



# Remuneration

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# Letter from the Chairman of the Nomination and Compensation Committee



**Christoph Mäder**  
Chairman of the Nomination  
and Compensation Committee

## Dear Shareholders,

In my role as Chairman of the Nomination and Compensation Committee (NCC) and on behalf of its fellow members, I am pleased to introduce our 2022 Remuneration Report, which adheres to the remuneration disclosure obligation under the revised Swiss Code of Obligation. In this report, we outline the current compensation policies and the decisions made in relation to 2022 compensation for the Executive Committee of Lonza.

We are grateful for the active engagement and time with our shareholders, the investor community and proxy advisors in 2022. It helps to ensure we continue our open and transparent dialogue. Our discussions during 2022 covered matters relating to the implementation of environmental, social and governance (ESG) compensation measures into executive compensation, changes to the Executive Committee, as well as overall company developments.

## 2022 Performance Outcomes

Lonza presents strong 2022 performance outcomes which have benefitted the public, our shareholders and our employees. The NCC determined that the 2022 Lonza Bonus performance targets, performance outcomes and payout levels be measured against the predetermined and originally set performance targets. The 2020 – 2022 Long-term Incentive Plan (LTIP) performance targets related to 2020 were revised in 2021 following the LSI carve-out in 2020 and subsequent divestiture in 2021. The targets related to 2021 and 2022 were predetermined exclusive of LSI and so remain as originally set. Performance outcomes, and in turn payout levels, were measured against these revised in 2020 and originally set in 2021 and 2022 targets.

The Full-Year 2022 Group results led to the achievement of the target 2022 performance outcomes. The Lonza Group performance outcomes against all four performance measures (sales, Core EBITDA, free cash flow and ESG) coupled with personal performance, resulted in a proposed annual bonus payout at 102% of target for the Executive Committee. See page 193 for more details.

Overall Group performance in 2022 also had an impact on the 2020 LTIP, which vested at the beginning of 2023 at 197% of target. This was as a result of CORE EPS and ROIC measures being over-achieved during the three-year performance period.

We explain in this report how our 2022 performance impacts the compensation under the incentive plans for the Executive Committee.

## 2022 Committee Activities

The NCC performed its regular activities throughout the year, including succession planning for the Executive Committee, reviewing the peer groups used for benchmarking, operating the performance management process and the determination of compensation for the members of the Executive Committee.

Following a review of total rewards, which was undertaken in 2021, the NCC focused on implementing a number of updates to the Executive Compensation policy in 2022. These market-aligned changes are intended to make continuity and sustainability an integral part of our compensation system. My letter outlines the highlights whilst more details can be found in the full report.

In 2022, a new annual bonus plan (Lonza Bonus) was introduced. ESG performance measures now have a 25% weighting within the overall company performance measures. This plan including ESG measures applies to both the EC and the wider organization.

We determined to include ESG within the annual bonus so we could observe and enhance our approach in future years. This ensures continued alignment with our business strategy and shareholder interests.

These embedded ESG performance measures include quantitative and qualitative targets for each of the seven United Nations' Sustainable Development Goals (SDG) we have prioritized due to their strong alignment with our business strategy:

- Good Health and Well-being (SDG 3)
- Climate Action (SDG 13)
- Industry, Innovation and Infrastructure (SDG 9)
- Responsible Consumption and Production (SDG 12)
- Gender Equality (SDG 5)
- Clean Water and Sanitation (SDG 6)
- Quality Education (SDG 4)

The targets tie incentive compensation to annual progress on long-term environmental objectives to reduce GHG emissions, optimize energy and water consumption, as well as expand programs to improve our supply chain sustainability, our females in management positions and our educational programs.

Our process of setting stretch targets (personal, financial and ESG related), is extensive, iterative and robust. Under the Lonza Bonus plan, the maximum attainable short-term incentive for the Executive Committee reflects 195% of the target (previously 200%), in line with the wider organization and based on company performance factor and formulaic non-discretionary personal factor multipliers. Details can be found on page 191.

To further strengthen governance of our variable compensation plans, a Malus provision was introduced alongside the already existing Clawback policy in respect of both Lonza Bonus and long-term incentive awards. Details can be found on page 189.

The NCC decided that the peer groups for Executive Committee compensation shall be reviewed for continued relevancy and also recognizing Lonza's healthcare focus following the divestment of the Specialty Ingredients Division (LSI). This resulted in a refined peer group list with the primary and secondary peer group approach remaining. The updated peer groups can be found on page 187. Market benchmarking for the Executive Committee was undertaken at the end of 2022 based on the updated peer groups.

Finally, the revised fees for the Lonza Board of Directors (as outlined in the 2022 Invitation to the Annual General Meeting) were implemented in 2022 after having been supported by our shareholders. The fee for the Chair of the Board of Directors increased while the fee for the committee chairs and memberships remained the same. Furthermore, it was determined that committee fees are paid per committee membership. This approach is in line with market practice and recognizes Lonza's recent structural changes, which significantly impacted the work of the Board of Directors, particularly the time required for stakeholder engagement and ESG oversight. Details of the revised fees can be found on page 199.

## Changes to the Executive Committee during 2022

Our Executive Committee went through a number of planned changes in 2022. The first was the appointment of Christian Seufert who joined the Executive Committee on 1 July 2022 as President Capsules & Health Ingredients. Christian succeeds Claude Dartiguelongue who retired on 31 July 2022. Maria Soler Nunez, Head Group Operations, joined the Executive Committee on 1 August 2022, succeeding Stefan Stoffel who retired on 31 August 2022. Finally, Daniel Palmacci joined the Executive Committee on 1 November 2022 as President Cell & Gene Division. The Cell & Gene Division had been led by Jean-Christoph Hyvert who had dual responsibility – he will continue in his role as President Biologics Division. With Daniel's appointment, the Executive Committee has expanded to ensure dedicated divisional focus and thereby maximizing the growth potential of each area of the business.

All compensation decisions relating to the appointments and departures were made in line with our Executive Compensation Appointment and Termination Policies outlined on page 188.

On behalf of the Nominations and Compensation Committee, I thank our shareholders for the continued dialogue during 2022. We respectfully ask for your endorsement of this 2022 Remuneration Report and approval of Executive Compensation that will be put forward to you at the 2023 Lonza Annual General Meeting.

Yours faithfully,  
**Christoph Mäder**

Chairman of the Nomination and Compensation Committee



# At a Glance

Lonza's approach to compensation is designed to attract and retain talent with competitive compensation programs. Our compensation programs are performance-based, linking employee rewards with company and individual performance. Executive compensation is aligned with the short-term and long-term objectives of the wider business. Results are measured based

on the achievement of specific short and long-term objectives, which are defined to achieve a balance between short-term and long-term outcomes. We encourage strategic decisions that drive competitive advantage but discourage executives from taking unnecessary or excessive risks that may threaten the financial health, reputation or sustainability of the Company.

## 2022 Executive Committee Compensation Policy Table

Base Salary	Benefits	Lonza Bonus	Long-term Incentive Plan	Lonza Restricted Share Plan	Shareholding Guidelines
Fixed pay reflecting scope of the role performed, experience and skill set	Retirement and other benefits to complement Lonza's total compensation offering	Rewards performance against annual company financial and ESG objectives, and individual goals, values and behaviors	Rewards long-term company performance and aligns interests of the Executive with shareholders	Additional variable compensation component, used as a vehicle to support the Executive Committee Appointments Policy. Awarded solely in cases where an Executive forgoes certain compensation at their previous employer	Shareholding guidelines to align interests of the Executive with shareholders
<b>Vehicle</b>					
100% cash	Retirement plans and other benefits such as transportation, expense and medical benefits and other insurances	100% cash; or 50% cash and 50% equity until shareholding guidelines are met. The NCC may grant exceptions in justified cases	100% vesting subject to a three-year performance period	100% equity subject to a two to five-year time-based vesting period	
<b>Levels</b>					
Consideration of <ul style="list-style-type: none"> <li>experience of individual;</li> <li>direct role responsibilities; and</li> <li>market levels observed at companies in the relevant industry to Lonza</li> </ul>	Broadly aligned with the wider workforce and country benefits policy of the country in which they are employed	Target levels: <ul style="list-style-type: none"> <li>CEO 100% of salary</li> <li>Other EC 75% of salary</li> </ul> Minimum: 0% of target Maximum: 195% of target	Target levels: <ul style="list-style-type: none"> <li>CEO 150% of salary</li> <li>Other EC 125% of salary</li> </ul> Minimum: 0% of target Maximum: 200% of target	Levels set are less than forgone awards, considering, but not limited to previous employer variables such as historical company performance, volatility and the equity instrument	<ul style="list-style-type: none"> <li>CEO 300% of salary</li> <li>Other EC 200% of salary</li> </ul> To be accumulated over 5 years
<b>Performance Measures</b>					
		<b>Company factor:</b> Made up of four weighted components resulting in a company factor from 0 – 150% of target <ul style="list-style-type: none"> <li>Sales 22.5%</li> <li>CORE<sup>1</sup> EBITDA 37.5%</li> <li>Free Cash Flow 15%</li> <li>ESG KPIs 25%</li> </ul> <b>Personal factor:</b> based on personal performance and may result in a multiplier from 0% – 130% in line with performance rating	50% CORE <sup>1</sup> EPS 50% ROIC	Sustained performance in role Continued employment	
<b>Clawback and Malus</b>					
		Variable compensation for Executive Committee members is subject to Clawback and Malus provisions to allow for forfeiture, reduction or recovery of awards.			

