

Remuneration Report



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Remuneration benefits and philosophy

The salary policy of Galenica aims to attract, motivate and retain best-in-class employees who are entrepreneurially oriented, successful and have high personal standards. The remuneration system is designed to provide appropriate reward in a highly competitive employment market and in a complex industry. It is aligned with the long-term Group strategy and its pay-for-performance philosophy. The remuneration system of Galenica aims at strengthening its overall industry position to the benefit of its customers and patients while delivering the expected returns to its shareholders.

The remuneration system of Galenica is part of a sustainable, long-term development policy to support the strategic goals defined by the Board of Directors, recognising that under certain conditions, economic success is achieved over a longer period. Accordingly, the company does not pay any remuneration in the form of traded options. Members of the Corporate Executive Committee and members of Senior Management participate in the Group's value creation in the form of blocked shares, so being aligned with the interests of shareholders.

Key remuneration principles

Remuneration of members of the Board of Directors

The remuneration of non-executive members of the Board of Directors is independent from the performance of the company and comprises a fixed salary depending on their function assumed in the Board of Directors and its committees, either as a member or chairperson of a committee. Such remuneration may be drawn fully or half in registered shares of Galenica (blocked for five years). In addition, after a period of two years, each member of the Board is required to hold shares equal in value to at least one annual salary which remain blocked during his/her mandate. The members of the Board of Directors except the Executive Chairman do not participate in the employee benefit plans, therefore the remuneration of the Board of Directors is not pensionable.

The remuneration of the members of the Board of Directors is reviewed regularly against prevalent market practice of other multinational industrial companies listed in Switzerland as well as based on data published by Ethos (a Swiss Foundation for Socially Responsible Investment and Active Share Ownership). The last review took place in 2014 by Hostettler Kramarsch Partner, Zurich.

Remuneration of members of the Corporate Executive Committee

The remuneration of members of the Corporate Executive Committee as well as Senior Management is strongly linked to the financial performance of the Group and to a lesser part to their individual performance and the performance of the share price. Exceptional results are recognised and rewarded.

The remuneration system rewards short-term success as well as long-term performance and sustainable value creation for customers and shareholders in a balanced way. In order to align the interests of members of the Corporate Executive Committee and Senior Management with the interests of shareholders, a part of the bonus (up to 32%) and the long-term incentive of the remuneration is awarded in shares of the company. In addition, after a period of five years, each member of the Corporate Executive Committee is required to hold shares equal in value to at least 75% of his fixed base salary and target bonus.

In order to ensure attraction of best-in-class talents, Galenica performs regular benchmarks of its remuneration levels against relevant peer markets. Generally, the Group targets median levels representing competitive offers.

Remuneration of the Executive Chairman of the Board of Directors

Since 2012, Etienne Jornod has exclusively received registered shares in Galenica for his duties as Executive Chairman. Such a remuneration system demonstrates how closely Etienne Jornod identifies himself with the shareholders and proves his confidence in the strategy and management of the Group.

In addition, Etienne Jornod has received CHF 150,000 per year in cash, which is used to pay the employee part of social security contributions. In 2015, the Board of Directors and Etienne Jornod agreed to extend the contract until the Annual General Meeting 2020 and to continue to pay out compensation exclusively in registered shares. The annual payment to be approved will be made at the end of each

year. The registered shares to be paid out in future are blocked over the entire term of the contract until the Annual General Meeting 2020. It was also agreed that the block on sale for 20,000 of the already acquired shares would be extended until the Annual General Meeting 2020. Thereafter, the contract was amended in 2016 to the effect that Etienne Jornod would continue to act as Executive Chairman for Vifor Pharma after the planned division of the Group in 2017. Should the contract be terminated prematurely or should the executive function be converted into a non-executive function, the employment contract contains detailed provisions which stipulate how many shares Etienne Jornod is entitled to, pro rata temporis, at such a date and at what price, depending mainly on whether the employee or the employer has called for a premature termination. Upon termination of the contract or surrender of the executive function, the blockage for the shares previously earned will be lifted, enabling Etienne Jornod to dispose of them at his sole discretion. No severance package has been agreed.

Remuneration Report

With this report, Galenica provides an overview of the compensation principles and programmes applied within its Group as well as information on the process of determining the compensation for the Executive Chairman, the Board of Directors as well as for the members of the Corporate Executive Committee. The remuneration system as well as its reporting is in accordance with the Swiss Code of Obligations, the Ordinance against Excessive Remuneration in Listed Companies Limited by Shares, the standards related to Corporate Governance issued by SIX Swiss Exchange and the principles of the Swiss Code of Best Practice for Corporate Governance issued by *economiesuisse*. The statutory auditor verifies compliance of the report with the law and Articles 14–16 of the Ordinance against Excessive Remuneration in Listed Companies Limited by Shares and issues a written report to the Annual General Meeting.

