

Corporate Governance



The Corporate Governance Report outlines the structures, processes and regulations on which well-functioning corporate governance at Galenica is based. Galenica meets the requirements of Swiss law and those stated in the SIX Swiss Exchange Directive on Information Relating to Corporate Governance (Directive Corporate Governance). It also follows the recommendations of the Swiss Code of Best Practice for Corporate Governance of Economiesuisse. The structure of this Corporate Governance Report is based on the SIX Swiss Exchange Directive Corporate Governance. The remuneration and profit-sharing for top management are disclosed in a separate Remuneration Report (starting on page 62).

Group structure and shareholders

Structure of the Group

Galenica Ltd. is headquartered at Untermattweg 8, 3027 Bern, Switzerland. It is a corporation under Swiss law and, as a holding company, owns all the companies in the Galenica Group directly or indirectly. As part of the former Galenica Group, Galenica Ltd. was listed as an independent company on the SIX Swiss Exchange on 7 April 2017 via an initial public offering (IPO). Shares in Group companies are not publicly traded.

The Group's structure and the consolidated subsidiaries and associates are shown in the financial statements 2017 on page 120. The addresses of the main Group companies are listed on pages 134 and 135. The Articles of Association of Galenica Ltd., the Organisational Regulations as well as the charters of the committees of the Board of Directors can be accessed at www.galenica.com (see further links on page 60).

Shareholders

On 31 December 2017, Galenica had 13,801 shareholders, seven of which, according to documents submitted to Galenica Ltd. and the SIX Swiss Exchange, were major shareholders holding 3% or more of the voting rights in Galenica Ltd.:

- Alecta Pensionsförsäkring, Ömsesidigt, Stockholm, Sweden, with 2,000,000 shares
- BlackRock Inc., New York, USA, with 2,787,758 shares
- Capital Research and Management Company, Los Angeles, USA (beneficial owners: The Capital Group Companies, Inc., Los Angeles, USA) with 1,600,000 shares

- Pictet Asset Management SA (fund management), Geneva, Switzerland, with 1,524,569 shares
- Rudolf Maag, Binningen, Switzerland, with 1,500,000 shares
- UBS Fund Management (Switzerland) AG, Basel, Switzerland, with 1,522,408 shares
- Credit Suisse Funds AG, Zurich, Switzerland, with 1,626,752 shares

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

The transactions disclosed to the stock exchange Disclosure Office pursuant to Art. 120 of the Financial Market Infrastructure Act (FMIA) can be viewed on the Disclosure Office website of the SIX Swiss Exchange:

www.six-exchange-regulation.com/en/home/publications/significant-shareholders.html?companyId=GALSAN

As of 31 December 2017, the pension funds were registered with 0.47%.

Cross shareholdings

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

Events after the balance sheet date

Since the balance sheet date and until 28 February 2018 there are no further disclosures of shareholdings pursuant to Art. 120 of the FMIA.

Structure of the share capital

Share capital

On 31 December 2017, the fully paid share capital of Galenica amounted to CHF 5,000,000, divided into 50,000,000 shares with a nominal value of CHF 0.10 each. Galenica shares (securities no. 36 067 446, ISIN CH036 067 446 6) have been listed on the SIX Swiss Exchange since 7 April 2017. As of 31 December 2017, 49,007,357 shares were outstanding (not including treasury shares). The market capitalisation amounted to CHF 2,452.8 million.

Authorised capital

According to Art. 3a of the Articles of Association, the Board of Directors is authorised to increase the share capital of CHF 5,000,000 by a maximum of CHF 500,000 at any time up to and including 10 March 2019 by issuing no more than 5,000,000 fully paid shares.

Structure of the Galenica Group

Status: January 2018

**Conditional capital**

According to Art. 3b of the Articles of Association, the share capital may be increased by a maximum of CHF 500,000 by exercising conversion rights or option rights. As of 31 December 2017, Galenica had no conditional capital.

Changes in the capital

Information about changes in the share capital, reserves and distributable profit can be found on pages 127 and 131 of the financial statements 2017.

Participation and dividend certificates

Galenica has no participation or dividend certificates.

Registration of shareholders

Buyers of shares are entered in the shareholders' register upon request as shareholders with voting rights if they declare explicitly that they have acquired the shares in their own name and for their own account.

Registration and voting rights

Each registered share entitles the holder to one vote at the Annual General Meeting. Pursuant to Art. 13 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 to cancel any entries in the shareholders' register that came about on the basis of incorrect information or to change these into entries without voting rights, and vice versa.

