Human Resources
Culture and values

Great things achieved together
The Galenica Group can look back on an eventful financial year 2017, characterised in particular by the IPO of the former Business unit Galenica Santé and the associated division of the Galenica Group into two independent listed companies: Galenica and Vifor Pharma. All employees contributed to this successful step towards independence, as well as all further progress achieved in the year under review. Together they achieved great things, and are motivated and well-equipped to continue doing so in future. As of the end of 2017, Galenica employed 6,398 people.

Training and development

Employee development
Productive cooperation requires regular exchange of knowledge between employees, members of Senior Management (MDI) and members of Management (MKA). The company has developed various instruments to encourage this dialogue. At the heart of these is Corporate Management Development (UME), consisting of events (EVE), special staff training (SAM) and management training (FAB). By mid-2018, the personnel development measures on offer will be analysed with a view to updating specific areas of the programme by 2019.

“The employees see themselves as responsible for customer satisfaction.”

Number of employees

| Galenica Group | 6,398 |

| Galenica Ltd. | 38 |
| Retail | 4,614 |
| Products & Brands | 127 |
| Services | 1,619 |

<table>
<thead>
<tr>
<th>Number of women and men</th>
</tr>
</thead>
<tbody>
<tr>
<td>Women (78%)</td>
</tr>
<tr>
<td>Men (22%)</td>
</tr>
</tbody>
</table>
Events
EVE 1 is a management platform for communicating strategic objectives. At the first EVE 1 event in spring 2017, internal speakers informed 265 participants about the planned IPO and the forthcoming division of the Group into two independent listed companies. At the first EVE 2 event after the IPO of Galenica in summer 2017, a total of 450 members of Senior Management and members of Management came together with local pharmacy managers. The main issue was "Galenica 2.0", which was presented with short, informative examples of new projects and services from everyday practice, such as customer commitment at Sun Store, the new Docu-medis® platform from HCI Solutions, the Aprioris pilot project and the online "Click & Collect" platforms of Amavita, Sun Store and Coop Vitality. The event was also used as an opportunity to bid farewell to former Executive Chairman Etienne Jornod, who led the Galenica Group for 22 years and who, in relation to the IPO, was made Honorary Chairman.

Modular training formats for employees
All new employees are invited to an induction day (SAM 1) to learn about the culture, development and strategies of Galenica and its companies. Additional SAM seminars train participants on various technical and methodological issues. More than 210 employees took part in induction days in 2017.

Management training
The FAB 1 management training consists of modules, and focuses on three areas: “Self-management and management tools”, “Employee management and communication skills” and “Management and development of teams”. The FAB 2 seminars subsequently address “Performance” and “Health” and were conducted in collaboration with health insurer Helsana for the first time in the year under review. The “Corporate management” and “Change management” modules, which were previously consolidated under the FAB 3 seminar, have been offered individually as of 2017. These advanced training courses are aimed at members of Senior Management and members of Management, and are given in collaboration with external partners. More than 100 managers participated in the courses in 2017. A strong corporate culture depends upon the five key values of Galenica being fully realised in daily life, so they form an integral part of all FAB modules.

Corporate Management Development

UME includes all activities offered throughout the Galenica Group for the further development of staff and management.

UME
Corporate Management Development

EVE Events
- EVE 1 for MDI
- EVE 2 for MDI/MKA
- "Learn & Lunch" seminars for employees

SAM
- Special training for employees

FAB
- Management training for MDI/MKA

MDI = Member of Senior Management
MKA = Member of Management
The five key values of Galenica

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**.

2017 employee survey

Every three years, the Galenica Group conducts the “Opinio” employee survey in partnership with an external provider. In autumn 2017, staff were asked about their satisfaction, motivation and commitment; 64% responded, and the evaluation of the 4,116 questionnaires revealed the following:

- Employees are generally satisfied with their work situation (75 out of 100 possible points), and 60% of them identify strongly with the company and with their work.
- The survey’s main focus was on motivation, which was measured in terms of the extent to which employees’ needs were met and of their commitment. More than half (57%) of all employees say they are very highly motivated, and almost a third (30%) describe themselves as well motivated, while 13% expressed critical views.
- Most employees are convinced that they are working in a customer-focused environment. They see themselves as responsible for customer satisfaction and demonstrate a strong willingness to provide service support (81 points).
- The score of 64 points for the assessment of employees’ own prospects and development opportunities shows that expectations in this regard are high.

On the basis of the insights gained from the survey, improvement measures are being worked out and implemented by each Business sector and company. The “Opinio” employee survey is next scheduled to be conducted in 2020.
Investing in employees

Galenica offers its employees a range of fringe benefits, with special emphasis on structured training and development. CHF 3.7 million was invested in further training in 2017 (previous year: CHF 3.3 million).

