

# Corporate Governance



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Galenica is committed to the principles of Corporate Governance. Galenica meets the requirements of Swiss law and those stated in the Directive of the SIX Swiss Exchange on Information Relating to Corporate Governance. It also follows the recommendations of the Swiss Code of Best Practice for Corporate Governance of *economiesuisse*. The remuneration and profit-sharing for top management are disclosed in a separate Remuneration Report.

## Group structure and shareholders

### Structure of the Group

Galenica Ltd., headquartered at Untermattweg 8, CH-3027 Bern, Switzerland, is a corporation under Swiss law. As a holding company, Galenica Ltd. owns all the companies in the Galenica Group directly or indirectly. The Group's structure and the consolidated subsidiaries and associates are shown in the financial statements 2016 on pages 165 and 166 respectively. The addresses of the main Group companies are listed beginning on page 188. The Articles of Association of Galenica, the Organisational Regulations as well as the Charters of the Committees of the Board of Directors can be accessed at [www.galenica.com](http://www.galenica.com).

The shares of Galenica Ltd. are listed on the SIX Swiss Exchange; shares of individual Group companies are not publicly traded.

### Shareholders

On 31 December 2016, Galenica had 10,838 shareholders, five of which, according to documents submitted to Galenica Ltd. and the SIX Swiss Exchange, were major shareholders holding more than 3% of the voting rights in Galenica Ltd.:

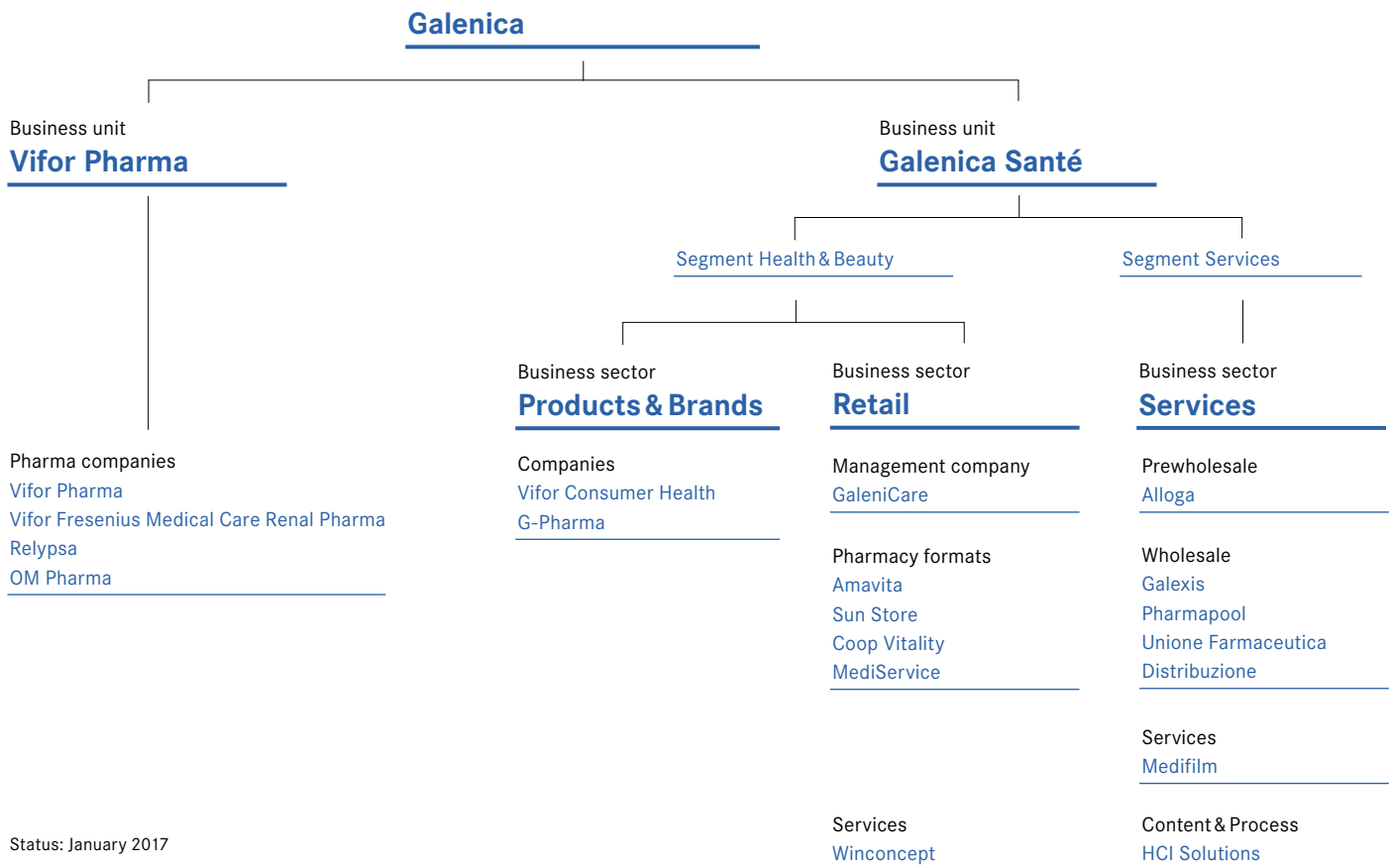
Sprint Investments 2 GmbH, Ostermündigen, Switzerland, (beneficial owners: Stefano Pessina, Monaco, and Kohlberg Kravis Roberts & Co. L.P., New York, USA) with 626,172 registered shares.

Patinex AG, Freienbach, Switzerland, and BZ Bank Aktiengesellschaft, Freienbach, Switzerland, (beneficial owners: Martin and Rosmarie Ebner, Wilen) with 1,122,351 registered shares. Of these shares, 325,000 are registered in accordance with the Articles of Association with voting rights.

Alecta pensionsförsäkring, ömsesidigt, Stockholm, Sweden, with 210,000 registered shares.

BNP PARIBAS SA, Paris, France, 215,249 shares – this is a temporary bond to be repaid on 7 February 2017.

Priora Projekt AG, Chur, Switzerland, Immoport AG, Chur, VV Value Vals AG, Vals, Switzerland, and Kodiak Invest AG, Chur (beneficial owners: Remo and Manuela Stoffel, Chur), with 534,500 registered shares.

**Structure of the Galenica Group**

No other shareholder has announced a crossing of the 3% threshold of registered shares.

The transactions disclosed to the stock exchange Disclosure Office pursuant to Art. 20 of the Stock Exchange Act can be viewed on the Disclosure Office website of the SIX Swiss Exchange:

[www.six-exchange-regulation.com/obligations/disclosure/major\\_shareholders\\_en.html](http://www.six-exchange-regulation.com/obligations/disclosure/major_shareholders_en.html)

**Cross shareholdings**

Galenica Ltd. has no cross shareholdings in companies outside the Galenica Group.

