Annual General Meeting	06.05.2021
D Ex-Dividend Date	10.05.2021
E Record-Dividend Date	11.05.2021
F Dividend-Payment Date	12.05.2021
G Half-Year Results 2021	23.07.2021
H Capital Markets Day	12.10.2021

Share Price High	CHF 784.6 on 06.09.2021
Share Price Low	CHF 527.0 on 31.03.2021
Share Price Closing	CHF 761.6 on 30.12.2021

Source: Bloomberg

## Lonza Share Price Development vs. Swiss Market Index (SMI), MSCI Chemicals Index and MSCI Healthcare Index

Rebased to 100



Source: Bloomberg

## Upcoming Financial Events

Date	Time	Event
21 April 2022	05:00PM CEST	Closing of the Share Register
5 May 2022		Annual General Meeting for the Financial Year 2021
9 May 2022		Ex-Dividend Date
10 May 2022		Record-Dividend Date
11 May 2022		Dividend-Payment Date
22 July 2022		Half-Year Results 2022
25 January 2023		Full-Year Results 2022

More information for our shareholders and capital market is available on Lonza's Investor Relations [webpage](#). To learn more about Lonza's activities during 2021, refer to our [News Archive](#).

## Ten-Year Overview of Major Key Indicators

million CHF	2012	2013	2014	2015	2016	2017	2018 <sup>1</sup>	2019 <sup>2</sup>	2020 <sup>2,3</sup>	2021 <sup>2</sup>
Sales	3,925	3,584	3,640	3,803	4,132	4,548	5,542	4,207	4,508	5,409
CORE EBITDA	663	711	743	793	918	1,196	1,511	1,334	1,379	1,665
Margin in %	16.9	19.8	20.4	20.9	22.2	26.5	27.3	31.7	30.6	30.8
EBITDA	645	647	737	780	848	1,084	1,429	1,264	1,378	1,365
Margin in %	16.4	18.1	20.2	20.5	20.5	23.8	25.8	30.0	30.6	25.2
Result from operating activities (EBIT)	340	253	423	428	486	673	842	825	901	851
Margin in %	8.7	7.1	11.6	11.3	11.8	14.8	15.2	19.6	20.0	15.7
ROIC in % <sup>4</sup>	n.a.	n.a.	n.a.	n.a.	n.a.	8.4	8.0	9.2	9.1	10.7
CORE EPS (diluted) in CHF	4.54	4.97	6.76	6.76	8.38	10.78	11.98	11.40	9.78	12.63
EPS (diluted) in CHF	3.35	1.67	4.54	5.26	5.69	9.70	8.77	8.68	9.77	9.05
Operational free cash flow (bef. acquisitions)	510	519	476	693	638	658	884	371	504	399
Net debt / (net cash) <sup>5</sup>	2,301	2,103	2,011	1,660	1,584	3,762	3,534	2,961	2,813	(958)
Net debt / CORE EBITDA <sup>5</sup>	3.47	2.96	2.70	2.09	1.73	2.70	2.28	1.83	1.66	(0.53)
Number of employees (Full-Time Equivalent) <sup>6</sup>	10,789	9,935	9,809	9,829	10,130	14,618	15,375	15,468	14,062	16,218

<sup>1</sup> Lonza continuing operations, excluding the Water Care business classified as discontinued operations

<sup>2</sup> Lonza continuing operations, excluding the Specialty Ingredients business classified as discontinued operations (see [note 5.1](#))

<sup>3</sup> CORE results for the Full-Year 2020 (CORE EBITDA, ROIC, CORE EPS) were restated to reflect the changes from the revised Alternative Performance Measures policy that was introduced on 1 January 2021

<sup>4</sup> Refer to section "Alternative Performance Measures" of the Financial Report for more details on the calculation methodology

<sup>5</sup> "Net debt", "Net debt / CORE EBITDA" reflect total group including discontinued operations. In 2021, the net debt / CORE EBITDA ratio calculated on continuing operations only would result in a ratio of (0.58)

<sup>6</sup> "Number of employees (Full-time Equivalent)" reflect total group (including discontinued operations) from 2012 to 2019 and continuing operations (excluding Lonza Specialty Ingredients business) from 2020 onwards

# Our Strategic Priorities

Following the divestment of our former Speciality Ingredients business, Lonza is now a dedicated partner to the healthcare industry, with a clear purpose of enabling a healthier world. Across our four divisions (Biologics, Small Molecules, Cell & Gene, and Capsule & Heath Ingredients), we offer a unique breadth of services that deliver on our Group vision to bring any therapy to life. Underpinning this purpose and vision, we have developed five strategic priorities, each of which is explored in this section.