Developing talented individuals

The two-year Talent Mentoring Programme has been very positively received. Participants (mentees) are given a platform through which to exchange views and experience across the Business sectors. In parallel, knowledge and skills of experienced employees are made available to help develop the next generation of talented individuals, with each participant being assigned a personal mentor. There were ten mentees on the programme in 2017, which, for the first time, did not include participants from Vifor Pharma due to the division of the Group.

Attracting employees

In 2017, the Health & Beauty segment launched a pilot project to centralise internal and external employee recruitment. It covers the entire recruitment process as well as concept development for online presence, in particular for job advertisements and the inclusion of social media. These activities have significantly reduced recruitment time, lowered costs and exploited synergies. Given the shortage of pharmacists in Switzerland, recruitment continues to take in neighbouring countries.

Training apprentices

Galenica is putting a lot of effort into training future specialists. In 2017, the Group companies trained 771 apprentices – 719 young women and 52 young men. Of these, 236 completed their apprenticeships, many with flying colours. Having qualified, 99 apprentices have since become Group employees.

Headcount trends

<table>
<thead>
<tr>
<th></th>
<th>Number of employees</th>
<th>of which part-time employees &lt;90%</th>
<th>Full-time equivalents</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2017</td>
<td>2016&lt;sup&gt;1)&lt;/sup&gt;</td>
<td>2017</td>
</tr>
<tr>
<td>Galenica Ltd.</td>
<td>38</td>
<td>—</td>
<td>9</td>
</tr>
<tr>
<td>Retail</td>
<td>4,614</td>
<td>4,530</td>
<td>2,128</td>
</tr>
<tr>
<td>Products &amp; Brands</td>
<td>127</td>
<td>107</td>
<td>50</td>
</tr>
<tr>
<td>Services</td>
<td>1,619</td>
<td>1,494</td>
<td>380</td>
</tr>
<tr>
<td>Total</td>
<td>6,398</td>
<td>6,131</td>
<td>2,567</td>
</tr>
<tr>
<td>Total employees in %</td>
<td></td>
<td></td>
<td>40.1%</td>
</tr>
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</table>

Number of managerial employees

<table>
<thead>
<tr>
<th></th>
<th>Total number of managerial employees</th>
<th>of which women</th>
<th>of which men</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2017</td>
<td>2016&lt;sup&gt;1)&lt;/sup&gt;</td>
<td>2017</td>
</tr>
<tr>
<td>Galenica Ltd.</td>
<td>27</td>
<td>—</td>
<td>13</td>
</tr>
<tr>
<td>Retail</td>
<td>361</td>
<td>375</td>
<td>202</td>
</tr>
<tr>
<td>Products &amp; Brands</td>
<td>48</td>
<td>37</td>
<td>22</td>
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<tr>
<td>Services</td>
<td>161</td>
<td>141</td>
<td>52</td>
</tr>
<tr>
<td>Total</td>
<td>597</td>
<td>553</td>
<td>289</td>
</tr>
<tr>
<td>Total employees in %</td>
<td>9.3%</td>
<td>9.0%</td>
<td>4.5%</td>
</tr>
</tbody>
</table>

<sup>1)</sup> Owing to the IPO of 7 April 2017, the data as from 2014 have been restated as if the former Business unit Galenica Santé, now Galenica, had been a standalone entity (combined financial statements 2014–2016). These combined financial statements form the basis for comparison with the figures for the previous year. The current Galenica Ltd. has only been exercising its holding functions in this form since the IPO; there are therefore no data for the previous year.
Various communication platforms
Personal and direct exchanges between all employees from a total of 77 countries are extremely important. In addition, the intranet is used to inform employees quickly and comprehensively about changes and developments throughout all areas of the company. Issues affecting the Group are also covered in detail in the employee magazine Spot, which employees receive in printed form at home. The January 2017 issue focused on appreciation, while the July 2017 issue addressed the annual motto “Keep it simple and stay focused!” and the topic of working together to achieve great things. The July issue also appeared in a new, revised layout.

Reconciling work with family life
At the beginning of 2017, Galenica joined Swiss association Profawo, which is dedicated to reconciling work with family life across the country. Based on its key value “respect”, the Galenica Group endeavours to respect and support the various life plans of its employees and reconcile these with the interests of the company to the greatest extent possible. This may be through part-time work, taking employees’ wishes into account when scheduling work and now through the services offered by Profawo. These include, for example, organising child care, day kindergartens and care for family members. Its membership of Profawo also supports Galenica in its efforts to ensure that all employees remain healthy, motivated and productive over the long term.