**Events after the balance sheet date**

Since the reporting date Sprint Investments 2 GmbH has notified the company and SIX Swiss Exchange that it holds less than 3% of the voting rights in Galenica Ltd. There are no other changes to report.

**Structure of the share capital****Share capital**

On 31 December 2016, the fully paid share capital of Galenica amounted to CHF 650,000, divided into 6,500,000 publicly listed registered shares with a nominal value of CHF 0.10 each.

Galenica shares (securities no. 1553646) are listed on the SIX Swiss Exchange. As of 31 December 2016, 6,477,034 registered shares were outstanding (not including treasury shares). The market capitalisation amounted to CHF 7,442,112,066.

**Authorised capital**

According to Art. 3a of the Articles of Association, the Board of Directors is authorised to increase the share capital of CHF 650,000 by a maximum of CHF 65,000 at any time up to and including 28 April 2018 by issuing no more than 650,000 fully paid registered shares.

**Conditional capital**

Galenica has no conditional capital.

**Changes in the capital in the last years**

Information about changes in the share capital, reserves and distributable profit over the past few years can be found on page 177 of the financial statements 2016. Please see previous annual reports for information about prior years.

**Participation certificates**

Galenica has no participation certificates.

**Dividend certificates**

Galenica has not issued any dividend certificates.

**Registration of shareholders and limitations upon transferability**

The transfer of registered shares requires the authorisation of the Board of Directors, who may delegate this responsibility. The

transfer is granted if the buyer discloses its identity and confirms that the shares are being acquired in its own name and for its own account.

### Registration and voting rights

Each registered share entitles the holder to one vote at the Annual General Meeting. Pursuant to Art. 6 of the Articles of Association, voting rights at Galenica are restricted to 5% of the share capital.

Legal entities and partnerships, other groups of persons or joint owners who are interrelated through capital ownership, voting rights, common management or are otherwise linked, as well as individuals or legal entities or partnerships that act in concert to circumvent this provision, shall be treated as one single entity.

The Board of Directors may refuse registration in the shareholders' register if purchasers do not declare explicitly, upon request, that they have acquired the shares in their own name and for their own account. The Board of Directors is also authorised, after hearing the individuals concerned, to cancel any entries in the shareholders' register that were obtained on the basis of incorrect information.

The Board of Directors may approve exceptions to the voting rights restrictions in order to permit the participation of strategic partners in Galenica Ltd., in an amount not exceeding 20% of the share capital. The Board has already exercised this right in connection with Sprint Investments 2 GmbH (previously Alliance Boots Investments 2 GmbH).

In order to guarantee vested rights, the Articles of Association allow the pension funds of the companies in the Galenica Group to be registered as shareholders with voting rights in an amount not exceeding 10% of all shares with voting rights. As of 31 December 2016, the pension funds were registered with 0.09%.

Within the scope of a change in the Articles of Association, the Annual General Meeting may pass, by a relative majority, a resolution to approve exceptions to the percentage limits. At least half of all shares entered in the commercial register must be represented in order for such a resolution to be legally binding. The applicant has a

right of submission at the Annual General Meeting. No applications for exceptions were submitted during the financial year 2016.

### Registration of nominees

A nominee may be registered with voting rights up to a limit of 2% of the share capital entered in the commercial register. Shares in excess of this limit can only be registered if the nominee in question discloses the name, address and number of shares of the person for whose account the nominee holds 0.5% or more of the share capital entered in the commercial register. During the financial year 2016, agreements of this nature were signed with two nominees.

### Convertible bonds and options

Galenica has no outstanding convertible bonds, nor has it issued any traded options.

## The Board of Directors

The Board of Directors of Galenica Ltd. determines the strategic goals, the general ways and means to achieve them while harmonising strategy, risks and financial resources, and appoints and oversees the managers responsible for conducting the company's businesses. It also designs the company's corporate governance profile and puts it into practice.

The duties of the Board of Directors of Galenica Ltd. are based on the Swiss Code of Obligations, the company's Articles of Association and its Organisational Regulations. Pursuant to the Articles of Association, the Board of Directors consists of a minimum of five and a maximum of twelve members. It consisted of nine members as of the end of 2016.

In selecting the members of the Board of Directors, care is taken to ensure that competency for each area of the Galenica Group's activities is represented by at least one member, if possible, and that the necessary specialised expertise is also available. The Board of Directors reviews its functional effectiveness once a year.

The Articles of Association of Galenica Ltd. restrict the ability of its directors to act in the board or senior management of other

profit-oriented companies, limiting such outside board activity to five mandates in listed and seven mandates in non-listed companies. None of the members has reached the limit.

With the exception of the Executive Chairman, none of the members of the Galenica Board of Directors performed an operational management function at Galenica or any of the companies in the Group in the year under review or at any time during the previous three years.

Disclosure of potential conflicts of interest: No member of the Galenica Board of Directors has any significant relations with Galenica or any of its subsidiaries. Stefano Pessina represents Sprint Investments 2 GmbH, which is a shareholder of Galenica.

### Election and term of office

Each member of the Board of Directors, its Chairman, each member of the Remuneration Committee as well as the independent proxy are elected individually by the Annual General Meeting for a term of office of one year, i. e. from one Annual General Meeting to the end of the next. Members may be re-elected. The Articles of Association do not stipulate a limit regarding terms of office. Elections are held separately for each Board member being elected.

### The Board of Directors and its committees in 2016

The Board of Directors is made up of the Executive Chairman, one or more Vice-Chairmen and the other members. The Board of Directors forms the following committees from its members:

- Governance and Nomination Committee
- Remuneration Committee
- Audit and Risk Committee
- Scientific and Pharma Committee
- Swiss Healthcare Committee

Each committee has its own charter setting out its duties and responsibilities. The committee charters are published on the Galenica website ([www.galenica.com](http://www.galenica.com)).

## Committees and their chairmen and members 2016

	Board member since	Governance and Nomination Committee	Remuneration Committee	Audit and Risk Committee	Scientific and Pharma Committee	Swiss Healthcare Committee
Etienne Jornod	1996	Chairman			Member	Chairman
Daniela Bosshardt-Hengartner	2008		Chairman		Member	Member
Michel Burnier	2010		Member		Chairman	Member
Romeo Cerutti	2015	Member		Member		
Marc de Garidel	2015			Chairman <sup>2)</sup>	Member	
Hans Peter Frick <sup>1)</sup>	2010			Chairman		
Sylvie Grégoire	2013				Member	
Fritz Hirsbrunner	2012			Member		Member
Stefano Pessina	2000					
This E. Schneider	2004	Member	Member	Member		Member
Number of meetings 2016		3	7	10	4	4

<sup>1)</sup> Until the Annual General Meeting 2016

<sup>2)</sup> Since the Annual General Meeting 2016

### Internal organisation

The Board of Directors may pass binding resolutions for the company with respect to all matters that are not expressly reserved for the authority of the Annual General Meeting either by law or the Articles of Association.

