

Explanations Regarding the Proposed Revision of the Articles of Association

These explanations give details about the amendments to the Articles of Association (the “Articles”) of Lonza Group Ltd (the “Company” or “Lonza”) proposed by the Board of Directors.

1. Background

On 3 March 2013, the Swiss people and the cantons approved the “Minder Initiative.” The Ordinance Against Excessive Compensation by Public Corporations (the “Ordinance”) of the Swiss Federal Council implements this initiative. It entered into force on 1 January 2014, subject to certain transitional periods. The Ordinance will later be replaced by a federal law.

The Ordinance extends the powers of the General Meeting in relation to elections. Further, the General Meeting must approve the compensation of the Board of Directors and the Executive Committee in a binding vote. In addition, the Ordinance requires, among other things, the Articles of Association to comprise provisions regarding the (i) basic principles of the powers and duties of the compensation committee, (ii) basic principles of the compensation of the members of the Board of Directors and the Executive Committee, (iii) the number of permissible mandates of members of the Board of Directors and the Executive Committee outside the Lonza Group, (iv) the duration and termination notice periods of their employment or similar agreements and (v) the maximum amount of loans, if any, to the members of the Board of Directors or the Executive Committee.

Therefore, the Board of Directors proposes to the Ordinary Shareholders' Meeting 2014 a revision of the Articles of Association to implement the new requirements of the Ordinance. In addition, some particular changes to the Swiss Code of Obligations require certain additional amendments.

2. Overview of the Proposed Amendments

a) Elections (Articles 7, 12, 16, 17 and 20)

According to the Ordinance, the ordinary shareholders' meeting shall elect individually the members of the board of directors, the chairperson of the board of directors, the members of the compensation committee and the independent proxy, each for a term of office until the next ordinary shareholders' meeting.

The proposed **Articles 7, 12, 16, 17 and 20** implement these requirements.

b) Representation of Shareholders at the Shareholders' Meeting (Article 12)

According to the Ordinance, the representation by the company representative (the so-called “corporate proxy”) or by a depository institution is no longer permissible. Only the representation by the independent proxy, a legal representative or another shareholder entitled to vote remains permissible.

The Board of Directors therefore **proposes** that **Article 12** be amended accordingly.

c) Compensation Committee (Article 20)

The Ordinance requires that the articles of association contain provisions concerning the main principles of the duties and responsibilities of the compensation committee.

The Board of Directors therefore **proposes** that **Article 20** set out the minimum number of the members of the Compensation Committee, and the principles of the duties and responsibilities of such committee. The Compensation Committee shall support the Board of Directors in establishing and reviewing the Company's compensation strategy and guidelines and in preparing the proposals to the Shareholders' Meeting regarding the compensation of the Board of Directors and of the Executive Committee.

d) Approval of Compensation by the Shareholders' Meeting (Article 22)

According to the Ordinance, the shareholders' meeting must vote on the aggregate amounts of the compensation of the board of directors and the executive management. The articles of association must specify the mechanism of the say-on-pay vote, in particular the applicable compensation periods. The Ordinance requires that the vote must be held annually, be binding (rather than consultative) and be separate for the board of directors and for the executive management.