Creative thinkers

Comité des Jeunes
Galenica encourages exchanges of views between promising young employees and corporate management in an internal think tank, the “Comité des Jeunes”. The more than 20 employees from various Group companies help to firmly anchor and further shape the corporate culture. The last joint meeting with the members of Vifor Pharma took place in spring 2017 and focused on the forthcoming IPO of Galenica Santé and the communication activities associated with this transaction.

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 at the Galexis site in Niederbipp in autumn 2017 under the guidance of CEO Jean-Claude Clémençon. Further topics discussed at this meeting included the changes in society in light of digital transformation and its impact on the Galenica Group.

Motto for 2017: Keep it simple and stay focused!
As the world becomes increasingly complex, the ability to concentrate on what matters is more important than ever. To communicate the annual motto “Keep it simple and stay focused!” to employees and remind them of it every day, a team-building box was set up and line managers were encouraged to engage in various smaller-scale activities with their teams to promote team solidarity. Such activities included complex tasks that teams had to solve in a short space of time, thus also reflecting the key value “Together, we are stronger”. The solutions could then be documented and submitted, and the most creative and best approaches were rewarded with a prize.

“The 2018 motto ‘Together, let’s seize our chances’ is an expression of determination and optimism.”

Headcount development
2014–2017

<table>
<thead>
<tr>
<th>Year</th>
<th>Number</th>
</tr>
</thead>
<tbody>
<tr>
<td>2014</td>
<td>5,790</td>
</tr>
<tr>
<td>2015</td>
<td>5,934</td>
</tr>
<tr>
<td>2016</td>
<td>6,131</td>
</tr>
<tr>
<td>2017</td>
<td>6,398</td>
</tr>
</tbody>
</table>

1) Owing to the IPO of 7 April 2017, the data as from 2014 have been restated as if the former Business unit Galenica Santé, now Galenica, had been a standalone entity (combined financial statements 2014–2016). These combined financial statements form the basis for comparison with the figures for the previous years.
Employee profit-sharing programme

All employees were once again paid a profit-sharing bonus in 2017. The bonus is calculated based on the Group result compared with the previous year.

Every year, employees of Galenica living in Switzerland have the opportunity to purchase between 20 and 80 shares at a preferential price, regardless of their employment level. In 2017, 17.3% of employees participated in this programme. In 2016, nearly 10% of eligible employees participated in the share purchase programme. These shares are blocked for three years after the date of purchase. Following the initial public offering (IPO) of Galenica, employees were also given the opportunity in 2017 to exchange their employee shares in the former Galenica Group for shares in the newly listed Galenica.

The profit-sharing bonus forms part of the annual bonus for members of Senior Management and members of Management. This is dependent on attaining quantitative and qualitative targets.

The share-based remuneration programme LTI (see from page 67 in the Remuneration Report) for members of the Corporate Executive Committee and certain members of Senior Management focuses on long-term performance; remuneration is withheld for a period of three years.

Health and safety

Health

The health of its employees is important to Galenica. Regular information events are held on the subject: for example, a series of accident prevention training courses organised by the Services Business sector in collaboration with the Swiss National Accident Insurance Fund (Suva). Galenica also 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).

Illnesses

Employees were once again able to take advantage of Galenica Care Management in 2017. Ill employees are given support as well as employees who are at risk before having to take sick leave. Following illness or an accident, the aim is to facilitate a rapid return to work. In 2017, 462 new cases of illnesses were recorded.

Accidents

Based on data from Suva and private insurers, the Galenica accident statistics show an increase in occupational accidents. In 2017, 146 accidents were reported.
however, Galenica and Vifor Pharma will provide independent pension schemes. The relevant work began in summer 2017 and should result in separate pension funds, mirroring the division of the Group, by 2019.

**Defined contribution plan principle**
The Galenica company pension funds are managed according to the principle of defined contributions and are generally funded by contributions from the employee and the employer. The contributions made by employer and employee are accrued into individual savings capital for each employee. The savings capital is usually paid out as a lump sum or converted into an annuity on reaching statutory retirement age. In cases of termination of employment, the savings are transferred as vested benefits.

**Pension fund reporting**
The financial statements of the pension funds of the Galenica Group provide a true and fair view of the financial position, the results of operations and cash flow.

The accounting and valuation principles of the Swiss pension funds correspond to the Ordinance on Occupational Retirement, Survivors’ and Disability Pension Plans (BVV2) and the Swiss GAAP FER accounting and reporting recommendations. Assets and liabilities are recognised on the basis of the financial situation of the pension fund as of the balance sheet date only.