Determination of remuneration

In accordance with the Articles of Association and the Organisational Regulations of Galenica, the Remuneration Committee consists of three members, all of whom are independent from Galenica and are elected annually by the shareholder meeting. The Remuneration Committee evaluates and approves principles and programmes for remuneration of the Galenica Group and assesses criteria and the level achievements reached by the CEOs and the members of the Corporate Executive Committee based on the targets set by the Board. It also proposes the maximum remuneration of members of the Board (including the Executive Chairman) as well as for the members of the Corporate Executive Committee (including the CEOs) for approval by the Annual General Meeting. Such approval is prospective for the next business year following the Annual General Meeting. Further details on the composition and the responsibilities of the Remuneration Committee are provided in the Corporate Governance section of the annual report as well as in the Remuneration Committee Regulations, which can be found on the Galenica website.

Method of determination

In order to attract and retain talented employees, it is critical to offer competitive remuneration. The Remuneration Committee reviews remuneration of the CEOs and the members of the Corporate Executive Committee annually and compares it to the remuneration levels of similar positions at companies which are comparable in scope, geography and business complexity, i.e. companies with which Galenica competes for talents. In support of such a review, external consultants are hired as needed to assist in reviewing the mix of short-term and long-term remuneration, the mix of cash versus equity-based remuneration as well as the remuneration levels. They also assist in developing the strategy that forms the foundation of the remuneration system. A benchmark study on the remuneration of

members of the Corporate Executive Committee and certain other functions was carried out by Kienbaum Consultants International in 2012, and updated for the management functions of Vifor Pharma in 2016. Besides this, no other external suppliers were mandated in the reporting period.

Employee remuneration generally consists of a fixed base salary, which depends on the employee's position level, and a bonus for the CEOs, the members of the Corporate Executive Committee, Senior Management and Management. The bonus system allows members of the Corporate Executive Committee, Senior Management and Management to benefit from the profits of the relevant Business units and the Group. The achievement of personal targets set at the beginning of a business year and assessed after year-end is also rewarded. The CEOs, members of the Corporate Executive Committee and certain members of Senior Management also receive additional long-term remuneration, which is in part dependent on the achievement of specific objectives (such as the successful integration of major acquisitions). The purpose of the bonus system is to ensure that all members of Senior Management and Management act and make decisions in such a way as to support the achievement of targets at all levels and

thereby contribute to sustained positive results for the Group as a whole, as well as the Business unit and company to which they belong. This serves to harmonise the interests of shareholders with those of the Group and its management. Through share participation, identification with the company is further enhanced. Finally, members of the Corporate Executive Committee, Senior Management and Management receive contributions to pension funds.

The bonus and long-term remuneration depend primarily on the achievement of the specified financial targets of the Galenica Group and to some extent the Vifor Pharma or Galenica Santé Business units. In recent years, against a background of stable and predictable growth, this has been defined as a relative increase in Galenica Economic Profit (GEP). However, in view of a division of the Group, a relative increase in economic profit at Group level can no longer be determined and reviewed over a three-year period, while major transactions such as the acquisition of the US firm Relypsa Inc., distort results and impede comprehensibility. At the recommendation of the Remuneration Committee, the Board of Directors has therefore decided to replace the Group-wide GEP target for long-term remuneration with separate targets relating to return on invested capital (ROIC) for

the two Business units from financial year 2016 onwards. These targets will again be defined annually for the bonus and for a three-year period on a rolling basis for long-term remuneration. For current long-term remuneration periods, the two metrics will be split pro rata temporis. The GEP is a measure designed to reflect the principles of value-based management derived from an economic-value-added (EVA) approach. It is based on the understanding that in the interests of shareholders and other important stakeholder groups, the Galenica Group will strive to achieve a long-term investment return which exceeds the weighted average cost of capital. It is calculated as the net operating profit (before interest and after depreciation, amortisation and tax) less the weighted average cost of capital (WACC) over the average invested capital. The extent to which the ROIC target (or the relative GEP increase) is achieved has a 75% impact on the bonus and a 100% impact on the number of shares allocated under the long-term incentive plan; the personal targets may account for a maximum of 12.5% of the remuneration of the CEOs or the members of the Corporate Executive Committee (in 2016: 9.0% on average for the members of the Corporate Executive Committee – excluding the CEOs). Poor performance inevitably

Responsibility for the remuneration process

Level of authority	CEOs	Executive Chairman	Remuneration Committee	Board of Directors	Annual General Meeting
Remuneration of the Executive Chairman			proposes	approves	approves maximum possible remuneration for the Board of Directors including the Executive Chairman for the following year
Remuneration of the Board			proposes	approves	approves maximum possible remuneration for the Board of Directors for the following year
Remuneration of the Remuneration Committee		proposes		approves	
Remuneration of the CEOs		proposes	recommends	approves	approves maximum possible remuneration for the Corporate Executive Committee including the CEOs for the following year
Remuneration of members of the Corporate Executive Committee	propose		approves	is informed	

The Executive Chairman is invited to all meetings of the Remuneration Committee except those dealing with his own remuneration. The CEOs are invited to attend discussions on a case-by-case basis.

has a negative impact on the total remuneration (fewer shares, with each of them having eventually a lower value). However, the remuneration system does not include any particular malus provisions.