<sup>1</sup> CORE results exclude exceptional expenses and income related to e.g. restructuring, environmental-remediation, acquisitions and divestitures, impairments and amortization of acquisition-related intangible assets, which can differ significantly from year to year

## Executive Committee Performance Management Annual Process

With the introduction of a new annual bonus plan approach, effective from 2022, the Executive Committee members are subject to a performance management process, broadly aligned with the process for the wider organization. The NCC works to set robust targets to drive sustainable results. Both personal goals and business wide goals (financial and ESG) are set after iterative reviews and are ultimately approved by the Board of Directors.

At year-end, a performance assessment takes place. Each Executive Committee member conducts a self-assessment of their performance, considering the deliverables of their role, including divisional financial targets and company-wide ESG targets, achievement of annual personal goals, and values and behaviors. A discussion is held between each Executive Committee Member and the CEO who recommends a performance rating for NCC endorsement. The Executive Committee members are not present during NCC meetings where their own performance is discussed.

The Chair of the Board of Directors assesses the performance of the CEO, including: a review of company targets set at the beginning of the year (financial and ESG), personal goals and values and behaviors, in order to determine a performance rating approved by the NCC. The CEO is not present during the section of the NCC meeting where their own performance is discussed.

## Executive Committee Performance Management Annual Process

### 1. Target Setting

- Company (financial and ESG) targets proposed to Board with inputs from relevant functions, go through a robust iterative review process to ensure targets are stretching to drive competitive advantage, whilst discouraging excessive risk-taking
- Personal goals proposed by each EC member, including values and behaviors
- The CEO sets personal goals with the Chair of the Board. Other EC members set goals with the CEO

### 2. Year-end Performance Assessment Company Performance

#### Company Performance

- Outcomes for financial and ESG measures are calculated against each weighted metric considering constant exchange rates and result in a company performance factor

#### Personal Performance

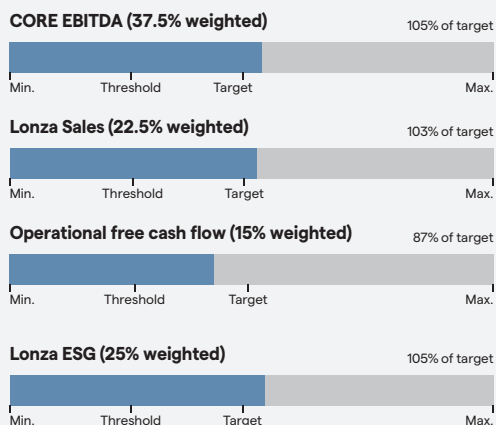
- Each EC member conducts a self-assessment
- CEO performance is assessed by the Chair of the Board to determine a performance rating considering a review of company targets set at the beginning of the year (financial and ESG), personal goals, and values and behaviors
- EC member performance is assessed by the CEO to determine a performance rating, considering deliverables of their role, including: divisional financial targets and company-wide ESG targets, achievement of annual personal goals, and values and behaviors
- CEO and EC ratings calibrated and endorsed by NCC respectively resulting in a formulaic non-discretionary personal performance factor

### 3. Determining CEO and EC Compensation

- Annual bonus outcomes are formulaic using the company and personal performance factors and put to shareholder vote at the AGM
- Long-term incentive outcomes are formulaic based on outcomes of the relevant financial metrics
- Base salary is reviewed by NCC in line with performance, market benchmarks, internal relativities, experience and scope of role, and is put to the AGM

## 2022 Lonza Bonus and LTIP outcomes

### 2022 Lonza Bonus

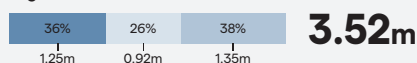


### 2020 – 2022 Long-term Incentive Plan

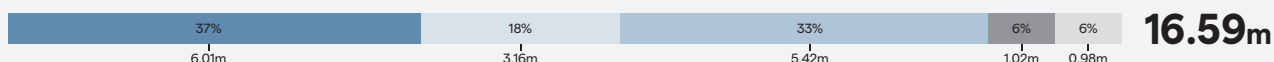


## 2022 Total Remuneration Paymix (CHF)

### Highest Paid Member of the Executive Committee



### All Executive Committee



■ Total Fixed ■ Lonza Bonus ■ LTIP ■ LRSP<sup>1</sup> ■ Other Compensation<sup>2</sup>

<sup>1</sup> Lonza Restricted Share Unit Plan (LRSP) awards are separate from typical total compensation and are awarded only in cases where a new Executive Committee member forgoes cash or equity at their previous employer. See page 194 for details of the LRSP award

<sup>2</sup> Cash payment (including base salary, other benefits, short-term incentive and social security) and shares (LTIP) received by a departed member of the Executive Committee during 2022 and a cash payment to an Executive Committee member upon their appointment to compensate for forfeited annual bonus at their previous employer

## Board of Directors Compensation Policy

Compensation of Board of Directors from Annual General Meeting (AGM) 2022 to 2023 (excluding social security contributions)

In CHF	Base annual fee	Committee membership fee per committee	Committee Chairperson fee
<b>Chair of the Board of Directors<sup>1</sup></b>	750,000	-	-
<b>Member of the Board of Directors<sup>2</sup></b>	200,000	40,000	80,000
The additional responsibilities of Vice-Chairperson and Lead Independent Director <sup>3</sup> do not attract any additional fees			
<b>Form of payout</b>	50% in Lonza Group shares and 50% in cash and paid in quarterly installments		

<sup>1</sup> The compensation of the Chair of the Board of Directors includes compensation as a member of the Innovation and Technology Committee of the Board of Directors

<sup>2</sup> The compensation for a Committee Chairperson amounts to CHF 280,000 where chairing one committee. In the case of multiple committee memberships each attracts a separate fee

<sup>3</sup> The roles and responsibilities of Lead Independent Director are in line with sect. 18 para. 2 of the Swiss Code of Best Practice for Corporate Governance, requiring adequate control mechanisms, and commensurate to such position





# Compensation Governance

## Rules in the Articles of Association

[Lonza's Articles of Association](#) contain rules regarding the approval of compensation by the Shareholders' Meeting (Article 22), the supplementary amount in the event of changes in the Executive Committee (Article 23), compensation of the members of the Board of Directors and the Executive Committee, including the principles applicable to performance-related compensation (Article 24), the agreements with members of the Board of Directors and the Executive Committee (Article 25) and loans to members of the Board of Directors and the Executive Committee (Article 27).

## Responsibilities of Board of Directors

As outlined in the [Organizational Regulations](#) (Article 2.8), the Board of Directors takes decisions on the following matters:

1. The determination of compensation for the members of the Board of Directors in accordance with the Articles of Association
2. The proposals to the Shareholders' Meeting regarding approval of the compensation of the Board of Directors and the Executive Committee; and
3. The preparation of the Remuneration Report

## Responsibilities of the Nominations and Compensation Committee

The Nomination and Compensation Committee (NCC) has the following roles and responsibilities as outlined in the NCC Charter:

1. To recommend and review compensation policies and plans for approval by the full Board of Directors
2. To review periodically and make recommendations to the Board of Directors regarding any variable incentive and the extent to which the plans meet their objectives
3. To advise the Board of Directors on the compensation of its members, to evaluate the performance of the CEO on a regular basis and to determine his/her compensation based on performance and subject to approval of the compensation of the Executive Committee by the Shareholders' Meeting pursuant to the Articles of Association
4. To review and approve the compensation proposals for members of the Executive Committee subject to approval by the Shareholders' Meeting pursuant to the Articles of Association
5. To recommend to the Board of Directors proposals to be submitted to the Annual Shareholders' Meeting for approval regarding total amounts of compensation of the Board and the Executive Committee pursuant to the Articles of Association
6. To support the Board of Directors in preparing the Remuneration Report
7. To inform the Board of Directors about compensation policies and programs as well as benchmark compensation of key peer companies; and
8. To inform the Board of Directors about the terms of employment for the members of the Executive Committee

The NCC continuously reviews the aspects of executive compensation and compliance with good governance standards and also in light of continuous growth, transformation of the Company and inclusion in the Swiss Market Index (SMI).