The Board of Directors may approve exceptions to the voting rights restrictions in order to permit the participation of strategic partners in Galénica Ltd., in an amount not exceeding 20% of the share capital. The Board did not exercise this right in the year under review.

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 2017, an agreement of this nature was signed with one nominee.

Convertible bonds and options

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

The Board of Directors

The Board of Directors of Galénica 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 ensures a balanced relationship between management and control.

The duties of the Board of Directors of Galénica Ltd. are based on the Swiss Code of Obligations, the company's Articles of Association and its Organisational Regulations (see related links on page 60). Pursuant to the Articles of Association, the Board of Directors consists of five to nine members. It consisted of six members as of the end of 2017.

In selecting the members of the Board of Directors, care is taken to ensure that competency for each significant area of the Galénica Group's activities is represented and that the necessary specialised expertise is also available. The Board of Directors reviews its functional effectiveness once a year. Following the IPO in April 2017, an initial assessment of the new Board of Directors will be performed in 2018 with external support.

The Articles of Association of Galénica Ltd. restrict the ability of its directors to act in the highest management and administrative bodies of other legal entities outside of the

Group (Art. 17 (3) of the Articles of Association). This includes, in particular, limiting such outside activity to five mandates in listed and seven mandates in profit-oriented non-listed legal entities. None of the members has reached the limit.

With the exception of the Chairman of the Board of Directors, Jörg Kneubühler, none of the members of the Galénica Board of Directors performed an operational management function at Galénica 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 Galénica Board of Directors has any significant relations with Galénica or any of its subsidiaries. Philippe Nussbaumer is a pharmacist in Neuchâtel and is a customer of Galexis and a Winconcept partner.

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 until they reach the age of 70 years. Elections are held separately for each Board member being elected.

Internal organisation

The Chairman calls a meeting of the Board of Directors at least four times a year, prepares and leads the meetings. The individual agenda items are set by the 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 request that the Chairman call a meeting of the Board of Directors and that items be included in the agenda. The members of the Board receive the documentation they need to prepare for the agenda items in a timely manner, normally ten days before the meeting in question. The Board of Directors constitutes a quorum when the majority of its members are present. Minutes are kept, recording all discussions and resolutions.

In 2017, the Board of Directors held six meetings. The Board of Directors is also informed on a regular basis about the current state and general development of the Business sectors.

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. This is provided when circumstances require it, but at least once a year. Further information on this topic can be found on page 58.

Committees

The Board of Directors forms the following committees from its members:

- Governance and Nomination Committee (ad hoc)
- Remuneration Committee
- Audit and Risk Committee

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. 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.

Each committee has its own duties and responsibilities, which are stipulated in a charter. The charters of the committees are published on the Galenica website (see related links on page 60).

Governance and Nomination Committee

The Governance and Nomination Committee is convened when necessary (ad hoc). Accordingly, the members are also determined ad hoc when needed. This committee supports the Chairman and the Board of Directors in the ultimate management and monitoring of the company (corporate governance). It also evaluates the appointment of and changes to members of the Board of Directors and its committees, the CEO and members of the Corporate Executive Committee, and makes appropriate suggestions to the Board of Directors.

Remuneration Committee

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



Members of the Board of Directors (from left): Fritz Hirsbrunner, Andreas Walde, Jörg Kneubühler, Daniela Bosshardt-Hengartner, Michel Burnier, Philippe Nussbaumer

Committees of the Board of Directors and their chairmen and members 2017

	Name	Board member since	Remuneration Committee	Audit and Risk Committee
Board of Directors	Jörg Kneubühler, Chairman of the Board of Directors	2017		
	Daniela Bosshardt-Hengartner	2017	Chairman	Member
	Michel Burnier	2017	Member	
	Fritz Hirsbrunner	2017	Member	Member
	Philippe Nussbaumer	2017		
	Andreas Walde	2017		Chairman
Number of meetings 2017		6	2	4
Honorary Chairman	Etienne Jornod			
General Secretary	Markus Dill			

The Governance and Nomination Committee did not hold any meetings in 2017.

- Proposes a remuneration strategy and objectives 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, the Chairman, the CEO and the Corporate Executive Committee as a whole;
- Approves the remuneration for the members of the Corporate Executive Committee (excluding the CEO) according to the proposal of the CEO and in agreement with the Chairman of the Board of Directors.
- Evaluates the effectiveness of the external auditor and approves its fees;
- Evaluates the internal audit programme, accepts reports from Internal Audit and checks whether the Corporate Executive Committee has used appropriate measures to implement Internal Audit's recommendations;
- Submits recommendations to the Board of Directors on the Group's capital structure, financing of investments and acquisitions, and setting long-term objectives.

