



Sustainability Report 2017

of the Galenica Group and Galenica Ltd.

 **GALENICA**

Galenica – the first choice for health, beauty and wellbeing

Galenica Sustainability Report 2017



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Foreword



Jean-Claude Cléménçon, CEO,
Felix Burkhard, CFO and member
of the Sustainability Committee
of the Galenica Group

Dear Shareholders,
Ladies and Gentlemen,

Sustainability is an integral part of Galenica corporate management, based on the belief that proactive and responsible actions contribute substantially to the company's long-term success and have a positive impact on the company, internally and externally.

On 7 April 2017, the initial public offering (IPO) of the former Business unit Galenica Santé took place, bringing about the division of the former Galenica Group into Vifor Pharma and Galenica Santé (now Galenica Group). With the separation from Vifor Pharma, the relevance of the social, ecological and economic impact of the company's activities changed.

In light of this, the Sustainability Committee redefined the Group's key topics for sustainability in 2017 on the basis of a relevance analysis. Nine topics were identified as being essential for stakeholders and for Galenica. These core topics are also the focus of this report and are central to our sustainability efforts, such as data protection, patient safety and health, employee motivation and compliance.

In order to further systematise our sustainability management and reporting, we will discuss our ambitions for the individual topics and develop an internal roadmap in 2018.

Our Sustainability Report for 2017 illustrates how we are dealing with the core topics and what we achieved during the course of the year.

Bern, June 2018

Jean-Claude Cléménçon
CEO

Felix Burkhard
CFO and member of the
Sustainability Committee
of the Galenica Group



Sustainability at Galenica



Impact throughout the value chain

The Galenica Group's business activities have an economic, social and ecological impact throughout the entire value chain of the healthcare market. Even up- and downstream areas that are not directly influenced by Galenica, such as the manufacturing and use of traded pharmaceuticals, affect the environment and society. This impact can be positive as well as negative. The temperature-controlled transport of pharmaceutical products requiring refrigeration, for example, improves patient safety but also increases greenhouse gas emissions. Galenica endeavours to strengthen the positive impact throughout its value chain while continuously minimising any negative effects.



Production

The medications sold by Galenica are mostly produced by third parties, though its own pharmacies also manufacture a small proportion for their patients. The quality of the medications, as well as patients' safety and health, are crucial. Furthermore, the manufacturing of medicines has an impact on people and the environment. Galenica ensures that its business partners meet their social and ecological responsibilities, and has therefore developed a [Supplier Code of Conduct](#) that encompasses aspects related to ethics, labour law, health, safety, quality and the environment. Producers are also regularly assessed with regard to quality.



Packaging

Galenica predominantly distributes and sells pre-packaged third-party medications. An exception is the packaging of medicines manufactured by pharmacies themselves, as well as drug blister packaging by **Medifilm**. Medifilm is the Swiss pioneer in the customised packaging of medicines and food supplements, which it carries out on behalf of pharmacies according to the treatment plans for chronic and long-term patients. The work requires a high level of precision and the efficient use of resources (materials and energy), both of which are optimised by Medifilm through its quality and environmental management system.



Logistics

Pre-wholesaler **Alloga** provides warehousing, logistics and distribution services on behalf of its industrial customers. The company primarily serves wholesalers, including the wholesale businesses of Galexis, Unione Farmaceutica Distribuzione (UFD) and Pharmapool, as well as pharmacies, physicians, hospitals and care homes throughout Switzerland. Alloga works with around 80 pharmaceutical and healthcare companies, many of which are leading multinational enterprises. **Galexis** is the leading healthcare wholesaler in Switzerland and supplies pharmacies, medical practices, drugstores, care homes and hospitals. From its two distribution centres in Niederbipp and Lausanne-Ecublens, the company delivers over 85,000 referenced healthcare products to customers. **Unione Farmaceutica Distribuzione (UFD)**, is the most important and only full-range healthcare logistics company in Ticino. Finally, physicians' wholesaler **Pharmapool** supplies and supports medical practices with medicines, consumables, laboratory products and furnishings.

All four companies ensure that medications and healthcare products reach pharmacies, physicians and other medical institutions quickly and safely. Patient safety is also guaranteed for temperature-sensitive medications thanks to an uninterrupted cold chain. Distribution requires a large amount of fuel and emits greenhouse gases, pollutants and noise. Customer returns also create waste, while inventory management and motorised logistics entail an increased risk of accident. The companies mentioned therefore not only comply with Good Distribution Practice (GDP) guidelines, but also assure a systematic approach to safety and environmental management.

Sustainability at Galenica



Marketing and information

The Galenica Group markets and distributes own and partner brands via **Verfora**® (formerly Vifor Consumer Health) and **G-Pharma**. The portfolio includes brands such as Perskindol®, Anti-Brumm®, Algifor® and Merfen®. The main societal implications at this level of the value chain concern patient safety and legally compliant product promotion. For this reason, the effects and any adverse side effects of own medications on the market (pharmacovigilance), as well as the accuracy of product characteristic summaries, are continuously monitored.

HCI Solutions develops management software solutions for pharmacies, as well as tools to securely manage, communicate and distribute sensitive health and medication data. Its databases include over 200,000 products and enable healthcare providers, authorities and insurers to exchange information via a single platform. With these innovative, digital solutions, Galenica is making an important contribution to promoting a safer, more efficient healthcare sector in Switzerland. Here too, patient safety and the protection of sensitive data are critical. HCI Solutions therefore conforms to the highest security standards in software development and to the Federal Act on Data Protection.



Retail – pharmacies

Galenica operates Switzerland's largest pharmacy network, with around 500 own, joint venture and partner pharmacies. These include the **Amavita** and **Sun Store** pharmacies, as

well as the **Coop Vitality** pharmacies, which are operated under a joint venture. In addition, the company **Winconcept** supports independent pharmacies operating under the Feelgood's brand. Together they serve around 100,000 customers daily, offering them a wide range of medications, toiletries and beauty products, as well as various on-site healthcare services and tests. The range of services is complemented by specialty pharmacy **Mediservice**, which specialises in dealing with people suffering from chronic and rare illnesses, and by **Careproduct**, a company focusing its operations on the provision of mobility aids such as wheelchairs as well as incontinence products for the elderly and people with a disability.

Patient safety is also given top priority in Retail, and employees' professional competence is constantly supported to ensure this. A further aspect of sustainability is the pharmacies use of energy and waste production, for example with the return of expired and unused medicines (see "Use of medicines") for disposal as hazardous waste in accordance with regulations.



Use of medicines

Galenica has only a limited influence on consumer behaviour and patients' correct use of medicines. However, all Galenica Group companies ensure that patients receive products in perfect condition along with accurate summaries of product characteristics, whether through advice in pharmacies or through package leaflets. Expired or unused medicines are an environmental and safety risk; they cannot be disposed of as conventional industrial waste. Wholesale companies (pre-wholesalers and wholesalers) and pharmacies are therefore taking back unused medications and raising customer awareness of this special form of disposal.

Goals

Galenica firmly believes that the Group can only achieve commercial success by shouldering social responsibility and using natural resources efficiently and respectfully.

