

# Remuneration Report

## Remuneration benefits and philosophy

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

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

### Remuneration Report

In this report, Galenica provides an overview of its remuneration principles and programmes. The following pages outline the process and responsibilities under which remuneration of the members of the Board of Directors and Corporate Executive Committee is determined, and the remuneration methods and components at top management level. The remuneration system as well as its reporting is in accordance with the Swiss Code of Obligations, the Ordinance against Excessive Remuneration in Listed Companies Limited by Shares (VegüV), the Directive of the SIX Swiss Exchange on Information Relating to Corporate Governance (Directive Corporate Governance) and the recommendations of the Swiss Code of Best Practice for Corporate Governance issued by Economiesuisse. The statutory auditor verifies compliance of the report with the law and Articles 14 to 16 of the VegüV and issues a written report to the Annual General Meeting.

### Transitional year 2017

The current Galenica Ltd. was floated as an independent company (Galenica Santé) by the former Galenica (now Vifor Pharma) and subsequently listed on the SIX Swiss Exchange on 7 April 2017. Accordingly, there are no historic data available for the new Galenica Ltd., founded in 2017, in terms of remuneration of the Board of Directors and Corporate Executive Committee. The remuneration principles and remuneration system conform to the presentation in the offering memorandum of 24 March 2017.

## Process and responsibilities

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

On an annual basis the Board of Directors decides on the individual remuneration of the Chairman and the CEO as well as the aggregate for the other members of the Corporate Executive Committee as proposed by the Remuneration Committee. The Remuneration Committee is responsible for deciding on the individual remuneration of the members of the Corporate Executive Committee, with the exception of the CEO, in consultation with the Chairman.

Individual targets are set for the CEO and the members of the Corporate Executive Committee at the start of each year. Targets consist of both financial and qualitative aspects.

Targets set for the long-term remuneration (Long-term Incentive Programme, LTI) are exclusively financial and are defined as a three-year increase in Galenica economic profit (GEP, see definition on page 65) for the Group and – for the transitional year 2017 – as an average return on invested capital (ROIC) respectively to be achieved for this period, whereby the relevant targets for the LTI are set by the Remuneration Committee.

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

### Determination of remuneration

The Remuneration Committee of the Board of Directors plays a central role in deciding on the remuneration. The Remuneration Committee consists of three members of the Board of Directors, all of whom are independent from Galenica and are elected annually by the shareholder meeting. The Remuneration Committee evaluates and approves principles and programmes for remuneration of the Galenica Group and assesses criteria and the level achievements reached by the CEO and the members of the Corporate Executive Committee based on the targets set by the Board. It also proposes the maximum remuneration of members of the Board (including the Chairman) as well as for the members of the Corporate Executive Committee (including the CEO) to the Board of Directors, which then puts this to the Annual General Meeting for approval. Such approval is prospective for the next business year following the Annual General Meeting. Further details on the composition and the responsibilities of the Remuneration Committee are provided in the Corporate Governance section of

the annual report (see page 48) as well as in the Remuneration Committee Regulations, which can be found on the Galenica website (see related links on page 71).

### Method of determination

In order to attract and retain talented employees, it is critical to offer competitive remuneration. The Remuneration Committee reviews the remuneration of the CEO and the members of the Corporate Executive Committee regularly and compares it to the remuneration levels of similar positions at companies which are comparable in scope and business complexity, i.e. companies with which Galenica competes for talents. External consultants are hired as needed to assist in reviewing the mix of short-term and long-term remuneration, the mix of cash versus equity-based remuneration as well as the remuneration levels.

Employee remuneration consists of a **fixed base salary**, which depends on the employee's position level, and a **bonus**. The bonus system allows members of the Corporate Executive Committee, Senior Management and Management to benefit from the profits of the Galenica Group. The achievement of personal targets is assessed after year-end and rewarded accordingly. The CEO, members of the Corpo-

### Responsibility for the remuneration process

Level of authority	CEO	Chairman	Remuneration Committee	Board of Directors	Annual General Meeting
Remuneration of the Chairman			proposes	approves	approves maximum possible remuneration for the Board of Directors including the Chairman for the following year
Remuneration of the Board			proposes	approves	
Remuneration of the CEO		recommends	proposes (in consultation with Chairman)	approves	approves maximum possible remuneration for the Corporate Executive Committee including the CEO for the following year
Remuneration of members of the Corporate Executive Committee	proposes	recommends	approves (in consultation with Chairman)	is informed	

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

rate Executive Committee and certain members of Senior Management also receive additional **long-term remuneration (LTI)**. The purpose of the bonus system is to ensure that all members of Senior Management and Management act and make decisions in such a way as to support the achievement of targets at all levels and thereby contribute to sustained positive results for the Group as a whole, as well as the company to which they belong. This serves to harmonise the interests of shareholders with those of Galenica and its management. Through share participation, identification with the company is further enhanced.