Frequency of meetings of the Board of Directors and its committees in 2017

In 2017, the Board of Directors held six meetings, together with members of the Corporate Executive Committee. The Remuneration Committee met twice and the Audit and Risk Committee four times. In principle all the members participate in all the meetings of the Board of Directors.

For the regulations in the Articles of Association governing remuneration, see page 57, and Remuneration Report from page 62.

Audit and Risk Committee

The Audit and Risk Committee comprises three members and supports the Board of Directors in fulfilling its duties with regard to accounting, financial reporting, risk management, compliance, as well as internal and external audits.

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

- Audits reports by the Corporate Executive Committee using the company's compliance and risk management process;
- Monitors measures taken by the Corporate Executive Committee for compliance with internal and external regulations;

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Members of the Board of Directors

Dr. Jörg Kneubühler,

Chairman of the Board of Directors, elected since 2017

- Born 1960, Swiss citizen
- Dr. rer. pol., University of Bern
- Held various positions in finance at the Swatch Group before joining Galenica
- Joined the former Galenica 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 from 2009; CFO from 2012 to 2016; and CEO Galenica Santé from 2014 to Q1 2017



Prof. Dr. Michel Burnier, elected since 2017

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



Fritz Hirsbrunner, elected since 2017

- Born 1949, Swiss citizen
- Lic. oec., HEC University of Lausanne / Senior Executive Program, IMD, Lausanne
- 1972–1977 Controller at Ciba-Geigy
- Joined the former 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 2014
- Member of the Board of Trustees of IST Investmentstiftung für Personalvorsorge (Zurich)
- Member of the Board of Directors of Berlac AG (Sissach), IVF Hartmann Holding AG (Neuhausen), VenCap 6 Ltd. (Jersey) and Vifor Pharma Ltd. (Zurich)

Daniela Bosshardt-Hengartner,
elected since 2017

- Born 1972, Swiss citizen
- Pharmacist, Federal Diploma in Pharmacy, Federal Institute of Technology, Zurich (ETHZ)
- 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), Vifor Pharma Ltd. (Zurich) and investiere.ch (Baar)



Dr. Philippe Nussbaumer,
elected since 2017

- Born 1969, Swiss citizen
- FPH Pharmacist, Federal Diploma / PhD in Pharmaceutical Sciences, University of Geneva / dipl. oec. HEC, University of Lausanne
- Federal Ski Instructor Diploma and Federal Expert J+S; since 2004, Vice-President of the Swiss Snowsports School of Neuchâtel / Les Bugnenets
- Owner and president of the Pharmacie Centrale and the Pharmacie de la Gare in La Chaux-de-Fonds
- Since 2007, founder and administrator of Ecopharma pharmacy brand
- Since 2014, owner and president of the Medi-Centre Ltd. medical centre in La Chaux-de-Fonds
- Since 2012, Member of the Board of Directors of Veripharm Ltd.