The weighting of the individual remuneration components depends on an employee's position level. Criteria such as budget responsibility are important factors. The greater the employee's direct influence on such factors, the higher the weighting of the variable component of remuneration. When defining the weighting, setting targets and measuring their achievement, the responsible body is always permitted a degree of discretion in the application of the criteria mentioned in this report, even if this is not specifically mentioned in individual cases.

Variable remuneration arising from the bonus and from the long-term incentive plan paid out to eligible members of the Corporate Executive Committee and Senior Management amounts to between 0% and 200% of the fixed salary component. However, the annual bonus and variable long-term incentives represent two independent elements and are calculated and weighted separately.

To a lesser degree, but in accordance with the principles described above, members of Management are also paid a performance-related bonus.

Independent of their remuneration and under the terms of the share acquisition plan for employees, every year employees are entitled to acquire a certain number of blocked shares, which is specified in company regulations, at a reduced price (more information on pages 119, 161 and 162 in the financial statements 2016).

Responsibilities

The overall responsibility for the remuneration system of Galenica and in particular the guiding principles for the remuneration of its Board of Directors, the CEOs and the members of the Corporate Executive Committee are defined in the Articles of Association of Galenica. On such basis, the remuneration strategy and the related remuneration system for the members of the Board of Directors, the Corporate Executive Committee and Senior Management (including the principles of equity remuneration plans) are decided by the Board of Directors based on a proposal from the Remuneration Committee.

On an annual basis the Board of Directors decides on the individual remuneration of the Executive Chairman and the CEOs as well as the aggregate for the other members of the Corporate Executive Committee as proposed by the Remuneration Committee. The Remuneration Committee is responsible for deciding on the individual remuneration and participation in equity remuneration plans by members of the Corporate Executive Committee other than the CEOs and informs the Board of Directors at least once a year of its decisions and the development of the remuneration process.

Remuneration and participation in equity remuneration plans by the CEOs and members of the Corporate Executive Committee as well as Senior Management are determined and objectives set at the beginning of the reporting year within the frame set by the Annual General Meeting. For members of the Corporate Executive Committee, the Remuneration Committee is responsible for determining the target bonus, the weighting of the individual components and for the evaluation of individual target achievement. For the CEOs, the Board of Directors decides on the basis of a recommendation made by the Executive Chairman and the Remuneration Committee. Measurement of targets consists of both financial and qualitative elements (for example, sales growth of a particular product or a group of products, the launch of a particular product or implementation of a particular process). The bonuses of mem-

bers of Senior Management are determined by the Corporate Executive Committee based on the performance appraisal by the respective direct line manager.

Members of the Corporate Executive Committee and certain members of Senior Management participate in the LTI Programme. Eligibility for the LTI Programme is determined by the Remuneration Committee for members of the Corporate Executive Committee, and by the Corporate Executive Committee for members of Senior Management. Targets set for the LTI are exclusively financial and are defined as a three-year GEP increase for the Group or an average ROIC to be achieved for this period, whereby the relevant targets for the LTI are set by the Board of Directors upon recommendation of the Remuneration Committee.

The remuneration of members of the Board of Directors, which may be paid in the form of blocked shares, is decided by the Board of Directors based upon a proposal of the Remuneration Committee within the range set by the Annual General Meeting.

Elements of remuneration for the CEOs and the members of the Corporate Executive Committee

In order to reward performance and promote loyalty of key talents and their long-term engagement towards Galenica, the remuneration system consistently applied comprises an annual base salary, short-term bonus, long-term incentive and customary benefits. The ratio between annual base salary and variable elements is defined in the Articles of Association of Galenica. The aggregate of the maximum possible variable elements irrespective of the effective pay-out is limited to 300% of the base salary of each of the CEOs and to 250% of the base salary of each of the members of the Corporate Executive Committee. Thereof, the short-term bonus must not exceed 200% of the base salary for each of the CEOs and 150% of the salary of each member of the Corporate Executive Committee.

Annual base salary

The annual base salary is the fixed compensation reflecting the scope and key areas of responsibilities of the function, the skills required to fulfil the function and the individual experience and competencies of the respective manager. The base salary is determined according to the typical market practice (external benchmark) and the Group internal salary structure. A base salary at median of the benchmark is considered competitive to satisfy the expected level of skills and competencies. The base salary is typically reviewed annually based on market salary trends, the company's ability to pay based on its financial performance and the evolving experience of the manager in the function. The annual base salary is paid out in cash on a monthly basis.

Short-term bonus

The short-term bonus aims at rewarding the achievement of the company's financial results and recognises individual contributions to the company's overall performance over a business year. The target bonus is expressed as a percentage of the annual base salary and varies depending on the level of the function in the organisation and on the impact of the function on the overall business result. Typically, the target incentive amounts to 60–80% of the annual base salary for the CEOs and between 30% and 60% for the members of the Corporate Executive Committee.