The Executive Chairman calls a meeting of the Board of Directors at least once a quarter, prepares and leads the meetings. The individual agenda items are set by the Executive Chairman. He decides on a case-by-case basis whether to involve additional persons in the consultations of the Board of Directors. The Corporate Executive Committee usually participates at least in part of every meeting to report on ongoing business and to explain in more detail the documentation in light of the decisions to be taken. Any member of the Board may propose, in writing, items to be included in the agenda, or may request that a meeting of the Board of Directors be convened, briefly giving reasons for doing so. The members of the Board receive the documentation they need to prepare for the agenda items in a timely manner, normally at least ten days before the meeting in question. Decisions are made by the entire Board of Directors. Minutes of the meeting are kept, recording all discussions and resolutions.

The Executive Chairman, in consultation with the CEOs, represents the interests of the Group towards third parties in important matters.

In 2016, the Board of Directors held thirteen meetings. In addition to meetings and the associated flow of information (documentation on individual agenda items, reports), the Board of Directors is also informed on a regular basis about the Group's activities and challenges, as well as the current state and general development of the Business sectors. Furthermore, the Board of Directors is often consulted by the Corporate Executive Committee in its role as advisory body.

As part of its risk management, the Board of Directors receives from the Corporate Executive Committee an overview of the most important risks, along with preventive measures to be implemented Group-wide as part of the risk management process. It evaluates and takes decisions on this overview of risks and measures, which is provided when circumstances require it, but at least once a year. Further information on this topic can be found on page 74.

### Committees

The committees prepare the business of the Board of Directors in the areas of activity assigned to them and submit recommendations to the entire Board of Directors. Except for the Remuneration Committee, the committees have no decision-making authority of their own. They meet as often as business requires and report to the Board of Directors on activities and results. They draw up their own agendas and keep minutes of meetings.

Each committee has its own charter governing its duties and responsibilities.

### Governance and Nomination Committee

The Governance and Nomination Committee ensures the management and monitoring of the Group's business activities by the Board of Directors (overall management and ultimate supervision pursuant to Art. 716a of the Swiss Code of Obligations). In addition, the Governance and Nomination Committee has the following duties in particular:

- Develops the values, short- and long-term objectives and strategy of the Group in close cooperation with the CEOs for submission to the Board of Directors;
- Takes provisional decisions and intervenes in urgent cases where a decision of the Board of Directors cannot be obtained in a timely manner;
- Draws up selection criteria for the nomination of members of the Board of Directors, Committees and Corporate Executive Committee, and reviews the relevant succession plans;
- Evaluates and makes proposals for the appointment and dismissal of members of the Board of Directors, committees and Corporate Executive Committee (including the CEOs).

### Remuneration Committee

The Remuneration Committee is made up of three members, who must be independent. The Remuneration Committee carries out the following duties in particular:

- Proposes a remuneration strategy for the Group and the members of the Corporate Executive Committee to the Board of Directors;
- Proposes to the Board of Directors the salaries and remuneration for the members of the Board of Directors and the committees as well as the CEOs;
- Decides on the remuneration for the members of the Corporate Executive Committee within the scope of the guidelines adopted by the Annual General Meeting.

### Audit and Risk Committee

The Audit and Risk Committee carries out the following duties in particular:

- Verifies compliance with internal and external regulations by carrying out random checks;
- Checks the performance and independence of the external auditor and approves its fees;
- Evaluates and submits its nomination for external auditor to the Board of Directors for the Annual General Meeting;
- Reviews together with the external auditors the scope and method of the audit;
- Defines the internal audit programmes, including compliance and IT security, and checks the audit reports and the status reports on the implementation of measures;
- Analyses at least once a year the scope of internal control systems, the auditing projects and processes affected, the results of internal audits and the implementation of recommendations by the Corporate Executive Committee;
- Reviews with the external auditors the Group's compliance with accounting policies and standards;
- Assesses the organisation of risk management processes;
- Reviews, if necessary together with the external auditors, the risks that could affect the Group's result and the measures planned for reducing those risks;

- Issues new guidelines, instructions or clarifications in connection with the Code of Conduct;
- Assesses the financial structure, the development of investments and acquisitions, and the influence of currency fluctuations and measures to be taken;
- Monitors the Group's financial situation and financial controls;
- Receives regular information from the Corporate Executive Committee concerning major changes that could affect the Group's financial situation.

### Scientific and Pharma Committee

The Scientific and Pharma Committee acts as an advisory body to the Executive Chairman and the Board of Directors in matters of R & D strategy for the Group, innovation process, innovation pipeline, protection of intellectual property and in the assessment, selection and prioritisation of target markets and therapeutic fields.

It also gives its view on acquisitions and proposals aimed at strengthening the technology base of the Group or accelerating market penetration.

### Swiss Healthcare Committee

The Swiss Healthcare Committee acts as an advisory body to the Executive Chairman and the Board of Directors in matters concerning the market for healthcare services in Switzerland, in particular the provision of medical products, services and information to pharmacists and other healthcare professionals, the assessment, selection and prioritisation of target markets, and the optimisation of logistics processes.

It also gives its view on mergers and acquisitions and divestiture projects of its points of sale aimed at strengthening market penetration and efficiency.

### Frequency of meetings of the Board of Directors and its committees in 2016

In 2016, the Board of Directors held thirteen meetings, together with members of the Corporate Executive Committee. The Governance and Nomination Committee met three times, the Remuneration Committee seven times and the Audit and Risk

Committee ten times. The Scientific and Pharma Committee met four, and the Swiss Healthcare Committee met four times. In principle all the members participate in all the meetings of the Board of Directors. Excluding absences to avoid conflicts of interest, the members participated in more than 97% of all meetings. Outside the official meetings the members of the Board of Directors also exchanged their views with other members and the Executive Chairman in numerous telephone conferences. The allocation of tasks among the committees is described starting from page 65 of this report.

## Management and areas of responsibility

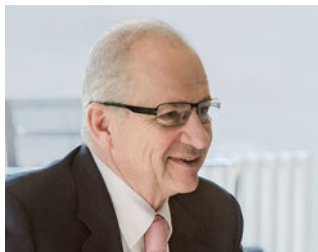
The Board of Directors is legally responsible for the overall management and ultimate supervision of the Group. It has the duties provided for under Art.716a para.1 of the Swiss Code of Obligations; it cannot be deprived of these duties, nor can it delegate them. In addition, it may pass resolutions with respect to all matters that are not reserved for the authority of the Annual General Meeting either by law or the Articles of Association. In particular, the Board of Directors is responsible for approving or passing resolutions on:

- The values, objectives and strategy of the Group;
- The essential framework of the company's activities;
- The Group's planning, budget and projections;
- Selection and deselection of the members of the Committees, the CEOs and the members of the Corporate Executive Committee;
- The organisation of the remuneration system.