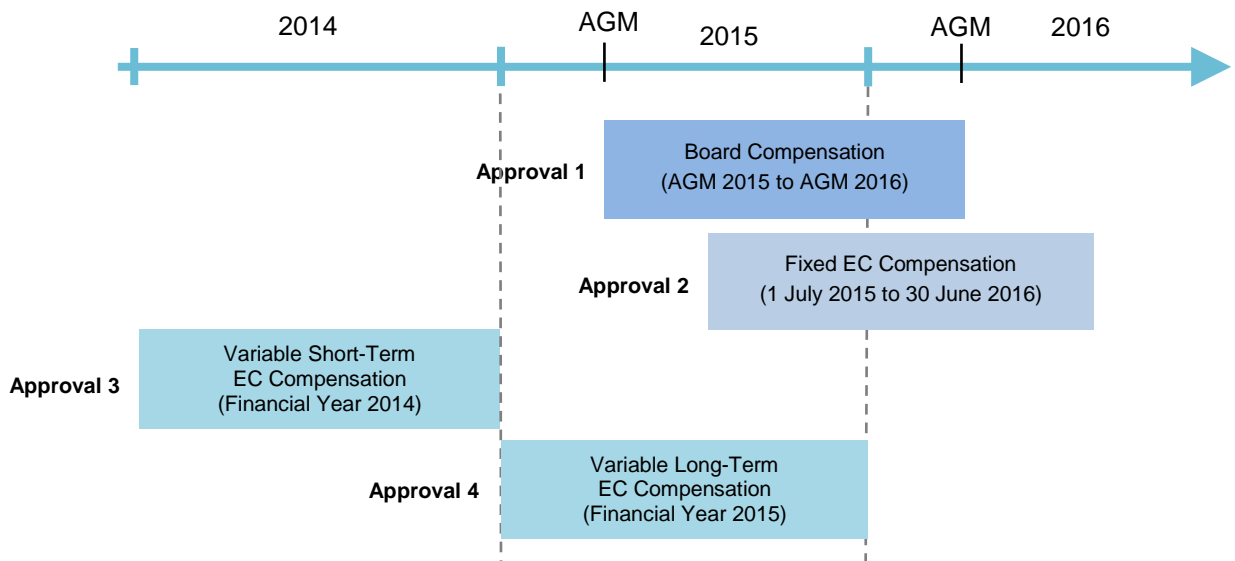
After careful assessment of the available options, the Board of Directors **proposes** in **Article 22** that the Shareholders' Meeting annually approve a maximum amount for the compensation of the Board of Directors for the period until the next Ordinary Shareholders' Meeting. This ensures that the term of office and the compensation period are aligned.

For the *fixed* compensation of the Executive Committee, the Board of Directors proposes a prospective approval of the maximum amount. For the *variable* compensation, the Board of Directors proposes a split between the variable short-term compensation (subject to a retrospective approval) and the variable long-term compensation (subject to approval for the current financial year).

The Board of Directors believes that a prospective approval of fixed compensation provides the required planning certainty for Lonza and its executives, whereas a retrospective shareholder approval of variable short-term compensation provides for optimal accountability towards the shareholders and fully implements the notion of "say on pay". The approval of the variable long-term compensation for the grants made during the current financial year provides more planning certainty for Lonza and its executives than a retrospective approval.

To sum up, the Shareholders' Meeting will resolve as follows:

- **Approval 1:** Binding prospective approval of the maximum aggregate amount of compensation of the Board of Directors for the period until the next Ordinary Shareholders' Meeting.
- **Approval 2:** Binding prospective approval of the maximum aggregate amount of fixed compensation of the Executive Committee (EC) for the period from 1 July of the year of the Ordinary Shareholders' Meeting to 30 June of the following year.
- **Approval 3:** Binding retrospective approval of the aggregate amount of variable short-term compensation (STIP) of the Executive Committee (EC) for the past financial year.
- **Approval 4:** Binding prospective approval of the maximum aggregate amount of variable long-term compensation (LTIP) of the Executive Committee for the current financial year.



These separate approvals will take place each year beginning with the Ordinary Shareholders' Meeting 2015.

In the event the Shareholders' Meeting has rejected a proposal of the Board of Directors, the Board of Directors shall determine the respective aggregate amount and submit the aggregate amount so determined for approval by an ordinary or extraordinary Shareholders' Meeting. In determining the new aggregate amount, the Board of Directors shall take into account the proposed aggregate amount of compensation; the decision of the Shareholders' Meeting and, to the extent known to the Board of Directors; the main reasons for the negative vote, and Lonza's compensation principles.

The compensation actually paid to the Board of Directors and the Executive Committee of Lonza will be disclosed in the remuneration report, which has to be audited [see proposed amendments to **Articles 10, 18 and 21**].

e) "Reserve" Amount in the Event of Changes on the Executive Committee (Article 23)

The prospective approval of fixed and variable long-term compensation described above does not cover the compensation of additional and replacement members of the executive management appointed after the shareholders' meeting, e.g. in case of termination of employment, retirement or promotion within the executive management. For these situations, the Ordinance allows companies to determine a "reserve amount" in their articles of association. Compensation paid out of this reserve amount need not be approved by the shareholders' meeting; however, it has to be disclosed in the remuneration report.

The Board of Directors therefore **proposes** in **Article 23** that such "reserve" amount be included in the Articles of Association. Given the fact that Lonza's Executive Committee only comprises a small number of executives, such amount shall, per compensation period, for the CEO not exceed 35% and for any other member of the Executive Committee not exceed 30% of the aggregate amounts of compensation of the Executive Committee last approved by the Shareholders' Meeting.

f) Principles of Compensation (Article 24)

Under the Ordinance, the articles of association must include provisions regarding the main principles of performance- and equity-based compensation. The Board of Directors **proposes** that the new **Article 24** set out the principles of the compensation of the Board of Directors and the Executive Committee.