## Shareholders' Meeting

The Shareholders' Meeting approves annually the compensation of the Board of Directors and the Executive Committee in accordance with Article 22 of [Lonza's Articles of Association](#).

## External Advisors

Lonza continues to engage with external advisors on an ad hoc basis as required. In 2022, the Committee was provided with external market and legal insight from PWC<sup>1</sup>, Willis Towers Watson (WTW)<sup>1</sup> and Blesi & Papa<sup>1</sup> reflecting a total cost of approximately CHF 75,000. The CHRO and the relevant HR specialists prepare and provide the NCC meeting materials. These individuals have an advisory function without voting rights.

## Market Benchmarking

Lonza reviews total compensation for the Executive Committee, wider employees and Board of Directors, through regular benchmarking versus the market, to ensure levels remain competitive to support the retention and attraction of talent.

The total compensation (base salary, variable incentives, pension and other benefits) for Executive Committee members in particular is benchmarked every two to three years or when fundamental company parameters alter (e.g. acquisition or divestment) against a relevant industry peer group.

The Committee revisited the peer groups in 2022 following the LSI divestment in 2021 to ensure the relevance of the peers for the purposes of compensation and benefits benchmarking for Lonza going forward. The use of the primary and secondary market benchmarking peer groups remain. The primary peer group now contains European pharmaceutical, life sciences and CDMO sector businesses of similar size. This peer group continues to serve as the essential reference point. An additional secondary peer group of European pharmaceutical sector businesses of varying size has been added, allowing us to obtain insight on those relevant industry companies which are smaller or larger than Lonza, through a secondary reference lens. The Swiss and the US secondary peer groups have been refreshed to include more relevant peers. These secondary peer groups are used as reference points only.

### Executive Committee benchmarking peer groups

Primary peers	Secondary peers		
European life science businesses of similar size	European life science businesses of varying size	Swiss companies in wider industries	US life science companies
<ul style="list-style-type: none"> <li>Alcon AG</li> <li>Eurofins Scientific SE</li> <li>Grifols SA</li> <li>H. Lundbeck A/S</li> <li>Hikma Pharmaceuticals Plc</li> <li>ICON plc</li> <li>Ipsen SA</li> <li>Merck KGaA</li> <li>QIAGEN NV</li> <li>Reckitt Benckiser Group Plc</li> <li>Sartorius AG</li> <li>Smith &amp; Nephew Plc</li> <li>Sonova Holding AG</li> <li>Teva Pharmaceutical Industries Limited</li> <li>UCB SA</li> </ul>	<ul style="list-style-type: none"> <li>AstraZeneca Plc</li> <li>BASF SE</li> <li>Bayer AG</li> <li>Grifols SA</li> <li>GSK Plc</li> <li>H. Lundbeck A/S</li> <li>Hikma Pharmaceuticals Plc</li> <li>Ipsen SA</li> <li>Merck KGaA</li> <li>Novartis AG</li> <li>Novo Nordisk A/S</li> <li>Perrigo Company Plc</li> <li>QIAGEN NV</li> <li>Reckitt Benckiser Group Plc</li> <li>Roche Holding AG</li> <li>Sanofi</li> <li>Sartorius AG</li> <li>Siegfried Holding AG</li> <li>Smith &amp; Nephew Plc</li> <li>Sonova Holding AG</li> <li>Teva Pharmaceutical Industries Limited</li> <li>UCB SA</li> <li>Vifor Pharma AG</li> </ul>	<ul style="list-style-type: none"> <li>Alcon AG</li> <li>Barry Callebaut AG</li> <li>Bucher Industries AG</li> <li>Dufry AG</li> <li>Emmi AG</li> <li>Galenica AG</li> <li>Geberit AG</li> <li>Georg Fischer AG</li> <li>Givaudan SA</li> <li>Implenia AG</li> <li>Logitech International S.A.</li> <li>OC Oerlikon Corp. AG</li> <li>SGS SA</li> <li>Siegfried Holding AG</li> <li>Sika AG</li> <li>Sonova Holding AG</li> <li>Straumann Holding AG</li> <li>Sulzer AG</li> </ul>	<ul style="list-style-type: none"> <li>AbbVie Inc.</li> <li>Agilent Technologies, Inc.</li> <li>Align Technology, Inc.</li> <li>Avantor, Inc.</li> <li>Baxter International Inc.</li> <li>Becton, Dickinson and Company</li> <li>Biogen Inc.</li> <li>BioMarin Pharmaceutical Inc.</li> <li>Bio-Rad Laboratories, Inc.</li> <li>Boston Scientific Corporation</li> <li>Bristol-Myers Squibb Company</li> <li>Catalent, Inc.</li> <li>Charles River Laboratories International, Inc.</li> <li>Danaher Corporation</li> <li>DENTSPLY SIRONA Inc.</li> <li>Elanco Animal Health, Inc.</li> <li>Eli Lilly and Company</li> <li>Illumina, Inc.</li> <li>Incyte Corporation</li> <li>IQVIA Holdings, Inc.</li> <li>Mettler-Toledo International Inc.</li> <li>PerkinElmer, Inc.</li> <li>Regeneron Pharmaceuticals, Inc.</li> <li>Stryker Corporation</li> <li>Syneos Health, Inc.</li> <li>The Cooper Companies, Inc.</li> <li>Thermo Fisher Scientific Inc.</li> <li>Vertex Pharmaceuticals Incorporated</li> <li>Viatis Inc.</li> <li>Waters Corporation</li> <li>West Pharmaceutical Services, Inc.</li> <li>Zimmer Biomet Holdings, Inc.</li> <li>Zoetis Inc.</li> </ul>

<sup>1</sup> PWC and WTW have further consulting arrangements with Lonza Human Resources. Blesi & Papa have no other consulting arrangements

## Executive Committee Appointments Policy

In line with mandatory Swiss law, Lonza does not give any “golden handshakes”. Total compensation for an incoming Executive Committee member will be directly aligned with the Executive Committee compensation policy (outlined on page 182). The Committee will also consider making equity (LRSP) or cash awards in lieu of compensation that the individual has forfeited at their previous employer, as a result of accepting

the Lonza appointment. The time horizon, vehicle and value of any award will be directly informed by the details of the awards being forfeited. In such cases replacement, award levels will be less than the level of the awards being forfeited at the previous employer. Details of any such buyout award for Executive Committee members will be disclosed at the time of grant, in the relevant Remuneration Report.

## Executive Committee Termination Policy

The below provisions are in line with the employment agreements for all Executive Committee members.