The Board of Directors has delegated the management of the company in accordance with the Organisational Regulations. Etienne Jornod serves as Executive Chairman and has certain clearly defined oper-

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## Members of the Board of Directors



**Etienne Jornod**, Executive Chairman, elected since 1996

- Born 1953, Swiss citizen
- Lic. oec., HEC University of Lausanne/Senior Executive Program, Stanford University (USA)
- Joined the Group in 1975 as a Junior Product Manager; left the Group in 1978; returned in 1981 (after obtaining a university degree) as Assistant to the Corporate Executive Committee; joined the Corporate Executive Committee in 1989; Chairman of the Board of Directors and CEO of Galenica from 1996 to 2011; Executive Chairman since 2012
- Chairman of the Board of Directors of the Aktiengesellschaft für die Neue Zürcher Zeitung (Zurich) and member of the Board of Directors of Vaudoise Assurances Holding SA (Lausanne)



**Daniela Bosshardt-Hengartner**, elected since 2008

- Born 1972, Swiss citizen
- Pharmacist, Federal Diploma in Pharmacy, Federal Institute of Technology, Zurich
- Financial analyst at Bank am Bellevue (1998-2002) and M2 Capital (2003-2004)
- Management consultant in the pharmaceutical, medical technology and biotechnology sectors since 2004
- Member of the Board of Directors of RepRisk AG (Zurich)



**Prof. Dr. Michel Burnier**, elected since 2010

- Born 1953, Swiss citizen
- Swiss-registered Doctor of Internal Medicine and Nephrology
- University Lecturer, University of Lausanne
- Formerly a member of the Medicines Committee of the Swiss Association of Pharmacists (until 2001), the Board of Swissmedic (2002-2010) and the Board of Directors of Speedel Holding Ltd. (2007-2009)
- Member of the following organisations: Swiss Society of Nephrology (former President), Scientific Council of the European Society of Hypertension (Treasurer) and Swiss Society of Hypertension (former President)



**Dr. Romeo Cerutti**, elected since 2015

- Born 1962, Swiss and Italian citizen
- Doctor of Law, Law studies at the University of Fribourg, Switzerland; Master of Laws from the University of California, School of Law, Los Angeles
- Attorney-at-law with Latham and Watkins (1993-1995) and Homburger Rechtsanwälte (1995-1999)
- Head of Corporate Finance at Lombard Odier Darier Hentsch & Cie (1999-2006) and partner of the Group Holding of Lombard Odier Darier Hentsch & Cie (2004-2006)
- General Counsel of the Private Banking division of Credit Suisse (2006-2009)
- General Counsel and a member of the Executive Board of Credit Suisse Group Ltd. and Credit Suisse Ltd. since April 2009
- Member of the Board of Trustees of the Swiss Finance Institute (SFI) since 2016
- Member of the Board of the Zürcher Handelskammer since 2016
- Vice-President of the Board of Directors of the Savoy Hotel Baur en Ville AG since 2016



**Marc de Garidel**, elected since 2015

- Born 1958, French citizen
- Master in Engineering, Ecole Supérieure des Travaux Publics, Paris; Master in International Management, Thunderbird School of Management, Phoenix (USA); Executive Master in Business Administration, Harvard University, Boston (USA)
- Various positions at Lilly, most recently as Finance Director Germany (1983-1995)
- Various positions at Amgen, including Vice-President Finance and Administration Europe, Vice-President and Chief Administration Officer, and General Manager for France and Vice-President of the South International Region (1995-2010)
- Since 2010 Chairman of the Board of Directors and CEO of Ipsen



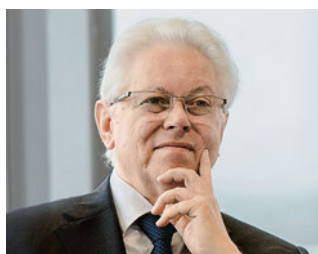
**Dr. Sylvie Grégoire**, elected since 2013

- Born 1961, Canadian and US citizen
- Dr. pharm., State University of New York in Buffalo (NY/USA), pharmacy degree from Université Laval, Quebec City (Canada)
- Formerly President of Shire Human Genetic Therapies (2007–2013), worked in various roles at companies including Merck & Company (1987–1995), Biogen Inc. (1995–2003), GlycoFi Inc. (2004–2005) and IDM Pharma (2006–2007)
- Advisor to venture capital and biotech companies
- Former member of the Boards of Directors of various companies in the USA and Canada, and the boards of various charitable organisations
- Member of the Board of Directors of Novo Nordisk and PerkinElmer Inc. since 2015
- Chair of the Board of Directors of Corvidia Therapeutics, Inc. since 2016
- President of the Board of Directors of MetrioPharm AG since 2016



**Fritz Hirsbrunner**, elected since 2012

- Born 1949, Swiss citizen
- Lic. oec., HEC University of Lausanne/Senior Executive Program, IMD, Lausanne
- 1972–1977 Controller at Ciba-Geigy
- Joined the Galenica Group in 1977 as Assistant to the Corporate Executive Committee; member of the Corporate Executive Committee from 1992 to 2011; Deputy CEO and CFO; Head Investor Relations until February 2014
- Member of the Board of Directors of Berlac AG, Sissach, and IVF Hartmann Holding AG, Neuhausen
- Member of the Board of Trustees of IST Investmentstiftung, Zurich
- Member of the Board of Directors of VenCap 6 Ltd., Jersey



**Stefano Pessina**, elected since 2000

- Born 1941, citizen of Monaco
- Nuclear engineering degree, Milan Polytechnic
- Former management consultant, active as an entrepreneur in various pharmaceutical distribution companies since 1976; became Deputy Chairman in 1997, and CEO between 2001 and 2006 of Alliance UniChem Plc, Weybridge (UK); since 2007 Executive Chairman of Alliance Boots, London (UK) and Executive Vice Chairman of the Board and Chief Executive Officer of Walgreens Boots Alliance, Inc., having been appointed to the Board of Walgreens in 2012



**This E. Schneider**, Vice-Chairman, elected since 2004

- Born 1952, Swiss citizen
- Lic. oec., HSG University of St. Gallen/Graduate School of Business, Stanford University (USA)
- Previously held various managerial positions in Europe and in the USA, at SAFAA (1991–1993), Valora (1994–1997) and Selecta Group (1997–2002). From 2004 until March 2014, Delegate of the Board of Directors and CEO of Forbo International AG, Baar, since April 2014 Executive Chairman of Forbo International AG, Baar
- Rieter Holding AG, Winterthur (Vice-Chairman of the Board of Directors), Antoneum Holding AG, Winterthur (member of the Board of Directors)

Dr. Hans Peter Frick, member of the Board of Directors since 2010, no longer stood for election as a member of the Board of Directors at the Annual General Meeting on 28 April 2016.



