

Lonza – UN Global Compact Communication on Progress 2019



COMMUNICATION ON
PROGRESS

This is our **Communication on Progress** in implementing the principles of the **United Nations Global Compact** and supporting broader UN goals.

We welcome feedback on its contents.

About Lonza

At Lonza, we combine technological innovation with world class manufacturing and process excellence. Together, these enable our customers to deliver their discoveries in the healthcare, preservation and protection sectors.

We are a preferred global partner to the pharmaceutical, biotech and specialty ingredients markets. We work to prevent illness and promote a healthier world by enabling our customers to deliver innovative medicines that help treat or even cure a wide range of diseases. We also offer a broad range of microbial control solutions, which help to create and maintain a healthy environment.

Founded in 1897 in the Swiss Alps, Lonza today operates in 120 sites and offices in more than 35 countries. With approximately 15,500 full-time employees, we are built from high-performing teams and individual employees who make a meaningful difference to our own business, as well as the communities in which we operate. The company generated sales of CHF 5.9 billion in 2019 with a CORE EBITDA of CHF 1.6 billion. Find out more at www.lonza.com and follow us on Twitter @LonzaGroup or Facebook @LonzaGroupAG.

Statement of Continued Support from Albert Baehny, Chairman of the Board of Directors and Chief Executive Officer *ad interim*

“Safety and sustainability are critical considerations in how we plan, execute and evaluate every aspect of our work. As a business that works to advance human health, it is also important that we take care of the environment, our communities and our own people. This enables us to build trust with all our stakeholders, including our employees, customers and investors.

The safety of our people is vital to our ethical standing and operational effectiveness. This is why we strive to have zero accidents or incidents across our sites. We work in preventing accidents and incidents by involving everyone in hazard reduction, improving processes and upholding safe working practices.

Managers in all our locations are expected to maintain safety, encourage employee engagement and to take corrective actions, which improve the working environment. Every site is developing a roadmap to achieve energy, CO2 and waste targets, and becoming more actively involved with their local communities. We measure our success not only by revenue and profit, but also by how much we are able to give back to our people and communities, as well as protecting our environment.”

PRINCIPLE	ACTIONS / POLICIES	REFERENCE
Human Rights		
<p>Principle 1: Business should support and respect the protection of internationally proclaimed human rights; and ...</p>	<p>In our global “Code of Conduct,” translated into all corporate languages, we have stated that all employees are expected to know the law as it applies to their sphere of responsibility; management is expected to provide appropriate training and guidance, especially relating to human rights and employment rights.</p> <p>We are committed to the highest levels of quality and operational excellence across the regions, functions and markets we serve every day. This commitment is driven by our passion for customer success, empowerment, trust and integrity.</p> <p>As part of this commitment, the Lonza Code of Conduct establishes the professional standards for Lonza employees at all levels of the company – wherever they are in the world. It serves to define how we do business and how we interact with each other.</p> <p>As part of the commitment to sustainable development, the Supplier Code of Conduct sets high standards for our suppliers and provides a framework to evaluate their practices. It is referenced in the Purchase Order and contract received by each of our suppliers.</p> <p>In addition to carefully selecting and evaluating suppliers for security of supply and specifications of materials and services, we also monitor and audit our suppliers to improve performance and relationships. Included within this monitoring system are the principles of the Supplier Code of Conduct.</p> <p>We operate an automated anti-bribery and anti-corruption diligence, monitoring for high-risk vendors. This approach is run by our Ethics & Compliance Group and is integrated into the procurement and vendor management process through our ERP system (SAP). Relevant third parties are blocked in SAP until the diligence process is completed.</p>	<p>https://www.lonza.com/sustainability/ethics-and-compliance</p> <p>See the “Employee Ethics and Compliance” and “Due Diligence” chapters in the <i>About Lonza</i> section as well as the Economic and Social sections of Lonza’s Sustainability Report 2019:</p> <p>https://annualreport.lonza.com/2019/servicepages/downloads/files/sustainability_lonza_ar19.pdf</p>

