

## Lonza's Approach to Tax

Lonza employees at all levels of the company and across all geographies are bound by the [Lonza Code of Conduct](#). The Code of Conduct establishes the professional standards to which we operate, and defines how we do business and how we interact with each other.

Lonza's approach to tax is aligned with our Code of Conduct, and we commit to operate our tax affairs with the same standards of integrity that we apply to conducting our businesses. Our approach to tax relies upon regulatory compliance, alignment with our business operations and robust tax governance and risk management.

### **Regulatory compliance**

We are committed to conducting our tax affairs in compliance with all applicable tax laws, regulations and international treaties.

This applies to both direct taxes (corporate income taxes, capital taxes) and indirect taxes (value added taxes, property taxes, custom duties etc.), including those taxes that Lonza collects as an employer (e.g. payroll taxes).

We take positions in filings to tax authorities that are defensible and supported by business purpose. As such, Lonza:

- Does not engage in tax evasion or artificial arrangements (e.g. hybrid instruments, offshore structures) to avoid taxes or to realize undue tax benefits
- Applies tax benefits and incentives only when allowed by law and when substantiated from an economic perspective
- Follows a collaborative approach towards tax authorities in case of questions or tax inspections and provides the requested information within the applicable or agreed due dates
- Uses the available procedures to agree in advance relevant tax filing positions with tax authorities, when possible and appropriate

Lonza does not pay taxes that are not legally due or that are claimed based on an unprincipled or unjustified basis and it protects itself against such claims by taking proper legal action.

## **Alignment with Lonza's businesses**

In line with global rules on transfer pricing, we are committed to ensure that taxes paid by Lonza reflect the way our businesses operate and are in line with the actual economic activities carried out and the value created.

In particular:

- Intercompany pricing follows market conditions (arm's length principle), in line with the countries' laws and regulations and the OECD Transfer Pricing Guidelines
- Lonza's transfer pricing approach is aligned with the value contribution of our entities in all countries, reflecting the assets utilized, functions performed and risks assumed by each entity
- Transfer pricing documentation shall be prepared following applicable domestic laws and regulations and the OECD Transfer Pricing Guidelines

## **Tax governance and risk management**

Lonza's tax governance and risk management is aligned to the group's overall framework on governance. It is designed to ensure that tax filings to authorities are accurate, complete and timely, and that tax-related data and disclosures in the financial statements provide a fair presentation of Lonza's tax position. It further protects Lonza from a financial and reputational perspective, and ensures that tax related decisions are approved at the appropriate level of the organization, following consistent processes.

On a day-to-day basis, Lonza's tax affairs are managed by the Group Tax function. The Group Tax function is organized by regions and by areas of tax expertise (e.g. indirect taxes, transfer pricing) and possesses strong in-house functional expertise. It is supported by the Global Business Services Organization which executes certain recurring tax processes. Where needed, advice from reputable external advisors is sought.

The Head of Group Tax reports to the Chief Financial Officer, who is member of the Executive Committee, and ultimately supervised by the Audit and Compliance Committee and the Board of Directors.

Lonza has set up a governance structure to ensure tax compliance and tax risk management at various levels of the organization. Tax governance is based upon the following key pillars:

- An update of tax affairs is provided to the Executive Committee and to the Audit and Compliance Committee on a regular basis
- The Group Tax function regularly reviews the tax risks related to our operations and has established processes and policies for managing and communicating these risks
- The Group Tax function closely works with the Divisions and other corporate functions to ensure alignment between business operations and tax management
- Through Lonza's tax reporting processes all legal entities report to the Group Tax function the income tax figures, tax rates, tax risks and reserves several times per year; and material income tax calculations are subject to external audit processes
- Relevant tax controls are included in Lonza's Internal Control System, and are subject to regular assessment, testing and status reporting

Basel, Switzerland  
December 2022