### Compensation in Case of Termination

Termination type	Treatment of compensation
Death, disability and retirement	<ul style="list-style-type: none"> <li>• Payment of base salary and benefits over the 12-month notice period, except in the case of retirement. In the case of death, this is paid out to the next of kin</li> </ul>
Termination by the Company Without Cause	<ul style="list-style-type: none"> <li>• Pro-rata annual bonus payment relating to year of termination, measured up to the end of the notice period (payout subject to shareholder vote at the relevant Annual General Meeting)</li> <li>• Unvested LTIP awards will be pro-rated, based on number of months employed (including the notice period) during the 36-month performance period (this applies to all outstanding LTIP awards) and will vest on the ordinary vesting date for each plan</li> <li>• Unvested LRSP awards will be pro-rated, based on number of months employed (including the notice period) during the relevant vesting period and will vest on the ordinary vesting date for each plan</li> </ul>
Resignation by the Executive	<ul style="list-style-type: none"> <li>• Payment of base salary and benefits over the 12-month notice period</li> <li>• No entitlement to annual bonus award with respect to the plan year in which employment is terminated, except if both of the following occur: <ul style="list-style-type: none"> <li>I. Termination is after 31 December of the plan year; and</li> <li>II. Executive was not released from their obligation to work</li> </ul> </li> <li>• All unvested LTIP / LRSP awards will lapse</li> </ul>
Termination by the Company for Cause	<ul style="list-style-type: none"> <li>• Payment of base salary and benefits over the 12-month notice period</li> <li>• No entitlement to annual bonus award relating to plan year in which employment is terminated</li> <li>• All unvested LTIP / LRSP awards will lapse</li> </ul>
Change of Control <sup>1</sup>	<ul style="list-style-type: none"> <li>• Payment of base salary and benefits up to point of transaction if moving to new entity following transaction or up to the end of the notice period, if terminated by the Company without cause</li> <li>• Within 18 months following a change of control, an annual bonus payment will be made on a pro-rata basis reflecting the period up to the end of the notice period. The payment will also be based on actual (to the extent that it may be determined) or presumed achievement and, if to the extent that the executive is released from an obligation to work, target achievement (100%) will be assumed</li> <li>• Unvested LTIP / LRSP awards shall vest immediately and the granted price shall be the price at which the shares are sold in the transaction resulting in the Change of Control</li> </ul>

<sup>1</sup> If employment is terminated by the Company without cause or an Executive Committee member terminates the employment due to good reason, as outlined in employment contract

## Non-Compete Clause

Under the terms of the employment agreement of the Executive Committee, members whose employment is terminated agree that they will not, for a period of six months for EC members and 12 months for the Chief Executive Officer following the end of the notice period, be partially or fully employed by any entity that materially competes with the Company or any of its businesses. In case of a breach of the non-competition clause, the executive shall pay damages to the Company. As compensation for the period of non-competition, the executive will receive a monthly consideration equal to the executive's last monthly base salary minus any new income the executive earns in the relevant month. The Company may elect to fully or partially release the departing Executive Committee member from this non-competition obligation no later than six months prior to the end of the notice period. This non-compete clause is a standard feature aligning with Swiss Employment Laws.

## Clawback and Malus

The Lonza Clawback and Malus Policy applies to Executive Committee members and covers all new, future and outstanding variable compensation including Lonza Bonus, LTIP and LRSP awards. In instances of gross misconduct, material breach of duties, violation of code of conduct, material misstatement of and error in calculation of performance (company or personal), the Clawback and Malus policy allows Lonza to recover any relevant compensation from Executive Committee members and / or to forfeit or reduce in whole, or in part, any future awards or payments.

The clawback period applies until the third anniversary of the distribution date.

## Shareholding Guidelines

The Committee feels strongly that Executive Committee members and other senior managers should have a defined Lonza shareholding to strengthen their alignment with our shareholders' interests. Lonza operates a minimum shareholding guideline for the Executive Committee and other senior managers. The below minimum shareholding levels are to be achieved within the specified five-year period which begins on the date of commencing the relevant role. Progress towards achieving the guideline levels is measured in January of each calendar year.

### Shareholding Guidelines

CEO	300% of base salary
Other Executive Committee members	200% of base salary
Other senior managers	Annual LTIP grant value

The NCC periodically reviews the minimum shareholding requirements. No changes were made to these levels during 2022.



# Compensation of the Executive Committee 2022



## Base Salary

<b>Objective and overview</b>	<ul style="list-style-type: none"> <li>• Paid as a fixed amount reflecting the role performed, experience and skill set</li> <li>• Base salary forms the basis of total compensation</li> <li>• Paid out in cash, and reviewed annually, taking into consideration the responsibilities of the position, the personal performance of the Executive Committee member, and base salary increases made across the Company</li> </ul>
<b>2022 implementation</b>	<ul style="list-style-type: none"> <li>• Base salary for those appointed to the Executive Committee during 2022 was set taking in consideration the experience of individual, and relevant market levels for the role observed at companies in a relevant industry to Lonza</li> </ul>

## Benefits

<b>Objective and overview</b>	<ul style="list-style-type: none"> <li>• Complement the total compensation offering on a country or market specific basis</li> <li>• Includes retirement and other benefits such as transportation allowance, expense allowance, life and health insurance and medical allowance</li> </ul>
<b>2022 implementation</b>	<ul style="list-style-type: none"> <li>• Administered in 2022 in line with country wide retirement plan and benefit policies and provided to Executive Committee members on the same terms as the wider workforce in the country in which they are employed</li> </ul>

## Lonza Bonus

<b>Objective</b>	A component of variable compensation, provides the potential for an annual bonus payment based on performance of the Group and the executive versus annual targets			
<b>Overview and pay out method</b>	Bonus performance conditions are defined for each financial year ahead of the relevant annual bonus cycle based on the company's short-term objectives, and include a mix of financial, ESG and individual measures			
	<div>Annual bonus target</div> <div>Annual bonus target</div>	<div>×</div> <div>Company performance factor</div> <div>Company factor made up of four weighted components resulting in a company factor</div>	<div>×</div> <div>Personal performance factor</div> <div>Personal factor based on personal performance rating considering delivery of: role; annual goals; values and behaviors, results in a formulaic non-discretionary pay out percentage</div>	<div>=</div> <div>Bonus award</div> <div>           The resulting award is paid 100% in cash if shareholder guidelines have been met.             Or, 50% cash and 50% Lonza Group shares if shareholder guidelines have not been met.         </div>
<b>Levels</b>	<b>CEO</b> 100% of base salary at-target  <b>Other Executive Committee members</b> 75% of base salary at-target	0 – 150% of target	<ul style="list-style-type: none"> <li>• Unsatisfactory 0 – 40%</li> <li>• Developing Performer 80%</li> <li>• Successful Performer 100%</li> <li>• Outstanding Performer 130%</li> </ul>	The realized bonus award may range from 0 – 195% of target.
<b>2022 company performance conditions</b>	The 2022 annual bonus for Executive Committee members was based on company performance measures with the financial and ESG performance results derived from the audited 2022 results, and personal performance			
<b>Definition</b>	<b>Sales</b> Measures revenue generated	<b>CORE<sup>1</sup> EBITDA</b> Measures Group operating performance and profitability	<b>Free Cash Flow</b> Measures the ability of the company's business operations to generate cash	<b>ESG</b> Measures the company's annual progress towards our long term sustainability ambitions
<b>Weighting</b>	<b>22.5%</b>	<b>37.5%</b>	<b>15.0%</b>	<b>25.0%</b>








<sup>1</sup> CORE results exclude exceptional expenses and income related to e.g. restructuring, environmental remediation, impairments and amortization of acquisition related intangible assets, which can differ significantly from year to year

## Environmental, Social and Governance (ESG)

Lonza has prioritized seven of the United Nations Sustainable Development Goals as the most relevant to our purpose of enabling a healthier world through enabling our customers to bring medicines and therapies to patients, investing in the development of our people and reducing the environmental impact of our operations and supply chain. This commitment

is anchored in our annual bonus with the equally weighted targets set out below. Each of these goals is sponsored by an Executive Committee member to bring a dedicated focus whilst at the same time supporting the holistic achievement of all the ESG goals as the Executive Committee have a shared collective responsibility for their achievement.

### 2022 pay out factor

ESG			
2022 Achievement (% of target)			
Sustainable Development Goal	Objective Description	2022 Achievements	Achievement
3. Good Health and Wellbeing	Lonza contributes to the wellbeing of the world and global society, measured by the satisfaction of our customers who bring medicines and therapies to patients and annual progress on our ESG roadmap.	Customer satisfaction increased 6 points year over year. We improved our ESG risk management, governance and reporting by incorporating TCFD disclosures in our Sustainability Report and improving supply chain programs.	 150%
13. Climate Action	Annual progress in reducing Scope 1 and 2 emissions with the long term goal of cutting our GHG emissions by half by 2030 and developing a plan to procure all renewable electricity by 2025.	While absolute emissions increased slightly year over year due to growth, we developed roadmaps to reduce Scope 1 and 2 emissions in mid – long term. Our emissions intensity (tons of CO <sub>2</sub> /mio CHF) decreased year over year. We continued work to implement virtual power purchase agreements (VPPAs) for new wind and solar developments, onsite capacity, renewable energy certificates and other market instruments.	 50%
5. Gender Equality	Annual progress towards our long term ambition of having 35% of females in management positions by 2035.	We increased the percentage of females in management positions by 1.9% year over year. We expanded our initiatives to increase the percentage of females at all levels of the organization.	 125%
4. Quality Education	Expansion of initiatives to improve education offerings for employees.	Employee satisfaction related to learning and development increased by 3% and implemented monitoring of our existing education programs to ensure transparency and accessibility of our programs.	 125%
6. Clean Water and Sanitation	Annual progress towards reducing industrial water intensity by 50% by 2030.	We reduced industrial water intensity by more than 10% year over year. We improved our water risk assessments and mitigation plans for each site.	 100%
12. Responsible Consumption and Production	Lonza improves ESG along its supply chain.	We rolled out a new supplier code of conduct and due diligence programs combining elements of environmental (Scope 3), social and governance topics, with highest risk and/or impact suppliers being first priority.	 100%
9. Industry, Innovation and Infrastructure	Lonza further reduces the environmental impact of our operations through innovation for efficiency in growth projects and investments.	We implemented Sustainable Design Standards for large capital expansion and refurbishment projects worldwide. These standards incorporate the best solutions in terms of reducing energy consumption, greenhouse gas emissions, water consumption and waste production into our assets for the most common utilities.	 90%
ESG Factor			105%



