

# Invitation to the Annual General Meeting 2018 of Lonza Group Ltd

Ladies and Gentlemen

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

Friday, 4 May 2018, at 10:00 am CEST (doors open at 9:00 am CEST)  
at the Congress Center Messe Basel,  
Messeplatz 21, 4058 Basel, Switzerland

## Agenda

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

The Board of Directors **proposes** the approval of the Annual Report, the Consolidated Financial Statements and the Financial Statements of Lonza for the financial year 2017.

### 2. Consultative Vote on the Remuneration Report

The Board of Directors **proposes** the approval of the Remuneration Report 2017 (consultative vote).

#### Explanation:

The Remuneration Report 2017 is included in the Lonza Annual Report 2017 ([annualreport.lonza.com/2017/remuneration](http://annualreport.lonza.com/2017/remuneration)). It provides information on the compensation system and the remuneration paid to the Board of Directors and the Executive Committee for the financial year 2017. The Board of Directors has decided, in accordance with the Swiss Code of Best Practice for Corporate Governance, to submit the Remuneration Report to shareholders for a separate consultative vote in addition to the binding approvals of compensation under agenda items 8 and 9.

The purpose of the Remuneration Report is to inform shareholders about the Board of Directors and Executive Committee compensation systems, policies and practices, as well as the compensation paid to the respective bodies. Lonza is committed to a high degree of transparency. Lonza is further committed to disclose in the Remuneration Report the targets and achievements (e.g. CORE<sup>1</sup>) at the end of each performance period for the annual Short-Term Incentive Plan (STIP; [annualreport.lonza.com/2017/remuneration](http://annualreport.lonza.com/2017/remuneration))

<sup>1</sup> For the definition of "CORE" results, please refer to Financial Highlights of Company Section of the Annual Report 2017. The concept of "CORE" results has been applied consistently in all Lonza financial reports since 2013 and in the guidance provided to the market.

as well as the three-year Long-Term Incentive Plan (LTIP; [annualreport.lonza.com/2017/remuneration](http://annualreport.lonza.com/2017/remuneration)). The criteria for both plans are linked to key financial metrics. Any prior disclosure would provide insights to confidential and strategic considerations that could threaten the competitive advantage of Lonza. Through this approach Lonza aims to protect the interests of the company and its shareholders by only disclosing respective targets after the completion of a plan period.

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

The Board of Directors **proposes** that the members of the Board of Directors and the Executive Committee be granted discharge for the financial year 2017.

### 4. Appropriation of Available Earnings / Reserves from Capital Contribution

#### Proposal of the Board of Directors:

Balance Sheet Profit		
Available earnings brought forward <sup>2</sup>	CHF	1 603 898 183
Loss for the year <sup>3</sup>	CHF	(30 612 535)
<b>Available earnings at the disposal of the Annual General Meeting</b>	<b>CHF</b>	<b>1 573 285 648</b>
Allocation to general legal retained earnings	CHF	(10 774 306)
<b>Available earnings carry-forward</b>	<b>CHF</b>	<b>1 562 511 342</b>

Reserve Capital Contributions		
Legal capital reserves qualified as reserves from capital contributions	CHF	3 086 833 393
<b>Reserves from capital contribution</b>	<b>CHF</b>	<b>3 086 833 393</b>
Payment of a dividend [out of reserves from capital contributions] of CHF 2.75 [2016: CHF 2.75] per share on the share capital eligible for dividend of CHF 74,242,832 <sup>4</sup> [2016: CHF 57,290,140]	CHF	(204 167 788)
<b>Available reserves from capital contribution carry-forward</b>	<b>CHF</b>	<b>2 882 665 605</b>

#### Explanation:

If the above proposal for appropriation of available earnings and distribution of reserves from capital contribution is approved, the dividend of CHF 2.75/share (as repayment from reserves from capital contribution) will be paid without deduction of Swiss withholding tax in accordance with Art. 5 para. 1bis of the Federal Law on Withholding Tax. The last trading day with entitlement to receive the dividend is 7 May 2018. As from 8 May 2018 (ex-date), the shares are traded ex-dividend. The dividend will be payable from 11 May 2018.