This conviction is reflected in the three key sustainability goals of the Galenica Group. Supported by the Corporate Executive Committee, they form an essential part of the Group's corporate culture:

- Continual increase of stakeholder value through sustainable practices;
- Encouragement of staff to act in a responsible, entrepreneurial way;
- Increase of efficiency of resource management, particularly in energy use.

These goals enable Galenica to increase its efficiency and its capacity for innovation, and therefore its competitiveness, by motivating and raising employee awareness. Regular, ongoing exchange with various stakeholders also helps maintain the Group's strong reputation.

Stakeholder groups

The stakeholders of the Galenica Group include interest groups and organisations that directly or indirectly affect – or are affected by – the company's values, actions and performance. Galenica maintains relationships with its direct stakeholders – customers, shareholders, suppliers, scientific institutions, current and potential employees, authorities and non-governmental organisations – that are characterised by transparency, honesty and mutual respect.

Customers of the Galenica Group include pharmacies, drug-stores, physicians, hospitals, care homes, health insurers, pharmaceutical companies and patients. To assess customer satisfaction and identify potential improvements, Galenica uses internal performance indicators and the findings of independently managed target group surveys. Each year, specific insights – and the measures taken in consequence – help generate added value for customers.

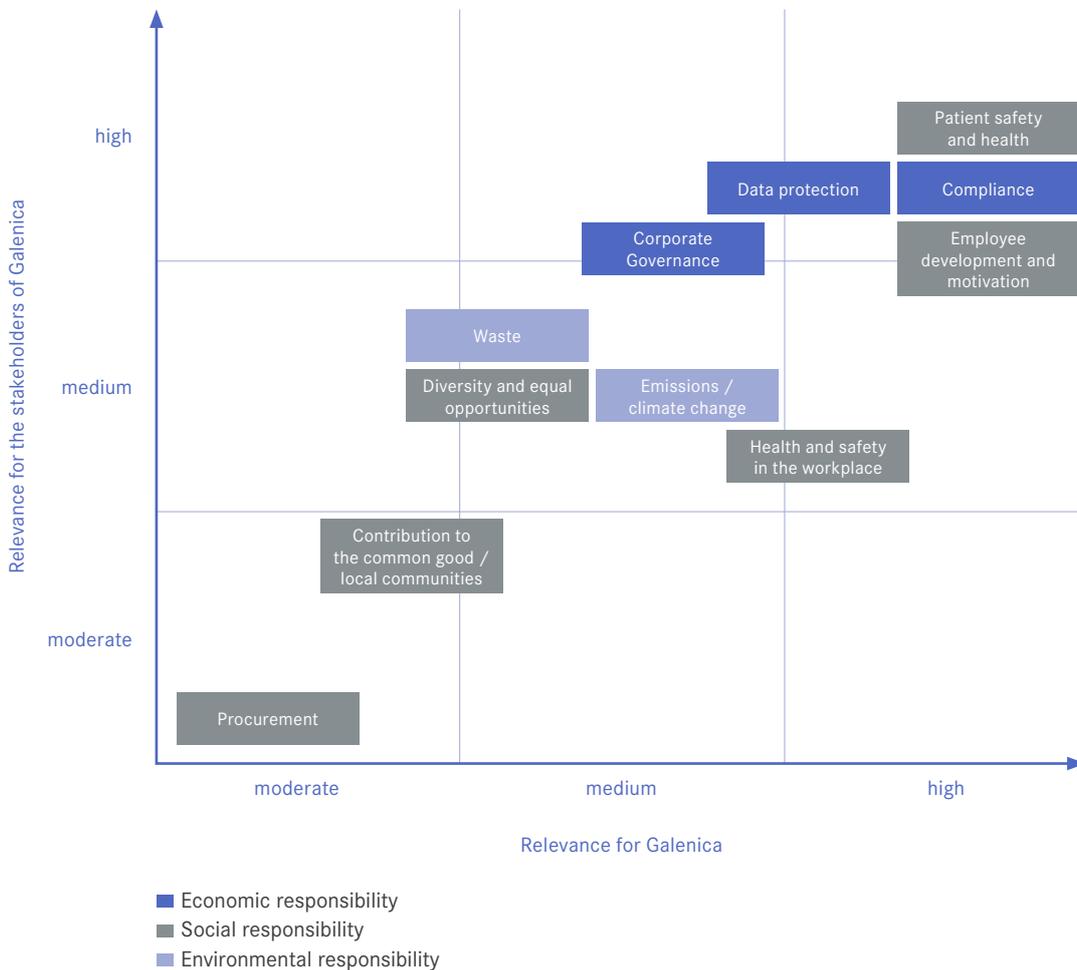
Collaboration with suppliers is characterised by a continuous process of improvement and is integral to quality management in the three Business sectors: Retail, Products & Brands, and Services. Quality, costs and prices, as well as potential innovations, are regularly discussed with suppliers and business partners. These types of interaction create transparency and ensure that services are provided as smoothly as possible.

The Galenica Group updates stakeholders about its sustainability plans and activities on a yearly basis in the form of a Sustainability Report. In addition, Galenica updates the CDP questionnaire on climate change and greenhouse emissions every October for release on www.cdp.net. The next questionnaire will be submitted in mid-2018 and published in the autumn.

Sustainability Committee and relevance matrix

The Galenica Group has formalised its commitment in the area of social responsibility with the creation of its Sustainability Committee. The Committee was reconstituted in 2017 following the IPO and the associated separation from the Vifor Pharma Business unit. The Sustainability Committee assumes an advisory and coordinating role. It is composed of one representative from each of the Retail, Products & Brands and Services Business sectors, an additional representative from HCI Solutions (Services Business sector), three representatives from Galenica Ltd. (Legal, Corporate Communications and Human Resources) and a member of the Corporate Executive Committee (CFO). The Committee is chaired by the Head Retail Services of Galenicare Management.

The Committee met twice in the year under review in order to further systematise internal sustainability management and external reporting. During a workshop, it identified the relevant sustainability topics in 2017 and assessed them from the perspective of the Galenica Group and key stakeholders. The outcome of this is a new relevance matrix entitled “Sustainability for the Galenica Group”. Nine of the eleven topics identified were categorised as essential (see chart; medium to high relevance). These core topics are also the focus of this Sustainability Report. In addition, the published Annual Report 2017 contains a coverage on the topic of improved patient safety thanks to the new software tool Documedis® (from page 28).



Economic responsibility



Economic performance

The Galenica Group achieved its ambitious objectives for 2017 in a challenging market environment: sales grew significantly faster than the market, profitability was increased and the balance sheet strengthened. The Annual General Meeting of 9 May 2018 approved the dividend of CHF 1.65 per share proposed by the Board of Directors.

With sales growth of 6.8% to CHF 3,214.2 million, the Galenica Group clearly outperformed the Swiss pharmaceutical market (+4.2%, IQVIA 2017). The operating result (EBIT) rose by 14.5% to CHF 141.8 million and, on a comparable basis (excluding the effects of accounting standard IAS 19), grew by 10.5% to CHF 148.2 million. Included in this are one-off effects of CHF 7.0 million. Galenica posted a net profit of CHF 118.9 million. On a comparable basis (excluding the effects of IAS 19), net profit was CHF 124.4 million. The net profit includes one-off effects of CHF 10.6 million. Further information can be found in the Annual Report 2017.