The members of the Board of Directors shall receive a fixed compensation in the form of cash and/or shares. The members of the Executive Committee shall receive fixed and variable compensation. The variable compensation of the Executive Committee is structured into short-term compensation (the short-term incentive plan, STIP) and long-term compensation (the long-term incentive plan, LTIP).

The relevant performance metrics and target values are set every year. The annual target level for the variable compensation shall be determined as a percentage of the base salary. Depending on performance achieved, the compensation or number of equity awards, respectively, may vary between 0 and 200% of the annual target level. Furthermore, the Board of Directors or the Compensation Committee shall determine the appropriate grant, vesting, exercise and forfeiture conditions. Vesting periods shall be of at least three years.

The Board of Directors believes the compensation principles should be drafted in the Articles in order to maintain a certain flexibility. Each year the details will be reported in the remuneration report. In addition, for the variable short-term compensation of the Executive Committee, the Shareholders' Meeting will approve retrospectively based on performance achieved. The shareholders will have full latitude to accept or reject the variable short-term compensation determined within the framework of the compensation principles set out in the Articles of Association.

g) Agreements with Members of the Board of Directors and the Executive Committee (Article 25)

According to the Ordinance, the articles of association must contain provisions regarding the maximum terms and maximum termination notice periods of the agreements with the members of the board of directors and the executive management relating to their compensation.

The proposed **Article 25** implements this requirement as follows: Agreements relating to the compensation of members of the Board of Directors and the Executive Committee may be entered for a fixed term not exceeding one year or for an indefinite term with a termination notice period of no more than one year. It ensures that Lonza may continue to protect itself from abrupt terminations of Executive Committee members by means of adequate termination notice periods. The provision further allows Lonza to enter into non-compete agreements for the time after termination of the employment agreement to the extent appropriate (e.g., prohibition to work for a direct competitor). The duration may not exceed one year, and the consideration for such non-compete agreement shall not exceed the fixed annual compensation last paid to such member of the Executive Committee.

h) Mandates Outside the Group (Article 26)

The articles of association have to determine how many additional mandates a member of the board of directors or executive management may hold in the "supreme governing bodies" of other companies or legal entities that are required to be registered in the Swiss Commercial Register or a comparable foreign register. Mandates in Lonza group companies are not affected.

In order to ensure that the members of the Board of Directors and the Executive Committee devote sufficient time to Lonza, the Board of Directors **proposes** the following differentiated solution in **Article 26**:

- Members of the Board of Directors may not hold more than eight additional mandates in listed and non-listed companies, out of which not more than four – for the Chairperson not more than three – additional mandates may be in listed companies;
- Members of the Executive Committee may not hold more than one additional mandate in a listed company and two additional mandates in non-listed companies.

Further, members of the Board of Directors and the Executive Committee may hold a limited number of mandates in companies at the request of Lonza (e.g., in non-controlled joint ventures) or in charitable organizations, foundations, associations, etc.

Irrespective of these limitations, any member of the Board of Directors or the Executive Committee is obliged by law and his or her employment or mandate agreement to perform his or her office with Lonza with due care and dedicate sufficient time and resources to Lonza.

i) Loans (Article 27)

The Ordinance requires that the articles of association determine the amount of loans, if any, to be granted to members of the board of directors and the executive management.

While Lonza does not have any outstanding loans to the members of the Board of Directors and the Executive Committee and currently does not intend to grant such loans, the Board of Directors believes that the Company should remain entitled to grant such loans in exceptional circumstances (e.g. change in marital status, arrival in Switzerland) at market conditions and for limited amounts. Thus, it **proposes** that general principles regarding the conditions and the limits of such loans be included in **Article 27**.

j) Other Amendments

The Board of Directors **proposes** that the following other amendments be approved:

- The increase of the *minimum* number of members of the Board of Directors from three to five (**Article 15**). The Board of Directors believes that a minimum number of three members is no longer realistic to address the duties and responsibilities of the Board of Directors of Lonza.
- Various minor amendments, particularly due to changes to the Swiss Code of Obligations: The replacement of “Statutory Auditors and Corporate Auditors” by the “Auditors”, replacement of “annual activity report” by “management report”, inclusion of a reference to the cash flow statement and [in the English non-binding version of the Articles only] the replacement of the “Chairman” by the “Chairperson”. The amendments related to the changes to the Swiss Code of Obligations will enter into force pursuant to the transition provisions of the Swiss Code of Obligations.