The bonus and long-term remuneration (LTI) depend primarily on the achievement of the specified financial targets of the Galenica Group. In principle, an increase in the Galenica economic profit (GEP) is used as the metric. The GEP target for the long-term remuneration (LTI) was complemented in 2017, the transitional year of the separation, by targets for the return on invested capital (ROIC). These are each defined for a three-year period. For current long-term remuneration (LTI) periods, the two metrics will be split pro rata temporis. The GEP is a measure designed to reflect the principles of value-based management derived from an economic value added (EVA) approach. It is based on the understanding that in the interests of shareholders and other important stakeholder groups, Galenica will strive to achieve a long-term investment return which exceeds the weighted average cost of capital. It is calculated as the net operating profit (before interest and after depreciation, amortisation and tax) less the weighted average cost of capital (WACC) over the average invested

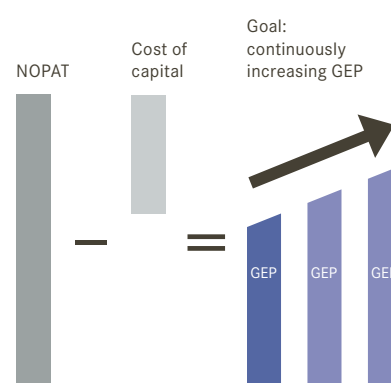
capital. The extent to which the ROIC target (or the GEP increase) is achieved has a 75% impact on the bonus and a 100% impact on the number of shares allocated under the long-term incentive (LTI) plan. Personal targets may therefore account for a maximum of 12.5% of the remuneration of the CEO or the members of the Corporate Executive Committee. In 2017 it accounted for 9.0% on average for the members of the Corporate Executive Committee (excluding the CEO). Therefore, poor performance inevitably has a negative impact on the total remuneration (fewer shares, with each of them potentially having a lower value). However, the remuneration system does not include any particular malus provisions.

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

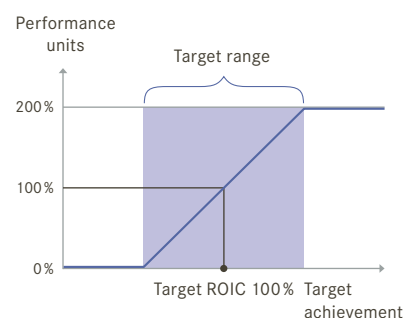
Variable remuneration consists of the bonus and the long-term incentive plan paid out to members of the Corporate Executive Committee and eligible members of Senior Management. However, the annual bonus and variable long-term remuneration (LTI) represent two independent elements and are calculated and weighted separately.

#### Relevant parameter: Galenica economic profit (GEP)

GEP: Net operating profit (NOPAT) minus cost of capital for necessarily invested capital



#### Relevant parameters: ROIC



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

Independent of their remuneration and under the terms of the share acquisition plan for employees, every year employees are entitled to acquire a certain number of blocked shares of Galenica, which is specified in company regulations, at a reduced price (more information on page 117 in the financial statements 2017).

Finally, all employees receive employer's contributions to pension funds.

## Remuneration components

### Remuneration of members of the Board of Directors

The remuneration of members of the Board of Directors is independent from the performance of the company and comprises a fixed salary depending on their function assumed in the Board of Directors and its committees, either as a member or chairperson of a committee. Such remuneration may be drawn fully or half in shares of Galenica blocked for five years. In addition, after a period of two years, each member of the Board is required to hold shares of Galenica equal in value to at least one annual salary which remain blocked during his/her mandate.

The members of the Board of Directors except the Chairman do not participate in the employee benefit plans.

The remuneration of the members of the Board of Directors is reviewed regularly against prevalent market practice of other industrial companies listed in Switzerland as well as based on data published by Ethos (a Swiss Foundation for Socially Responsible Investment and Active Share Ownership).