<sup>2</sup> Includes the gain of sale of treasury shares of CHF 1,849,566 and the liquidation loss from Lonza Finance Limited, Jersey, of CHF 81,846,923.

<sup>3</sup> Loss in the Lonza Group Ltd financial statement 2017 mainly due to one-time costs related to the Capsugel acquisition.

<sup>4</sup> Depending on the amount of share capital eligible for dividend on the record date of 9 May 2018. No dividend will be paid out on shares held by the company.

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

All members of the Board of Directors except for Rolf Soiron and Jean-Daniel Gerber will stand for re-election.

### 5.1 Re-Elections to the Board of Directors

The Board of Directors **proposes** the re-election of the following individuals to the Board of Directors each for a further one-year term until completion of the Annual General Meeting 2019:

- a) Patrick Aebischer,
- b) Werner Bauer,
- c) Albert M. Baehny,
- d) Christoph Mäder,
- e) Barbara Richmond,
- f) Margot Scheltema,
- g) Jürgen Steinemann, and
- h) Antonio Trius.

#### Explanation:

Re-elections will be held individually. Detailed biographical data of the candidates for re-election can be found on [www.lonza.com/board](http://www.lonza.com/board) or in the Corporate Governance Report.

### 5.2 Election to the Board of Directors

The Board of Directors **proposes** the election of the following individuals to the Board of Directors each for a one-year term until completion of the Annual General Meeting 2019:

- a) Angelica Kohlmann, and
- b) Olivier Verscheure.

#### Explanation:

Angelica Kohlmann is a German-Brazilian entrepreneur, investor and medical doctor. Her broad experience of more than 25 years in the fields of pharmaceuticals and biotech, tech and big data, management and international business – including the launch of several companies – will be valuable to Lonza. Angelica Kohlmann holds an MD and a Doctoral degree from Hamburg University (DE). She is Chairperson and CEO of the family-holding Kohlmann & Co AG, Chairman of Flowerkid AG, Chairman of the Advisory Board of the Global Peter Drucker Forum, Vienna (AT), Member of the Board of Directors of Teralytics AG, Member of the Advisory Board of UBS Unique (Global) and Member of the International Advisory Board IE Business School, Madrid (ES).

In May 2016 Olivier Verscheure became the Executive Director of the Swiss Data Science Center, a national R&D center hosted by both the Swiss Federal Institute of Technology (EPFL) in Lausanne (CH) and the Eidgenössische Technische Hochschule (ETH) in Zurich (CH). Together with his prior professional career at the IBM T. J. Watson Research Center in New York (USA) and the IBM Research Lab in Ireland, he brings to Lonza extensive insights into the rapidly changing digital world and its latest developments. He received his Ph.D. degree in computer science from EPFL in 1999.

### 5.3 Election of the Chairperson of the Board of Directors

The Board of Directors **proposes** the election of Albert M. Baehny as Chairperson of the Board of Directors for a one-year term until completion of the Annual General Meeting 2019.

**Explanation:**

According to Article 16 of Lonza's Articles of Association, the General Meeting shall elect the Chairperson of the Board of Directors for a one-year term of office until completion of the next Annual General Meeting. The Board of Directors proposes that Albert M. Baehny succeed Rolf Soiron as Chairperson following the intention communicated at the Annual General Meeting 2017.

### 5.4 Re-Elections to the Nomination and Compensation Committee

The Board of Directors **proposes** the re-election of the following individuals to the Nomination and Compensation Committee each for a further one-year term until completion of the Annual General Meeting 2019:

- a) Christoph Mäder, and
- b) Jürgen Steinemann.

**Explanation:**

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

The Board of Directors intends to appoint Christoph Mäder as Chairperson of the Nomination and Compensation Committee to succeed Jean-Daniel Gerber who decided not to stand for re-election.

### 5.5 Election to the Nomination and Compensation Committee

The Board of Directors **proposes** the election of Angelica Kohlmann to the Nomination and Compensation Committee for a one-year term until completion of the Annual General Meeting 2019.