## Members of the Corporate Executive Committee



### Dr. Jörg Kneubühler, CEO Galenica Santé

- Born 1960, Swiss citizen
- Dr. rer. pol., University of Bern
- Held various positions in finance at the Swatch Group before joining Galenica
- Joined the Group in 2002 as Head of Finance and Administration at Vifor Pharma; Head of Controlling for the Galenica Group as of 2006; Head Corporate Finance and Controlling for the Galenica Group and member of the Corporate Executive Committee since 2009; CFO since 2012 and Head Human Resources from 2012 until August 2014; from 2014 until end of 2016 CFO Galenica Group and CEO Galenica Santé; CEO Galenica Santé from 2017



### Felix Burkhard, CFO of the Galenica Group and Galenica Santé

- Born 1966, Swiss citizen
- Lic. oec., HSG University of St. Gallen (HSG), and Swiss certified accountant
- Financial Auditor at Revisuisse PriceWaterhouse, Bern, and Head of Finance and Controlling at Amidro, Biel-Bienne, before joining the Group
- Joined the Group in 1996 as Corporate Controller; Deputy Head Retail Business sector from 2000; in addition, Head of the Amavita pharmacy chain from 2008; Head Retail Business sector from 2010 to 2015; member of the Corporate Executive Committee since 2010; since 2015 Head Strategic Projects; from 2017 CFO Galenica Group and Galenica Santé



### Jean-Claude Cléménçon, Head Retail Business sector

- Born 1962, Swiss citizen
- Degree in Logistics, sfb Technical College, Zurich
- Program for Executive Development (PED), IMD, Lausanne
- Before joining the Group he was Head of Manufacturing at Rheintub AG, Rheinsulz, and CEO of Raintec GmbH, Dogern (Germany)
- Joined the Group in 1995 as Operations Manager Galexis Zurich; Head of Schönbühl Distribution Centre from 1999; Head of Galexis from 2002; Head Logistics Business sector from 2005 to 2015 and in addition in charge of HealthCare Information and member of the Corporate Executive Committee since 2010; since 2015 Head Retail Business sector
- Member of the Board of Helvecura cooperative society, Bern

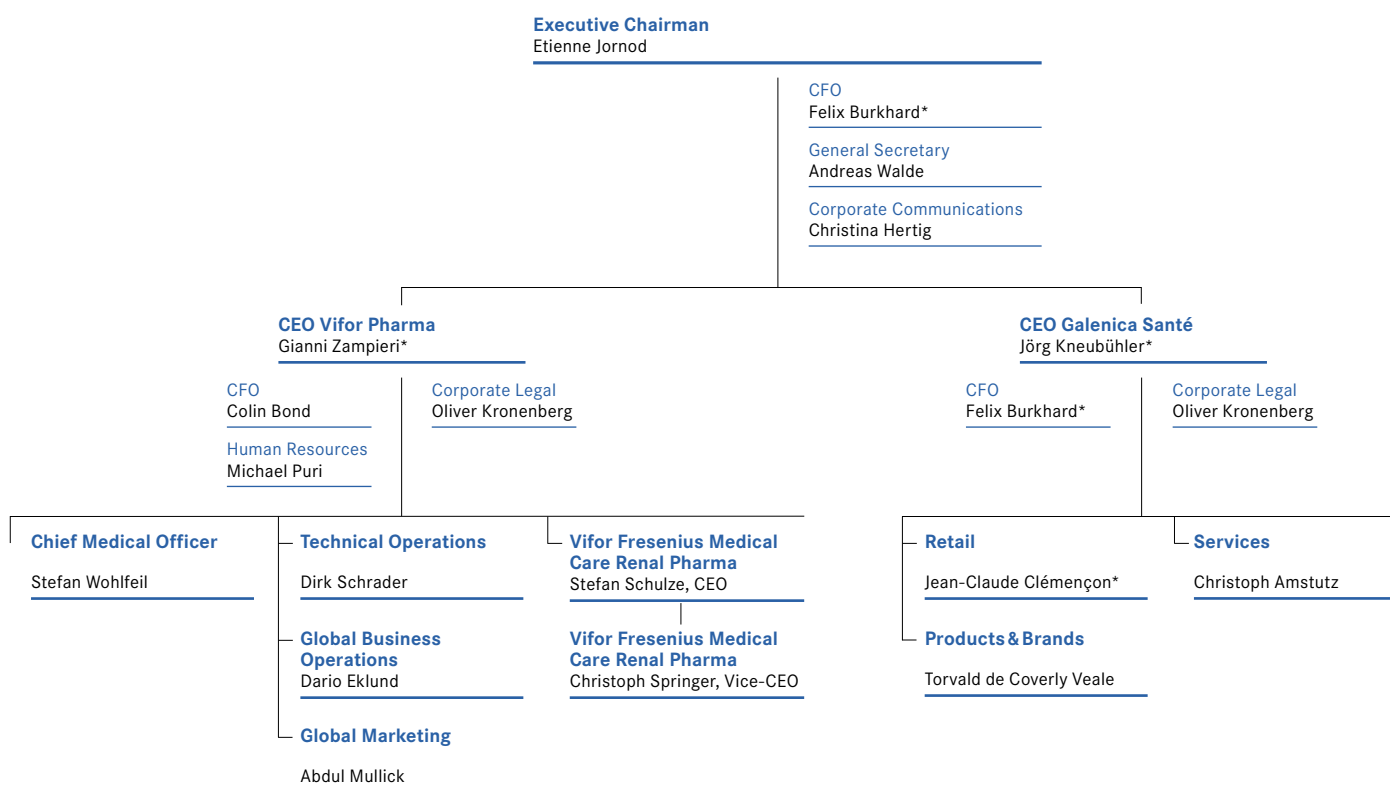


### Dr. Gianni Zampieri, CEO Vifor Pharma

- Born 1956, Swiss citizen
- Dr. sc. nat., NDS BWI, Federal Institute of Technology, Zurich/Senior Executive Program, Stanford University (USA)
- Held positions at Roche, Sandoz and Novartis before joining the Group
- Joined the Group in 1996; became CEO of Vifor (International) in 1997; member of the Corporate Executive Committee since 2002; Head of the Pharma Division of the Galenica Group from 2004 to 2008; Head of Industrial Operations at Vifor Pharma since 2008; CEO OM Pharma from 2009 to 2010; Vice-CEO Vifor Pharma since 2011; since 2016 CEO Vifor Pharma

Søren Tulstrup left his position as CEO Vifor Pharma and member of the Corporate Executive Committee as of 24 May 2016.