Outlook for 2018

With further drug price reductions, ongoing shopping tourism and generally stagnant development in Swiss retail, the Swiss healthcare market continues to be characterised by challenges. Nonetheless, the management of Galenica has also set ambitious objectives for 2018: Galenica is aiming for sales growth of 2% to 3% and an EBIT (excluding the effects of IAS 19) similar to that in 2017. Excluding the one-off effects of CHF 7.0 million in 2017, this corresponds to an operational increase of around 5%. Galenica also intends to propose a dividend at least at prior-year level to the 2019 Annual General Meeting.

Compliance

Galenica attaches considerable value to ethically and legally correct business conduct. For the business activities of the Galenica Group, the provisions of therapeutic product law and the Federal Act on Data Protection are particularly important in this regard. Due to its market position as leading fully integrated healthcare provider, competition law also plays an important role. Galenica Group Legal Services bears overall legal responsibility, supports the Business sectors in interpreting and applying legislation, and ensures that new legal regulations are implemented in the company. Current challenges concern the implementation of new regulations based on the revised Therapeutic Products Act and changes to data protection rules.

The [Code of Conduct of the Galenica Group](#) defines the legal regulations as well as ethical rules and standards that must be followed by all employees. Conflictual situations in daily business are examined and reviewed as part of the management process. Key findings from these reviews are discussed at senior management meetings within the Business sectors, and processes or directives adapted, as necessary. Additionally, Galenica ensures that not only the Group and its companies, but also its business partners comply with international and national laws and standards, industry-specific standards and good practices in relation to social and environmental responsibility. With this in mind, all suppliers, service providers and consultants of the Galenica Group are required to comply with a [Supplier Code of Conduct](#), covering aspects related to ethics, labour law, health, safety, quality and the environment. To ensure compliance with the Supplier Code of Conduct, Purchasing department employees receive training, and Legal Services is involved in all Group-wide agreements. The contract templates of the Galenica Group are regularly assessed for compliance risks.

Facts and figures

Legal compliance upheld in 2017

All Galenica Group companies once again operated in compliance with the law in 2017. No fines were imposed for failing to comply with statutory environmental regulations.

COMCO fine referred to the Federal Administrative Court

In a ruling dated 20 March 2017, the Swiss Competition Commission (COMCO) imposed a fine of CHF 4.5 million on HCI Solutions. This relates to an investigation from 2012 in which COMCO's main allegations could not be substantiated. Of the six allegations investigated, two subordinate issues remained open. Galenica and HCI Solutions regard the ruling now issued by COMCO in relation to these remaining issues as incorrect in fact and in law. For this reason, Galenica and HCI Solutions referred the decision to the Federal Administrative Court on 4 May 2017.



Web-based training tool enhanced

Employees of Galenica are given regular training on the Code of Conduct. The web-based tool used for this purpose was relaunched with a new partner in 2017. Due to the IPO in 2017 and the process of evaluating potential candidates who could optimise training, only one online session was held in the year under review, on the topic of appreciation. In addition to online training, face-to-face sessions are organised as necessary.

A specific Code of Conduct is also in place for the Retail Business sector. This serves as a binding internal operating procedure and stipulates that the health and wishes of patients should be afforded top priority. It also addresses topics such as conduct vis-à-vis third parties, Retail-internal collaboration and advertising.

All Galenica Group companies have comprehensive quality management systems at their disposal. Alloga, UFD, Medifilm and all HCl Solutions locations are certified according to ISO 9001. The process management systems at Galexis and G-Pharma are also fully compliant with ISO 9001, but are not currently certified. Galexis is periodically examined by the regional agencies for therapeutic products as part of checks for compliance with Good Distribution Practice (GDP) guidelines. In the Retail Business sector, all Amavita, Sun Store and Coop Vitality pharmacies have established a quality management system (QMS) which covers all essential processes in retail pharmacies as well as environmental issues. Compliance with internal and external standards is monitored with regular quality audits, inspections by cantonal pharmacists and mystery shopper programmes.

Outlook for 2018

In 2018, web-based training sessions are planned on the topic of protecting personal integrity and the [Code of Conduct](#), while face-to-face sessions will take place for selected employees about competition and therapeutic products law. All relevant agreements will also be reviewed in connection with the introduction of the revised Therapeutic Products Act.

Data protection

The increasing digitisation of the Swiss healthcare system makes data protection and the legal requirements for data processing more and more important. From a company perspective, the revision of the Federal Act on Data Protection will entail a broader obligation for transparency when processing personal data and, for the first time, the risk of fines in the event of an infringement of data protection principles. As a healthcare provider, the protection of patient data is of the highest priority for Galenica. In the Retail Business sector and at HCI Solutions in particular, data protection plays a central role.

To ensure that patient and customer data are safeguarded, Galenica is supervised by an external data protection officer. Furthermore, all employment contracts contain a data protection clause. Galenica keeps up to date with the ongoing amendments to data protection legislation and conducts regular reviews, thus ensuring that legal regulations are observed and a high standard is maintained in relation to the handling of personal data.

Outlook for 2018

In 2018, the entire Galenica Group will be audited with respect to the new data protection regulations.

Corporate governance

Good, transparent corporate governance is essential to the effective and efficient management of the Galenica Group. To this end, the Group follows the recommendations of the Swiss Code of Best Practice for Corporate Governance of Economiesuisse. As a listed Swiss company, Galenica is also required to publish information on corporate governance, including aspects such as shareholders' and employees' rights to participate, remuneration and profit-sharing for top management, and the information and monitoring tools of the Board of Directors vis-à-vis the Executive Committee. Galenica meets the requirements of Swiss law and those stated in the SIX Swiss Exchange Directive on Information Relating to Corporate Governance. Detailed information on corporate governance can be found in the Annual Report 2017 (from page 44).

Facts and figures



The highest security standards thanks to Documedis®

Patient data are particularly sensitive in the healthcare industry. With Documedis®, the eHealth solution from HCI Solutions, care was therefore taken from the outset to maintain the highest security standards. For example, all data traffic uses encrypted connections in accordance with the latest industry standards. Only the minimum data required for quality assurance are stored, and in completely anonymised form. The IT platform used is the reliable, fully secured Galaxis IT infrastructure at the data centre in Niederbipp (canton of Bern).

Social responsibility

Patient safety and health

The safety and health of patients takes top priority at Galenica. Medication errors or losses of quality can have serious consequences for patient health and risk damaging Galenica's reputation. Digitisation offers new opportunities for innovative solutions to increase patient safety. Galenica undertakes to ensure drug quality throughout its value chain by taking appropriate measures concerning infrastructure, processes, and employee training and development.

Alloga, Galexis, UFD and Pharmapool adhere to the EU Guidelines on Good Distribution Practice of Medicinal Products for Human Use. The aim of the guidelines is to prevent counterfeit drugs from entering the legal supply chain, while also guaranteeing control over the distribution chain to ensure product quality and integrity. Drug temperature is recorded and analysed in real time throughout the entire life cycle, from production through to delivery to the customer. If temperature deviations are detected, the causes are clarified and the correct measures introduced according to GDP guidelines. Compliance with the guidelines is assessed periodically by the regional agencies for therapeutic products. Alongside GDP guidelines, the companies above also rely on their own standards and processes to ensure patient safety.