Proposed Revised Provisions of the Articles of Association Compared with the Current Version

CURRENT VERSION

I. Name, Domicile, Purpose and Duration of the Company

(Articles 1 to 3)

II. Share Capital

(Articles 4 to 6)

III. Governing and Executive Bodies

A. Shareholders' Meeting

Article 7 Powers of the Shareholders' Meeting

¹The supreme corporate body of the Company is the Shareholders' Meeting.

²The Shareholders' Meeting has the following non-transferable powers:

- a) the adoption and amendment of the Articles of Association;
- b) the election and removal of members of the Board of Directors, the Statutory Auditors and Corporate Auditors;
- c) the approval of the annual activity report and the consolidated financial statements;
- d) the approval of the annual financial statements of the Company, as well as the resolution on the use of the balance sheet income of the Company, in particular the declaration of dividends;
- e) the discharge of the members of the Board of Directors;
- f) passing resolutions on matters which are by law or by the Articles of Association reserved to the Shareholders' Meeting, or which are submitted to it by the Board of directors.

(Articles 8 to 9)

PROPOSED VERSION

(Changes marked)

I. Name, Domicile, Purpose and Duration of the Company

(Articles 1 to 3: wording unchanged)

II. Share Capital

(Articles 4 to 6: wording unchanged)

III. Governing and Executive Bodies

A. Shareholders' Meeting

Article 7 Powers of the Shareholders' Meeting

¹The supreme corporate body of the Company is the Shareholders' Meeting.

²The Shareholders' Meeting has the following non-transferable powers:

- a) the adoption and amendment of the Articles of Association;
- b) the election and removal of members of the Board of Directors, the Chairperson of the Board of Directors, the members of the Compensation Committee, the Statutory Auditors and Corporate Auditors and the Independent Proxy;
- c) the approval of the annual activity management report and the consolidated financial statements;
- d) the approval of the annual financial statements of the Company, as well as the resolution on the use of the balance sheet income of the Company, in particular the declaration of dividends;
- e) the approval of the compensation of the Board of Directors and the Executive Committee pursuant to Article 22 of these Articles of Association;
- ef) the discharge of the members of the Board of Directors;
- fg) passing resolutions on matters which are by law or by the Articles of Association reserved to the Shareholders' Meeting, or which are submitted to it by the Board of directors.

(Articles 8 to 9: wording unchanged)

CURRENT VERSION

Article 10 Convening a Meeting

¹ The Shareholders' Meeting is convened by the Board of Directors, if necessary by the Statutory Auditors, as well as in such cases as are provided for by law, at least twenty days prior to the day of the meeting by publication in the Swiss Official Gazette of Commerce.

(Paragraphs 2 to 4)

⁵ At least twenty days before the Ordinary Shareholders' Meeting, the Annual Report and Auditors' Report must be made available for inspection by shareholders at the domicile of the Company.

Article 11 Chairmanship of the Shareholders' Meeting, Minutes, Tellers

¹ The Shareholders' Meeting is held at the domicile of the Company unless otherwise resolved by the Board of Directors. The Chairman of the Board of Directors, or, if he is prevented, a Vice Chairman or a specially designated member of the Board of Directors, takes the chair and nominates a Secretary and the Tellers, who do not need to be shareholders.

² Minutes are kept of the proceedings; these shall be signed by the Chairman, the Secretary and the Tellers.

Article 12 Representation of the Shareholders

A shareholder may only be represented at the Shareholders' Meeting by a legal representative or, by means of written proxy, by another shareholder entitled to vote, the appointed representative of the corporate body, the independent proxy or an assignee of proxy votes for deposited shares.

PROPOSED VERSION

(Changes marked)

Article 10 Convening a Meeting

¹ The Shareholders' Meeting is convened by the Board of Directors, if necessary by the ~~Statutory~~ Auditors, as well as in such cases as are provided for by law, at least twenty days prior to the day of the meeting by publication in the Swiss Official Gazette of Commerce.

(Paragraphs 2 to 4: wording unchanged)

⁵ At least twenty days before the Ordinary Shareholders' Meeting, the annual report, the remuneration report and the corresponding Auditors' reports must be made available for inspection by shareholders at the domicile of the Company.