Alongside this clarity on our strategic priorities, we have also remained responsive to the evolutions in our operating environment. We have continued to anticipate the challenges arising from the COVID-19 pandemic, while monitoring the competitive landscape and the markets in which our divisions operate. We will work to maintain this dual focus of delivering against our strategic framework while remaining agile to our industry context. This will ensure we remain strongly positioned to deliver in the long-term for both our customer and investor communities.

## Service

Having consolidated our focus on the healthcare industry, we are already working to create a culture of continuous improvement by supporting our global site network to design and execute a Lean approach to operations. Through the elimination of waste and a focus on improved efficiency, we will be able to improve our service to our customers while delivering benefits back to the business. In 2021, we have laid the groundwork for our future focus on operational excellence by briefing our leadership teams on Lean operations, thereby equipping them to explore how Lean may be at a divisional, functional and site level. Extending and embedding this Lean program is a priority for the business in 2022.

Alongside our work on Lean, we have worked to maintain customer service by strengthening our supply chain. We have remained resilient to supply challenges arising from the pandemic in 2021. Looking to 2022, we have already anticipated supply disruptions and we are working to manage and mitigate potential challenges by confirming contracts with key suppliers and increasing inventories of critical supplies.

We have also continued to focus on employee health and safety, to ensure our people remain protected and able to support our customer communities through the pandemic. We have maintained pandemic-related safety measures to ensure that employees can still safely attend our manufacturing plants and laboratories. We have also worked on a global framework to support hybrid working across our community of office workers. We have been impressed by our people's resolve, dedication and energy, as they have remained engaged and flexible in their new working practices through a second year of the pandemic.

## Scope

All four of our business divisions operate in growing markets, and we remain confident to make significant and sustained investments in capacity expansion. In the short term, our increased levels of capital expenditure (CAPEX) will ensure that we fully capitalize on opportunities in areas of dynamic market demand and support customers on their growth journey. Our commitment to deliver a broad range of services for our customers is reflected in our recent acquisitions to expand our exosomes offering as well as our joint venture (JV) with Chr. Hansen, which will include a commercial facility for live biotherapeutics.

In our contract development and manufacturing organization (CDMO) business, we are focused on ensuring that we can meet diverse customer needs by investing in large-scale multi-purpose capacity alongside dedicated suites. This ensures we can adapt our offer to match our customer's priorities, for example speed to market, flexibility of supply during clinical phases, scaling a specific process or dedicated access to capacity. Within our divisions, we are also working to ensure that we can offer services across the value chain

## Our Strategic Priorities



and the lifecycle of a molecule. For instance, in our Biologics division, we are working in many modalities to deliver end-to-end offerings across late discovery, pre-clinical, clinical and commercial, including drug substance and drug product.

Recent landmark organic investments have included an investment of CHF 200 million to construct a new manufacturing complex in Visp (CH), to accommodate future Small Molecules expansions. We have also committed a further CHF 850 million to build two new mammalian facilities. We work to de-risk organic investments by allowing customers to reserve capacity at any early stage in the investment cycle. This ensures anchor customers have access to the capacity and services they need. Our focus on operational excellence means we can offer value to our customers, while driving efficiencies to deliver attractive returns as soon as new facilities are fully operational. True to our Capital Allocation Framework, our primary focus on organic investments is supported by a selective approach to bolt-on acquisitions that support our strategic growth areas.

## Sustainability

Delivering long-term economic, environmental and social value is a strategic priority for our business. We have an ethical responsibility to protect the environment, take care of our people and invest in our local communities.

In 2021, we have focused on addressing legacy issues arising from our industrial heritage while working to complete the divestment of our former Specialty Ingredients business. Simultaneously, we have continued to reduce our energy consumption and carbon footprint, while refocusing on renewable energy resources. Combined together, these activities will have a transformative long-term impact on our environmental footprint.

Alongside these important measures, we have also worked on multiple community investment projects across the locations and markets in which we operate. Site-based charitable and fundraising activities have helped assist local causes ranging from youth education programs to charities that support disadvantaged families. At a Group level, we have also invested in multiple charitable endeavours that support our purpose of enabling a healthier world. Our charitable beneficiaries in 2021 include the American Red Cross, the Swiss Red Cross and Mothers in Science.

## Solutions

We understand that our approach to innovation provides a critical point of differentiation for our business and delivers important advantages for our customers. Our work to deliver mRNA drug substance production lines for the Moderna's Spikevax COVID-19 vaccine was supported by our innovative Ibex® Solutions offering, which provides pre-built capacity to expedite the path to commercialization. Building on the success of our work in 2020, we entered new agreements with Moderna in 2021 for three further production lines at our Visp (CH) site and one further line at our site in Geleen (NL).