Facts and figures



Nurturing employees' professional competence

Around 60 pharmacists attended courses on quality management in 2017. Quality management and patient safety are also key components of basic training for pharmacy assistants. Each year, around 200 apprentices successfully complete their training as pharmacy assistants. Annual attendance of further training is obligatory for pharmacists with the title FPH (Foederatio Pharmaceutica Helvetica) in Retail Pharmacy.

Outstanding quality at pharmacies

Together with health insurer CSS, Galenica has developed a quality label that recognises pharmacies offering particularly good patient service and professional advice. The label is aimed at noticeably improving quality for customers. Around 80% of all Galenica pharmacies delivered an exceptionally good performance in the year under review and were thus able to obtain the quality label either for the first time or after successful re-auditing.

93% of all vehicles GDP-compliant

Galexis, Alloga, UFD and Pharmapool each operate their own fleet, which together comprise 155 delivery vans (up to 3.5 tonnes). Ninety-three per cent of all vehicles are GDP-compliant and are fitted with an air conditioning system in the loading space, which is necessary for the transport of pharmaceutical products requiring refrigeration.

Employees adhering to pharmacovigilance

At Verfora® (formerly Vifor Consumer Health), all employees have a duty to forward reports of side effects from pharmacies and patients to the responsible internal department punctually and in full. Relevant information in this regard includes the duration, progression and outcome of the side effect, as well as the dosage and duration of use of the product. Verfora® documents and investigates each report and takes targeted measures where necessary. In 2017, there were two cases in which package leaflets were adapted to improve intelligibility for patients. Furthermore, 97% of side effects reports were forwarded in due time by employees, while authorities or contractual partners were notified within the required period in 92% of cases (target: >90%). Completeness of information was achieved in 94% (target: >80%) of cases.



Improving patient safety through innovation

Currently in Switzerland, medication errors result in between 1,500 and 3,000 deaths every year and entail additional healthcare costs¹⁾. It is often difficult for medical service providers to have a global view of the potential interactions and side effects of medications being taken. However, digitisation is enabling new, innovative ways to improve patient safety. In this context, HCI Solutions developed the Documedis® software module. Documedis® increases transparency when dispensing medications, improves collaboration between the various service providers and thereby prevents

medication errors. As a result, Galenica is making an important contribution to promoting a safer, more efficient healthcare sector in Switzerland. From 2018, Documedis CDS.CE will be available on the Swiss healthcare market as the first system certified throughout Switzerland. Further information on Documedis® can be found in the Annual Report 2017 (from page 28).



Docking system for lorries ensures an uninterrupted cold chain for medications

Alloga and Galexis ensure an uninterrupted cold chain for the storage and transportation of temperature-sensitive medications. At Alloga, since autumn 2017, this also applies to so-called ultra-deep freeze logistics, in other words, storage and dispatch at -80°C , the required temperature for a new generation of cancer drug. The temperature is assured by means of special containers filled with dry ice. The proportion of transported products which are refrigerated is currently around 21%. With the realisation of direct docking to the cold room by Alloga in 2017, lorries can now deliver and collect their goods via direct access to the refrigerated zone. The first successful pilot tests took place in the autumn, and the new ramps were put into operation at the beginning of 2018.

¹⁾ OECD country comparison of avoidable mortality, Gay, J.G. et al.

To guarantee the quality of medication data, HCI Solutions carries out process-integrated checks. The recording of medication data is checked using the four-eye principle as a minimum, and the six-eye principle for complex active ingredients (such as blood thinners). Spot checks to assess quality are conducted on a daily basis, with a more exhaustive inspection carried out every two weeks. Any errors detected are documented and their cause is examined.

The quality management system (QMS) of the Retail Business sector contains standard operating procedures (SOPs) for all relevant pharmacy processes, including the production and dispensing of drugs, data protection, confidentiality, hygiene and the disposal of medication. Galenicare regularly reviews SOP compliance in the individual pharmacies. In addition to such audits, mystery shopper programmes and calls, as well as inspections by cantonal pharmacists are organised three to five times a year. Courses on the QMS and statutory provisions are also held several times a year for pharmacy employees. For specific services such as the Cardio-Test® (Herz-Check®) and Allergy Checks, employees complete certified courses.

At Verfora® (formerly Vifor Consumer Health), efforts to maintain quality and security are centred around pharmacovigilance, i.e. the continual monitoring of a drug's effects in the market. All new Verfora® employees are trained in pharmacovigilance and receive a checklist of steps to be taken in the event of side effects. Pharmacovigilance sessions are also repeated annually for all employees working with products. The specialist unit for the approval and handling of medications is responsible for monitoring their safety. Quality checks are not only performed on new products brought to market, but also on an ongoing basis for existing products. Promotional material for Verfora® products is also examined for accuracy by the specialist unit.

Outlook for 2018

In 2018, Alloga and Galexis will introduce a new “passive” cooling system for transport. Whereas the previous cooling elements consisted of water, paraffin will be used in future to ensure a more stable drug temperature. This was confirmed by initial tests in 2017. Medifilm is expanding its capacity this year and commissioning a new generation of blistering machines that double output and further improve precision. HCI Solutions will also further enhance the functionality of Documedis® and supplement patients' health information with additional elements such as the risk of diabetes. Finally, Documedis® will be integrated into proprietary Triapharm® software at all Galenica Group pharmacies.

Employees

Employees and their specialised knowledge play a key role in the distribution and sale of pharmaceuticals. A sign of a successful company is its continuing development in line with the market while also setting trends. The adaptability of the Galenica Group is founded on the commitment and team spirit of its entire workforce. In order to maintain this, Galenica is committed to encouraging employee development. Around 6,500 employees at Galenica are involved in providing professional services to ensure the satisfaction of a broad range of customers. The workforce brings together individuals of all ages and from 77 countries. More than two-thirds of employees are women. Further information about human resources can be found in the Annual Report 2017 (from page 32).

The five key values of the Galenica Group form the basis for the actions and decisions of all employees:

We participate with **passion** and act as **entrepreneurs**.
We build **trust** through credibility and competence.
We show **respect** and know that **together, we are stronger**.

Galenica puts in place measures to protect employee health and maintain safety in the workplace in line with the directives of the Federal Coordination Commission for Occupational Safety (FCOS). Given the risk of accidents in the Services Business sector (warehousing and logistics) in particular, health and safety in the workplace plays a central role. Furthermore, all Business sectors have their own occupational health management system in place. As of 2017, Galenica has been using the preventive case management tool of Helsana to identify potential risks to employee health at an early stage and initiate appropriate measures. This tool is deployed within the first 30 days of absence. Additionally, the Retail Business sector as well as Alloga and Galaxis have introduced an absence management system. All Galenica Group locations have a safety officer in charge of occupational safety and in particular fire protection and evacuation, as well as a first aid team. To prevent occupational accidents, Galaxis and Alloga hold yearly training

courses in collaboration with the Swiss National Accident Insurance Fund (Suva). In 2017, the key focus was on lifting and carrying. In addition, prevention campaigns are organised at various locations to raise employee awareness about health-related topics and accident risks at their respective sites. External safety consultants also conduct regular safety audits at all locations.