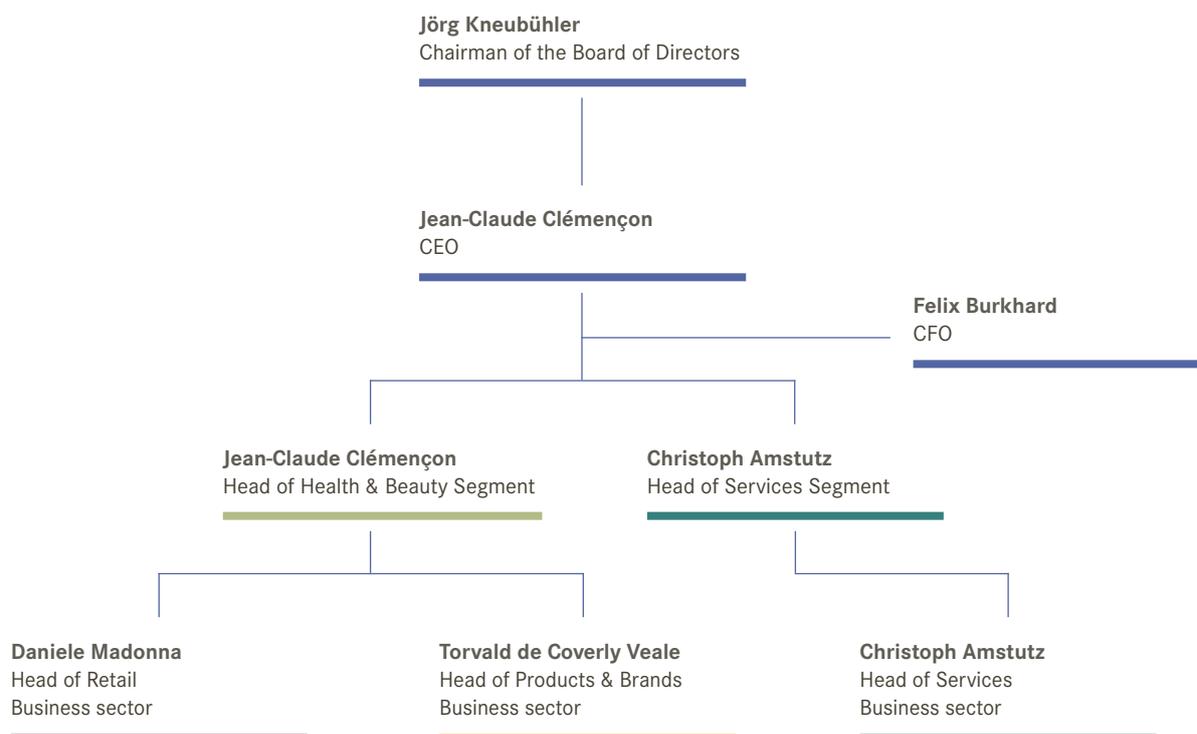


Dr. Andreas Walde,
elected since 2017

- Born 1962, Swiss citizen
- Attorney-at-law and doctorate in law, University of Basel
- Various legal and management positions in the chemical and pharmaceutical industry for more than 25 years with specialisation in financial and corporate structures, M&A, Risk Management, Compliance and Corporate Governance: 1988–1996 at Roche, 1998–2010 at Clariant and 2012–2013 at Petroplus, in the latter two among other as group general counsel; General Secretary of Vifor Pharma Ltd. (Zurich), former Galenica Group, since 2013
- Former positions include memberships on the Board of several private (non-Swiss) public listed companies as well as Member of the Board of the Society of Swiss Enterprises in Germany
- Member of the Board of SwissHoldings, the Federation of Industrial and Service Groups in Switzerland

Leadership organisation

Status: January 2018



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 medium-term planning, budget and annual objectives;
- selection and deselection of the members of the committees, the CEO 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 to the CEO in accordance with the Organisational Regulations. The CEO assumes operational management

of the Galenica Group and heads the Corporate Executive Committee. The Board of Directors maintains regular contact with the CEO and the members of the Corporate Executive Committee and sometimes invites them or just the CEO 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.

Duties of the Chairman

The Chairman is responsible for leading the Board of Directors and the ongoing optimisation of Group strategy. The duties of the Chairman include questioning and supporting the CEO and the Corporate Executive Committee with regard to the development of the Group's strategic business planning and financial objectives, and representing the Board of Directors and, in agreement with the CEO, Galenica externally. The Chairman monitors implementation of decisions taken by the Annual General Meeting and Board of Directors. He also ensures succession planning at the highest management level.

Duties of the CEO

The CEO is responsible for implementing the strategic and operational objectives approved by the Board of Directors, for preparing the budget and ensuring that it is met, and for the management of the Group. The CEO leads the Corporate Executive Committee and reports to the Chairman. Together with the Chairman, he prepares the information for the meetings of the Board of Directors. At these meetings, the CEO, 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. The CEO also represents Galenica externally.

Corporate Executive Committee

The instructions and resolutions of the Board of Directors are implemented for each of the Group's Business sectors by the Corporate Executive Committee under the leadership of the CEO. The Board sets appropriate objectives for the CEO and those members of the Corporate Executive Committee allocated to the relevant Business sector and

approves the budget. Compliance with these targets is monitored 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 planning 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 reviewed, and in the fourth quarter, the expected annual result "Last Estimate 2" is discussed and the budget for the following year agreed.

The Articles of Association of Galenica Ltd. restrict the ability of the members of the Corporate Executive Committee to act in the highest management and administrative bodies of other companies, limiting such outside activity to one mandate in listed companies and three mandates in total, subject to prior approval by the Board of Directors (Art. 20 (3) of the Articles of Association). None of the members of the Corporate Executive Committee has reached this limit.