## 6. Re-Election of the Auditors

The Board of Directors **proposes** the re-election of KPMG Ltd, Zurich (CH), as auditors for the financial year 2018.

## 7. Re-Election of the Independent Proxy

The Board of Directors **proposes** the re-election of Daniel Plüss as the independent proxy for a one-year term until completion of the Annual General Meeting 2019.

**Explanation:**

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

Daniel Plüss, born 1968, is an attorney-at-law and a partner of the law firm ThomannFischer in Basel (CH). He graduated from the University of Zurich (CH) and holds an LL.M. degree from the University of Bern (CH).

## 8. Compensation of the Board of Directors

The Board of Directors proposes the approval of the maximum aggregate amount of compensation of the Board of Directors for the period from the Annual General Meeting 2018 to the Annual General Meeting 2019 of up to CHF 3,110,000.

### **Explanation:**

#### *Why this approval?*

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

#### *How is the proposed maximum amount calculated?*

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

- Gross fixed compensation of CHF 2,880,000, based on the gross Board membership fees (CHF 200,000 per Director), the Chairpersonship fee (CHF 600,000), the Committee membership fees (CHF 40,000 per member) and the Committee chair fees (CHF 80,000 per chairpersonship) for ten Board members proposed for election or re-election under agenda items 5.1 and 5.2 above. Contrary to last year, the Vice Chairperson will not receive any additional fees for this function. The Board compensation will be paid in four installments, 50% in cash and 50% in shares. The number of shares will be defined on the average closing share price of the last five trading days of each quarter, the first time at the end of June 2018. Those shares are blocked for a period of three years and are eligible for dividend. For further details on the Board compensation, please refer to the Lonza Remuneration Report 2017 ([annualreport.lonza.com/2017/remuneration](http://annualreport.lonza.com/2017/remuneration)).
- Mandatory employer contributions to social security of approximately CHF 130,000.
- A reserve of CHF 100,000 for unforeseen events has been included in the proposed maximum amount. The Board of Directors will only make use of this reserve amount in exceptional circumstances (e.g. possible changes in social security contributions).

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

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

Compared with the budget approved by the shareholders at the Annual General Meeting 2017 for the previous reference period (Annual General Meeting 2017 to Annual General Meeting 2018), the maximum amount proposed represents a potential increase of 3.5%. The main reasons are the increase of the fee for the Chairperson of the Board of Directors due to the overall growth of Lonza during 2016 and 2017 (e.g. acquisition of Capsugel) and the consecutive increase in complexity and obligations of the role and to the inclusion of Lonza in the Swiss Market Index (SMI), as well as to ensure competitiveness of the Chairpersonship fee versus market. Lonza last adjusted Board of Director fees in 2014 (incl. Chairpersonship fee). For all other members of the Board of Directors, fees will remain unchanged with the exception of the Vice Chairperson who will no longer receive additional fees ([annualreport.lonza.com/2017/remuneration](http://annualreport.lonza.com/2017/remuneration)).

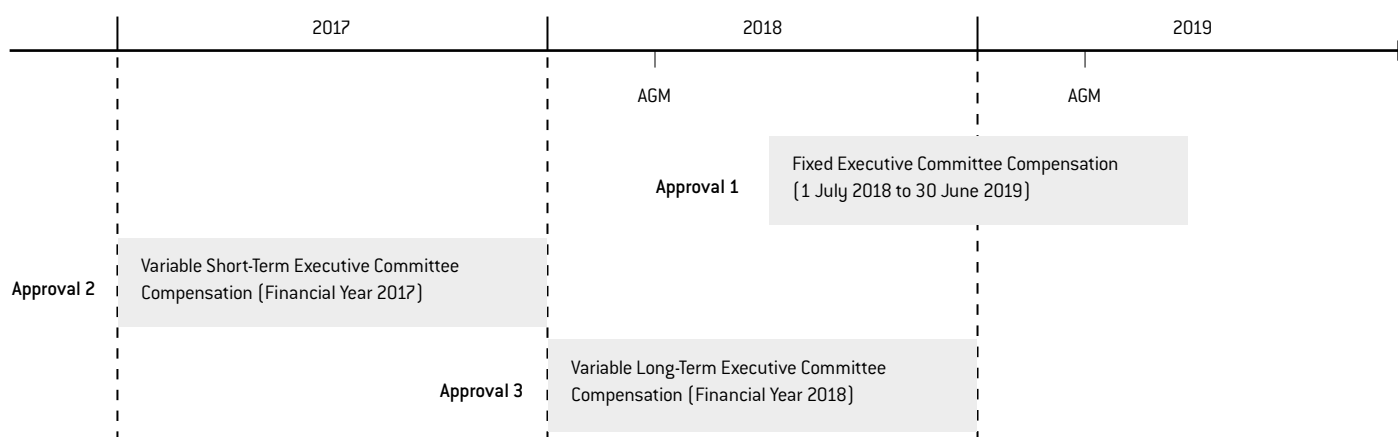
#### *Will the effective pay-out be disclosed?*