Looking more widely at our business, we are also working to deliver an integrated drug substance and drug product offering. We are also improving process efficiency by increasing automation to streamline human intervention in manufacturing. This is demonstrated by our Cocoon® Platform, which improves efficiency in autologous cell therapy manufacturing with an automated, closed production platform. Alongside the Cocoon® technology, we are continuing to invest in the expansion of our innovative space of Cell & Gene Technologies. In 2021, we added the Codiak Biosciences Exosomes manufacturing facility in Lexington (US) and the Exosomics Service Unit in Siena (IT) to our network. These sites have allowed us to extend our Cell & Gene Technologies business with new offerings in exosome assay and process development, analytics and manufacturing services.

Finally, we are continuing our work to pursue the exploration of the microbiome, as an innovative target for new therapies. In 2019, we established a strategic joint venture with Chr. Hansen for the development and manufacturing of live biotherapeutic products under the name Bacthera. In 2021, the collaboration reached a milestone as both of Bacthera's facilities (in Denmark and Switzerland), were granted manufacturing and GMP licenses by their respective national health authorities. As a result, the business is now able to supply customers with live biotherapeutic products for clinical trials in humans and ultimately develop commercial products. This is an area of high potential that we will continue to support in 2022.

## Speed

In an industry where the path to commercialization continues to accelerate, we understand that speed can be critical to our customers' competitive advantage. In this context, our Ibex® Solutions offering provides pre-built capacity that can deliver drug substance and drug product for clinical trials, and expedite clinical and commercial production. We leveraged our pre-built Ibex® Solutions capacity to expedite the manufacture of the drug substance for Moderna's Spikevax COVID-19 vaccine, progressing from contract negotiations to production in eight months at our site in Visp (CH), and even more rapidly in Portsmouth (US). Our CAPEX investments in 2021 into an additional manufacturing complex 2 will enable us to extend our pre-built capacity offering in future years, so that additional customers gain advantage from accelerated delivery timelines.

Large growth investments may take between three and four years to come online, and additional time is needed to train new colleagues and ramp up operations before a facility can deliver at full capacity. During a facility's ramp-up phase, we balance the need to improve margins by managing our operational expenditure (OPEX), while recognizing that the success of our new facilities depends on the skill, talent and loyalty of our people. In 2021, key investments reached the ramp-up phase, and we took an active approach to recruitment. This ensured we were able to commence employee training and facility ramp-up in accelerated timeframes to meet our customers' need for speed.

# Our Approach to Sustainability

We are dedicated to providing products and services to our customers that enable a healthier world while constantly improving our environmental footprint, social engagement and governance.

As part of this commitment, we aim to ensure transparency by reporting in line with the Global Reporting Initiative (GRI) Standards. They represent an industry standard for tracking performance on a range of economic, environmental and social indicators.

The 2021 [Sustainability Report](#) provides insights into our renewed commitments and performance on the most relevant sustainability topics for our stakeholders and us. The report reflects our focus as a dedicated partner to the pharma, biotech and nutrition industries, with the divestment of our former Specialty Ingredients business, which completed on 1 July 2021. This year, we reviewed the materiality assessment to reflect the themes and initiatives arising from our focus on the pharma, biotech and nutrition industries. This section provides a short overview of some of the most important material sustainability topics in our business today.

## Our Sustainability Focus

As part of our sustainability reporting process, in 2021 we completed a new materiality assessment with our new focus as a pure-play pharma, biotech and nutrition business. The materiality assessment allowed us to prioritize initiatives and activities that best support sustainable development. A total of ten sustainability topics were identified as the most relevant for us globally, reflecting the impact of our operations, products and services across the value chain. The 2021 [Sustainability Report](#) provides more detail on each topic and outlines our management approach and performance results.

In addition to our material topics, we also recognize the importance of the [UN Sustainable Development Goals \(SDGs\)](#) and the responsibility of our businesses to meet these goals. The 17 goals contain a broad range of sustainable development themes, including improving health and education, reducing inequalities, promoting responsible consumption, combating climate change and protecting natural resources. There is a global ambition to achieve these interconnected goals by 2030 and we want to play our part in this collective endeavor.

We have selected the seven SDGs most critical to our business and our material topics to build a sustainable way of operating. We have analyzed where our business can bring the most value to these SDGs, so we can create robust sustainability initiatives. This supports us in developing a roadmap for the medium and long term while also considering our existing targets and achievements.