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Members of the Corporate Executive Committee (from left): Christoph Amstutz, Daniele Madonna, Jean-Claude Clémenton, Felix Burkhard, Torvald de Coverly Veale

Members of the Corporate Executive Committee

Jean-Claude Cléménçon, CEO

- Born 1962, Swiss citizen
- Degree in Logistics, sfb Technical College, Zurich
- Program for Executive Development (PED), IMD, Lausanne
- 1988-1995 Head of Manufacturing at Rheintub AG (Rheinsulz) and CEO of Raintec GmbH, (Dogern, Germany)
- Joined the former Galenica 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 Health-Care Information and member of the Corporate Executive Committee of the Galenica Group from 2010; from 2015 to 2017, Head Retail Business sector
- Since 2017 CEO
- Member of the Board of Helvecura cooperative society (Bern)



Daniele Madonna, Head Retail Business sector

- Born 1977, Swiss citizen
- Federal Diploma in Pharmacy from the Federal Institute of Technology, Zurich (ETHZ)
- Professional training FPH in Retail Pharmacy
- CAS in General Management at HSG (University of St Gallen) and Program for Executive Development (PED) at IMD Lausanne
- 2003-2004 Pharmacist at the Olympia Pharmacy and the Victoria Pharmacy in Zurich
- Joined the former Galenica Group in 2004 as Manager of the Coop Vitality pharmacy in Tenero; Regional Sales Manager at Coop Vitality from 2010 to 2014; and CEO of Coop Vitality AG in Bern from 2014 to 2017
- Since December 2017 Head Retail Business sector and member of the Corporate Executive Committee of Galenica Group



Torvald de Coverly Veale, Head Products & Brands Business sector

- Born 1960, British citizen
- Bachelor of Science in Economics and Politics (Bristol University, UK); Unilever Graduate Business Program
- 1982-2007 Brand Management, Trade Marketing, Sales Management, Marketing Manager and Business Group Chairman at Unilever (UK); Business Development Director at Unilever East Asia & Pacific; Marketing Director & Latin America Category Director at Unilever Brazil; Vice President Marketing at Unilever Latin America; Global Brand Director & European Category Director at Unilever; International Managing Director at Visit Britain; 2007-2015 Director of International Brands at Alliance Boots / Walgreens Boots Alliance in London & Bern
- Since 2015 Head Products & Brands Business sector
- Since 2017 member of the Corporate Executive Committee of Galenica Group

Felix Burkhard,
CFO

- Born 1966, Swiss citizen
- Lic. oec., HSG University of St. Gallen (HSG), and Swiss certified accountant
- 1991–1995 Financial Auditor at Revisuisse PriceWaterhouse (Bern) and Head of Finance and Controlling at Amidro (Biel-Bienne)
- Joined the former Galenica 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 of Galenica Group since 2010; Head Strategic Projects from 2015 to 2017
- Since 2017 CFO Galenica Group



Christoph Amstutz,
Head Services Business sector

- Born 1963, Swiss citizen
- Partial studies in pharmacy, Federal Institute of Technology, Zurich (ETHZ)
- Degree in Marketing Management, University of Bern, GfM/IBM
- 1988–2004 medical representative and product manager at UCB-Pharma AG (Zurich); Head of Marketing at UCB-Pharma GmbH (Kerpen, Germany); General Manager at UCB-Pharma AG (Zurich); 2004–2007 Business Unit Manager CNS / Pain and member of the Executive Board at Bristol-Myers Squibb GmbH (Baar); 2007–2010 CEO of Globopharm AG (Egg/Zurich)
- 2010–2011 Head of G-Pharma AG; 2011 Head of Alloga Ltd.; from 2015 Head Services Business sector
- Since 2017 member of the Corporate Executive Committee of Galenica Group

Members of the Corporate Executive Committee

Name	Member since	Role
Jean-Claude Cléménçon	2017	CEO
Felix Burkhard	2017	CFO
Daniele Madonna	2017	Head Retail Business sector
Torvald de Coverly Veale	2017	Head Products & Brands Business sector
Christoph Amstutz	2017	Head Services Business sector

Further information on the other duties of the Board of Directors, Chairman and Corporate Executive Committee can be found in the Organisational Regulations published on the Galenica website (see related links on page 60).

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 4.4 of the Annex to the SIX Swiss Exchange Directive 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 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 pages 46 and 47 for further details.