Article 11 Chairperson~~man~~ship of the Shareholders' Meeting, Minutes, Tellers

¹ The Shareholders' Meeting is held at the domicile of the Company unless otherwise resolved by the Board of Directors. The Chairperson ~~Chairman~~ of the Board of Directors, or, if he is prevented, a Vice Chairperson ~~Chairman~~ or a specially designated member of the Board of Directors, takes the chair and nominates a Secretary and the Tellers, who do not need to be shareholders.

² Minutes are kept of the proceedings; these shall be signed by the Chairperson ~~Chairman~~, the Secretary and the Tellers.

Article 12 Representation of the Shareholders

¹ A shareholder may only be represented at the Shareholders' Meeting by the Independent Proxy, a legal representative or, by means of written proxy, by another shareholder entitled to vote, ~~the appointed representative of the corporate body, the independent proxy or an assignee of proxy votes for deposited shares.~~

² The Board of Directors shall determine the requirements regarding the participation and representation in the Shareholders' Meeting and regarding proxies and voting instructions.

³ The Shareholders' Meeting shall elect the Independent Proxy for a term of office until completion of the next

CURRENT VERSION

(Article 13)

Article 14 Resolutions, Elections

(Paragraph 1)

² Votes and elections shall take place publicly, but are conducted by written ballot/or electronically if so requested by the Shareholders' Meeting or directed by the Chairman.

³ If the Chairman has any doubts about the result of a public vote or election, he may always repeat it by a written ballot/or electronically. In such case, the original public vote or election is considered null and void.

B. Board of Directors

Article 15 Number of Members of the Board of Directors

The Board of Directors shall be composed of at least three members who must be shareholders.

Article 16 Term of Office

¹ The term of office of the members of the Board of Directors shall be one year. One year means the period between two Ordinary Shareholders' Meetings.

² Members whose terms of office have expired may always stand for re-election.

Article 17 Constitution of the Board of Directors, Remuneration

¹ The Board of Directors constitutes itself. It elects from amongst its number a Chairman and one or more Vice Chairmen. It designates a Secretary who needs not to be a

PROPOSED VERSION

(Changes marked)

Ordinary Shareholders' Meeting. Re-election is possible.

⁴ If the Company does not have an Independent Proxy, the Board of Directors shall appoint the Independent Proxy for the next Shareholders' Meeting.

(Article 13: wording unchanged)

Article 14 Resolutions, Elections

(Paragraph 1: wording unchanged)

² Votes and elections shall take place publicly, but are conducted by written ballot/or electronically if so requested by the Shareholders' Meeting or directed by the Chairperson ~~Chairman~~.

³ If the Chairperson ~~Chairman~~ has any doubts about the result of a ~~public~~ vote or election, he/she may ~~always~~ repeat it ~~by a written ballot/or electronically~~. In such case, the original ~~public~~ vote or election is considered null and void.

B. Board of Directors

Article 15 Number of Members of the Board of Directors

The Board of Directors shall be composed of at least ~~three~~ five members ~~who must be shareholders~~.

Article 16 Term of Office

¹ ~~The term of office of~~ Shareholders' Meeting shall elect individually the members of the Board of Directors ~~shall be one year. One year means~~ and its Chairperson for a term of office until completion of the ~~period between two next~~ Ordinary Shareholders' Meetings.

² ~~Members whose terms of office have expired may always stand for re~~ Re-election is possible.

Article 17 Constitution of the Board of Directors; ~~Remuneration~~

¹ Except for the election of the Chairperson of the Board of Directors and the members of the Compensation Committee, ~~the~~ Board of Directors shall ~~constitutes~~ itself. ~~It elects~~ shall elect from amongst its ~~number a Chairman~~

CURRENT VERSION

member of the Board of Directors.

² The Board of Directors determines the remuneration for its members.

Article 18 Powers of the Board of Directors

(Paragraph 1)

² The Board of Directors has the following non-transferable and inalienable duties:

- a) The ultimate management of the Company, in particular management, administration and supervision of the business of the Company, and the giving of the necessary directives;
- b) the establishment of the organization by means of By-laws;
- c) the structuring of the accounting system and of the financial controls, as well as the financial planning;
- d) the appointment and removal of the persons entrusted with the management and the representation, and the establishment of their authorization to sign;
- e) the ultimate supervision of the persons entrusted with the management, in particular in view of compliance with the law, the Articles of Association, regulations and directives;
- f) the preparation of the annual report, as well as the preparation of the Shareholders' Meeting and the implementing of its resolutions;
- g) the notification of the judge in the case of over-indebtedness;
- h) resolutions concerning the subsequent performance of contributions on shares not fully paid-up;
- i) resolutions concerning an increase of the share capital, insofar as this falls within the competence of the Board of Directors (Article 651, sub-para 4 CO), as well as the ascertainment of capital increases and the consequent amendments to the Articles of Association;
- j) the verification of the professional qualifications of the specially qualified auditors.