To reinforce our commitment, the seven SDGs are directly assigned to the Executive Committee (EC) members, who in turn have nominated a Program Manager to support them in developing relevant initiatives around each goal. A compensation plan and respective targets and metrics are aligned with the seven workstreams. Results are integrated into the company's bonus plan, with the EC members collectively accountable.

## Our Guiding Principles

### UN Sustainable Development Goals (SDGs)



## Our Policy

## Our Environment

We strive to continually reduce emissions, energy, water and material intensity.

## Compliance and Integrity

We ensure that legal compliance, integrity and ethical conduct are the foundations in every place we operate.

## Vision ZERO

We continually improve our systems and aspire to ZERO incidents, injuries and environmental footprint.

## Our People

We develop our employees by helping them grow. We provide safe workplaces, care for employees' well-being and foster their involvement and participation.

## Value for Society

We create value for society by innovating and delivering science-based solutions to enable a healthier world. We engage in the communities where we operate.

## Our Focus: Material Topics

## Environment

- Carbon emissions (Scope 1, 2 and 3)
- Energy
- Water and Effluents
- Waste

## Responsibility

- Anti-Bribery/Anti-Corruption
- Supply Chain Responsibility

## Social

- Occupational Health and Safety
- Diversity and Equal Opportunity
- Employee Recruitment, Development and Retention
- Employee Engagement

## Safety and Sustainability Targets

We are focused on continuously improving our sustainability performance and environmental footprint. Using the results of 2018 as the baseline, we have defined targets from 2019 to 2030. The targets and baseline have been reassessed with the divestment of the former Specialty Ingredients segment and will be updated as shown below.

To keep these targets aligned with our continuous growth, we will measure the targets per CHF million in sales. This reflects our diverse and evolving product portfolio, which includes manufacturing pharmaceutical ingredients, pharmaceutical capsules, food supplements, gene therapy and cell media production and the licensing of technologies and systems. Such diversity can be integrated with a denominator of financial value. Using intensity targets also allows us to carry forward this metric in the case of major acquisitions or divestments.



## New Ambitions

In addition to the existing initiatives, we have set an ambition to source the electricity we purchase globally from renewable sources by 2025. We also increased the 2030 energy efficiency target to 36%, meaning a reduction of 3%, per million of sales per year.

Our safety targets are aligned with our Vision Zero initiative, which aspires to zero workplace injuries or illnesses, zero manufacturing process incidents, zero environmental incidents and zero transportation incidents involving our products or services. Since 2019, our safety targets have been set locally in our operating sites and linked to metrics based on the identification and completion of safety-related corrective actions. This has moved us from a lagging metric based on injuries (which can vary widely year on year), to a leading metric that drives employee behavior and involvement.



In addition, operating sites have set local targets for material topics for their locations (such as emissions, water quantity and other parameters). Sites have established and implemented three-year roadmaps, which include their action plans around global and local targets.

## A Systematic Approach to Safety and Sustainability

Safety and sustainability follow a systematic approach. We have policies in place, including Vision Zero, for the reduction of accidents, incidents and emissions. Across all our sites, we collect data for accidents and incidents, energy, water and waste and analyze deviations from established goals. Our Environment, Health and Safety (EHS) team regularly visits and audits our sites to identify compliance risks and procedures that do not meet our standards.

We also review the impact of site or workplace risks on our business performance and identify ways to mitigate these risks. In this context, we see safety and sustainability as opportunities that allow us to support our value creation for society, our customers and our employees while reducing our environmental footprint. During the COVID-19 pandemic, we implemented additional guidance and procedures to keep our employees safe and ensure continuity of operations.

At the end of the reporting year, approximately 170 people worked in EHS-related roles across Lonza. EHS operating costs amounted to CHF 59.1 million in 2021. Capital expenditure on EHS totaled CHF 35.5 million in 2021.

## Our Progress in 2021

Note: data for 2018-2021 were rebased throughout this report to exclude data from the former Specialty Ingredients business sites. For the Visp (CH) site, which manages operations for both Lonza and Specialty Ingredients, data for Continuing Operations was extrapolated using allocation keys based on the usage intensity.



# Our Approach to the COVID-19 Pandemic

## COVID-19: Managing the Ongoing Pandemic

Throughout 2021, we maintained an active role in controlling the impact of the COVID-19 pandemic. We remained focused on maintaining business continuity and protecting our employee community, while working on several COVID-19 projects with our customers.

### Global COVID-19 Taskforce

As the pandemic continued to impact our business and the communities in which we operate, Lonza's Global COVID-19 Taskforce and the associated working groups remained integral to our pandemic response. Comprising of representatives from a wide range of functions across the business, the Global Taskforce and working groups focused on addressing our most pressing challenges.