Procedure and conditions for lifting restrictions on voting rights

For restrictions on voting rights to be lifted, shareholders who together represent not less than 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 at least two-thirds of the votes represented and the absolute majority of the nominal capital 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 electronically or by sending a letter to all 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 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 2017 that are to be dealt with at the Annual General Meeting on 9 May 2018 must be submitted no later than 31 March 2018, and those for the Annual General Meeting on 2 May 2019 no later than 23 March 2019. 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 Wednesday 2 May 2018 for financial year 2017 and from Thursday 25 April 2019 for financial year 2018. Shareholders entered in the shareholders' register by Tuesday 1 May 2018 and Wednesday 24 April 2019 respectively may exercise their voting rights at the corresponding Annual General Meeting.

Instructions to the independent proxy holder may be given in writing and also electronically through a platform named Nimbus Shapp® which is used by Galenica. The invitation to the Annual General Meeting, which will be sent to all shareholders on or around 13 April 2018, 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 Monday 7 May 2018 for the 2018 Annual General Meeting and by Tuesday 30 April 2019 for the 2019 Annual General Meeting.

Remuneration

The regulations in the Articles of Association governing remuneration (incl. loans, credits and pension benefits) of members of the Board of Directors and the Corporate Executive Committee as well as those governing votes by the Annual General Meeting on remuneration can be found in the Remuneration Report from page 62.

Change of control and protective measures

The obligation to make a public offer pursuant to Art. 125 et seq. FMIA (Federal Act on Financial Market Infrastructures and Market Conduct in Securities and Derivatives Trading, in force since 1 January 2016) 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. The Code of Conduct of the Galenica Group contains all key principles in connection with corruption, bribery, gifts and invitations for all employees. The Code of Conduct is published at www.galenica.com (see related links on page 60).

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 and assess 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 effects – particularly from a financial and reputational perspective – 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 importance, 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.

Additional information about the management of financial risks can be found in the notes to the consolidated financial statements on pages 113 and 114.

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. Appropriate measures are taken by management to continually improve the company's processes with regard to the process areas of purchasing, procurement, investments, sales, HR, general financial management and reporting as well as IT controls.

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, are the Galenica Group's auditors. Roland Ruprecht, certified accountant, a partner at Ernst & Young, is in charge of the audit. The fees paid to the Group's auditors Ernst & Young in 2017 for their audit of Galenica and companies within the Galenica Group totalled approximately CHF 810,000.

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 86,000 for additional advice in audit matters.

In 2017, 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 8 March 2018.

The auditors are regularly informed of new projects. 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 structure of the Group, the quality of reporting, compliance with deadlines, independence and costs.

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 on the Galenica website (see related links on page 60).

Contact persons and important publication dates

For shareholders

For shareholders in relation to corporate governance:
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For investors

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For the media

Christina Hertig, Head Corporate Communications
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Agenda 2018/2019

- Annual General Meeting 2018: 9 May 2018
- Half-year report 2018: 7 August 2018
- Annual General Meeting 2019: 2 May 2019

Further important dates can be found on the website www.galenica.com.

Brand management

Philosophy and implementation

The first choice for health, beauty and wellbeing

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 the ambition to be the first choice for health, beauty and wellbeing in the support line. 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 the two segments Health & Beauty, comprising the Retail and Products & Brands Business sectors, and Services. The Group companies are assigned to the Business sectors 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 the ambition 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 Consumer Health, 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 sectors of the Galenica Group starting on page 14.

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.

Related links

www.galenica.com

- **Board of Directors:** [About Galenica / Organisation / Board of Directors](#)
- **Articles of Association:** [Publications / Downloadcenter / Corporate Governance](#)
- **Remuneration Committee:** [About Galenica / Organisation / Board of Directors / Downloads](#)
- **Organisational Regulations:** [Publications / Downloadcenter / Corporate Governance](#)
- **Code of Conduct:** [Publications / Downloadcenter / Human Resources](#)
- **Organisation:** [About Galenica / Organisation](#)
- **Dates to remember:** [Investors / Investor calendar](#)

www.six-exchange-regulation.com

- **SIX Swiss Exchange; Significant shareholders:** [Publications / Significant shareholders](#)
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Main brands of the Galenica Group

Umbrella brand



Brands of the Galenica Group companies

Retail

GaleniCare

Pharmacy formats

Product and service brands

Services



Products & Brands

Vifor Consumer Health

G-Pharma

Consumer health products



Algifor®

Triofan®

Triomer®

Otalgan®

Itinerol B6®

Merfen®

Pulmofor®

Services

Alloga

Galaxis



HCI Solutions

Services



Commercial merchandise

Information Solutions