## Organisation of Group Management



\* Members of the Corporate Executive Committee Status: January 2017

### Duties of the Executive Chairman

- Leading the Board of Directors
- Ongoing strategic development of the Group
- Supporting alliances and acquisitions
- Positioning of the Group re. communications
- Maintaining relationships with partners
- Overall responsibility for the corporate culture (HR policy, communications)
- Involvement in implementing key strategic projects
- Member of the Group's strategic Boards of Directors

### Duties of the two CEOs

- Operational management of the Group's Business units Vifor Pharma and Galenica Santé respectively
- Budget realisation and control
- Ensuring compliance, internal control systems and risk management
- Developing relationships with customers, suppliers and authorities
- Supporting the Executive Chairman in preparing strategic, HR-related and financial business for consultation and decision-making

► continued from page 67

ational duties. More precise details of his duties are set out later in this section. The CEOs of Vifor Pharma and Galenica Santé assume operational management of their Business units respectively and head the Corporate Executive Committee. The Board of Directors maintains close contact with the CEOs and the members of the Corporate Executive Committee and invites them, or sometimes each of the CEOs on their own, to attend its meetings when relevant items are to be discussed. At each meeting, the members of the Corporate Executive Committee are invited to report on their respective Business sectors and to discuss important business matters with the Board. Other members of senior or executive management of companies within the Group are also regularly invited to report on their activities or present their projects.

#### **Duties of the Executive Chairman**

As Executive Chairman, Etienne Jornod is responsible for leading the Board of Directors, the ongoing strategic development of the Group, alliances and acquisitions, the positioning of the Group concerning communications and stakeholder relations. In particular, he carries out his executive role in important strategic boards of the Galenica Group, such as Chairman of the Board of Directors of Vifor Fresenius Medical Care Renal Pharma Ltd.

The Executive Chairman is closely involved in the implementation of the most important strategic projects. In addition, he has overall responsibility for the Group's corporate culture, a competitive factor that is becoming increasingly important in the labour market. Likewise, he helps shape the HR policy and communications of the Galenica Group. The Swiss heritage of the Galenica Group should be preserved as a competitive advantage and continue to be developed. More than 7,400 of over 8,600 Galenica employees are based in Switzerland.

#### **Duties of the CEOs**

Each of the two Business units Vifor Pharma and Galenica Santé has its own CEO in charge of operational management. Each of the two CEOs is responsible for implementing the strategic and operational objectives approved by the Board of Directors, for preparing budgets and ensuring that they are met, and for developing relationships with customers, suppliers and authorities. They implement the Group values (including safety, quality and the Code of Conduct) and issue binding guidelines for their respective Business unit. In doing so, they work closely with each other and with the Executive Chairman on the most important decisions. The two CEOs lead the Corporate Executive Committee. Each of the CEOs reports directly to the Executive Chairman, with whom he prepares the information for the meetings of the Board of Directors. At these meetings, the CEOs, and on some occasions other members of the Corporate Executive Committee, inform the Board of Directors and submit strategic, HR-related and financial business to the Board for consultation and decision-making.

#### **Corporate Executive Committee**

The instructions and resolutions of the Board of Directors are implemented for each of the Group's Business units by the Corporate Executive Committee under the leadership of the respective CEO. The Board sets appropriate objectives for each CEO and those members of the Corporate Executive Committee allocated to his Business unit, approves the budget and continually monitors compliance with these targets. Monitoring is based on monthly reports to the Board, which include key figures and reporting on important events and developments, and on the planning cycle. In the first quarter, the results for the previous year are compared with the budget for that year. In the second quarter, the current financial year is evaluated by means of a "Last Estimate 1", and a medium-term plan for the next three years is drawn up. In the third quarter, the results for the first half-year are prepared and re-

viewed, and in the fourth quarter the expected annual result "Last Estimate 2" is determined and the budget for the following year agreed.

The Articles of Association of Galenica restrict the ability of the members of the Corporate Executive Committee to act in the board or senior management of other profit-oriented companies, limiting such outside board activity to one mandate subject to prior approval by its Board of Directors.

Further information on the other duties of the Board of Directors, Executive Chairman and Corporate Executive Committee can be found in the Organisational Regulations published on the Galenica website ([www.galenica.com](http://www.galenica.com)).

#### **Information and monitoring tools**

The Board of Directors monitors the Corporate Executive Committee and supervises its working practices. The Galenica Group has a comprehensive electronic information management system. The Board of Directors receives a written report on a quarterly basis and is informed on a monthly basis about the Group's financial and operating performance. In addition, operating performance, opportunities and risks are discussed in depth at meetings attended by members of the Corporate Executive Committee.

#### **Management contracts**

No management contracts exist as specified under point 4.3 of the SIX Swiss Exchange Directive on Information Relating to Corporate Governance.

## Shareholders' rights to participate

The Annual General Meeting is held each year within six months of the close of the financial year. Extraordinary General Meetings are called as often as necessary by a decision of the Annual General Meeting or Board of Directors, at the request of the auditors or at the written request of shareholders representing on aggregate not less than 7% of the share capital entered in the commercial register.

Each share recorded as a share with voting rights in the shareholders' register entitles the holder to one vote at the Annual General Meeting. Shareholders are also entitled to dividends and have other rights pursuant to the Swiss Code of Obligations.

Results of the ballots taken at the Annual General Meetings are made available on the Galenica website within one week after each meeting.

### Voting restrictions and proxy voting

A registered shareholder may be represented at the Annual General Meeting on the basis of a written power of attorney by another shareholder or the independent proxy to whom instructions may be given in writing or electronically. There are no rules that deviate from legal provisions relating to attendance of the Annual General Meeting.

A shareholder or a beneficiary with voting rights may register for shares which, when added to shares already registered as voting shares in the purchaser's name, do not exceed 5% of all voting shares. See page 65 for further details.

### Procedure and conditions for lifting restrictions on voting rights

For restrictions on the registration of voting rights to be lifted, shareholders who together represent not less than 0.5% of the share capital entered in the commercial register must request in writing that such an item be included on the agenda no later than 40 days before the Annual General Meeting. The Annual General Meeting must indicate its approval based on an absolute majority, of the votes represented and of the share par values represented.

### Quorums under the Articles of Association

In addition to the cases cited in Art. 704 of the Swiss Code of Obligations, approval by at least two-thirds of the votes represented and the absolute majority of the nominal capital represented is required in the following cases:

- A change in the provisions relating to restrictions on the transfer of registered shares, Art. 15c) of the Articles of Association;
- Conversion of registered shares into bearer shares and vice versa, Art. 15d) of the Articles of Association.

### Convening of the Annual General Meeting

The Articles of Association do not differ from legal regulations with regard to the convening of the Annual General Meeting and the setting of the agenda. The Annual General Meeting is convened by the Board of Directors at least 20 days before the date of the meeting. The shareholders are invited to attend by a notice placed in official publications. The meeting may also be convened by sending a letter to all the registered shareholders at the addresses entered in the shareholders' register. The notice of a meeting shall state the items on the agenda, the proposals of the Board of Directors and the requests of any shareholders who have called for a General Meeting to be convened or for a particular item to be included on the agenda.