PROPOSED VERSION

(Changes marked)

~~and members~~ one or more Vice ~~Chairmen~~ Chairpersons. It shall designate a Secretary who needs not to be a member of the Board of Directors.

² ~~The Board of Directors determines the remuneration for its members.~~ If the office of the Chairperson is vacant, the Board of Directors shall appoint a new Chairperson from amongst its members for the remaining term of office.

Article 18 Powers of the Board of Directors

(Paragraph 1: wording unchanged)

² The Board of Directors has the following non-transferable and inalienable duties:

- a) The ultimate management of the Company, in particular management, administration and supervision of the business of the Company, and the giving of the necessary directives;
- b) the establishment of the organization by means of By-laws;
- c) the structuring of the accounting system and of the financial controls, as well as the financial planning;
- d) the appointment and removal of the persons entrusted with the management and the representation, and the establishment of their authorization to sign;
- e) the ultimate supervision of the persons entrusted with the management, in particular in view of compliance with the law, the Articles of Association, regulations and directives;
- f) the preparation of the annual report and the remuneration report, as well as the preparation of the Shareholders' Meeting and the implementing of its resolutions;
- g) the notification of the judge in the case of over-indebtedness;
- h) resolutions concerning the subsequent performance of contributions on shares not fully paid-up;
- i) resolutions concerning an increase of the share capital, insofar as this falls within the competence of the Board of Directors (Article 651, sub-para 4 CO), as well as the ascertainment of capital increases and the consequent amendments to the Articles of Association;
- j) ~~the verification of the professional qualifications of the~~

CURRENT VERSION

(Article 19)

Article 20 Authorization to Sign

¹ The Board of Directors represents the Company towards third parties. It determines which of its members are authorized to sign for the Company, as well as the type of authorization to sign (individual or joint signature).

² The Board of Directors represents the Company towards third parties. It determines which of its members are authorized to sign for the Company, as well as the type of authorization to sign (individual or joint signature).

PROPOSED VERSION

(Changes marked)

~~especially qualified auditors~~ other powers and duties reserved for the Board of Directors by law or the Articles of Association.

(Article 19: wording unchanged)

Article 20 ~~Authorization to sign~~ Compensation Committee

¹ ~~The Board of Directors represents the Company towards third parties. It determines which of its members are authorized to sign for the Company, as well as the type of authorization to sign (individual or joint signature).~~

² ~~The Board of Directors represents the Company towards third parties. It determines which of its members are authorized to sign for the Company, as well as the type of authorization to sign (individual or joint signature).~~

¹ The Compensation Committee shall consist of at least three members of the Board of Directors.

² The Shareholders' Meeting shall elect individually the members of the Compensation Committee for a term of office until completion of the next Ordinary Shareholders' Meeting. Re-election is possible.

³ If there are vacancies on the Compensation Committee, the Board of Directors shall appoint substitute members from amongst its members for the remaining term of office.

⁴ The Board of Directors shall appoint the Chairperson of the Compensation Committee. The Board of Directors shall further issue a charter establishing the organisation and decision-making process of the Compensation Committee.

⁵ The Compensation Committee shall support the Board of Directors in establishing and reviewing the Company's compensation strategy and guidelines and the performance targets, as well as in preparing the proposals to the Shareholders' Meeting regarding the compensation of the Board of Directors and of the Executive Committee, and may submit proposals to the Board of Directors in other compensation-related issues.

⁶ The Board of Directors shall set out in a charter for which positions of the Board of Directors and of the Executive Committee the Compensation Committee shall submit proposals for the performance targets and compensation of the members of the Board of Directors and of the Executive Committee, and for which positions the

CURRENT VERSION

PROPOSED VERSION

(Changes marked)

Compensation Committee shall determine such performance targets and compensation in accordance with the Articles of Association and the compensation guidelines established by the Board of Directors.

² The Board of Directors may delegate further tasks and powers to the Compensation Committee.