A priority of the Global Taskforce was to ensure that our employee community continued to be alert to the ongoing threat of the pandemic. We encouraged our employee community to be vaccinated to protect both the health of individual employees and broader society. The Global Taskforce endeavored to balance the need for a global approach with the local requirements of sites based in different locations with varying levels of infection or vaccination rates. Where possible, back-to-office plans were introduced to offer an opportunity to those employees who wished to return to the office. Remote working remained possible on a broad basis across Lonza for applicable employees.

Thanks to the collective efforts of our employee community, we continued to manage business continuity globally while fulfilling our responsibilities to our customers.

## Leveraging Lessons Learned

Moving into the second year of the pandemic, we were able to benefit from the actions we took in 2020. This included our IT measures, which ensured our systems supported the increase in remote working and trainings to help employees make optimal use of our remote working technologies.

In some cases, our teams were able to turn the challenge of the pandemic into an opportunity to innovate and bring long-lasting benefits to the organization. Lonza's Digital Transformation team started building a virtual reality (VR) training concept to remotely train large numbers of employees in critical operations across different sites on new manufacturing methods. This VR environment allowed users to gain digital experience performing critical operations such as cleanroom behavior and working in the biosafety cabinet.

Looking to the future, VR training platforms also provide tangible benefits beyond the pandemic. Users can be trained anywhere, at any time and often in a manner that does not interrupt commercial production and have also made remote support possible.

## Realizing Our Purpose in an Exceptional Time

Throughout the pandemic, we have remained focused on fulfilling our purpose of enabling a healthier world. In addition to our divisional customer projects, we continued to develop and manufacture drug substance for COVID-19 vaccines and therapies. Furthermore, we welcomed 33 regulatory inspections as well as an increasing number of customer audits (including both onsite and remote audits).

We expanded our collaboration with Moderna to produce drug substance for its Spikevax COVID-19 vaccine. In May 2021 we announced an agreement to double production capacity at our site in Visp (CH) to six production lines, while in June we announced that a new drug substance production line will be installed at our site in Geleen (NL).

Beyond our collaboration with Moderna, we have been working on additional COVID-19 customer projects. Few examples include:

- AstraZeneca's AZD7442, a combination of two long-acting antibodies
- Capricor's CAP-1002, its cell therapy candidate for the treatment of Duchenne Muscular Dystrophy (DMD) and complications arising from COVID-19
- Humanigen's Lenzilumab COVID-19 therapy

## Personal Perspective

### Andreas Bohrer

Group General Counsel

In 2021, Lonza's Global COVID-19 Taskforce - comprised of leaders across key business functions - continued to manage the evolution of the pandemic. Remaining true to our key principle of "no panic - no complacency", we swiftly implemented measures based on reliable internal and external data to protect the health and safety of our employees while ensuring business continuity.

Building on the experience gained in 2020, we captured opportunities to replicate best practices and share lessons learned. Knowing there is no one-size-fits-all response to the pandemic, we followed an agile global approach by pursuing local strategies to deliver the best response for each unique situation.

As we move into a third year of working and living through the pandemic, the Global Taskforce will continue to lead through empowerment, teamwork and trust. By providing guidance from a central source, we empower our sites with a framework to implement measures that are tailored to their location and employee communities. Finally, by recognizing how far we have come, we have tremendous trust and confidence that our global colleague community will continue to work collectively to achieve the common goal of managing our business and people through COVID-19.



# Talent Management

## Strategic Overview

With the launch of the Lonza People Strategy in 2021, we introduced a clear employee offering for how we attract (Come), empower (Stay), develop (Grow) and connect with our people, enabling them to make a meaningful difference. We have also launched the Lonza Roadmap, which provides us with a clear and engaging corporate identity, with a vision to bring any therapy to life and a purpose to enable a healthier world.

Executing the People Strategy was a key priority for the Human Resources function, alongside continuing to ensure the health, safety and wellbeing of our people during a year of continuing challenges arising from the COVID-19 pandemic. At the same time, we began to consider the future new working environment, whilst also managing the temporary easing of restrictions in certain countries, as well as subsequent re-enforcements.

Throughout the year, up to one third of our global workforce continued to work remotely in line with local government restrictions. Our on-site workers continued to physically attend manufacturing sites and research and development (R&D) facilities, supported by clear guidelines and procedures to protect and maintain their health and safety.