The actual pay-out to the members of the Board of Directors for the term of office from the Annual General Meeting 2018 to the Annual General Meeting 2019 will be disclosed in the Remuneration Reports 2018 and 2019. Please note, the Board compensation disclosed in the Remuneration Report reflects the total amount of the full year (January to December) of the applicable year, while the Annual General Meeting budget request reflects the period between Annual General Meetings (May to May).

## 9. Compensation of the Executive Committee

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

1. The first approval relates to the maximum **fixed compensation** of the members of the Executive Committee for the period from 1 July 2018 to 30 June 2019 (prospective budget approval).
2. The second approval relates to the **variable short-term compensation** to be paid to the members of the Executive Committee under the company's Short-Term Incentive Plan (STIP) for the financial year 2017 (retrospective approval).
3. The third approval relates to the maximum **variable long-term compensation** granted to the members of the Executive Committee under the company's Long-Term Incentive Plan (LTIP) for the financial year 2018 (prospective budget approval).



### Key Performance Indicators of Lonza and Compensation of EC Members

The table below provides an overview of published key performance indicators, as well as relevant organizational changes (e.g. number of full-time equivalents) and total compensation developments in relation to the sustained company performance.

Since 2013 Executive Committee compensation has increased less than the overall company performance. While total compensation of the Executive Committee has been aligned with relevant peer group compensation, the table below illustrates that the compensation increase of the Executive Committee is still moderate compared to the overall company performance over the last years.

Year	2012	2013	2014	2015	2016	2017 <sup>1</sup>		
							Compared to 2016 in %	Compared to 2012 in %
Sales in Mio CHF	3,741	3,584	3,640	3,803	4,132	5,105	23.5%	36.5%
CORE EBIT in Mio CHF	392.0	436.0	475.0	524.0	651.0	958.0	47.2%	144.4%
CORE EPS basic in CHF	4.81	4.99	6.79	6.81	7.81	11.84	51.6%	146.2%
CORE RONOA in %	11.0%	12.3%	14.3%	16.4%	21.5%	29.1%	35.3%	164.5%
Employees in FTE	10,248	9,935	9,809	9,829	10,130	14,618	44%	35.5%
Share Price 31.12. in CHF	49.36	84.60	112.20	163.10	176.30	263.30	49.3%	433.4%
Total Comp EC Mio CHF <sup>2</sup>	10,248	8,221	7,955	11,034	11,116	13,970	25.7%	36.3%
Number of EC Members (average; includes departures and joiners in course of year)	8.1	5.3	5.0	5.0	4.0	4.9	22.9%	-39.2%
Total Comp EC in % of CORE EBIT	2.61%	1.89%	1.67%	2.11%	1.71%	1.46%	-14.6%	-44.2%
Total Comp EC in % of CORE EBIT per Capita	0.40%	0.61%	0.38%	0.52%	0.57%	0.39%	-31.2%	-2.1%

<sup>1</sup> Including Capusgel from 5 July 2017.

<sup>2</sup> The values are calculated by excluding any Severance Payments, applying actual STIP achievement and LTIP value at target.