**Reporting in the consolidated financial statements, defined benefit plan principle**
The recording and assessment of benefit obligations in the consolidated financial statements of the Galenica Group is in accordance with International Financial Reporting Standards (IFRS). Contrary to the defined contribution plan principle under Swiss BVG, the pension funds of Galenica are classed here as defined benefit plans under IFRS. In addition to recording short-term benefits to employees, benefit obligations for these pension plans following the end of employment are also calculated by actuaries. These actuarial calculations under IFRS generally result in a lower coverage ratio (ratio of pension fund assets to liabilities). These technical results have no impact on the benefits the pension funds pay under their regulations under BVV2 for the employees of Galenica. Further information on reporting under IFRS and the current coverage ratio can be found in the notes to the consolidated financial statements (from page 104).
Works committee

In 2017, representatives of the Galenica Ltd. Corporate Executive Committee and HR management met twice with the works committee, which represents all employees of the Galenica Group and which gathers the presidents of all the staff committees, to discuss issues that go beyond matters addressed by staff committees in the individual Business sectors. In the year under review, discussions were held notably on fringe benefits for employees and the approval of the revised Appendix to the Personnel Regulations “Protection of Personal Integrity”.

The staff committees meet several times a year. Due to its size, the number of staff committees in the Retail Business sector was increased from one to four in 2017, which from now on reflect the three linguistic regions in Switzerland and central services at the head office. Accordingly, four new representatives from the Retail Business sector now sit on the works committee. As part of the division of the Galenica Group, the staff committee for the Products & Brands Business sector was also reconstituted in the second half of 2017.

Social responsibility

Social commitment

As a leading player in the Swiss healthcare market, Galenica is committed at all levels to the welfare of patients. The company is also involved in helping organisations and projects. A few examples are listed below:

Ruedi Lüthy Foundation (formerly Swiss Aids Care International).
The Galenica Group has supported this foundation with regular donations and contributions in kind since 2005. The foundation was founded in 2003 by Professor Ruedi Lüthy. In Zimbabwe’s capital Harare, the foundation operates the walk-in Newlands Clinic with mobile outpatient stations, which currently provide treatment to around 6,000 of the poorest HIV patients and train local specialists. Zimbabwe is one of the countries most affected by the AIDS pandemic, with 1.6 million people currently living with HIV, an estimated one million children orphaned as a result of the illness and 40,000 AIDS-related deaths per year.

Agua Viva. Since 2009, Galenica has been providing financial support to “Agua Viva, the small aid organisation for children”. Operating in eastern Brazil, this association helps children in need and arranges sponsorship for children from deprived areas of the cities of Olinda and Paulista. The contributions not only help to provide children with basic nutrition but also go into a fund that is used to finance medical treatment and medication. In Olinda, the association offers an information and contact point for all sponsored children and their relatives via the “Oficina Agua Viva”. Here, the children receive food and are given the opportunity to attend daily school lessons. Agua Viva also organises vocational and part-time courses as well as traineeships for children and adolescents from socially disadvantaged backgrounds and offers, via the Oficina, a contact point for people from the region who are in need of help.

Christmas and New Year card 2017. The Galenica Group supported the “Sternschnuppe” organisation with its Christmas and New Year card for 2017. Children’s charity “Sternschnuppe” is a Swiss non-profit organisation that helps grant the wishes of children under the age of 18 living with an illness, disability or health issues due to a major injury.

Gewa. The Gewa foundation for workplace integration is a social organisation that aims to integrate people with particular mental challenges into the workplace. The Alloga SC Box had initially been assembled and repaired by Alloga employees – since 2012, this task has been taken over by the Gewa foundation.
**Associazione Malattie Genetiche Rare.** The “Associazione Malattie Genetiche Rare” (association for rare genetic diseases) assists individuals suffering from genetic diseases and their families over an extended period, and offers them advice, support and financial assistance. Unione Farmaceutica Distribuzione (UFD) supported this organisation by sourcing its Christmas gifts for customers via the “Leo Club Lugano”, which supported the “Associazione Malattie Genetiche Rare” in 2017.

**Pink Ribbon Switzerland.** Breast cancer is the most commonly diagnosed form of cancer in women: one in eight women in Switzerland will face this disease during her life, and 1,400 women die of breast cancer every year in Switzerland. Since physical activity can be beneficial in both breast cancer prevention as well as during and after cancer treatment, Perskindol® launched a pink limited edition version in October 2017. For every pink tube purchased, CHF 1 was donated to “Pink Ribbon Switzerland”. The organisation aims to generate greater public awareness of this cause and has been collecting donations for ten years to support non-profit organisations such as the “Swiss Cancer League” and “Europa Donna” in their fight against breast cancer.

**Healthcare products for people in need.** In 2017, Unione Farmaceutica Distribuzione (UFD) sent healthcare products in the form of dressings and gloves to the earthquake zones Amatrice and Norcia in Italy. The association “Angeli di Ilanivato” also received materials including plasters, gauze, compresses, etc. from UFD in the year under review. It runs a school managed by nuns and a clinic close to Antananarivo in Madagascar.