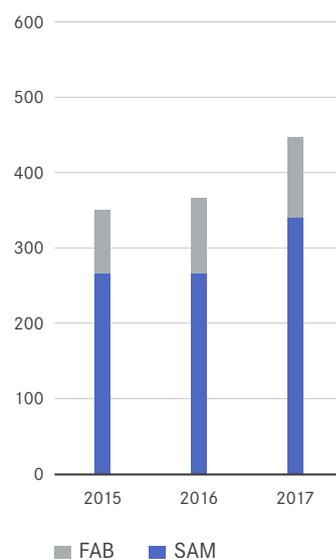
To promote knowledge exchange among employees and members of Senior Management and Management, Galenica has a Group-wide staff development programme in place. Known as Corporate Management Development (UME), it comprises events (EVE), special staff training (SAM) and management training (FAB). Furthermore, a Group-wide Talent Management Programme is designed to identify key positions and strengthen internal succession planning in the medium to long term, as well as boost internal recruitment.

Facts and figures

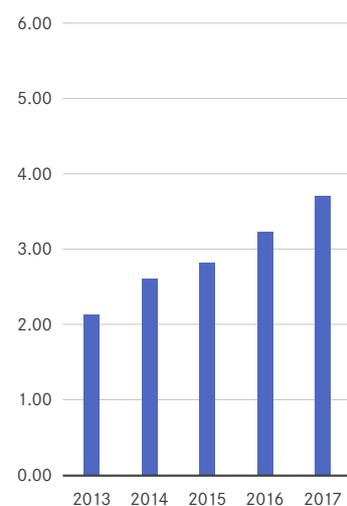
Increasing investment in employee development

In 2017, 337 people took part in SAM courses, and 107 in FAB courses. Ten people were added to the Talent Management Programme. In total, Galenica invested CHF 3.7 million in employee training in the year under review, 15% more than the previous year. Galenica also supports external training for employees financially and/or via a time allowance, as long as the training is related to the employee's current role and offers added value to both the company and the individual.

Number of participants in FAB and SAM courses



Investment in training in CHF million



The number of participants in FAB and SAM courses for 2013 and 2014 is not available, since it is not possible to allocate the course participants of the former Galenica Group to the Business units Galenica Santé (now the Galenica Group) and Vifor Pharma for the respective years.

Galenica encourages exchanges of views between promising young employees and corporate management in an internal think tank, the “Comité des Jeunes”. Twice a year, an exchange also takes place between the works committee, the Group-wide employee representatives, a representative from the Corporate Executive Committee and HR management. The works committee is made up of the chairs of all local staff committees.

Galenica offers flexible working hours to facilitate a better balance between family and career. The Retail Business sector, for example, offers the possibility of home office working, while a corresponding regulation is currently being examined for Services. Part-time work is also common, particularly in the Retail Business sector, and employees have the option of extending maternity leave with unpaid vacation.

Pay parity between men and women is regularly reviewed with the help of a software program. The results show that equal pay is observed by Galenica.

Finally, the Galenica Group carries out its Opinio employee survey every three years. In autumn 2017, staff were asked about their satisfaction, motivation and commitment. On the basis of this survey (response rate: 64%), employees are generally satisfied with their working conditions (75 out of 100 index points, +3 points compared with the previous survey). Following the insights gained, improvement measures are being worked out and implemented by each Business sector and company.

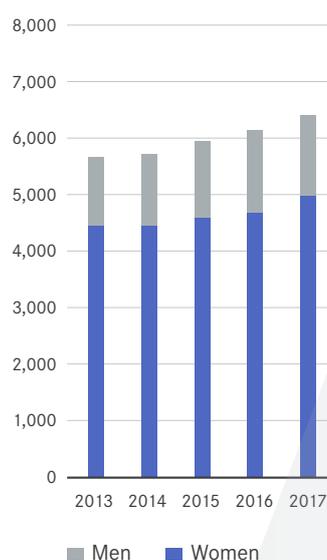
Galenica continues to grow

Galenica continued to grow in 2017. At the end of 2017, the Galenica Group had 6,398 employees, corresponding to an increase of 4% over the previous year and 13% compared to 2013. Among other factors, this can be attributed to the acquisition of physicians' wholesaler Pharmapool by Galexis in the year under review and the eight locations added to the pharmacy network. The proportion of women is 78% and has remained relatively constant over the past five years. Around 40% of employees work part-time, i.e. with a workload below 90%. This figure is also more or less unchanged since 2013.

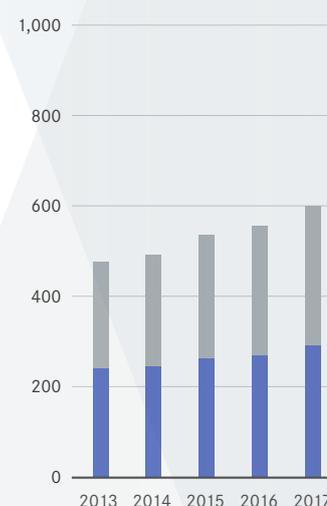
Half of managers are women

The proportion of managers has remained unchanged since 2013 at 9%. Just under half of these are women. From 2013 to 2017, however, the proportion of female managers fell from 51% to 48%.

Number of Galenica Group employees



Number of Galenica Group managers



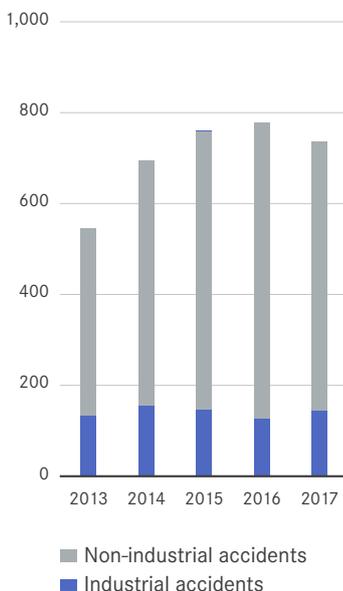
Outlook for 2018

In 2018, the focus will be on the Group-wide harmonisation of the Personnel Regulations. A working group was set up and a benchmark analysis conducted to this end in 2017. By mid-2018, the personnel development measures on offer will be analysed with a view to updating specific areas of the programme by 2019. Furthermore, a new tool for comparing salaries will be launched in 2018 that allows benchmarks to be included.

The Comité des Jeunes continues to exist after the IPO of Galenica, but this new beginning is being used as an opportunity to discuss the role and duties of the committee. This is a process which was started at the meeting in autumn 2017 under the guidance of CEO Jean-Claude Cléménçon and will continue in 2018.

Facts and figures

Number of industrial and non-industrial accidents



Increase in the number of illnesses and industrial accidents from the previous year

The number of industrial accidents increased by 13% compared to the previous year, whereas the number of accidents fell by 5%. In 2017, a total of 146 industrial accidents and 592 non-industrial accidents were reported. These figures also include minor accidents, which did not result in an absence of more than three working days. The proportion of all industrial and non-industrial accidents that were minor in 2017 was 59%. Over the last five years, industrial and non-industrial accidents have increased by 35%. Given that the number of employees has increased over the same period by 13%, the frequency of accidents in relation to employee numbers has risen.

There were 3% more new cases of illnesses in 2017 compared to 2016. By way of comparison, the number of employees increased over the same period by around 4%. In 2017, Galenica Care Management provided assistance

to 64 employees at risk of illness or who had already fallen ill, thus helping to prevent or reduce absences where possible. Of the 30 cases closed in 2017, 20 employees were able to return to work thanks to Care Management, corresponding to a proportion of around 67%. A further seven employees were supported with preventive case management, all of whom were able to return to work.