## Overall Company Performance

### 2022 Group performance targets and outcomes

	Weighting	Target	Maximum	Actual	2022 Achievement (% of target)
Lonza Sales	22.5%	6,205	6,505	6,223	103%
CORE <sup>1</sup> EBITDA	37.5%	1,982	2,103	1,985	105%
Free Cash Flow	15.0%	-432	-307	-465	87%
Lonza ESG	25.0%				105%
<b>Total Company Performance Factor</b>	<b>100%</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>102%</b>

<sup>1</sup> CORE results exclude exceptional expenses and income related to e.g. restructuring, environmental remediation, impairments and amortization of acquisition related intangible assets, which can differ significantly from year to year

The 2022 Lonza bonus will be paid to the eligible Executive Committee members in May 2023 subject to shareholder approval at the 2023 Annual General Meeting.

## CEO Personal Performance

Lonza Bonus comprises both company and personal factors. In addition to company financial and ESG targets, the CEO also has two ambitious personal objectives. It was determined that these goals, should have a business focus, a “what” goal, and a behavior focus, a “how” goal. The overall holistic personal performance factor is determined by considering performance against these two goals, as well as overall contributions and demonstration of Lonza values and behaviors.

### Goal 1

Personal “what” goal focussed on operational effectiveness through ensuring delivery against budget, inventory and supply management, ramp-up of production capacity and capturing value in the CDMO healthcare market.

### Goal 2

Personal “how” goal focussed on delivery through internal engagement and external relationships by building strong customer relationships with key customers, achieving good levels of employee engagement, instilling governance methods and lean practices across the organization as well as further strengthening the Executive Committee.

### Overall holistic assessment

The CEO performance in 2022 has been successful. In a challenging inflationary environment 2022 financial goals as well as ESG measures have been delivered. Operational effectiveness has been delivered through ramp-up of additional production capacity whilst managing supply and inventory through a period of global disruption. Further selective divestments have been implemented to simplify the business portfolio and focus on the CDMO healthcare market.

Customer relationships in particular with key customers have been further extended as reflected in increased customer satisfaction which supported the ESG achievements. A reconfiguration and extension of the Executive Committee team to include industry-leading talent has been delivered which also supported successfully driving focus on holistic governance and lean practices, as well as employee engagement which was surveyed systematically with an independent survey being implemented twice in 2022. Employee engagement scores improved over the survey period.

On balance and considering holistic performance over the full year, the Chair of the Board and also the NCC determined that a personal performance rating of Successful Performer fairly reflects 2022 performance. This results in a formulaic and non-discretionary output of a 100% personal performance factor.

Personal Performance Factor	<b>100%</b>
CEO Overall Pay-out Factor	<b>102%</b>



## Long-term Incentive Plan (LTIP)

Objective and overview	<ul style="list-style-type: none"><li>Part of the variable compensation component, the LTIP has been designed to align the interests of participants with those of Lonza's shareholders. It also contributes towards the offering of a competitive total reward package</li><li>Executive Committee members are awarded the conditional right to receive a number of Lonza shares in the future, provided that certain performance conditions are achieved over a three-year performance period</li><li>The LTIP plan design and performance targets are determined at the beginning of each three-year performance period</li></ul>																																		
Levels	<ul style="list-style-type: none"><li><b>CEO:</b> 150% of base salary at target</li><li><b>Other Executive Committee members:</b> 125% of base salary at target</li><li>Minimum payout is 0% of target levels</li><li>Maximum payout is up to 200% of target levels</li></ul>																																		
Payout ranges	<b>Payout ranges from 0% to 200% of target opportunity levels</b> <table><tr><th>Performance</th><th colspan="4">Payout (% of target)</th></tr><tr><td>Minimum</td><td colspan="4">0%</td></tr><tr><td>Threshold</td><td colspan="4">50%</td></tr><tr><td>Target</td><td colspan="4">100%</td></tr><tr><td>Maximum</td><td colspan="4">200%</td></tr></table>					Performance	Payout (% of target)				Minimum	0%				Threshold	50%				Target	100%				Maximum	200%								
Performance	Payout (% of target)																																		
Minimum	0%																																		
Threshold	50%																																		
Target	100%																																		
Maximum	200%																																		
2020 LTIP award - performance conditions and payout	<p>The 2020 LTIP award was granted in 2020 and vested in early 2023 following a three year performance period which was based on the below financial performance metrics:</p> <table><tr><th></th><th>Weighting</th><th colspan="2">2020-2022 LTIP performance</th><th>Actual</th><th>2022 Achievement (% of target)</th></tr><tr><th></th><th></th><th>Target</th><th>Maximum</th><th></th><th></th></tr><tr><td>CORE<sup>1</sup> EPS (earnings per share)</td><td>50%</td><td>14</td><td>16.1</td><td>16.4</td><td>200%</td></tr><tr><td>ROIC (return on invested capital)</td><td>50%</td><td>9.9%</td><td>11.4%</td><td>11.3%</td><td>194%</td></tr><tr><td><b>Total</b></td><td>-</td><td>-</td><td>-</td><td>-</td><td>197%</td></tr></table> <p>This resulted in a payout of 197% of target LTIP levels for Executive Committee members with this award</p>						Weighting	2020-2022 LTIP performance		Actual	2022 Achievement (% of target)			Target	Maximum			CORE <sup>1</sup> EPS (earnings per share)	50%	14	16.1	16.4	200%	ROIC (return on invested capital)	50%	9.9%	11.4%	11.3%	194%	<b>Total</b>	-	-	-	-	197%
	Weighting	2020-2022 LTIP performance		Actual	2022 Achievement (% of target)																														
		Target	Maximum																																
CORE <sup>1</sup> EPS (earnings per share)	50%	14	16.1	16.4	200%																														
ROIC (return on invested capital)	50%	9.9%	11.4%	11.3%	194%																														
<b>Total</b>	-	-	-	-	197%																														
2022 LTIP award	<p><b>Overview</b></p> <p>The 2022 LTIP budget value for the Executive Committee was approved by the Board of Directors and submitted to the 2022 AGM. Following shareholder approval at this meeting, the awards were subsequently administered. Similar to previous years, the 2022 LTIP awards include minimum, threshold, target and stretch goals, as outlined above.</p> <p><b>Performance measures and target setting</b></p> <p>The 2022 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. The respective performance targets at the threshold (50%), target (100%) and maximum (200%) payout levels were recommended by the Committee and approved by the Board of Directors in January 2022. These financial performance targets for the 2024 year end are commercially sensitive at this time and will not be disclosed publicly until after the awards have vested.</p> <p><b>CORE<sup>1</sup> EPS</b></p> <p>The 2022 LTIP award threshold performance level was determined to be 125% of the CORE EPS threshold performance level for the 2021 LTIP award. The 2022 LTIP maximum performance level was determined to be above the 2024 Guidance and is a double-digit percentage figure above threshold performance levels.</p> <p><b>ROIC</b></p> <p>ROIC (return on invested capital) is defined as adjusted net operating profit after tax divided by average invested capital. This measures the return the company generates on its investments for both organic, and inorganic expansion. 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 2022 LTIP award threshold performance level was determined to be 95% of the ROIC threshold performance level set for the 2021 LTIP award. The maximum performance level was determined to be above the 2024 Guidance and is close to a double-digit percentage figure above threshold performance levels.</p>																																		

<sup>1</sup> CORE results exclude exceptional expenses and income related to e.g. restructuring, environmental remediation, impairments and amortization of acquisition related intangible assets, which can differ significantly from year to year

## Lonza Restricted Share Plan (LRSP)

<b>Objective, overview and performance measures</b>	<ul style="list-style-type: none"> <li>A buyout instrument for Executive Committee members awarded solely in cases where an Executive forgoes certain compensation at their previous employer. It is used as a vehicle to support the Executive Committee Appointments Policy and replicates existing vesting schedule at previous employer</li> <li>Two to five-year time-based vesting period, depending on the structure of the forgone compensation</li> <li>Replacement awards subject to continued employment and sustained performance in role</li> </ul>
<b>Levels</b>	<ul style="list-style-type: none"> <li>Levels set less than forgone awards, considering, but not limited to, previous employer variables such as historical company performance, volatility and the equity instrument</li> </ul>
<b>Payout method</b>	<ul style="list-style-type: none"> <li>100% equity following a two to five-year time-based vesting period</li> </ul>

## Highest Compensation Paid to a Member of the Executive Committee

The table below shows the breakdown of compensation for Pierre-Alain Ruffieux, CEO, as the highest-paid Executive Committee member in 2022. The compensation and variable long-term compensation budgets are based on shareholders' approval during the 2022 Annual General Meeting.