C. Statutory Auditors

C. ~~Statutory~~ Auditors

Article 21 Terms of Office, Powers and Duties

Article 21 Terms of Office, Powers and Duties

The powers and duties assigned to it by law are incumbent upon the Statutory Auditors, which are elected annually by the Ordinary Shareholders' Meeting.

~~The powers and duties assigned to it by law are incumbent upon the Statutory Auditors, which are elected annually by the Ordinary Shareholders' Meeting.~~ The Shareholders' Meeting shall elect the Auditors for a term of office until completion of the next Ordinary Shareholders' Meeting. The powers and duties shall be determined by law.

(New Section)

IV. Compensation of the Board of Directors and of the Executive Committee

(New Article)

Article 22 Approval of Compensation by the Shareholders' Meeting

¹ The Shareholders' Meeting shall approve annually the proposals of the Board of Directors in relation to:

- a) the maximum aggregate amount of compensation of the Board of Directors for the period until the next Ordinary Shareholders' Meeting;
- b) the maximum aggregate amount of fixed compensation of the Executive Committee for the period between 1 July of the current year to 30 June of the following year;
- c) the aggregate amount of variable short-term compensation of the Executive Committee for the past financial year; and
- d) the maximum aggregate amount of variable long-term compensation of the Executive Committee for the current financial year.

² The Board of Directors may submit for approval by the Shareholders' Meeting proposals in relation to (maximum) aggregate amounts or specific compensation elements relating to different compensation periods and/or in relation to additional amounts for specific compensation

CURRENT VERSION

PROPOSED VERSION

(Changes marked)

elements as well as additional contingent proposals.

³ In the event the Shareholders' Meeting has rejected a proposal of the Board of Directors, the Board of Directors shall determine the respective (maximum) aggregate amount, provided that:

- a) the Board of Directors takes into account:
 - (i) the proposed aggregate amount of compensation;
 - (ii) the decision of the Shareholders' Meeting and, to the extent known to the Board of Directors, the main reasons for the rejection; and
 - (iii) the Company's compensation principles; and
- b) the Board of Directors submits the (maximum) aggregate amount so determined for approval by an Ordinary or Extraordinary Shareholders' Meeting.

The Board of Directors may determine (maximum) partial amounts instead of a (maximum) aggregate amount.

⁴ The Company or companies controlled by it may pay out compensation prior to approval by the Shareholders' Meeting subject to subsequent approval by a Shareholders' Meeting.

(New Article)

Article 23 Supplementary Amount in the Event of Changes in the Executive Committee

The Company or companies controlled by it shall be authorized to grant and pay to each person who becomes a member of or is being promoted within the Executive Committee during a compensation period for which the Shareholders' Meeting has already approved the compensation of the Executive Committee, a supplementary amount for the compensation period(s) already approved if the maximum aggregate amounts of compensation already approved by the Shareholders' Meeting are not sufficient to also his/her cover compensation. The supplementary amount shall, per compensation period, not exceed 35% for the CEO and, for each other member of the Executive Committee, 30% of the (maximum) aggregate amounts of compensation of the Executive Committee last approved.

(New Article)

Article 24 Compensation of the Members of the Board of Directors and the Executive Committee

¹ Compensation of the members of the Board of Directors shall consist of fixed compensation in the form of cash

CURRENT VERSION

PROPOSED VERSION

(Changes marked)

and/or shares. Total compensation shall take into account position and level of responsibility of the recipient.

² Compensation of the members of the Executive Committee shall consist of fixed and variable compensation. Fixed compensation comprises the base salary and may include other compensation elements and benefits. Variable compensation may comprise short-term and long-term compensation. Total compensation shall take into account position and level of responsibility of the recipient.

³ Short-term compensation shall be governed by performance metrics that take into account the performance of the Company, the group and/or parts thereof, targets determined in relation to the market, other companies or comparable benchmarks and/or individual targets, and achievement of which is generally measured during a one-year period. The annual target level of the short-term compensation shall be determined as a percentage of the base salary. Depending on achieved performance, compensation may vary between 0 and 200% of the annual target level.

⁴ Long-term compensation shall be governed by performance metrics that take into account strategic objectives of the Company and/or the group, and achievement of which is generally measured during a perennial period. The annual target level of the long-term compensation shall be determined as a percentage of the base salary. Depending on achieved performance, the number of equity awards may vary between 0 and 200% of the annual target level. The Board of Directors or, to the extent delegated to it, the Compensation Committee shall determine adequate vesting, exercise and forfeiture conditions in view of alignment with the long-term objectives of the Company. Vesting periods shall be at least three years.