The Board of Directors proposes to the 2018 AGM compensation changes for the Executive Committee as outlined below. The fixed compensation for 2018 will furthermore be frozen for the next three years, and incentive plans will be combined with strengthened clawback provisions for the variable compensation and increased minimum shareholding requirements. This compensation structure will strengthen the alignment with Lonza's long-term strategy, as well as ensure focus on shareholder interests.

## 9.1 Maximum Aggregate Amount of Fixed Compensation of the Executive Committee

The Board of Directors **proposes** the approval of the maximum aggregate amount of fixed compensation of the Executive Committee for the period from 1 July 2018 to 30 June 2019 of up to CHF 5,526,000.

### Explanation:

#### *Why this approval?*

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

#### *How is the proposed maximum amount calculated?*

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

- Gross base salaries of the five current EC members of CHF 3,900,000 as of 1 July 2018.
- Total employer contributions to social security and pension fund of CHF 914,300.
- Other benefits (such as car allowance, tuition fees, etc.) of CHF 361,700.
- A reserve of CHF 350,000 for unforeseen events has been included in the proposed maximum amount. The Board will only make use of the reserve amount in exceptional circumstances (e.g. possible changes in social security contributions, new allocation of responsibilities among existing EC members, etc.)

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

Compared with the budget approved by the shareholders at the Annual General Meeting 2017 (CHF 4,972,800) for the previous reference period (1 July 2017 to 30 June 2018), the proposed aggregate maximum amount represents a potential increase of 11.1%. The main reasons for this increase are the following:

- the organic and inorganic growth of Lonza over the last two years, in combination with sustained increasing performance for 2017;
- the transformative acquisition and integration of Capsugel, in addition to several bolt-on acquisitions, has resulted in a 44% increase in workforce, a 32% increase in major manufacturing and R&D sites spanning over three continents (Americas, EMEA and APAC);
- In 2017 Lonza has delivered a 23.5% sales increase and a 47.2% CORE EBIT increase versus 2016 (combined full-year Lonza and Capsugel as of 5 July 2017);
- All EC members have expanded responsibilities, EC members that have recently joined demonstrated solid performance and achievements;
- Greater recognition, reputation and publicity for Lonza – also given Lonza's inclusion in the Swiss Market Index (SMI) – and its EC members for turn-around capabilities and sustained performance delivery;
- Through extensive shareholder and investor dialogues, the importance of a continuity of strategic direction and leadership was noted. Nevertheless, the Board proposes to freeze salaries for three years after this proposed increase in July 2018 (except in case of promotion or substantive business expansion where an increase may be considered and proposed by the Board of Directors to shareholders at an AGM)

*Will the effective pay-out be disclosed?*

The actual fixed compensation pay-out to the EC members for the period from 1 July 2018 until 30 June 2019 will be disclosed in the Remuneration Report 2018 and in the Remuneration Report 2019.

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

The Board of Directors **proposes** the approval of the aggregate amount of variable short-term compensation under the Short-Term Incentive Plan (STIP) of the Executive Committee for the financial year 2017 in the amount of CHF 6,109,900.

### Explanation:

*Why this approval?*

This approval is a retrospective, binding vote according to Article 22 para. 1 letter c) of Lonza's Articles of Association. It allows shareholders to approve the aggregate variable short-term compensation of the Executive Committee. This retrospective vote on the variable short-term compensation of the Executive Committee for the financial year 2017 provides for optimal accountability toward the shareholders and fully implements the notion of "say on pay."

*How is the proposed amount calculated?*

This amount results from the addition of the following components:

- Cash-STIP of CHF 4,458,400.
- Shares-STIP of CHF 1,238,400 for those members not yet fulfilling the minimum shareholding requirement.
- Total employer contributions to social security and pension fund of CHF 413,100<sup>5</sup>.

For more details on the proposed STIP pay-out (including targeted % of base salary, performance metrics, achievement and the link between pay and performance), please refer to Section 4.6 of the Lonza Remuneration Report 2017.

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

Compared with the STIP for the financial year 2016<sup>6</sup>, the proposed STIP amount for the financial year 2017 represents an increase of 42.0%. This increase results primarily from the record-breaking performance in 2017. The sustained increase in performance is benefiting from the measurable progress that our teams under the leadership of CEO and EC Members continue to make by effectively implementing strategic and transformational initiatives. In addition, the increase of STIP pay-out is also a result of the increase in EC Members from 4 to 5 during the reporting year of 2017 (Fridtjof Helemann was named an EC member in February 2017).