### Inclusion of items on the agenda

Shareholders who together represent not less than 0.5% of the share capital entered in the commercial register may request that an item be included on the agenda. They must submit such requests in writing no later than 40 days before the scheduled date of the meeting. Agenda items relating to financial year 2016 that are to be dealt with at the Annual General Meeting on 11 May 2017 must be submitted no later than 31 March 2017. The items to be included on the agenda must be specified along with the motion on which the shareholder requests a vote.

### Shareholders' register

There are no regulations in the Articles of Association regarding a deadline for entry in the shareholders' register. However, for practical reasons the shareholders' register remains closed to entries for several days prior to an Annual General Meeting. This will be the case from Tuesday 2 May 2017 for financial year 2016 and from Monday 30 April 2018 for financial year 2017. Shareholders entered in the shareholders' register by Monday 1 May 2017 and Friday 27 April 2018 respectively may exercise their voting rights at the corresponding Annual General Meeting.

Instructions to the independent proxy holder may be given in writing and – since 2014 – also electronically through a platform named Nimbus ShApp<sup>®</sup> which is used by Galenica. The invitation to the Annual General Meeting, which will be sent to all shareholders on or around 13 April 2017, includes the required login information to create a personal user profile. The instructions must be received by the independent proxy holder by the evening of the penultimate day before the Annual General Meeting, i.e. by Tuesday 9 May 2017 for the 2017 Annual General Meeting and by Sunday 6 May 2018 for the 2018 Annual General Meeting.

## Change of control and protective measures

The obligation to make a public offer pursuant to Art. 22 of the Stock Exchange Act (Federal Act on Stock Exchanges and Securities Trading) has not been changed in the Articles of Association. The employment contracts of the members of the Corporate Executive Committee and the members of senior management also contain no provisions to this effect.

## Combating corruption

Galenica attaches considerable value to doing business in a manner that is ethically correct and in accordance with the legal requirements in place. It is committed to complying with legal and ethical standards. This must be reflected in every aspect of staff conduct. Galenica enforces a zero-tolerance approach to corruption and bribery on the part of employees, partners, suppliers or representatives of third parties. Many countries have legislation which stipulates that bribing public officials is an offence. Violations of these provisions or other laws prohibiting unfair competition may result in criminal or civil proceedings against Galenica as well as the responsible employees.

In order to ensure full compliance with rules and regulations Galenica has developed an anti-bribery and corruption check. This check is used each time a new business relationship is established with third parties and is being introduced gradually and on the basis of specific priority criteria.

## Information and monitoring tools of the Board of Directors with respect to management

### Risk management process

Galenica has a risk management process in place which enables the Board of Directors, the Corporate Executive Committee as well as the relevant management of Group companies to identify potential risks in a timely manner and take the preventive measures necessary. The goal of this process is to identify and assess significant risks at all management levels and to manage them while making conscious use of the opportunities the process provides.

As part of Group-wide Galenica Risk Management (GRM), the companies in the Group conduct a risk assessment at least once a year. This standardised process is based on a risk grid in which the most important strategic and operational risks and their possible financial effects are identified in line with pre-defined criteria and

then evaluated in accordance with the probability of their occurrence and their effect. These risks are entered into a risk matrix for each Business sector and, depending on the extent, also incorporated into the Group risk matrix.

The Board of Directors of Galenica receives an overview of the most important risks from the Corporate Executive Committee when circumstances require it but at least once a year. The Board evaluates the overview, adding information as needed, and where required takes decisions on any preventive measures necessary, which will then be implemented Group-wide as part of the risk management process.

Galenica defines risk as the possibility that an event or an action will lead to immediate financial loss or other negative consequences.

- GRM defines three basic objectives:
- Creating a framework for effective risk management within the Galenica Group that will be embedded in existing management and planning processes and will therefore effectively strengthen risk awareness at all management levels.
  - Creating and guaranteeing a lean and pragmatic risk management system that will effectively protect the Business sectors and their profit-earning ability.
  - A credible presentation to stakeholders that Galenica is managing its risks effectively.

Risk management at the level of the Galenica Group records strategic risks that could have significant consequences at Group level or at least at Business sector level. Operational risk management is specifically defined and managed by the individual Group operating companies, although it is recognised that events in individual companies can clearly have an influence on the strategic risks of the Group. Risks are managed at the appropriate level by the management hierarchy that is best suited for this purpose. This ensures that action will be taken in an efficient manner and that experience will be broadly reinforced within the Galenica Group.

The systematic overview of the key risks enables the Board of Galenica to coordinate with the chosen strategy, prioritise risk, allocate resources and specify any action required.

The Corporate Executive Committee as well as other management figures holding responsibility in the companies of the Group are familiar with the risks of the Group, their Business sector or their Group company. They successfully implement any measures decided upon and are responsible for the efficient operation of the risk management process. They also draw attention, however, to new risks which have become apparent or to any other change in the risk situation and, in addition to implementing measures to prevent or minimise such elements, ensure that these are incorporated into the risk management process.

Additional information about the management of financial risks can be found in the notes to the consolidated financial statements on pages 121 and 122.

### Internal control system

As part of its risk management system Galenica operates an internal control system (ICS) to provide reliable internal and external financial reporting and to prevent false information and errors about business transactions. The ICS provides the necessary processes and controls to ensure that risks relating to the quality of the company's financial reporting can be detected and managed in a timely manner. A thorough review of the existence of the processes and controls of the Galenica ICS is carried out annually by the external auditors at the time of the interim audit. The results of these reviews are reported to the Audit and Risk Committee and appropriate measures are taken by management to continually improve the company's processes with regard to bookkeeping, accounting and financial reporting.

### Internal Audit

Internal Audit carries out audits of operational and strategic risk management and the ICS in accordance with the audit plan determined by the Audit Committee. It carries out reviews, analyses and interviews across the Group and helps the Business sectors to meet their targets by ensuring an independent assessment of the effectiveness of the internal control processes. Internal Audit regularly produces reports on its audits and reports directly to the Audit and Risk Committee in writing. The activities of Internal Audit are conducted through contracts issued to external service providers.

### Auditors

Ernst & Young Ltd., Bern, Switzerland, have been the Group's auditors since 1992. Roland Ruprecht, certified accountant, a partner at Ernst & Young, has been in charge of the audit since 2015.

The fees paid to the Group's auditors Ernst & Young in 2016 for their audit of Galenica and companies within the Galenica Group totalled approximately CHF 1,525,000.

The fees paid to Ernst & Young and their close collaborators for other services rendered to Galenica and its subsidiaries in the period under review amounted to CHF 651,000. They break down as follows:

- Additional advice in audit matters CHF 237,000;
- Tax and legal advice CHF 203,000;
- Transaction support incl. due diligence CHF 211,000.