Increase in employee turnover

Employee turnover at Galenica was 12.8% in 2017 – the year of the IPO – which corresponds to an increase of 8% over the previous year.



Facts and figures



Promoting initiative and project skills in pharmacies' young talent

As part of the Junior Talent Mentoring Programme in the Retail Business sector, pharmacy assistants are given the opportunity to develop and manage their own project for a year under the guidance of a mentor. A total of 15 pharmacy assistants took part in 2017. One participant, for example, examined the introduction of iron deficiency tests at pharmacies. Whereas these tests have traditionally been performed by doctors, pharmacists also have the required skills and tools to carry them out and advise their customers. The pharmacy assistant implemented targeted advertising measures and organised specific training sessions for employees, after which the iron deficiency test was offered for three months in a Coop Vitality pilot pharmacy. The pilot project revealed that there is high demand among customers, and that the additional service has strong growth potential. In light of the positive results, the iron deficiency test will now be offered permanently in the pilot pharmacy, while its introduction in further Coop Vitality locations is being reviewed.

Preserving jobs thanks to absence management

In recent years, long-term absences among employees at Alloga have increased. Staff who are ill or involved in an accident create both direct as well as indirect costs as a result of their colleagues having to work overtime, diminished quality or loss of knowledge. Furthermore, the longer the sick leave taken by employees, the more difficult and unlikely it is that they will return to the workplace. For this reason, Alloga introduced an absence management system in 2017 to preserve employees' capacity to work in the long term, recognise problems at an early stage and minimise extended absences. Discussions are held with employees in the event of prolonged or frequent absences, and contact is maintained in the case of a return to work after a long absence. Depending on the circumstances, the possibility of sheltered workplaces is also clarified. If a warehouse employee can no longer lift or carry heavy loads due to an accident, for example, but is still able to work, an assessment is performed to see whether they could take on an administrative role. In 2017, training sessions with managers and heads of HR were held on the introduction of absence management. The introduction of absence management at Galaxis is planned for 2018.

Increased protection of personal integrity in the workplace

Bullying, discrimination and sexual harassment are three examples of problematic behaviour that can lead to violations of personal integrity. Such violations affect the wellbeing of the person concerned and endanger their health as well as collaboration within the company. As an employer, Galenica is legally obliged to protect its employees' personal rights (Art. 328 of the Swiss Code of Obligations, Art. 6 (1) of the Swiss Employment Act). The Galenica Group does not tol-

erate any violations of personal integrity; it prohibits all forms of bullying, sexual harassment, discrimination, violence and threat, and is committed to harmonious and conflict-free conduct at all hierarchical levels. Nevertheless, isolated cases are reported by employees each year. To improve the protection of their personal integrity, employees have had the option to contact an external advisory centre as of January 2018. By extension, Galenica has also revised the Appendix to the Personnel Regulations "Protection of Personal Integrity" according to the recommendations of the State Secretariat for Economic Affairs (SECO). Training for managers and employees is planned for 2018. .



Identifying occupational safety risks with the help of a risk inventory

Galexis and Alloga completed the revision of their risk inventory in 2017. It records potential occupational risks and hazards arising from activities performed and working materials used in the distribution centres. Based on the resulting risk portfolio, Galexis and Alloga assessed the potential risks to occupational safety and defined appropriate measures. Optimisation of fire protection and evacuation plans is scheduled for 2018.

Environmental responsibility



Emissions and climate change

The business activities of the Galenica Group have various effects on the environment and climate. In order to provide their services, Galenica Group companies consume renewable as well as non-renewable resources. These processes generate gaseous, liquid and solid waste products, including greenhouse gases. Galenica therefore endeavours to take economically appropriate measures to use resources as efficiently as possible and reduce environmental impact as far as possible. To reduce CO₂ emissions and increase energy efficiency, binding targets have been agreed with the Federal Office for the Environment (FOEN) for the Alloga site in Burgdorf and the Galexis sites in Ecublens and Niederbipp. In return for this commitment, and if the agreed targets are met, an application can be made for a refund of the CO₂ levy on fossil fuels or a subsidy for implementing the related measures. The targets are agreed individually based on the existing potential at each site. Together with the Energy Agency for Industry (EnAW), Galenica is compiling an efficiency path with various, commercially viable measures.

To lower fuel consumption, energy efficiency measures are regularly evaluated and implemented in both pre-wholesale and wholesale businesses. Mandatory driver safety training is organised for Galexis, UFD and Alloga drivers every two years which aims, among other things, to ensure drivers have an environmentally friendly, fuel-efficient driving style. The next driver training will take place in 2018. All Alloga, Galexis and UFD vehicles comply with the Euro emission standards. When purchasing new vehicles, only those vehicles with the latest emission control technologies are considered. In addition, external contract drivers are required to use only vehicles that meet at least the Euro 5 standard.

The Environmental Code of Conduct applies to all employees of the Galenica Group and provides guidance on energy saving and the protection of natural resources in the workplace and during transport.

Facts and figures

Slight increase in energy consumption

Galenica Group total energy consumption in 2017 was 46,540 MWh, representing an increase of 3% compared to the previous year. One reason for this increase is the expanded scope of data. Whereas the energy consumption figures for Coop Vitality pharmacies were previously not known, estimates are available as of 2017. Furthermore, the number of pharmacies increased by 2.4% over the previous year and a further enterprise was added in the form of physicians' wholesaler Pharmapool. As a result of the Group's growth, energy consumption has increased by 13% since 2013.

Electricity the most important source of energy

Electricity is by far the most important energy source for Galenica, accounting for 49% of total energy consumption. In 2013, this figure was 53%.

Total electricity consumption in 2017 was 23,038 MWh, which corresponds to a rise of 7% year-on-year. With the exception of Pharmapool, the Services Business sector obtains its electricity from hydropower, corresponding to 97% of total electricity consumption.

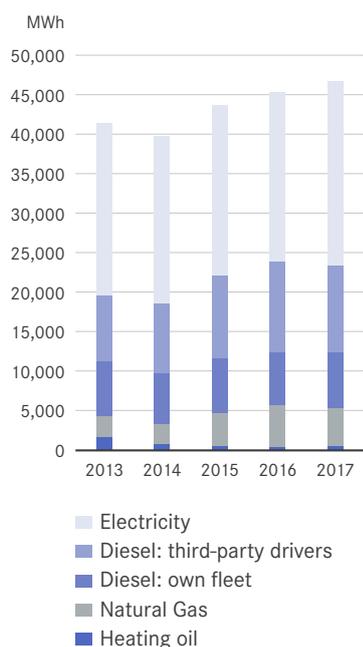
Fuel for vehicles accounted for 39% of the energy used in 2017. Most of this was consumed in the Services Business sector by company vehicles and contracted drivers. Vehicle fuel consumption remained unchanged from the previous year. Estimated consumption by the company's own vehicles increased in 2017 by 4%, while that of third-party vehicles fell by 2% compared to 2016.

Galenica covers approximately 11% of its energy needs with fossil fuel heating oil and natural gas. Absolute consumption of heating oil increased by 9% over the previous year, while gas decreased by 7%.