⁵ The Board of Directors or, to the extent delegated to it, the Compensation Committee shall determine performance metrics and target levels of short- and long-term compensation, and their achievement.

⁶ The compensation of the members of Executive Committee may be paid or granted in the form of cash, shares, financial instruments or units, in kind or in the form of other types of benefits.

CURRENT VERSION

PROPOSED VERSION

(Changes marked)

⁷ The Board of Directors or, to the extent delegated to it, the Compensation Committee shall determine grant, vesting, exercise and forfeiture conditions; it may provide for continuation, acceleration or removal of vesting and exercise conditions, for payment or grant of compensation assuming target achievement or for forfeiture of compensation in the case of pre-determined events such as a change-of-control or termination of an employment or mandate agreement. The Company may procure any required shares through purchases in the market or by using its conditional share capital.

⁸ Compensation may be paid by the Company or companies controlled by it.

(New Section)

V. Agreements with Members of the Board of Directors and of the Executive Committee

(New Article)

Article 25 Agreements with members of the Board of Directors and of the Executive Committee

¹ The Company or companies controlled by it may enter into agreements with members of the Board of Directors relating to their compensation for a fixed term or for an indefinite term. Duration and termination shall comply with the term of office and the law.

² The Company or companies controlled by it may enter into employment agreements with members of the Executive Committee for a fixed term or for an indefinite term. Employment agreements for a fixed term may have a maximum duration of one year; renewal is possible. Employment agreements for an indefinite term may have a termination notice period of maximum twelve months.

³ The Company or companies controlled by it may enter into non-compete agreements for the time after the end of the employment agreement for a duration of up to one year. The consideration for such non-compete agreement shall not exceed the fixed annual compensation last paid to such member of the Executive Committee.

(New Section)

VI. Mandates Outside the Group, Loans

(New Article)

Article 26 Mandates Outside the Group

¹ No member of the Board of Directors may hold more than

CURRENT VERSION

PROPOSED VERSION

(Changes marked)

eight additional mandates in listed and non-listed companies, out of which not more than four mandates may be in listed companies. The Chairperson of the Board of Directors may not hold more than eight additional mandates in listed and non-listed companies, out of which not more than three may be in listed companies.

² No member of the Executive Committee may hold more than one additional mandate in a listed company and two additional mandates in non-listed companies.

³ The following mandates are not subject to the limitations set forth in paragraphs 1 and 2 above:

- a) mandates in companies that are controlled by the Company or that control the Company;
- b) mandates held at the request of the Company or companies controlled by it. No member of the Board of Directors or the Executive Committee may hold more than five such mandates; and
- c) mandates in associations, charitable foundations, trusts and employee welfare foundations. No member of the Board of Directors or the Executive Committee may hold more than ten such mandates.

⁴ Mandates shall mean mandates in the supreme governing body of a legal entity that is required to be registered in the commercial register or a comparable foreign register. Mandates in different legal entities that are under joint control or same beneficial ownership are deemed one mandate.

[New Article]

Article 27 Loans

Loans to a member of the Board of Directors or the Executive Committee may only be granted at market conditions and may, at the time of grant, not exceed the total annual compensation last paid to such member.

IV. Fiscal Year, Annual Report and Application of Income

~~IV~~**VII. Fiscal Year, Annual Report and Application of Income**

Article 22 Fiscal Year

Article ~~22~~**28** Fiscal Year

[Wording unchanged]

CURRENT VERSION

Article 23 Annual Report

Article 24 Application of Balance Sheet Income

V. Publications and Announcements

Article 25 Publications and Announcements

VI. Dissolution of the Company

Article 26 Dissolution

PROPOSED VERSION

(Changes marked)

Article ~~23~~29 Annual Report

The Board of Directors prepares for each fiscal year an annual report which is composed of the annual financial statements (income statement, balance sheet, cash flow statement and appendix), the ~~annual activity~~ management report and (subject to Article ~~22~~28) the consolidated financial statements.

Article ~~24~~30 Application of Balance Sheet Income

(Wording unchanged)

VIII. Publications and Announcements

Article ~~25~~31 Publications and Announcements

(Wording unchanged)

VIX. Dissolution of the Company

Article ~~26~~32 Dissolution

(Wording unchanged)