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	<p>The process includes real-time corruption, trade sanctions, and adverse media screening for all third-party vendors with increased diligence for higher-risk third parties. The system includes mandatory completion of a diligence questionnaire in addition to Anti-Bribery and Anti-Corruption training. Third parties with higher risk profiles are then further reviewed and assessed by members of the Ethics & Compliance Group.</p> <p>Our third parties are continuously monitored and, as relevant, full due diligence is completed on a two-year automated cycle.</p>	
<p>Principle 2: ... make sure that they are not complicit in human rights abuses.</p>	<p>Performing with integrity means setting the right priorities and delivering on our commitments while adhering to Lonza’s values and the standards set forth in the Code of Conduct.</p> <p>Our respect for human rights forms a foundation of the business in all our markets. As a signatory of the United Nations Global Compact (UNGC) since March 2009, we support the protection of internationally agreed human rights and commit to ensure that we are not complicit in human rights abuse. Being active in many parts of the world, we are present in some regions ranking high on human rights risk indices. We see it as our responsibility to assess our own operations with regard to potential human rights violations. Therefore, we included this element in the survey initiated in 2019 across all sites.</p> <p>Our Code of Conduct requires all employees to comply with applicable laws and regulations at any location where we have operations, including child labor and forced labor. We provide annual training and self-certification to all our employees regarding compliance with our Code of Conduct. We also provide additional training to our purchasing employees on the Supplier’s Code of Conduct.</p> <p>The Lonza Ethics Hotline provides a mechanism for employees and others to report potential violations of the Code of Conduct, any Lonza policies or procedures (including those related to ethical sourcing), or applicable laws on an anonymous basis, where allowed by law.</p>	<p>https://www.lonza.com/sustainability/ethics-and-compliance</p> <p>See the “Employee Ethics and Compliance” and “Due Diligence” chapters in the <i>About Lonza</i> section as well as the “Non-Discrimination and the Protection of Human Rights” chapter in the Social section of Lonza’s Sustainability Report 2019:</p> <p>https://annualreport.lonza.com/2019/servicepages/downloads/files/sustainability_lonza_ar19.pdf</p>

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Labor		
<p>Principle 3: Business should uphold the freedom of association and the effective recognition of the right to collective bargaining...</p>	<p>The Code of Conduct provides the basis for creating and maintaining the relationship of mutual trust, which is essential to business success. It explicitly expresses that we consider fairness in our dealings with employees to be of paramount importance. It is our commitment to corporate social and ethical responsibility and our respect for human rights and employment rights.</p> <p>Local management and human resources work closely together with employee representatives, work councils and unions according to the specific laws and agreements.</p> <p>In addition, our Lonza’s Supplier Code of Conduct provides rules against child labor at our suppliers.</p> <p>Within Lonza, there are no employee organizations and representatives at a global level. Therefore, we are not collecting specific information about collective bargaining agreements in affiliates. Generally, the Lonza Group companies are established in countries where representation of employees is the rule, via work councils, unions and collective bargaining agreements. Local management is responsible for maintaining good labor relations according to legal requirements and agreements with unions, work councils and other employee representing bodies.</p> <p>We respect these relationships and work with these parties in a mutually considerate manner. In addition to the country-specific employee representation, we have also established a European Works Council that holds regular meetings to maintain a positive culture of information and communication. In the European Works Council, all European countries with more than 100 employees are represented by employee nominated delegates: Belgium, France, Germany, Czech Republic, the Netherlands, Spain, the United Kingdom and Switzerland. The European Work Council is assisted and supported by a union secretary.</p>	<p>https://www.lonza.com/sustainability/ethics-and-compliance</p> <p>See Disclosure 102–41 Collective bargaining agreements in Lonza’s Sustainability Report 2019: https://annualreport.lonza.com/2019/servicepages/downloads/files/sustainability_lonza_ar19.pdf</p>

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<p>Principle 4: ...the elimination of all forms of forced and compulsory labor; ...</p>	<p>Our Code of Conduct is applied to all actions and activities of Lonza in the pursuit of a high level of social responsibility and as such is also a crucial element against forced and compulsory labor.</p>	<p>https://www.lonza.com/sustainability/ethics-and-compliance</p> <p>See the “Non-Discrimination and the Protection of Human Rights” chapter in the Social section of Lonza’s Sustainability Report 2019: https://annualreport.lonza.com/2019/servicepages/downloads/files/sustainability_lonza_ar19.pdf</p>
<p>Principle 5: ...effective abolition of child labor; and ...</p>	<p>In our Code of Conduct, all managers are committed to act in compliance with the law. In addition, Lonza’s Supplier Code of Conduct explicitly bans all forms of child labor at our suppliers.</p>	<p>https://www.lonza.com/sustainability/ethics-and-compliance</p> <p>See the “Non-Discrimination and the Protection of Human Rights” chapter in the Social section of Lonza’s Sustainability Report 2019: https://annualreport.lonza.com/2019/servicepages/downloads/files/sustainability_lonza_ar19.pdf</p>
<p>Principle 6: ... the elimination of discrimination in respect of employment and occupation.</p>	<p>Our Code of Conduct prohibits any form of discrimination. It states that we do not tolerate any discrimination, harassment or bullying on the basis of ethnicity, national origin, color, religion, sexual orientation, creed, age, sex, disability or any similar characteristic.</p> <p>Lonza’s Ethics Hotline provides a mechanism for employees and others to report potential violations of the Code of Conduct, any Lonza policies or procedures (including those related to ethical sourcing), or applicable laws. Such reports may be made anonymously where allowable</p>	<p>https://www.lonza.com/sustainability/ethics-and-compliance</p> <p>See the “Non-Discrimination and the Protection of Human Rights” and the “Occupational Health and Safety” chapter in the Social section</p>