Million CHF	2022	2021
<b>Fixed compensation</b>		
Base salary	0.90	0.90
Post-employment benefits / other benefits <sup>1</sup>	0.35	0.36
<b>Variable compensation</b>		
Short-term incentive (cash) <sup>2</sup>	0.92	0.69
Short-term incentive (shares) <sup>2</sup>	0.00	0.69
LTIP (grant value) <sup>3</sup>	1.35	1.35
<b>Total</b>	<b>3.52</b>	<b>3.99</b>

<sup>1</sup> The disclosed amounts on this line represent the full costs of employer contributions for social security and pension fund amounts for 2022 and 2021. For 2022 the employer pension contributions were CHF 0.10m (2021: CHF 0.10m)

<sup>2</sup> For those Executive Committee Members who are yet to reach the minimum shareholding, the 2022 Bonus will be paid out as 50% cash and 50% shares (individual exceptions reserved subject to NCC approval).

<sup>3</sup> The fair value in 2022 and 2021 was calculated using base salary and market value at grant date (31 January 2022 and 29 January 2021). It is possible that the eventual value at vesting will be higher or lower (or even zero)

## Aggregate Compensation of the Executive Committee

The table below shows the aggregated breakdown of all compensation provided to Executive Committee members<sup>1</sup> in 2022 and 2021.

Million CHF	2022	2021
<b>Fixed compensation</b>		
Base salary <sup>2</sup>	4.01	3.58
Post-employment benefits / other benefits <sup>3</sup>	2.00	1.97
<b>Variable compensation</b>		
Short-term incentive (cash) <sup>4,5</sup>	2.42	2.81
Short-term incentive (shares) <sup>6</sup>	0.74	1.58
LTIP (grant value) <sup>7</sup>	5.42	4.97
LRSP (grant value) <sup>8</sup>	1.02	1.70
Other compensation <sup>9</sup>	0.98	0.85
<b>Total</b>	<b>16.59</b>	<b>17.46</b>

<sup>1</sup> 7.7 members in 2022 and 6.3 members in 2021. Claude Dartiguelongue retired from the Executive Committee with immediate effect on 31 July 2022. Stefan Stoffel retired from the Executive Committee on 31 August and their departures are treated in accordance with contractual obligations and applicable plan rules. Rodolfo Savitzky stepped down from the Executive Committee on 20 November 2021 and his departure continues to be treated in line with contractual obligations and applicable plan rules. Christian Seufert, Maria Soler Nunez and Daniel Palmacci became Executive Committee members on 1 July 2022, 1 August 2022 and 1 November 2022 respectively

<sup>2</sup> Base salary levels paid for the periods when individuals sat on the Executive Committee during 2022 and 2021

<sup>3</sup> Social security, pension fund and other benefits. The disclosed amounts on this line represent the full costs of employer contributions for social security and pension fund amounts for 2022 and 2021. For 2022 the employer pension contributions were CHF 0.66m (2021: CHF 0.23m). The table shows the fair value of the other benefits

<sup>4</sup> The company factor for 2022 was 102% (2021: 153%) and the rounded average personal factor for the EC Members was 100% (Successful Performer). Payouts will be made with the first possible payroll after shareholders' approval at the 2023 AGM

<sup>5</sup> All active Executive Committee members, with the exception of one member (who has met the requirement), are developing their shareholding in line with the shareholding guidelines

<sup>6</sup> For those Executive Committee members who are yet to reach the minimum shareholding, the 2022 Bonus will be paid out as 50% cash and 50% shares (individual exceptions reserved subject to NCC approval)

<sup>7</sup> The fair value in 2022 and 2021 was calculated using base salary and market value at grant date (31 January 2022 and 29 January 2021). It is possible that the eventual value at vesting will be higher or lower (or even zero)

<sup>8</sup> In line with the Executive Committee Appointments Policy (see page 188), awards made in 2022 to Executive Committee members under the Lonza Restricted Share Unit Plan (LRSP) compensated for time-based equity awards which were forfeited when leaving the previous employer. These awards were made in accordance with Article 23 (Supplementary Amount in the Event of Changes in the Executive Committee) of [Lonza's Articles of Association](#). The fair value at grant was calculated using the three trading day average closing share price prior to the grant date. The awards will vest after two and three year periods, subject to continued employment, sustained performance and clawback and malus, under the Clawback and Malus Policy. See page 194 for full details on the award

<sup>9</sup> Cash payment (including base salary, other benefits, short-term incentive and social security) and shares (LTIP) received by departed members of the Executive Committee during 2022 and 2021 as well as a cash payment to an Executive Committee member in lieu of forfeited annual bonus at their previous employer.

The aggregated base salary levels increased by 12% in 2022 (12% in 2021), primarily as a result of the increase in Executive Committee members in 2022. There were 7.3 active Executive Committee members in 2022 compared to 6.3 active Executive Committee members in 2021, reflecting the portion of time held by Executive Committee members during each year.

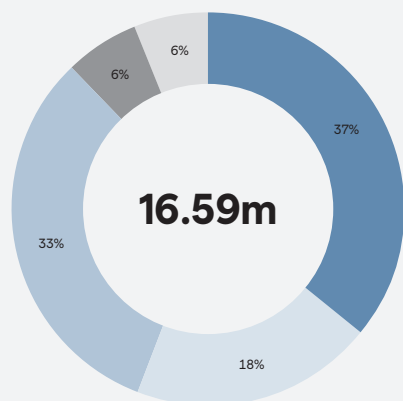
The proposed bonus payments for 2022 are reflective of the 2022 Group financial and ESG performance versus the performance targets set, as outlined on page 193 of this report. The performance outcomes result in a proposed payout of 102% of target levels. The 2022 Executive Committee member representation of 7.5 for the annual bonus is lower than the Executive Committee member representation for base salary at 7.7 due to the President, Cell & Gene Division not receiving an annual bonus payout for 2022 as he joined post the annual bonus eligibility cutoff date.

The 2022 LTIP grant value reflects an increase in aggregate levels compared to 2021, albeit there was no change to policy levels during 2022. The difference in value is driven by the increase in the number of Executive Committee members for 2022 compared to 2021 (7.3 members in 2022 compared to 6.3 members in 2021 receiving an award).

No loans or credits were outstanding as of 31 December 2022. During 2022, no payments (or waiver of claims) were made to current or departed Executive Committee members, nor to persons closely linked to them. No member of the Executive Committee benefits materially from any contract between a Lonza company and a third party.