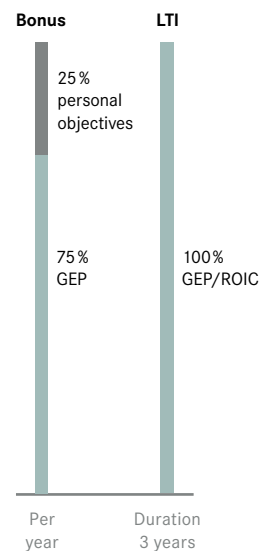
At the beginning of the calculation period, the target bonus is defined, i.e. the amount paid out if the targets for all bonus components are reached 100% (target bonus), whereby the achievement of financial objectives of the Group and the Business units is weighted 75% and individual objectives 25%. This is normally set individually on an annual basis as an absolute amount together with the relevant fixed salary for the next year.

For both financial and individual objectives, a target, a threshold and a payment curve are defined against which the results are assessed and which translate to a total bonus with an upper limit of 200% of the target bonus.

Upon approval of the annual results by the Board of Directors, the GEP attainment level for the financial components "Group" and "Business units" is calculated as a percentage. The achievement of financial and individual objectives which were laid down in both quantitative and qualitative form at the beginning of the business year is assessed by the Executive Chairman and the Remuneration Committee for the CEOs and submitted to the Board of Directors for approval. The attainment of these objectives of the members of the Executive Committee is assessed by the responsible CEO and the Executive Chairman and submitted to the Remuneration Committee for approval. Within the range set by the Annual General Meeting, the Board of Directors may award an individual supplement to the calculated bonus for exceptional performance of either of the CEOs over the previous year and the Remuneration Committee may award such an individual supplement for exceptional performance of any member of the Corporate Executive Committee.

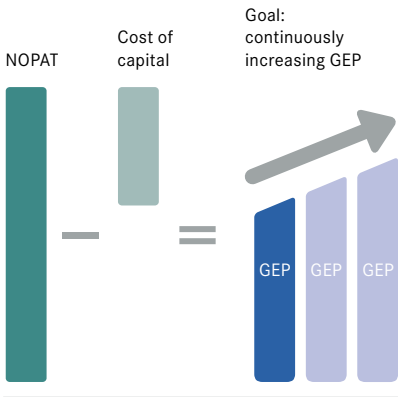
The payment of the bonus is made in the subsequent year after the publication of the full-year results. The CEOs, the members of the Corporate Executive Committee and Senior Management are required to draw 32% of the bonus in shares of Galenica; the rest is paid out in cash. A discount of currently 25% on the average stock market price for the month of January in the year in which the bonus is paid is granted as the shares remain blocked for five years. The CEOs and members of the Corporate Executive Committee are requested to build up a shareholding of shares of Galenica over a period of five years equivalent to 75% of their annual base salary and target bonus.

Influence of variable remuneration by the GEP/ROIC

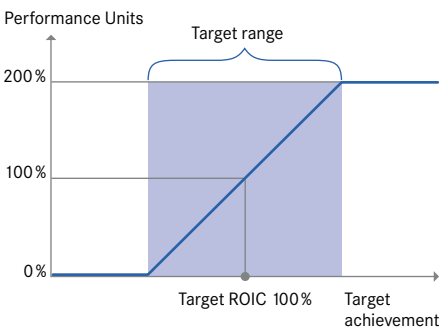


Relevant parameter: Galenica Economic Profit (GEP)

GEP: Net Operating Profit (NOPAT) minus cost of capital for necessarily invested capital.



Relevant parameters: ROIC of Business units



Long-term Incentive Programme

The Long-term Incentive Programme (LTI) is designed to motivate eligible managers to ensure that their actions and decisions support the achievement of the medium- and long-term value-based targets across all levels. With this instrument Galenica also seeks to harmonise the interests of management and the Group with the interests of its shareholders, and to sustainably create value for patients, customers and its shareholders over the long term. In addition, the LTI Programme aims to further strengthen the loyalty of its managers to Galenica, identification with the company and to motivate its key talents to stay with the company.

The CEOs, members of the Corporate Executive Committee and selected members of Senior Management participate in the LTI Programme. Eligibility and extent of participation in the LTI Programme is decided by the Board of Directors for the CEOs and by the Remuneration Committee for the members of the Corporate Executive Committee.

The LTI Programme is based on performance units which are granted to participants after the release of the results of the preceding year and which convert into shares of Galenica subject to the attainment of a performance target defined by the Remuneration Committee over a three-year period. Performance units are virtual; no real units are issued. The number of performance units allocated at the beginning of the plan period depends on a defined percentage of the annual base salary as well as the average share price during the final month prior to the allocation. The performance target for each three-year LTI Programme is defined by the Remuneration Committee by setting a target GEP increase (or average ROIC from 2016) reflecting the risk-appropriate return requirements of its shareholders over the programme period. The number of performance units initially allocated increases or decreases depending on the proportion of the achievement of the GEP or ROIC target set. Upon completion of the three-year programme pe-

riod, such performance units are transformed into a corresponding number of shares of Galenica, so aligning the interests of participants with those of Galenica shareholders. Accordingly, the main factor influencing the transformation of performance units into Galenica shares is the operating performance of the Galenica Group over the respective three-year period, applying a linear interpolation between the threshold of the GEP at the time of the allocation of the performance units and a maximum target attainment of 200%, or between the upper and lower limit of the ROIC target range. At the beginning of each financial year, a new LTI Programme with a new three-year target and assessment period is issued.