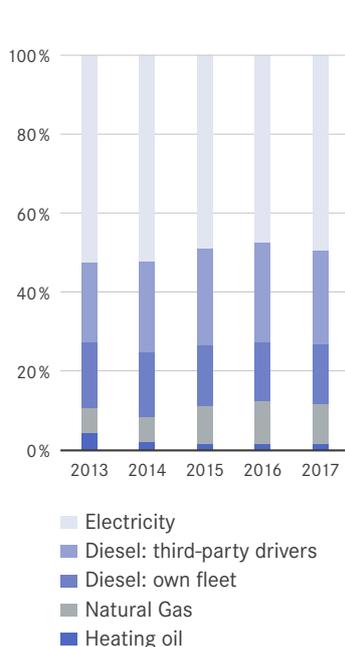
Reduction in CO₂ emissions since 2013

CO₂ emissions from the use of energy are calculated using scientifically based emission parameters (Swiss greenhouse gas inventory of the Federal Office for the Environment). In 2017, the Galenica Group's CO₂ emissions amounted to 8,053 tonnes, a 1% increase from the prior year. Since 2013, absolute emissions have fallen by 4%. Transporting goods on the roads is the main cause of direct and indirect CO₂ emissions at Galenica (including contracted drivers). In 2017, 4,814 tonnes of greenhouse gases were emitted, corresponding to 60% of the Group's overall CO₂ emissions. Diesel emissions remained unchanged from the previous year (data for Galexis, Alloga and UFD; no data available for Pharmapool).

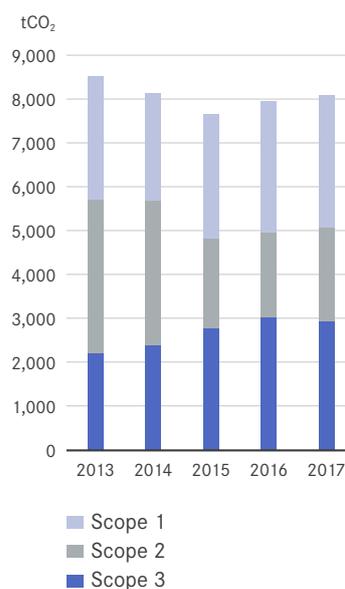
Energy consumption 2013–2017



Energy mix 2013–2017



CO₂ emissions by scope 2013–2017



Scope 1 and Scope 3 include diesel CO₂ emissions for Galexis, Alloga and UFD. There is no data available for Pharmapool.

Facts and figures



Solar electricity from the roof of the Alloga building

According to a feasibility study, the renovation and installation of solar modules on the roof of the Alloga building would save 140 MWh of energy and 30 tonnes of CO₂ emissions a year. The roof was therefore renovated in 2017 to prepare for a solar power station to be installed and put into operation. Designed to provide 1 megawatt, it can be expanded to double that capacity in future. The new installation will not only generate electricity for the company, but in summer, shade provided by the solar panels will reduce energy requirements for cooling the building. The installation of the solar modules on the roof and deployment at pilot customer locations is scheduled for 2018.



Collaboration with the EnAW paying off

As part of their binding target agreement with the Swiss government, the Burgdorf, Ecublens and Niederbipp sites are continuously striving to improve their energy efficiency. The measures implemented at all sites in 2017 have the potential to reduce annual energy consumption by more than 381 MWh or around 39 tonnes of CO₂.

Potential savings, particularly in electricity consumption

The Retail Business sector, where nearly all premises are leased, has very limited influence on the choice of energy source for heating and electricity. However, electricity consumption can be influenced, which is why the focus is on consistently installing energy-saving lighting and motion sensors when refurbishing pharmacies. In addition, flyers aim to raise employee awareness of specifically selected sustainability issues. Renovation measures to increase energy efficiency were implemented at around 12% of Sun Store and Amavita pharmacies in 2017, corresponding to a total of 40 pharmacies that were renovated. Since then, around 40% of all pharmacies have been renovated. New, biodegradable plastic bags were also introduced at all pharmacies in 2017.

Outlook for 2018

Planning for the renovation of the production hall roof at the Lausanne-Ecublens site is set to begin in 2018, with the aim of saving 231 MWh of energy or 47 tonnes of CO₂ a year. As part of the target agreements with the FOEN, clarifications are taking place at the Niederbipp site as to whether to build a groundwater heat pump or connect the site to a planned district heating network. However, implementation of the district heating network is not yet finalised. The groundwater heat pump could potentially save 227 MWh of energy or 68 tonnes of CO₂ a year. In addition, a cost-benefit analysis is planned for the home delivery service offered by pharmacies. The Retail Business sector has 40 vehicles at its disposal for delivering medications to customers' homes. The use of electric cars and e-bikes is also being assessed.

Waste

Besides traditional domestic waste (mainly packaging materials), the Galenica Group also produces medical and chemical waste. Expired or unused medicines are classified as hazardous waste in Switzerland and cannot be disposed of with conventional industrial waste. Hazardous waste entails disposal costs and ecological risks. The pharmacies, as well as the Galenica distribution and logistics companies, take back old and unused medicines from customers and ensure their proper disposal. In pharmacies, the medicines are disposed of according to internal quality management processes. Returned drugs undergo an initial disposal triage by pharmacists, who use their specialist knowledge to sort products according to specific criteria. They focus

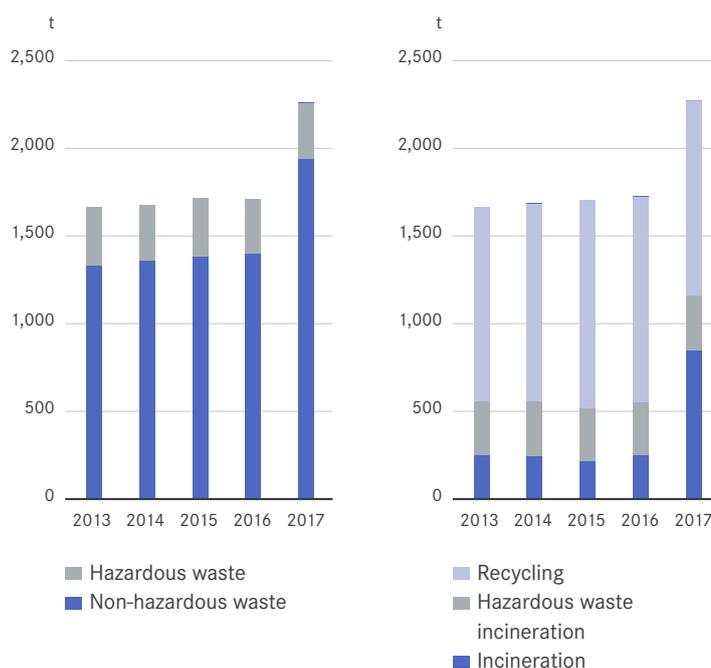
on critical ingredients (such as heavy metals, solvents and highly active ingredients), as well as dosage form, particularly in the case of pressurised gas containers. Based on this preselection, the drugs are then dispatched for proper disposal, whether at a regular incineration plant or in a specially designed high-temperature furnace. The disposal of controlled substances such as narcotics must be documented and reported to Swissmedic. The GDP guidelines followed by Alloga and Galaxis also provide instructions on dealing with returns. The final disposal of old and unused medicines is carried out by third parties.