In addition to the successful execution of our People Strategy and ensuring the health and wellbeing of our workforce, growth continued to be a key focus across the organization in 2021, with a total of more than 4,500 new hires<sup>1</sup> made over the course of the year. The attraction and onboarding of our new people was a strategic priority as we began operations in multiple new facilities. In addition, we integrated new sites to our network to strengthen as well as expand the technological platforms of our organization, such as the Codiak Exosomes Manufacturing Facility in the US and the Exosomics Service Unit in Italy. Alongside these recruitment and integration activities, we have continued to support and grow our talented workforce.

## People at Lonza

Our global organization reflects a broad range of backgrounds, cultures and perspectives with more than 100 nationalities represented across 30 countries. It is a cross-generational community – from Baby Boomers<sup>2</sup> to Generation Z<sup>3</sup> – with a proportionate increase in the recruitment of younger employees. Globally, the gender split remains at 36% female and 64% male, with a trend towards a higher number of female employees in Generation Z.

The global employee community takes a welcoming and inclusive approach to diversity by embracing a wide range of perspectives and experiences, which help to drive innovation and creativity. We understand the value and importance of diversity across our employee community, and further information on recent initiatives in this area can be found in our 2021 [Sustainability Report](#).

## Come to Lonza (Attracting the Right People)

With our strong current focus on growth, we have worked assiduously to attract industry leading talent into our business over the course of 2021.

More than 4,500 employees<sup>1</sup> joined Lonza in 2021 with 48% located across three key sites: Visp (CH), Portsmouth (US) and Houston (US). 40% of these new hires related to strategic growth areas, including mRNA, Ibex<sup>®</sup> Solutions and Cell & Gene Technologies.

To ensure a consistent and coherent onboarding process, we introduced a Welcome Center in Visp and piloted a digital onboarding platform in both Visp and Houston. We also created a suite of localized Employer Value Proposition videos and campaigns across our sites in Houston (US), Geleen (NL) and Tuas (SG), key functions and our Cell & Gene and Biologics divisions. These have been used both to attract new candidates into the business, as well as helping new colleagues to understand our work and values.

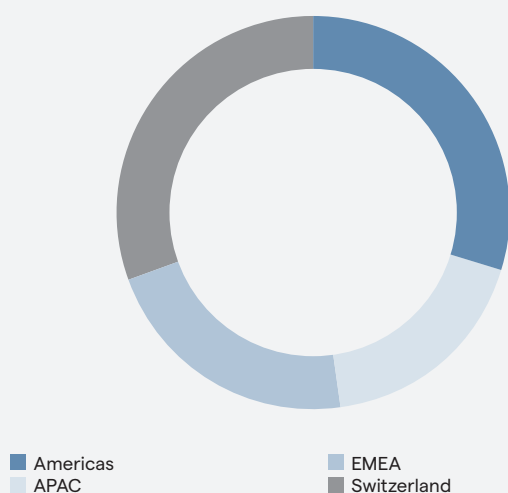
We have already reviewed the impact of our current initiatives and identified areas for improvement and expansion. This will support our sustained focus on continuing to expand our employee community in line with our ambitious growth plans in the years to come.

<sup>1</sup> More than 4,500 is the total number of new joiners in 2021 (headcount, excluding contingent workers). The net increase of FTE totaled more than 2,000

<sup>2</sup> The generation is generally defined as people born from 1946 to 1964

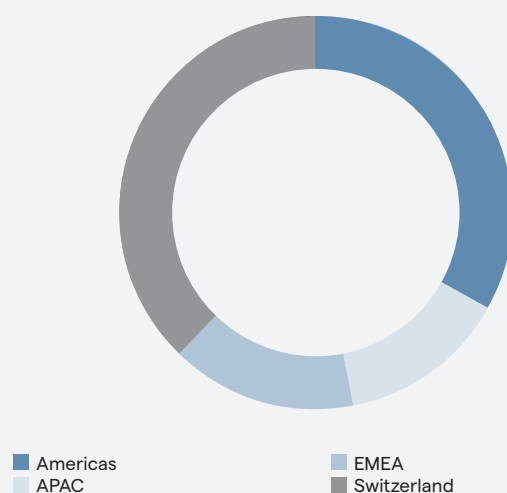
<sup>3</sup> The generation is generally defined as people born from 1997 to 2015