Pensions and other employee benefits

Employee benefit plans consist mainly of retirement, insurance and healthcare plans that are designed to protect the employees against the hazards of life. Employee benefits are country-specific and are structured in accordance with local legal requirements and local competitive market practice. The CEOs and the members of the Corporate Executive Committee are covered by the pension scheme applicable to all employees in Switzerland. The Swiss pension plan of Galenica exceeds the legal requirements of the Swiss Federal Law on Occupational Pension Schemes (BVG) and is in line with what is being offered in Switzerland by other listed companies of comparable size.

Except for the expense allowance and the right to use a company car in line with the car policy applicable to all managers in Switzerland (and apart from some minor reimbursement of costs for relocation, tax and legal advice in the event of moving to Switzerland from abroad), the CEOs and the members of the Corporate Executive Committee do not receive any particular additional benefits. The monetary value of the allowance is disclosed at fair value in the remuneration table.

Employment contracts

The CEOs and the members of the Corporate Executive Committee are employed under employment contracts of unlimited duration and are subject to a notice period of a maximum of 12 months. They are not entitled to any severance packages or termination payments or change-of-control payments.

Annual remuneration 2016

Since 2015, in accordance with the Articles of Association, the shareholders of Galenica make a prospective annual decision on the maximum remuneration for members of the Board of Directors and members of the Corporate Executive Committee for the next business year. In order to allow for a comparable basis with the prospective vote, remuneration paid or attributed in 2016, as well as that of the previous year,

is presented on the same basis perspective of cost to the company. Consequently, Galenica discloses for the year 2016 the remuneration of the Executive Chairman at the IFRS costs as booked in the consolidated financial statements, and shares distributed as part of the compensation are shown at market value at the date of allocation, not taking into account the 25% discount granted for tax purposes in relation with the blocking period of five years.

Board of Directors

The members of the Board of Directors, excluding the Executive Chairman, whose remuneration is described separately, are remunerated independent of the performance of the company in the form of a fixed salary depending on their function assumed in the Board of Directors and its committees, either as member or chairperson of a committee. A minimum of 50% of such remuneration is paid out in shares of

Galenica (blocked for five years). Remuneration settled in the form of registered shares of Galenica was paid at the average price for the month of December 2016, i.e. CHF 1,116.38 per share.

Executive Chairman

For his service in the period from 1 January 2012 to 31 December 2016, Etienne Jornod received a non-recurring share-based payment on 1 January 2012 in the form of 40,000 registered shares in Galenica. To compensate for the lack of periodic remuneration over the five-year period (salary, bonuses, shares, etc.), the Executive Chairman received these shares at the market price on the date of conclusion of the contract (CHF 528.00). In accordance with IFRS the expense for this share package was recognised over the lifetime of the contract (69 months) and accordingly at CHF 3,670,000 in the consolidated financial statements of the Galenica Group for 2016.

Remuneration of the members of the Board of Directors in 2016

in thousand CHF	Fee in cash	Fee equivalent in shares	Other remuneration ¹⁾	Total	Registered shares	
					Held as at 31.12.2016	Allocated for 2016
Etienne Jornod, Executive Chairman	150	3,670	341	4,161	20,050	8,000
Executive member of the Board of Directors	150	3,670	341	4,161	20,050	8,000
Daniela Bosshardt-Hengartner	50	213	14	277	1,008	191
Michel Burnier	75 ²⁾	100	10	185	542	90
Romeo Cerutti	–	173	9	182	38	155
Marc de Garidel ³⁾	12	200	10	222	71	179
Hans Peter Frick (until Annual General Meeting 2016)	20	27	1	48	–	24
Sylvie Grégoire	60	80	8	148	293	72
Fritz Hirsbrunner ³⁾	35	173	7	215	6,448	155
Stefano Pessina	–	146	5	151	1,975	131
This E. Schneider	–	227	10	237	3,670	203
Non-executive members of the Board of Directors	252	1,339	74	1,665	14,045	1,200
Remuneration of the members of the Board of Directors	402	5,009	415	5,826	34,095	9,200

¹⁾ Other remuneration corresponds to the social security costs due from the member of the Board of Directors but paid by Galenica as well as the employer's contribution to the pension funds. The employer's contributions to social security costs amounted to CHF 352,000

²⁾ The amount will be paid to the Centre Hospitalier Universitaire Vaudois (CHUV) in Lausanne

³⁾ The remuneration also includes the remuneration for services rendered to Group companies and the Galenica pension funds

Registered shares held by related parties of members of the Board of Directors are included in the declaration of the number of shares they hold.