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	<p>by law. Any reports of alleged discrimination made through the Ethics Hotline or reported directly to Lonza’s compliance function in any other way, are reviewed by Lonza’s Ethics & Compliance Group. Any discrimination allegation received by Lonza’s Ethics & Compliance Group is reviewed in conjunction with in-house employment counsel and Lonza’s Human Resources function. Any employee found responsible for any violations may face disciplinary action, including termination of employment.</p> <p>Lonza wants to ensure that every employee returns home safely at the end of the working day and in good health. We seek to provide a workplace environment that does not affect the health or otherwise compromise the well-being of our employees.</p> <p>We continuously monitor our operations regarding health risks for our employees. This includes (but is not limited to):</p> <ul style="list-style-type: none"> • Job and technical hazard assessments, e.g. ergonomic hazards • Technical improvements • Training and education • Substance exposure monitoring for chemical exposures, according to the limit values set by the corporate toxicology group 	<p>of Lonza’s Sustainability Report 2019: https://annualreport.lonza.com/2019/servicepages/downloads/files/sustainability_lonza_ar19.pdf</p> <p>https://www.lonza.com/sustainability/performance/standards-and-transparency?cert_type_facet_sm=EHS</p>

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	<p data-bbox="584 347 846 384">Our Workforce</p> <table data-bbox="584 435 1350 1090"> <thead> <tr> <th></th> <th></th> <th>2018</th> <th>2019**</th> </tr> </thead> <tbody> <tr> <td rowspan="2">Gender</td> <td>Male</td> <td>10,632.8</td> <td>10,558.0</td> </tr> <tr> <td>Female</td> <td>4,742.4</td> <td>4,915.0</td> </tr> <tr> <td rowspan="3">Region</td> <td>Americas</td> <td>5,526.0</td> <td>5,028.0</td> </tr> <tr> <td>EMEA</td> <td>6,970.0</td> <td>7,481.0</td> </tr> <tr> <td>APAC</td> <td>2,879.0</td> <td>2,964.0</td> </tr> <tr> <td>Hires*</td> <td></td> <td>2,455.0</td> <td>2,435.0</td> </tr> <tr> <td rowspan="3">Hires by Region*</td> <td>Americas</td> <td>1,031.0</td> <td>870.0</td> </tr> <tr> <td>EMEA</td> <td>1,008.0</td> <td>1,152.0</td> </tr> <tr> <td>APAC</td> <td>416.0</td> <td>414.0</td> </tr> <tr> <td>Turnover [%]</td> <td></td> <td>11.9</td> <td>12.0</td> </tr> <tr> <td rowspan="3">Turnover by Region (headcount)</td> <td>Americas</td> <td>769.0</td> <td>803.0</td> </tr> <tr> <td>EMEA</td> <td>510.0</td> <td>655.0</td> </tr> <tr> <td>APAC</td> <td>288.0</td> <td>330.0</td> </tr> </tbody> </table> <p data-bbox="584 1114 1182 1203"> * Including Acquisitions ** Excluding Water Care business Excluding contingent workers and temporary employees </p>			2018	2019**	Gender	Male	10,632.8	10,558.0	Female	4,742.4	4,915.0	Region	Americas	5,526.0	5,028.0	EMEA	6,970.0	7,481.0	APAC	2,879.0	2,964.0	Hires*		2,455.0	2,435.0	Hires by Region*	Americas	1,031.0	870.0	EMEA	1,008.0	1,152.0	APAC	416.0	414.0	Turnover [%]		11.9	12.0	Turnover by Region (headcount)	Americas	769.0	803.0	EMEA	510.0	655.0	APAC	288.0	330.0	
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Environment		
<p>Principle 7: Business should support a precautionary approach to environmental challenges; ...</p>	<p>At Lonza, we are committed to sustainable development in all its broad and diverse meanings. In part, this means striving to reduce our use of natural resources such as water and energy, our carbon footprint and the generation of waste.</p> <p>In our operations, we engage and empower our employees and teams to work towards our Vision Zero – meaning zero workplace injuries, zero manufacturing process incidents, zero emissions beyond regulatory limits and zero transportation incidents. In the workplace, we aim to protect our colleagues as well, by identifying and eliminating potential hazards.</p> <p>One of our long-term goals is to improve our sustainability performance and reduce our environmental footprint. In 2018, we reviewed our strategy and policy and updated our environmental goals to reflect specifically the longer-term greenhouse gas (GHG) reduction requirement from the Paris Agreement. The other targets focus on waste and energy efficiency.</p> <p>For the required improvement toward the long-term target and the annual milestones, we are developing three-year rolling safety and sustainability roadmaps for our manufacturing sites. The site management teams are each developing a plan to drive the site towards compliance, efficiency and safety. Local goals are added according to the materiality analysis in the sites, e.g. for water consumption and air impurities.</p> <p>Whereas our Safety and Sustainability policy defines the high-level principles, our corporate EHS management system supports their implementation.</p> <p>The process safety team – part of the corporate EHS group – is working closely with the sites in the implementation of rules and standards for safe processes. Our EHS group also oversees our company-wide sustainability efforts. EHS risk assessments serve as valuable tools in our business and operating practices and in our planning processes. We review new ventures, capital investments in production equipment and systems and other major projects not only for</p>	<p>Sustainability website: https://www.lonza.com/sustainability</p> <p>Performance: https://www.lonza.com/sustainability/performance</p> <p>Lonza Safety and Sustainability Policy: https://www.lonza.com/-/media/Lonza/Lonzacom/sustainability/files/certificates/Lonza_Safety_and_Sustainability_Policy.pdf</p>