## Geographic Diversity



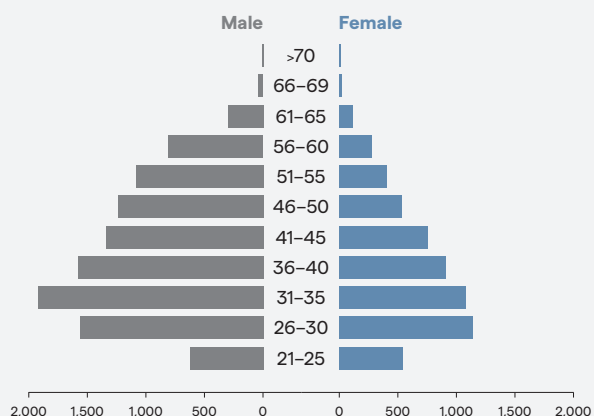
All figures are exclusive of the Specialty Ingredients business, that was sold on 1 July 2021

## Hires in 2021 by Region

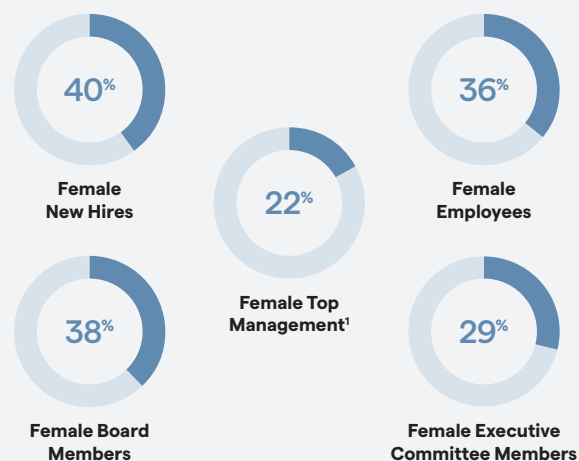


All figures are exclusive of the Specialty Ingredients business, that was sold on 1 July 2021

## Broad Balance Across Age Groups



Five employees did not wish to disclose their gender



All figures are exclusive of the Specialty Ingredients business, that was sold on 1 July 2021

<sup>1</sup> Reflects female top management reporting into the Executive Committee. Previous years' figure (31%) represented all female roles reporting directly into the Executive Committee, which sits at 32% of the population in 2021. All female management roles within Lonza sits at 26%.

## Stay at Lonza (Empowering Environment for our People)

Ensuring that our existing employees are respected, appreciated and empowered to make a meaningful difference, is a critical component of our People Strategy. We understand that it is not enough to accelerate recruitment if we do not also work to retain our employees.

2021 has seen a focus on retention, with an employee turnover rate of 10.9%.<sup>1</sup> This figure is reflective of the industry standard on a global level. However, higher rates have been identified in the Americas (16.6%).<sup>1</sup> This further enforces the requirement for prioritization within this space.

To provide insights into the reasons why our talent leaves the organization, structured exit interviews were established in 2021 on a global basis. Among the top reasons given were the desire for further promotion, recognition and work schedules, with the most common reason being lack of perceived promotions. 74% of respondents reaffirmed that they would work for Lonza again in the future, suggesting that the large majority had a positive experience during their time with the company. This data will continue to be gathered in 2022 with a focus on utilizing the output to best shape our initiatives for future change.

We work in a highly competitive industry, which means we must strengthen our offer to ensure that our colleagues are inspired to stay with us. In this context, we have worked to improve the “moments that matter” in our employee journey, including a full review of how we reward and recognize talent across our global network.

This work included the redesign of the former Short Term Incentive Plan (STIP) to form the new Lonza Bonus. We have also commenced an initial review of the equity plan offerings – our Long Term Incentive Plan (LTIP). These changes will ensure that we offer a competitive reward package to attract new talent while also recognizing the contributions made by our current employees and retaining our high-potentials for the long-term. Changes and enhancements to these programs will go live during 2022 and 2023.

Our ongoing learnings from the pandemic resulted in the revision of a Benefits strategy with specific focus on Wellbeing. This has enabled us to further strengthen the global Employee Assistance Program (EAP) which was launched in 2020 to support employee health and wellbeing. Key strategic initiatives included events about effective stress management, how the COVID-19 pandemic has affected children, ergonomics, general financial planning considerations and healthy movement at work. These were accompanied by the provision of wellness assessments.

## Grow at Lonza (Developing our People)

Personal growth and development is a vital part of our employee career journey and long-term job satisfaction. During 2021, several programs were developed to support professional growth, including the global launch to all employees of LinkedIn Learning to support a personalized approach to self-development and 24.5% of our positions advertised were filled by internal candidates<sup>2</sup>.

Our Voice of the Employee Survey was conducted in Q3 2021 and provided critical data to company leaders. It provided an overview of strengths that may be harnessed and galvanized from within the organization, as well as highlighting opportunities for change and improvement. Throughout 2022, these results will provide a platform for all of our people managers to acknowledge the current position and take active and decisive steps to support beneficial change in their teams. To maintain momentum, and ensure our employees feel truly heard, we plan to host the survey again in 2022 to track our progress and encourage further feedback to drive new waves of evolutionary development.