For safety reasons, all returned drugs are disposed of – without exception – even if they have not yet expired and/or the packaging is still intact. Controlled disposal prevents people or animals coming into contact with potentially hazardous pharmaceutical waste, e.g. in the case of torn rubbish bags at the roadside, as well as eliminating any risk to collection companies' operatives. The process also ensures that household rubbish, and wastewater in particular, are not polluted. Medication should never be poured down sinks or lavatories because sewage plants are unable to filter out certain substances in medicinal products during wastewater treatment. As a result, these substances are discharged into the aquatic environment, causing harm to the animals and plants that inhabit it. Pharmacies therefore make a valuable contribution towards environmentally compatible and controlled disposal of hazardous waste.

Facts and figures

Around half of all waste recycled

The total weight of waste produced in 2017 was 2,260 tonnes, representing an increase of 32% compared to the previous year. The reason for the increase is the expanded scope of data. Whereas the information on waste produced by pharmacies was previously not known, estimates are available as of 2017. The volume of waste produced by pharmacies accounts for around 27% of total waste. Eighty-six per cent of total waste is harmless (largely general waste, cardboard, paper and plastics), with the remaining 14% is classified as hazardous waste (mainly medicines). Around 48% of waste was recycled, 38% was incinerated and 14% destroyed at a specialist facility for hazardous waste.



For 2013–2016, only data for Galaxis, Alloga, UFD, Galenicare and Medifilm are available. As of 2017, estimates of waste data are available.

About this report



This report provides information on the sustainability activities of the Galenica Group and relates to financial year 2017. The report focuses on the nine essential topics defined as part of an internal materiality assessment in 2017.

Due to the IPO of the former Business unit Galenica Santé on 7 April 2017, employee and environmental data were recalculated with retroactive effect from 2013 on the basis of Galenica Santé data.

Employee data

Employee figures comprise all companies of the Galenica Group. Certain key figures from previous years are missing as a retroactive breakdown between Galenica Santé and Vifor Pharma is not possible. In general, the diagrams in the Employees section show the 2017 financial year and the four preceding years for comparison.

Environmental data

The Environmental responsibility section contains key figures for the two Business sectors Retail and Services. For the Products & Brands Business sector, only environmental data for G-Pharma are provided. The offices of Verfora® (formerly Vifor Consumer Health) are leased, which is why no information or estimates are currently available.

In general, the diagrams in the Environmental responsibility section show the 2017 financial year and the four preceding years for comparison. Given the continuous optimisation of the environmental indicator system and gradual expansion of system limits (due to the primarily inorganic growth of the company), data have only limited comparability from year to year.

Consumption data for the Services Business sector include the energy consumption data from all companies, comprising the Burgdorf, Niederbipp, Lausanne-Ecublens and Barbengo-Lugano sites, as well as diesel consumption of own vehicles and that of contracted drivers (estimate), as the largest indirect source of consumption. The environmental data of G-Pharma are included in the calculation for Galexis, as the offices of G-Pharma are located at the Galexis site in Niederbipp. The electricity consumption of Pharmapool was added in 2017.

Overall consumption data (electricity, heating and waste) are also estimated for the company HCI Solutions (Services Business sector). The known energy consumption of the Bern site (one of four HCI sites) has been extrapolated for the entire company, based on the number of employees. This approach is appropriate given that HCI Solutions is a services company that operates in leased offices only and has no significant fluctuations in consumption. HCI Solutions accounts for approximately 1% of the environmental footprint of Galenica.

Electricity consumption and domestic waste data only are available for the Retail Business sector. These are estimates based on a representative sample of 20 Amavita, Sun Store and Coop Vitality pharmacies. Almost all premises are leased, which is why only the annual costs for electricity are provided for each location, and not the actual electricity consumption. Heating energy consumption in pharmacy locations cannot currently be estimated based on the available data from running cost statements. It is therefore not included in the record. The electricity consumption of Amavita, Sun Store and Coop Vitality pharmacies is estimated based on electricity costs in the year under review and the average electricity prices per region according to the Federal Electricity Commission (ElCom). Estimates for Coop Vitality pharmacies have been available only as of 2017.

The calculated CO₂ emissions data include both direct and indirect energy-related emissions. According to the Greenhouse Gas Protocol, direct sources of emissions include the production of heat for buildings and the operation of the vehicle fleet (=Scope 1). The largest indirect sources of emissions are the production of purchased electricity (=Scope 2) and the logistics services of contracted drivers (=Scope 3).

GRI index

For a better overview and comparability, this report contains standard disclosures from the GRI Sustainability Reporting Standards. An overview can be found in the GRI index.

About this report

GRI index

	Indicator	Unit	2017	2016
General GRI standard disclosures				
Organisational profile				
Employees	GRI 102-8	Number	6,398	6,131
- of which women		Number	4,997	4,707
- of which part-time employees (<90%)		Number	2,567	2,455
Specific standard disclosures				
Society				
Employment				
Employee turnover	GRI 401-1	%	12.8	11.9
Anti-corruption Employees who received anti-corruption training*	GRI 205-2	Number	-*	266*
Environment				
Energy				
Energy consumption within the organisation	GRI 302-1	GJ	127,578	122,493
- Non-renewable sources (heating oil, natural gas, diesel, waste)		GJ	44,642	44,858
- Electricity and heating (hydropower and district heating)		GJ	82,936	77,635
Energy consumption outside of the organisation	GRI 302-2	GJ	39,966	40,822
- Upstream and downstream transport and distribution		GJ		
Reduction of energy consumption	GRI 302-4	GJ	1,372	330
- Reduction of heating oil and natural gas consumption as a result of measures implemented in the year under review		GJ	563	330
- Reduction of electricity consumption as a result of measures implemented in the year under review		GJ	809	0
Emissions				
Direct greenhouse gas emissions (Scope 1)	GRI 305-1	tCO ₂	2,984	2,976
- Fuels and combustibles		tCO ₂		
Indirect energy greenhouse gas emissions (Scope 2)		tCO ₂	2,127	1,961
- Purchased electricity		tCO ₂		
Other indirect energy greenhouse gas emissions (Scope 3)	GRI 305-3	tCO ₂	2,942	3,005
- Upstream and downstream transport and distribution		tCO ₂		
Greenhouse gas emissions intensity	GRI 305-4	gCO ₂ /CHF	2.5	2.6
- Total greenhouse gas emissions per CHF net sales		gCO ₂ /CHF		
Reduction of greenhouse gas emissions	GRI 305-5	tCO ₂	39	19
Waste				
Total weight of waste	GRI 306-2	t	2,260	1,708
By type:				
- Non-hazardous waste		t	1,949	1,405
- Hazardous waste		t	310	303
By disposal method:				
- Incineration		t	857	256
- Hazardous waste incineration		t	310	303
- Recycling		t	1,093	1,150
Total number and volume of significant spills	GRI 306-3	Number	0	0
		t	0	0
Compliance				
Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with environmental laws and regulations	GRI 307-1	CHF	0	0

* The number of employees who received anti-corruption training in 2016 refers to the Galenica Group before the IPO. As a result of the IPO in 2017, no information is available for 2017.



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