In addition, Etienne Jornod receives CHF 150,000 per year, which is used to pay the employee share of social security contributions. The contract has been amended in accordance with legislation relating to the Ordinance against Excessive Remuneration in Listed Companies Limited by Shares (VegüV) for the year 2016, adjusting the payment mechanism from a pre-payment to a payment at the end of the year without changing the economics of the contract. In 2015, the Board of Directors and Etienne Jornod agreed to extend the contract until the Annual General Meeting 2020 and to continue to pay out compensation exclusively in registered shares. The annual payment to be approved will also change from a pre-payment to a payment at the end of the year from 2016 onwards. The registered shares to be paid out in future are blocked over the entire term of the contract until the Annual General Meeting 2020. It was also agreed that the block on sale for 20,000 of the already acquired shares would be extended until the Annual General Meeting 2020. The remaining shares, however, may be sold from the current financial year onwards. Should the contract be terminated prematurely, the employment contract contains detailed provisions which stipulate how many shares Etienne Jornod is entitled to, pro rata temporis, at such a date and at what price, depending on whether the employee or the employer has called for a premature termination.

Corporate Executive Committee

The Members of the Corporate Executive Committee are remunerated in the form of a fixed base salary, with variable elements and certain employee benefits. They also participate in certain share-based compensation plans.

The bonus payment for the business year 2016 has been calculated based on a target achievement of 214.0% of the objectives of the respective CEO and the members of the Corporate Executive Committee for the Vifor Pharma Business unit and 137.5% for the Galenica Santé Business unit, i.e. 68.75% of the maximum possible bonus for such year. For the LTI Programme 2016–2018, the allocation of performance units will be defined on the basis of the average share price from January 2017 and ROIC targets defined separately by the Remuneration Committee of Vifor Pharma and Galenica Santé. The target achievement of the LTI Programme 2014–2016 due at the end of 2016 was 167.1%.

In 2016, Gianni Zampieri, CEO Vifor Pharma, was the member of the Corporate Executive Committee with the highest remuneration. In 2015, Søren Tulstrup was the member of the Corporate Executive Committee with the highest remuneration; he stepped down from his function as CEO and member of the Corporate Executive Committee in May 2016.

Options

Neither the members of the Board of Directors nor the members of the Corporate Executive Committee hold tradable options.

Loans and credits

Galenica did not grant any loans or credits to members of the Board of Directors, members of the Corporate Executive Committee or related persons in the reporting period.

Former members of the Board of Directors and the Corporate Executive Committee

Galenica did not pay any remuneration to former members of the Board of Directors or the Corporate Executive Committee in the reporting period except for payments to Søren Tulstrup, who resigned on 24 May 2016.

Remuneration of the members of the Corporate Executive Committee in 2016

in thousand CHF	Total	of which Gianni Zampieri	of which Jörg Kneubühler
Base salary	2,621	554	504
Bonus in cash	1,543	504	539
Bonus in shares	734	316	213
Long-term Incentive Programme ¹⁾	874	201	209
Contributions to pension funds	406	89	87
Other remuneration ²⁾	16	–	2
Remuneration received	6,194	1,664	1,554
Social security costs	432	114	107
Remuneration of the members of the Corporate Executive Committee³⁾	6,626	1,778	1,661

¹⁾ The performance units falling due after three years are included with the fair value at grant based on the estimated target achievement (IFRS 2)

²⁾ Including private utilisation of company car, reimbursement for relocation as well as tax/legal advice

³⁾ Remuneration to Søren Tulstrup, former CEO Galenica Group, for services provided to companies in the Galenica Group amounted to CHF 1,387,000

Shareholdings and rights to performance share units of members of the Corporate Executive Committee

	Number of registered shares held as at 31.12.2016 ¹⁾	Long-term Incentive Programme (LTI) Performance share units (PSU) ²⁾			PSU pending
		PSU granted in 2016 (potential vesting at 31.12.2018) ³⁾	PSU granted in 2015 (potential vesting at 31.12.2017) ³⁾	PSU granted in 2014 (potential vesting at 31.12.2016) ³⁾	
Felix Burkhard	911	66	118	165	349
Jean-Claude Cléménçon	488	85	144	165	394
Jörg Kneubühler	672	142	250	273	665
Gianni Zampieri	3,598	137	167	251	555

¹⁾ Registered shares held by related parties of members of the Corporate Executive Committee are also included in the totals disclosed above

²⁾ Each performance share unit transforms at vesting into one registered share

³⁾ The shares corresponding to the PSU are transferred to the beneficiaries in the subsequent year

For better comparability, the number of performance share units are shown already when granted and not only at vesting after the three-year plan period expires. Included in the table above is the expected number of performance share units that will – based on the current assessment of target achievement – ultimately vest.