*Will the effective pay-out be disclosed?*

The proposed amount corresponds to the effective pay-out (subject to approval by the Annual General Meeting 2018) as disclosed in the Lonza Remuneration Report 2017.

<sup>5</sup> This amount is included in the "post-employment benefits" in the table in Section 4.3 of the Lonza Remuneration Report 2017.

<sup>6</sup> The STIP 2016 amounted to CHF 4,303,800. See Section 4.3 of the Lonza Remuneration Report 2017 under "Aggregate Compensation of the Executive Committee."



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

The Board of Directors **proposes** the approval of the maximum aggregate amount of variable long-term compensation under the Long-Term Incentive Plan of the company (LTIP) of the Executive Committee for the financial year 2018 of up to CHF 10,302,300.

#### Explanation:

##### *Why this approval?*

This approval is a binding vote according to Article 22 para. 1 letter d) of Lonza's Articles of Association. It allows shareholders to approve the aggregate maximum variable long-term compensation of the Executive Committee (EC) under the LTIP for the current financial year. The LTIP 2018 is an equity-based plan under which equity awards are granted to EC members in 2018. Those equity awards will only vest after a 3-year vesting period if the predetermined performance metrics are fully or partially met as of year-end 2020. If the performance metrics are not met, no LTIP equity award will vest.

##### *How is the proposed maximum amount calculated?*

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

- Maximum value under the LTIP 2018 is CHF 9,800,000, assuming 200% maximum target achievement (corresponding to 200% of the aggregate base salary of the EC members in January 2018). The value of the LTIP 2018 at target (100%) would amount to CHF 4,900,000. The number of LTIP equity awards to be granted is calculated according to the closing share price as of the last trading day of January 2018 (31 January 2018, CHF 258.90). The LTIP targeted percentage of the base salary of each EC member is 125% and the CEO 150%. At the vesting date three years from grant, the CEO and EC members may receive between 0% and 200% of the number of equity awards granted depending on the achievement of predetermined performance metrics (CORE EPS and ROIC during the performance period, each weighted at 50%). For transparency reasons Lonza has decided to use for the proposed amount under this agenda item 9.3 the maximum vesting at 200% at market value, i.e. a maximum compensation of CHF 9,800,000.
- Estimated maximum total employer contributions to social security of CHF 502,300 were calculated at grant date at maximum vesting of 200%.

##### *Why CORE EPS and ROIC?*

Based on feedback from our investors, CORE Earnings Per Share (CORE EPS) and new Return on Invested Capital (ROIC) were defined in 2018 as LTIP targets to serve as the most appropriate indicators of Lonza's strategic success. With the pay-out value directly linked to these key financial metrics, these two measures focus the EC members and senior management on long-term targets and further align Lonza's financial performance with the investor's valuation and interests of Lonza. The value of the LTIP will be ultimately driven by the share price at the time of pay-out, further linking the LTIP to the interests of the shareholders.

*What are the predetermined performance metrics?*

For CORE EPS:

- The minimum threshold to be reached at year-end 2020 is determined by the Nomination and Compensation Committee and is approved by the Board of Directors at a higher level than the CORE EPS basic achieved on 31 December 2017, which was CHF 11.84 (considering the average number of shares in 2017)<sup>7</sup>. If this minimum threshold is not reached at year-end 2020, the pay-out will be 0. If this threshold is reached, 50% of the equity awards granted under the CORE EPS vesting condition will vest.
- CORE EPS is an internal, sensitive financial target. For competitive and ad hoc publicity reasons, Lonza does not disclose at this stage the absolute CORE EPS target at year-end 2020. The target was recommended by the Nomination and Compensation Committee and approved by the Board of Directors on 7 March 2018 to approximate the CORE EPS required to meet Lonza's challenging strategic goals and support Lonza's mid-term plan. If the target is reached, 100% of the equity awards granted under the CORE EPS vesting condition will vest. In the event that the maximum defined target level were to be achieved, 200% of the equity awards granted under the CORE EPS vesting conditions will vest.
- The threshold was determined to approximate 109% of the CORE EPS of the threshold set for the performance target for the LTIP 2017 – 2019. If such a level of CORE EPS is reached, 50% of the equity awards granted under the CORE EPS vesting conditions will vest.
- The maximum was determined to be above the prorated 2022 Mid-Term Guidance and is double digit above the threshold.