PRINCIPLE	ACTIONS / POLICIES	REFERENCE
	<p>the business opportunities they present, but also for their environmental, health and safety impact.</p>	
<p>Principle 8: ...undertake initiatives to promote greater environmental responsibility; and ...</p>	<p>At all facilities worldwide, Lonza promotes and lives the cycle of continual improvement for environmental, health and safety issues. Providing transparent evidence of corporate sustainability practices is part of our commitment to excellence. Our latest step was to publish the second Lonza Sustainability Report for 2019. In addition, we disclose sustainability-related information on our corporate website, within the CDP framework (former Carbon Disclosure Project) and on two widely used webhosted platforms to exchange sustainability profiles and emissions data between downstream customers and upstream suppliers (Ecovadis and Ecodesk).</p> <p>We maintain an EHS Management System which has been adapted to the actual ISO 14001 and 45001 standards, and detailed guidelines for people safety. This program applies to all locations and all employees.</p> <p>Lonza supports ICCA's Responsible Care Global Charter and has signed their declaration of support.</p> <p>Regular internal audits of different functions (internal audit, EHS audit, loss-prevention visits, quality audit, authority inspections and other) deliver both oversight and governance. EHS audits are performed in a three-year cycle, and reports with findings are distributed to the senior management.</p> <p>To strengthen our commitment to sustainability and to better share best practices across the entire company, in 2018, a Sustainability Council was established by our Executive Committee. The cross-functional Council is headed by the Lonza Group General Counsel and includes members from Legal, Environment Health & Safety, Human Resources, Investor Relations and Communications. It directly interacts with the Executive Committee and the Board of Directors. The ultimate responsibility for all sustainability-related matters lies with the Chairperson of the Board.</p>	<p>Sustainability Report 2019: https://annualreport.lonza.com/2019/servicepages/downloads/files/sustainability_lonza_ar19.pdf</p>