In 2016, Roland Ruprecht attended two meetings of the Audit and Risk Committee. Moreover, the auditors presented their report at the meeting of the Board of Directors on 10 March 2017.

The auditors are regularly informed of new projects by the Board of Directors. The auditors' activities are reviewed at least once a year by the Audit and Risk Committee. The criteria that are of particular importance in these reviews are: competence in reporting, understanding of the complex structure of the Group, the quality of re-

porting, compliance with deadlines, independence and costs. The involvement of the auditors in the financial elements of due diligence reviews for acquisitions and in the related legal advice improves the efficiency of the process.

### Information policy

Galenica and its companies operate an active and transparent information policy towards all their stakeholder groups. Consistency and credibility are two fundamental principles that are reflected in factual, comprehensive and objective communication.

### Ad hoc publicity

Important and price-relevant events are communicated in a timely manner via electronic media and in accordance with the Directive of the SIX Swiss Exchange. Any employees affected are informed first, as long as this is possible in the specific situation and allowed by law.

### Periodic publications

Once a year, Galenica publishes an annual report and a half-year report. The full versions of these reports are available on the Galenica website. In addition, Galenica publishes a printed short version of the annual report which is sent to the shareholders by mail upon request.

The invitation to the Annual General Meeting is sent to shareholders electronically or by mail, and is additionally published in the "Schweizerisches Handelsamtsblatt".

### Internet

All Galenica publications, all media releases and other supplementary information about the Group can be found at [www.galenica.com](http://www.galenica.com).

### Contact persons and important publication dates

#### For shareholders

For shareholders in relation to corporate governance:  
Andreas Walde, General Secretary  
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#### For the media

Christina Hertig,  
Head Corporate Communications  
Phone +41 58 852 85 17  
[media@galenica.com](mailto:media@galenica.com)

#### Agenda 2017/2018

- Annual General Meeting 2017:  
11 May 2017
- Half-year report 2017:  
8 August 2017
- Annual General Meeting 2018:  
8 May 2018

Further important dates can be found on the website [www.galenica.com](http://www.galenica.com).

## Brand management

### Philosophy and implementation

#### Excellence in the healthcare market

Galenica seeks to be recognised as a reliable, dynamic and efficient Group within the healthcare market which creates value for all stakeholder groups with high-quality products and services. Thus, Galenica also invests its energies in looking after its brands. Galenica stands for quality and professionalism, for credibility and transparency, for reliability and continuity. There is a clear focus on excellence in our support line “Galenica – excellence in the healthcare market”. Group Corporate Communications, in particular, is responsible for implementing Galenica brand communication.

#### Corporate identity

Galenica is a broad-based Group which manages well-established company, product and service brands in the healthcare market. Products and services under the Galenica brand guarantee a high level of quality. The communication philosophy “as centralised as necessary and as decentralised as possible” is also reflected in brand management. This means giving the individual companies under the Galenica umbrella room to address target groups in the best way possible for the market segment and product involved. That is why Galenica companies operate under their own names in the market. At the same time, over and above this diversity, the Galenica Group seeks in particular to express clearly the shared identity of the companies comprising the Group. A consistent identity is vital; therefore, it is reflected in the uniformly defined corporate identity and corporate design. Presenting a uniform corporate design across all Group companies supports the consistent positioning of the Group and its companies.

### The Group's brands

#### Organisational basis

The Galenica Group is structured into two Business units, Vifor Pharma and Galenica Santé, the latter being structured into the two segments Health & Beauty, comprising the Products & Brands and Retail Business sectors, and Services. The Group companies are assigned to the Business units on the basis of their core activities. The Galenica brand is supported at all levels by the descriptor (the support line) used with the logo. At Group level, it is the broad basis of excellence that is communicated; at company level, it is the fact that the company is part of the Galenica Group that is signalled.

The majority of companies in which Galenica has more than a 50% holding follow this strategy and use the common corporate design. New companies are integrated progressively in line with a clearly defined process. Important strategic marketing considerations are taken into account when dealing with well-established and well-known brands.

Basic guidelines on corporate design are summarised in two handbooks for staff and external partners and include all areas of application, such as corporate stationery, printed products, company signs and website design. The handbook for employees is available in printed and electronic form, while the handbook for external partners is available in electronic form. In addition, internal training sessions on how to use the Galenica corporate design take place regularly for new employees; the sessions are also open to established employees interested in refreshing or deepening their knowledge.

#### Protection of the Group's brands

Galenica systematically fosters and protects its company brands in all countries where it is active and guarantees a high standard of quality.

### Product and service brands

The Galenica company brands are supplemented by the product and service brands of the companies within the Group, focused on the customers of the individual Business units: for example, the products of Vifor Pharma, the offering of the pharmacy formats Amavita and Sun Store, and the Services offering including logistics and the databases and software products in the area of information management. The presentation of these products and services is tailored to markets and customers specific to individual companies and, therefore, differs from the Group corporate design. The corporate design and the accompanying communication and marketing measures are defined and implemented by the relevant company. Special events and activities organised in conjunction with the branding of products and services along with customer surveys during the year under review can be found in the sections for the Business units of the Galenica Group starting on page 26.

#### Protection of product and service brands

Product and service brands are systematically fostered and protected by the individual companies in the countries where they are marketed.

## Main brands of the Galenica Group

### Umbrella brand



### Brands of the Galenica Group companies

#### Vifor Pharma

Vifor Pharma

Vifor Fresenius Medical Care  
Renal Pharma

relypsa

OM Pharma

#### Galenica Santé

##### Products & Brands

Vifor Consumer Health

G-Pharma

##### Retail

GaleniCare

Winconcept  
Healthy Marketing Solutions

##### Pharmacy formats

AMAVITA+

APOTHEKE  
SUN STORE

coop  
vitality+

MEDI SERVICE

Winconcept  
Healthy Marketing Solutions

##### Services

Alloga

Galaxis

ufd

medifilm®

HCI Solutions

### Product and service brands

#### Iron and Rx products

ferinject

venofer®  
IRON SUCROSE

Maltofer®

VELPHORO®

Veltassa®  
(patiromer) for oral suspension

Currently only available in the US

#### OTX products

BRONCHO-VAXOM®

URO-VAXOM®

dicynone®

DOXIUM®

#### Consumer Health Products

PERSKINDOL

ANTI  
BRUMM®

Algifor®

Triofan®

Triomer®

Otalgan®

Itinerol B6®

MAGNESIUM  
VITAL

#### Services

STAR-CARD  
Assault+

SUN STORE  
10% IMMEDIAT

MEDI PASS

#### Services

TOP MEDICAL

TOP HOMECARE

GALecoline®

Pharm Update

#### Commercial merchandise

Beautynail

#### Information Solutions

compendium.ch®  
by HCI Solutions

pharmaVISTA®  
by HCI Solutions

vita VISTA.ch  
Gesundheit, Schönheit, Leben

hospINDEX®

triaPHARM®