For Return on Invested Capital (ROIC):

- Following extensive consultations during the fall of 2017, investors have voiced their desire to replace CORE RONOA, return on net operating assets, with another return measure as long-term performance indicator. This change is driven mainly by Lonza's acquisitive strategy over the last years.
- ROIC, return on invested capital, is defined as adjusted operating profit divided by invested capital. This measures the return the company generates on its investments both organic (e.g. capital projects such as IBEX® Solutions in Visp) and inorganic (e.g. goodwill and intangibles from acquisitions). The measure is a reflection of the results from decisions taken by EC members and senior management over the course of the LTIP plan period.
- The minimum threshold to be reached at year-end 2020 is determined by the Nomination and Compensation Committee and is approved by the Board of Directors at a higher level than at year-end 2017.
- If the minimum threshold is not reached, 0% of the equity awards granted under the ROIC vesting conditions will vest. In the event that the maximum defined target level were to be achieved, 200% of the equity awards granted under the ROIC vesting conditions will vest.

<sup>7</sup> The 2017 CORE EPS benefits from an exceptionally low tax rate of 6.8%. Additionally, it does not reflect the full-year effect of the share increases or the full year impact of the Capsugel acquisition.

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

Compared with the maximum budget approved by the shareholders at the Annual General Meeting 2017 (CHF 6,804,000) for the financial year 2017, the proposed maximum LTIP amount for the financial year 2018 represents a potential maximum increase of 51.4%. The main reasons for this increase are the following:

- Increase of base salary and the increase of percentage targets for the CEO from 100% to 150% and for the EC members from 100% to 125% following the organic and inorganic growth of Lonza over the last two years (see item 9.1 for full rationale).
- As mentioned, in order to reflect the present organizational size, transformed structure and strategic direction in particular to align with the 2022 Mid-Term Guidance of Lonza.
- The desire of the Board of Directors to further strengthen the long-term alignment of company and shareholder interests and balance risk and reward following the enhancement of the **clawback provisions** to cover instances of misconduct, material misstatement of performance and error in calculation of performance, and the increase in **minimum shareholding requirements** for the CEO and EC members (from 2 times to 3 times base salary for CEO and from 1 time to 2 times for EC members).

A potential vesting of 200% of the LTIP equity awards granted would require the achievement at the year-end 2020 of CORE EPS and ROIC at challenging levels versus our 2022 Mid-Term Guidance (pro rata). As shown in the past, Lonza has consistently set challenging LTIP targets in application of the pay-for-performance principle. Targets and target achievement will be fully disclosed in the remuneration report 2020.

*Will the effective pay-out be disclosed?*

The details of the actual equity award grants will be disclosed in the Remuneration Report 2018. The actual vesting level of the equity award grants and the absolute LTIP targets for the LTIP 2018 will be disclosed in the Remuneration Report 2020. Lonza is committed to submit the Remuneration Report 2020 to a consultative vote at the Annual General Meeting 2021. Shareholders will thus have the opportunity to vote on the effective vesting level under the LTIP 2018 and the absolute LTIP targets for the LTIP 2018.

# Documentation and Attendance Procedures

## Documentation

The Annual Report 2017, which includes the Remuneration Report, is available as of today at the company's head office at Muenchensteinerstrasse 38, 4002 Basel, Switzerland. In addition, shareholders may consult the online Annual Report 2017 following the link: [annualreport.lonza.com/2017](http://annualreport.lonza.com/2017) or through the Investorportal platform (see explanations below). Please note that the Annual Report 2017 is available only in English.