The role of the managers has become increasingly important in the development of all new programs. In this context, we have placed a focus on empowering our leaders and managers to have informed and insightful discussions with their teams. We have worked with leaders and managers to introduce a global recognition program Bravo, engage their teams around the new Lonza Bonus program, as well as empowering them to drive positive changes based on the insights from the Voice of the Employee Survey results.

<sup>1</sup> The figures (10.9% and 16.6%) relate to voluntary turnover. Voluntary turnover reflects employees who left Lonza through personal choice and does not include those who had their contracts terminated either for cause or for restructuring. The total turnover rate is 12.7%.

<sup>2</sup> Excludes promotions without active recruitment process

<sup>3</sup> More than 4,500 is the total number of new joiners in 2021 (headcount, excluding contingent workers). The net increase of FTE totaled more than 2,000

## Looking to 2022

Having laid firm foundations for strategic change in 2021, we will capitalize on this momentum over the coming year. We will also build on the insights from the data points now established, as we see the People Strategy enter its second year of maturity.

As part of our key initiatives for 2022 we are planning to further strengthen key systems and processes to ensure that we are able to sustain the ongoing business needs with optimal levels of efficiency and a wider focus on Lean. 2022 also presents the opportunity to drive further progress on adapting and enhancing our current approaches to a more systematic engagement, refined reward, as well as overall onboarding experience. Employees and leaders are at the forefront of those changes to ensure that we are fit to deliver at pace through a sustained period of ambitious growth.

## Personal Perspective

### Caroline Barth

Chief Human Resources Officer

Even during the most challenging times of the COVID-19 pandemic, we have continued to focus on talent attraction, development and retention as critical elements for Lonza's long-term success. The HR team has worked diligently to recruit new talent in line with Lonza's ambitious growth plans, while working to retain engaged and established colleagues.

In 2021, more than 4,500 candidates<sup>3</sup> accepted offers of employment from Lonza across the world and have been successfully on-boarded. Concurrently, a robust talent pipeline continues to support our growth trajectory through a wide range of talent scouting and attraction initiatives.

Key to the team's success has been the improved systematic use of data, both for our internal employee community and our external landscape, including insights from our Voice of the Employee Survey, exit interviews and external benchmarking. These insights have not only empowered our leaders to make changes within their organization but assisted planning in 2021, supporting the redesign of key Total Rewards programs,

which will help us to ensure that our employees' compensation, benefits, wellbeing and equity is competitive in the marketplace and fully reflective of our performance.

It is paramount that our existing employee community benefits from a supportive environment in which they are empowered to continually develop and progress. After another year of uncertainty as a result of the pandemic, we are further extending our wellbeing offerings for all of our employees, in addition to the traditional approaches. At a leadership level, we recognize the ongoing need to equip our teams with the appropriate training and support so that they can continue to drive engagement and team performance, which ultimately delivers our business success.

As we look to 2022, we will place a spotlight on initiatives to support the retention and engagement of our current workforce and those who join the company. Focus will also be given to the Lean management model and HR optimization. This will ensure strong foundations and effective processes are in place to sustainably support the growth across our global network.



# Legal Disclaimer

## Forward-Looking Statements

Forward-looking statements contained herein are qualified in their entirety as there are certain factors that could cause results to differ materially from those anticipated. Any statements contained herein that are not statements of historical fact (including statements containing the words “outlook,” “guidance,” “believes,” “plans,” “anticipates,” “expects,” “estimates” and similar expressions) should be considered to be forward-looking statements. Investors are cautioned that all forward-looking statements involve risks and uncertainty.

There are a number of important factors that could cause actual results or events to differ materially from those indicated by such forward-looking statements, including the timing and strength of new product offerings; pricing strategies of competitors; the company’s ability to continue to receive adequate products from its vendors on acceptable terms, or at all, and to continue to obtain sufficient financing to meet its liquidity needs; difficulty to maintain relationships with employees, customers and other business partners; and changes in the political, social and regulatory framework in which the company operates, or in economic or technological trends or conditions, including currency fluctuations, inflation and consumer confidence, on a global, regional or national basis.

In particular, the assumptions underlying the Outlook 2022 and Mid-Term Guidance 2024 herein may not prove to be correct. The statements in the section on Outlook 2022 and Mid-Term Guidance 2024 constitute forward-looking statements and are not guarantees of future financial performance.

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