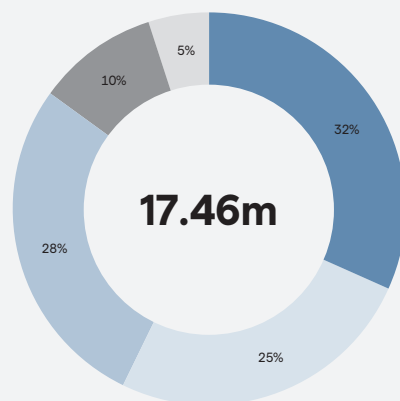
## 2022 fixed versus variable pay mix

2022



■ Total Fixed (6.01m)  
 ■ Lonza Bonus (3.16m)  
 ■ LTIP (5.42m)  
 ■ LRSP (1.02m)<sup>1</sup>  
 ■ Other Compensation (0.98m)<sup>2</sup>

2021



■ Total Fixed (5.55m)  
 ■ STIP (4.39m)  
 ■ LTIP (4.97m)  
 ■ LRSP (1.70m)<sup>1</sup>  
 ■ Other Compensation (0.85m)<sup>2</sup>

<sup>1</sup> Lonza Restricted Share Unit Plan (LRSP) awards are separate from typical total compensation and are awarded only in cases where a new Executive Committee member forgoes cash or equity at their previous employer. See page 195 for details of the LRSP award made in 2022 and the 2021 Remuneration Report for details of the award made in 2021

<sup>2</sup> Cash payment (including base salary, other benefits, short-term incentive and social security) and shares (LTIP) received by departed members of the Executive Committee during 2022 and 2021. For 2022 this also includes a cash payment to an Executive Committee member made upon their appointment to compensate for forfeited annual bonus at their previous employer

## Appointments to the Executive Committee in 2022

Three appointments were made to the Executive Committee during the year. The resulting structure provides a dedicated President for each of our four Divisions, thereby maximizing the growth potential of each area of the business. Christian Seufert – President, Capsules & Health Ingredients Division, Maria Soler Nunez – Head, Group Operations and Daniel Palmacci – President, Cell & Gene Division were appointed to the Executive Committee on 1 July 2022, 1 August 2022 and 1 November 2022 respectively.

Total compensation was set in line with the Executive Committee Compensation Policy. All relevant pro-rated compensation levels for all new Executive Committee members are included in the aggregated compensation table on page 195. Two Executive Committee members received a 2022 award under the Lonza Restricted Share Unit Plan (LRSP), to compensate for equity awards which were forfeited when leaving their previous employers.

The LRSP awards have a grant value less than the value of the awards forfeited. These awards were made in accordance with Article 23 (Supplementary Amount in the Event of Changes in the Executive Committee) of [Lonza's Articles of Association](#). 59% of the awards (CHF 600,000) will vest after two years and the remaining 41% (CHF 420,000) will vest after three years to align with the previous vesting schedule of the forfeited equity awards. The full awards are subject to continued employment, sustained individual performance, clawback and malus, under the Clawback and Malus Policy outlined on page 189.

The LRSP is an instrument used at the Executive Committee member level solely as a vehicle to support Executive Committee appointments (see page 188 for further details) in cases where compensation is forfeited at a previous employer and a Lonza replacement award is required. One Executive Committee member received a cash payment upon joining Lonza in lieu of forfeited annual bonus at their previous employer. This cash payment is subject to clawback and malus, under the Clawback and Malus Policy outlined on page 189.

## Payment to Departed Executive Committee Members in 2022

Claude Dartiguelongue stepped down as President, Capsules & Health Ingredients and Member of the Executive Committee on 31 July 2022. Her departure is treated in accordance with contractual obligations and applicable plan rules.

Stefan Stoffel stepped down as Head, Group Operations and Member of the Executive Committee on 31 August 2022. His departure is treated in accordance with contractual obligations and applicable plan rules.

Rodolfo Savitzky stepped down as Chief Financial Officer and Member of the Executive Committee on 20 November 2021. His departure continues to be treated in accordance with contractual obligations and in line with applicable plan rules.

No other payments (or waiver of claims) were made to former Executive Committee members in 2022.

## Compensation Compared to the Lonza Workforce

Executive Committee members received an average base salary increase of 1.29%. This is in comparison to the wider Lonza workforce who received an average base salary increase of 1.24% as part of the annual salary review in April 2022. As the Executive Committee is primarily Swiss based, the Lonza Workforce reflects regular Swiss employees. Any workforce representation wider than this would not enable a fair comparison due to varying inflation and market levels across the world.



# Compensation of the Board of Directors 2022

## Policy

### Objective and Market Benchmarking

The Board of Directors regularly reviews the compensation of its members, including the Chairperson, based on a proposal by the Nominations and Compensation Committee, including relevant benchmarking information. After eight years of consistent fee levels, a review of Board of Director fees was undertaken in 2022. This review recognized the increasing workload arising from growth at Lonza and after reviewing against the peer group, the Chair fee was increased and separate committee fees were applied per committee. However, the base fee for other board members was not increased.

This review sets the compensation levels at the median of the benchmarking peer group. The benchmarking peer group consists of Swiss companies of various sectors that are comparable in type of business, complexity of operations, size (market capitalization) and global presence to Lonza. The peer group comprises ABB Ltd, Richemont SA, Givaudan SA, Kühne + Nagel AG, Sika AG, Alcon AG, Schindler AG, LaFarge SA, Straumann Holding AG, Swisscom AG, Sonova Holding AG, Geberit AG and SGS SA.

## Structure and Level of Compensation

The Chair of the Board of Directors and its Members receive their compensation as 50% in Lonza Group shares and 50% in cash. This was paid in quarterly installments during the 2022 financial year. The number of shares granted for Board of Directors' compensation is based on the average closing share price of the last five business days of each quarter. Share restrictions lapse after three years from the grant date. Shares are eligible for a dividend. This structure of Board of Directors' compensation is closely aligned with our shareholders' interests. The members of the Board of Directors do not receive variable compensation. The members of the Board of Directors are reimbursed for travel and other related expenses associated with their responsibilities as members of the Board of Directors of Lonza. The position and associated compensation of the Chair of the Board of Directors and its members was approved by shareholders at the 2022 Annual General Meeting (AGM). This reflects an increase in compensation levels and an adjustment to the structure of committee payments as compared to 2021.

### Compensation Components

For the period from the 2022 AGM to the 2023 AGM, the members of the Board of Directors receive fixed gross compensation for Board of Directors' membership and additional compensation for Committee Chairpersons and committee members as described in the table below. The compensation of the Chairperson of the Board of Directors includes compensation as a member of the Innovation and Technology Committee of the Board of Directors. The additional responsibilities of Vice-Chairperson do not attract any additional fees.

## Board of Directors

Compensation Board of Directors Annual General Meeting (AGM) 2022 to 2023 (excluding social security contributions)

In CHF	Base annual fee	Committee membership fee per committee	Committee Chair fee
<b>Chair of the Board of Directors</b> <sup>1</sup>	750,000	-	-
<b>Member of the Board of Directors</b> <sup>2</sup>	200,000	40,000	80,000
The additional responsibilities of Vice-Chairperson and Lead Independent Director <sup>3</sup> do not attract any additional fees			
<b>Form of payout</b>	50% in Lonza Group shares and 50% in cash and paid in quarterly installments		

<sup>1</sup> The compensation of the Chair of the Board of Directors includes compensation as a member of the Innovation and Technology Committee of the Board of Directors

<sup>2</sup> The compensation for a Committee Chairperson amounts to CHF 280,000 where chairing one committee. In the case of multiple committee memberships each attracts a separate fee

<sup>3</sup> The roles and responsibilities of such Lead Independent Director are in line with sect. 18 para. 2 of the Swiss Code of Best Practice for Corporate Governance, requiring adequate control mechanisms, and commensurate to such position

## Implementation

The Board of Directors compensation approved by shareholders reflects the July to June period (12 months) following each AGM. As such, any year-on-year change for this period impacts the financial years within which this period falls. No loans or credits were outstanding as of 31 December 2022. During 2022, no payments (or waiver of claims) were made to current or former Board members nor to persons closely linked to them. No

member of the Board of Directors benefits materially from any contract between a Lonza company and a third party. For a full review of the historical development of compensation for the Board of Directors, see note 23 in the Lonza Group consolidated financial statements. Compensation levels for the 2023 to 2024 AGM period are disclosed in the 2023 AGM invitation.