## Registration and Admission Ticket

Shareholders entered into the share register, with the right to vote, by **20 April 2018, 5:00 pm (CEST)**, are entitled to participate in the Annual General Meeting 2018. Shareholders who have sold their shares prior to the Annual General Meeting 2018 are no longer entitled to vote. Shareholders who intend to personally attend the Annual General Meeting 2018 are kindly asked to return the enclosed order form or use the Investorportal platform for the admission ticket and voting material. Admission ticket and voting material will be mailed **from 6 April 2018**.

## Power of Attorney

If you cannot attend our Annual General Meeting 2018 in person, you may arrange (by using the enclosed order form and power of attorney) to be represented by:

- a) your legal representative or another shareholder entitled to vote; or
- b) the current independent proxy, Daniel Plüss, LL.M., Attorney-at-Law, c/o ThomannFischer, Elisabethenstrasse 30, P.O. Box 632, CH-4010 Basel, Switzerland. In this case, you are requested to send your written instructions regarding votes and elections to Daniel Plüss or use the Investorportal platform.

## Deadline for Filled Order Form and Power of Attorney

Please note that the order form and power of attorney must be in the hands of Daniel Plüss by **2 May 2018, 5:00 pm (CEST)**, at the latest.

## Use of Investorportal Platform

Shareholders may use the Investorportal online platform. By using the Investorportal online platform, shareholders may electronically order their ticket of admission, order documentation or give their voting instructions to the independent proxy. To open an Investorportal account, please refer to the separate Investorportal explanations attached. Electronic issuing of instructions to the independent proxy is possible until **2 May 2018, 5:00 pm (CEST)**.

## Language

The Annual General Meeting will be held in German with simultaneous translation into English.

Basel, 22 March 2018

On behalf of the Board of Directors

The Chairperson

**Rolf Soiron**

# Annexes

- Curriculum Vitae of Angelica Kohlmann and Olivier Verscheure

# Curriculum Vitae

## Angelica Kohlmann

Angelica Kohlmann, a German-Brazilian citizen, holds an MD and doctorate in medicine from Hamburg University.



### Current Functions

- Member Advisory Board UBS Unique (global, since 2017)
- Member International Advisory Board IE University and Business School, Madrid (since 2017)
- Chairman Board of Directors, Flowerkid AG (Diagnostics and Cancer Therapeutics, since 2014)
- Chairman Board of Directors Kohlmann & Co AG (since 2013)
- International investor in biotech and tech, based in Switzerland (since 2014)
- Board Observer Teralytics AG (since 2017)
- Chairman Advisory Board Peter Drucker Society Europe/Global Peter Drucker Forum, Vienna (since 2009)

### Former Activities and Functions

- Director Trinnacle Master Fund Ltd. (2016–2017)
- Member Board of Directors Teralytics AG (2013–2016)
- Founder & CEO Ifitech GmbH, Germany (2010–2017)
- International investor in biotech and tech, based in Germany (2000–2013)
- International consultant for strategy, management, investments and restructuring (1992–1999)
- Head global restructuring Behringwerke AG, Germany (1990–1992)
- Member Board Staff Hoechst AG, Germany (1988–1990)
- International Marketing Group Leader at Behringwerke AG (1986–1988)
- MD Anderson Cancer Center, Houston and Memorial Sloan Kettering Cancer Center, New York, USA – various cancer research functions



## Olivier Verscheure

Olivier Verscheure holds a Ph.D. degree in computer science from the Swiss Federal Institute of Technology, Lausanne (EPFL, July 1999)

### Current Functions

- Executive Director of the Swiss Data Science Center, a joint venture between EPFL and ETH Zurich (since May 2016)
- Member of the Executive Committee of the Personalized Health and Related Technologies (PHRT), an ETH Domain Strategic Focus Area (since January 2017)
- Co-academic Director, Certificate of Advanced Studies (CAS), Data Science and Management, HEC Lausanne and EPFL (since March 2018)

### Former Activities and Functions

- Lab Program Director and Senior Research Manager at IBM Research Ireland (August 2010–May 2016)
- Research Manager and Senior Member of the Research Staff at the IBM T.J. Watson Research Center (July 1999–August 2010)