Annual remuneration 2015

Remuneration of the members of the Board of Directors in 2015

in thousand CHF	Fee in cash	Fee equivalent in shares	Other remuneration ¹⁾	Total	Registered shares	
					Held as at 31.12.2015	Allocated for 2015
Etienne Jornod, Executive Chairman	150	3,670	341	4,161	20,518	–
Executive member of the Board of Directors	150	3,670	341	4,161	20,518	–
Daniela Bosshardt-Hengartner	80	107	11	198	937	71
Michel Burnier	72 ²⁾	95	10	177	616	63
Romeo Cerutti (as of Annual General Meeting 2015)	43	57	6	106	–	38
Marc de Garidel (as of Annual General Meeting 2015)	–	107	5	112	–	71
Hans Peter Frick	70	93	7	170	963	62
Sylvie Grégoire	70	93	9	172	231	62
Fritz Hirsbrunner ³⁾	31	173	7	211	6,333	115
Stefano Pessina	–	146	5	151	1,878	97
This E. Schneider	–	226	11	237	3,520	150
Non-executive members of the Board of Directors	366	1,097	71	1,534	14,478	729
Remuneration of the members of the Board of Directors	516	4,767	412	5,695	34,996	729

¹⁾ Other remuneration corresponds to the social security costs due from the member of the Board of Directors but paid by Galenica as well as the employer's contribution to the pension funds. The employer's contributions to social security costs amounted to CHF 350,000

²⁾ The amount is paid to the Centre Hospitalier Universitaire Vaudois (CHUV) in Lausanne

³⁾ The remuneration of Fritz Hirsbrunner also includes the remuneration for services rendered to the Galenica Pension Fund

Registered shares held by related parties of members of the Board of Directors are included in the declaration of the number of shares they hold.

Remuneration of the members of the Corporate Executive Committee in 2015

	Total	of which Søren Tulstrup	of which Jörg Kneubühler
Base salary	2,246	580	500
Bonus in cash	1,321	492	313
Bonus in shares	829	309	196
Long-term Incentive Programme ¹⁾	722	216	186
Contributions to pension funds	359	71	83
Other remuneration ²⁾	70	50	2
Remuneration received	5,547	1,718	1,280
Social security costs	380	116	87
Remuneration of the members of the Corporate Executive Committee³⁾	5,927	1,834	1,367

¹⁾ The performance units falling due after three years are included with the fair value at grant based on the estimated target achievement (IFRS 2)

²⁾ Including private utilisation of company car, reimbursement for relocation as well as tax/legal advice

³⁾ Remuneration to David Ebsworth, former CEO Galenica Group, for services provided to companies in the Galenica Group amounted to CHF 1,086,109

Shareholdings and rights to performance share units of members of the Corporate Executive Committee

	Number of registered shares held as at 31.12.2015 ¹⁾	PSU granted in 2015 (potential vesting at 31.12.2017) ³⁾	Long-term Incentive Programme (LTI) Performance share units (PSU) ²⁾			Total of PSU granted
			PSU granted in 2014 (potential vesting at 31.12.2016) ³⁾	PSU granted in 2013 (potential vesting at 31.12.2015) ³⁾		
Felix Burkhard	843	118	125	225	468	
Jean-Claude Cléménçon	549	144	125	225	494	
Jörg Kneubühler	826	250	206	286	742	
Søren Tulstrup	119	291	128	–	419	
Gianni Zampieri	4,376	167	190	356	713	

¹⁾ Registered shares held by related parties of members of the Corporate Executive Committee are also included in the totals disclosed above

²⁾ Each performance share unit transforms at vesting into one registered share

³⁾ The shares corresponding to the PSU are transferred to the beneficiaries in the subsequent year

For better comparability, the number of performance share units are shown already when granted and not only at vesting after the three-year plan period expires. Included in the table above is the expected number of performance share units that will – based on the current assessment of target achievement – ultimately vest.

Remuneration trend

The overall remuneration to the members of the Board of Directors increased slightly by CHF 131,000 compared to 2015. This rise is mainly the result of full-year recording for two Boards of Directors as well as increased duties due to the change of CEO and the preparations with regard to a potential division of the Group.

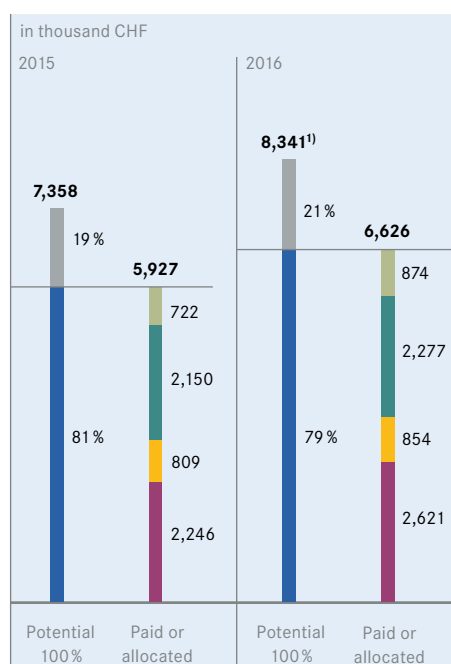
The remuneration of the Executive Chairman has been fixed for the entire period 2012–2020 and thus remains unchanged. The overall remuneration to the members of the Corporate Executive Committee is higher by CHF 699,000 than in the prior year as a result of higher variable remuneration due to the good 2016 result, the promotion of Gianni Zampieri to CEO of Vifor Pharma and the contractually agreed continued salary payments following the resignation of Søren Tulstrup.