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	<p>Lonza’s largest site in Visp (CH) continues to address legacy mercury contamination along a former wastewater discharge canal, on surrounding soils and other areas where contaminated sediments were deposited. This issue dates back to when we used large amounts of mercury as a catalyst in chemical processes. The site discharged industrial mercury-contaminated wastewater into the canal between the 1930s and 1970s before the construction of the wastewater treatment plant. Since 2013, we have worked closely with local communities to finance and implement the required technical investigations in residential areas and agricultural zones between Brig-Glis and Niedergesteln (CH). By the end of 2019, 93 parcels of land in Visp and Raron (CH) were remediated and the work will continue in 2020 with further investigations being conducted on the agricultural and canal areas.</p> <p>Our progress in 2019 in relation to our 2030 Targets:</p> <div data-bbox="479 810 1619 1114" style="border: 1px solid #ccc; padding: 10px;"> <p>Our Progress in 2019</p> <table border="1"> <thead> <tr> <th>Indicator</th> <th>2018 cont. ops</th> <th>2019</th> <th>Change</th> <th>Status</th> </tr> </thead> <tbody> <tr> <td>Energy [GJ/Mio. CHF]</td> <td>2,231</td> <td>2,071</td> <td>-7%</td> <td>Achieved</td> </tr> <tr> <td>CO₂-eq [scope 1 & 2 mt/Mio. CHF]*</td> <td>151</td> <td>142</td> <td>-7%</td> <td>Achieved</td> </tr> <tr> <td>Waste** [mt/Mio. CHF]</td> <td>26.1</td> <td>26.4</td> <td>+1%</td> <td>Not Achieved</td> </tr> </tbody> </table> <p>* The CO₂-eq rate and the reduction target is relative to the 2018 baseline, recording routine emissions from combustion and general sources (please see Emissions Management chapter)</p> <p>** The waste intensity baseline value for 2018 has been restated due to data entry inaccuracy.</p> </div>	Indicator	2018 cont. ops	2019	Change	Status	Energy [GJ/Mio. CHF]	2,231	2,071	-7%	Achieved	CO ₂ -eq [scope 1 & 2 mt/Mio. CHF]*	151	142	-7%	Achieved	Waste** [mt/Mio. CHF]	26.1	26.4	+1%	Not Achieved	
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Waste** [mt/Mio. CHF]	26.1	26.4	+1%	Not Achieved																		
<p>Principle 9: ...encourage the development and diffusion of environmentally friendly technologies.</p>	<p>Lonza participates in industry groups that promote sustainability. As participants in and signatories of the American Cleaning Institute® and the Sustainability Charter, we endeavor to benefit society and improve the quality of life through hygiene and cleanliness by driving sustainability improvements across our industry and throughout the supply chain.</p> <p>Lonza is a member of a number of associations in the biopharmaceutical, chemical and the personal care industry sectors, as well as in the business community in general. Associations</p>	<p>See examples in the Environmental section of Lonza’s Sustainability Report 2019: https://annualreport.lonza.com/2019/servicepages/downloads/files/sustainability_lonza_ar19.pdf</p>																				

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	<p>may serve a variety of purposes such as exchanging best practices, aligning on public policy issues or collaborating on advocacy activities. The list below details some of those associations:</p> <ul style="list-style-type: none"><li data-bbox="477 427 1196 459">• Science Industries (https://en.scienceindustries.ch/)<li data-bbox="477 496 1406 528">• Cefic, the European Chemical Industry Council (http://www.cefic.org/)<li data-bbox="477 564 1391 596">• American Chemistry Council (https://www.americanchemistry.com/)<li data-bbox="477 633 1352 665">• American Cleaning Institute (https://www.cleaninginstitute.org/)	

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Anti-Corruption		
<p>Principle 10: Business should work against corruption in all its forms, including extortion and bribery.</p>	<p>Lonza takes a zero-tolerance approach to bribery and corruption and is committed to acting professionally, fairly and with integrity at all times. Furthermore, the business implements and enforces effective systems to help prevent bribery and corruption. We uphold all applicable anti-bribery and corruption laws.</p> <p>Lonza’s Anti-Corruption and Anti-Bribery Policy applies to everyone working for any company within the Lonza group of companies. Lonza conducts business in countries around the world and deals with many different cultures. Regardless of where Lonza is doing business, it will uphold its standard of conduct by acting ethically and responsibly and by complying with the applicable laws of the countries in which it operates.</p> <p>Lonza has a dedicated Ethics and Compliance group which is charged with monitoring and promoting compliance with anti-bribery and anti-corruption laws. In addition, we operate an automated interface for third party due diligence and monitoring.</p> <p>All employees have access to our Anti-Corruption and Anti-Bribery Policy via our intranet. New employees receive an induction on anti-corruption and anti-bribery via an online training module.</p> <p>Lonza’s Ethics Hotline provides a mechanism for employees and others to report potential violations of the Code of Conduct, any Lonza policies or procedures (including those related to anti-corruption), or applicable laws or regulations.</p> <p>A survey of our sites regarding anti-corruption, socioeconomic and environmental compliance has been completed in 2019 and resulted in no observations or risks.</p>	<p>https://www.lonza.com/sustainability/ethics-and-compliance</p> <p>See “Anti-Corruption” chapter in Economic section of Lonza’s Sustainability Report 2019: https://annualreport.lonza.com/2019/servicepages/downloads/files/sustainability_lonza_ar19.pdf</p>