## Board of Directors Compensation<sup>1</sup>

In CHF	2022					2021				
	Net cash payment	Number of shares	Value of shares <sup>2</sup>	Social security and taxes <sup>3</sup>	Total	Net cash payment	Number of shares	Value of shares <sup>2</sup>	Social security and taxes <sup>3</sup>	Total
Albert M. Baehny <sup>4</sup>	322,479	702	354,605	67,541	744,625	271,629	455	298,901	56,621	627,152
Werner Bauer <sup>5</sup>	31,828	52	34,601	6,344	72,773	127,297	211	138,736	25,407	291,440
Dorothee Deuring <sup>5</sup>	31,063	52	34,601	7,332	72,996	124,235	211	138,736	29,359	292,330
Marion Helmes <sup>6</sup>	48,867	187	88,771	41,133	178,771					
Angelica Kohlmann <sup>7</sup>	133,150	296	149,104	31,435	313,689	106,359	181	118,952	25,295	250,606
Christoph Mäder <sup>7</sup>	137,633	303	153,762	32,425	323,820	124,234	211	138,736	29,359	292,330
Roger Nitsch <sup>6</sup>	79,790	187	88,771	18,930	187,491					
Barbara Richmond <sup>7</sup>	66,759	264	133,909	99,269	299,937	60,231	181	118,952	94,026	273,210
Jürgen Steinemann	65,081	232	118,714	54,919	238,714	65,031	181	118,952	54,969	238,952
Olivier Verscheure	106,370	232	118,714	25,273	250,357	92,630	181	118,952	39,023	250,606
<b>Total</b>	<b>1,203,020</b>	<b>2,507</b>	<b>1,275,552</b>	<b>384,601</b>	<b>2,683,173</b>	<b>971,646</b>	<b>1,812</b>	<b>1,190,920</b>	<b>354,060</b>	<b>2,516,626</b>

<sup>1</sup> Total compensation amounts refer to gross payments, including social security and withholding tax, except where stated otherwise

<sup>2</sup> The fair values were calculated using the average closing share price of the last five business days of each quarter, see note 23 in the Financial Report

<sup>3</sup> The social security amounts disclosed in this column represent the full costs of the employer and employee social security contributions and withholding tax

<sup>4</sup> This compensation includes Albert Baehny's committee membership. Albert Baehny is also a member of the Innovation and Technology Committee.

<sup>5</sup> Werner Bauer and Dorothee Deuring did not stand for re-election at the 2022 AGM

<sup>6</sup> Marion Helmes and Roger Nitsch were appointed to the Board of Directors at the 2022 AGM

<sup>7</sup> Angelica Kohlmann, Christoph Mäder and Barbara Richmond are Chairpersons of a Board of Directors' Committee

# Share Ownership of the Members of the Board of Directors and the Executive Committee

## Board of Directors

Based on information available to Lonza, the members of the Board of Directors and parties closely associated with them held, as of 31 December 2022: 23,077 (2021: 48,159)<sup>1</sup> registered shares of Lonza Group Ltd and controlled <0.1% (2021: <0.1%) of the share capital.

## Executive Committee

The members of the Executive Committee and parties closely associated with them held, as of 31 December 2022: 7,507 (2021: 4,660)<sup>1</sup> shares and controlled <0.1% (2021: <0.1%) of the share capital. The individual control rights are proportional to the holdings shown below.

None of the members of the Board of Directors or Executive Committee owns shares in the Group's subsidiaries or associates.

### Board of Directors<sup>1</sup>

	Numbers of shares	
	2022	2021
Albert M. Baehny	4,857	4,262
Werner Bauer <sup>2</sup>	n/a	26,712
Angelica Kohlmann	1,313	1,065
Christoph Mäder	3,959	3,697
Barbara Richmond	3,884	3,657
Jürgen Steinemann	7,549	7,343
Olivier Verscheure	1,271	1,065
Dorothee Deuring <sup>2</sup>	n/a	358
Roger Nitsch <sup>3</sup>	122	n/a
Marion Helmes <sup>3</sup>	122	n/a
<b>Total</b>	<b>23,077</b>	<b>48,159</b>

<sup>1</sup> Spouse, children below 18, any legal entities that they own or otherwise control, or any legal or natural person who is acting as their fiduciary

<sup>2</sup> Werner Bauer and Dorothee Deuring did not stand for re-election at the 2022 AGM

<sup>3</sup> Marion Helmes and Roger Nitsch were appointed to the Board of Directors at the 2022 AGM

### Executive Committee<sup>1,2</sup>

	Numbers of shares	
	2022	2021
Pierre-Alain Ruffieux	2,963	0
Stefan Stoffel <sup>3</sup>	n/a	3,500
Caroline Barth	871	445
Claude Dartiguelongue <sup>4</sup>	n/a	0
Gordon Bates <sup>5</sup>	1,770	606
Jean-Christophe Hyvert <sup>5</sup>	1,903	109
Philippe Deecke <sup>6</sup>	0	0
Christian Seufert <sup>7</sup>	0	n/a
Maria Soler Nunez <sup>8</sup>	0	n/a
Daniel Palmacci <sup>9</sup>	0	n/a
<b>Total</b>	<b>7,507</b>	<b>4,660</b>

<sup>1</sup> Spouse, children below 18, any legal entities that they own or otherwise control, or any legal or natural person who is acting as their fiduciary

<sup>2</sup> All active Executive Committee members, with the exception of one member (who has met the requirement), are developing their shareholding in line with the shareholding guidelines

<sup>3</sup> Stepped down from the Executive Committee on 31 August 2022

<sup>4</sup> Stepped down from the Executive Committee on 31 July 2022

<sup>5</sup> Appointed to the Executive Committee on 1 April 2021

<sup>6</sup> Appointed to the Executive Committee on 1 December 2021

<sup>7</sup> Appointed to the Executive Committee on 1 July 2022

<sup>8</sup> Appointed to the Executive Committee on 1 August 2022

<sup>9</sup> Appointed to the Executive Committee on 1 November 2022



# Report of the Statutory Auditor

To the General Meeting of Lonza Group Ltd, Basel

## Report on the Audit of the Remuneration Report

### Opinion

We have audited the accompanying remuneration report of Lonza Group Ltd for the year ended 31 December 2022. The audit was limited to the information according to articles 14 – 16 of the Ordinance against Excessive compensation in Stock Exchange Listed Companies (Ordinance) contained in the sections “Highest Compensation Paid to a Member of the Executive Committee”, “Aggregate Compensation of the Executive Committee”, “Payment to Departed Executive Committee Members in 2022” and “Compensation of the Board of Directors 2022 - Implementation” of the remuneration report.

In our opinion, the information on remuneration, loans and advances in the attached Remuneration Report complies with Swiss law and Art. 14-16 VegÜV.

### Basis for Opinion

We conducted our audit in accordance with Swiss law and Swiss Standards on Auditing (SA-CH). Our responsibilities under those provisions and standards are further described in the “Auditor’s Responsibilities for the Audit of the Remuneration Report” section of our report. We are independent of the Company in accordance with the provisions of Swiss law and the requirements of the Swiss audit profession, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Other Information

The Board of Directors is responsible for the other information. The other information comprises the information included in the annual report but does not include the sections “Highest Compensation Paid to a Member of the Executive Committee”, “Aggregate Compensation of the Executive Committee”, “Payment to Departed Executive Committee Members in 2022” and “Compensation of the Board of Directors 2022 - Implementation” in the Remuneration Report, the consolidated financial statements, the financial statements and our auditor’s reports thereon.

Our opinion on the Remuneration Report does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the Remuneration Report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the audited financial information in the Remuneration Report or our knowledge obtained in the audit or otherwise appears to be materially misstated.



If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

#### **Board of Directors' Responsibilities for the Remuneration Report**

The Board of Directors is responsible for the preparation of a Remuneration Report in accordance with the provisions of Swiss law and the Company's articles of incorporation, and for such internal control as the Board of Directors determines is necessary to enable the preparation of a Remuneration Report that is free from material misstatement, whether due to fraud or error. The Board of Directors is also responsible for designing the remuneration system and defining individual remuneration packages.

#### **Auditor's Responsibilities for the Audit of the Remuneration Report**

Our objectives are to obtain reasonable assurance about whether the information on remuneration, loans and advances pursuant to Art. 14-16 VegüV is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Swiss law and SA-CH will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this Remuneration Report.

As part of an audit in accordance with Swiss law and SA-CH, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement in the Remuneration Report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made.

We communicate with the Board of Directors or its relevant committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.





We also provide the Board of Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

KPMG AG

A handwritten signature in blue ink, appearing to read 'J. Krapp'.

Florin Janine Krapp  
Licensed Audit Expert  
Auditor in Charge

A handwritten signature in blue ink, appearing to read 'T. Scott'.

Timothy Scott  
Licensed Audit Expert

Zurich, 8 March 2023

# Legal Disclaimer

## Forward-Looking Statements

Forward-looking statements contained in this publication 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 2023 and Mid-Term Guidance 2024 herein may not prove to be correct. The statements in the section on Outlook 2023 and Mid-Term Guidance 2024 constitute forward-looking statements and are not guarantees of future financial performance.

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