Development of maximum possible remuneration and effective pay-out

At the next Annual General Meeting in accordance with Article 19b of the Articles of Association of Galenica the maximum possible remuneration to members of the Board of Directors, the CEOs and the members of the Corporate Executive Committee is again submitted to shareholders for approval prospectively for the business year following the Annual General Meeting and therefore sets an upper limit to possible remuneration taking into account all variable elements including in particular the bonus and the LTI programme (with blocked shares and performance units valued at the grant date). In order to facilitate the assessment of such prospective remuneration, the corresponding amounts for

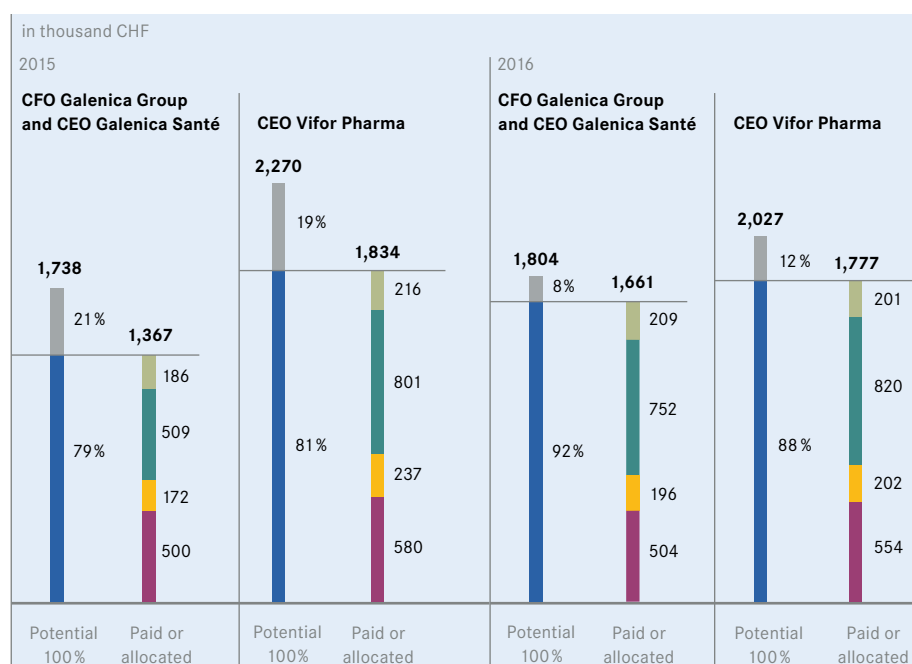
the years 2016 and 2015 are shown on a comparable basis in the table below. The effective pay-out for the period 2015–2016 is much lower than the maximum possible remuneration in those two years and forms the basis for the maximum possible amounts submitted to the Annual General Meeting (including the initial number of performance units allocated as well as deferred bonus valued at the grant date). The remuneration of the CEO in the years 2015 and 2016 on average reached 84.3% of the maximum possible remuneration and the remuneration of the members of the Corporate Executive Committee in aggregate reached 75.8% of the maximum possible remuneration for the same years.

Evolution of remuneration of all the members of the Corporate Executive Committee



¹⁾ Amount approved by the Annual General Meeting increased due to promotion and pursuant to the Articles of Association

Evolution of the highest remuneration paid to members of the Corporate Executive Committee, respectively to the two CEOs



■ LTI ■ STI ■ Social insurance and other remuneration ■ Annual base salary

Report of the statutory auditor on the remuneration report to the General Meeting of Galenica Ltd., Bern

We have audited the accompanying remuneration report (pages 85 to 87) of Galenica Ltd. for the year ended 31 December 2016.

Responsibility of the Board of Directors

The Board of Directors is responsible for the preparation and overall fair presentation of the remuneration report in accordance with Swiss law and the Ordinance against Excessive Compensation in Stock Exchange Listed Companies (Ordinance). The Board of Directors is also responsible for designing the remuneration system and defining individual remuneration packages.

Auditor's responsibility

Our responsibility is to express an opinion on the accompanying remuneration report. We conducted our audit in accordance with Swiss Auditing Standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the remuneration report complies with Swiss law and articles 14–16 of the Ordinance.

An audit involves performing procedures to obtain audit evidence on the disclosures made in the remuneration report with regard to compensation, loans and credits in accordance with articles 14–16 of the Ordinance. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatements in the remuneration report, whether due to fraud or error. This audit also includes evaluating the reasonableness of the methods applied to value components of remuneration, as well as assessing the overall presentation of the remuneration report.

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

Opinion

In our opinion, the remuneration report for the year ended 31 December 2016 of Galenica Ltd. complies with Swiss law and articles 14–16 of the Ordinance.

Bern, 9 March 2017

Ernst & Young Ltd.

Roland Ruprecht
Licensed audit expert
(Auditor in charge)

Julian Fiessinger
Licensed audit expert



The exclusive distribution in Switzerland by **Galenica Santé** for Lierac and Phyto of the French Alès Group started in early 2017.