### Elements of remuneration for the CEO and the members of the Corporate Executive Committee

In order to reward performance and promote loyalty of key talents and their long-term engagement towards Galenica, the remuneration system comprises an annual base salary, short-term bonus, long-term incentive (LTI) and customary benefits. The ratio between annual base salary and variable elements for the Corporate Executive Committee is defined in the Articles of Association of Galenica. The aggregate of the maximum possible variable elements irrespective of the effective pay-out is limited to 300% of the base salary of the CEO and to 250% of the base salary of each of the members

of the Corporate Executive Committee. Thereof, the short-term bonus must not exceed 200% of the base salary of the CEO and 150% of the salary of each member of the Corporate Executive Committee.

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

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

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

### Annual base salary

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

### Short-term Incentive Programme (STI)

The short-term bonus aims at rewarding the achievement of the financial results and recognises individual contributions to the company's performance over a business year. The target bonus is expressed as a percentage of the annual base salary and varies depending on the level of the function in the organisation and on the impact of the function on the overall business result.

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

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

Upon approval of the annual results by the Board of Directors, the GEP attainment level of the Group is calculated as a percentage. The achievement of financial and individual objectives is assessed by the Remuneration Committee for the CEO and submitted to the Board of Directors for approval. The attainment of these objectives of the members of the Corporate Executive Committee is assessed by the CEO and, in consultation with the Chairman, submitted to the Remuneration Committee for approval.

The payment of the bonus is made in the subsequent year after the publication of the full-year results. The CEO, the members of the Corporate Executive Committee and Senior Management are required to draw up to 32% of the bonus in shares of Galenica; the rest is paid out in cash. A discount of currently 25% on the average stock market price for the month of January in the year in which the bonus is paid is granted as the shares remain blocked for five years.

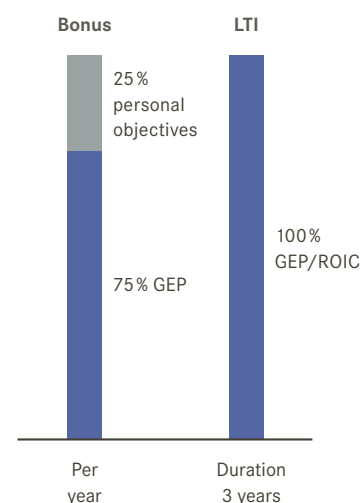
### Long-term Incentive Programme (LTI)

The objective of the variable long-term remuneration is to promote the strategy of the Galenica Group. The Long-term Incentive Programme (LTI) is designed to motivate eligible managers to ensure that their actions and decisions promote the achievement of the medium- and long-term value-based targets across all levels. With this instrument Galenica also seeks to harmonise the interests of management and the Group with the interests of its shareholders, and to sustainably create value for customers and its shareholders over the long term. In addition, the LTI Programme aims to strengthen the loyalty of its managers to Galenica, identification with the company and to motivate its key talents to stay with the company. Under the LTI Programme, the short-term bonus is supplemented by variable, long-term remuneration in the form of a share plan.

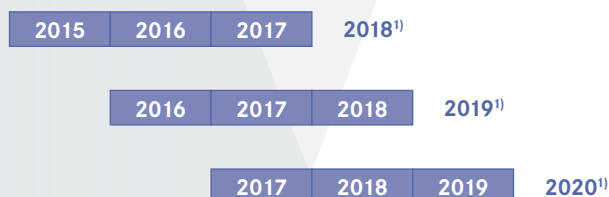
The CEO, members of the Corporate Executive Committee and selected members of Senior Management participate in the LTI Programme.

The factors exerting a significant influence on the value of the LTI are the operating performance of the Galenica Group and the share price performance of Galenica shares. The LTI Programme is based on performance units which are granted to participants after the release of the results of the preceding year and which convert into shares of Galenica subject to the attainment of a performance target defined by the Remuneration Committee over a three-year period. Performance units are virtual; no real units are issued. The number of performance units allocated at the beginning of the plan period depends on a defined percentage of the annual base

### Influence of variable remuneration by the GEP/ROIC



### LTI three-year programme



<sup>1)</sup> Transformation of performance share units into number of shares and allocation of shares

salary as well as the average share price during the final month prior to the allocation, i.e. February. The performance target for each three-year LTI Programme is defined by the Remuneration Committee by setting a target GEP increase or – for the transitional year 2017 – a target average return on invested capital (ROIC) respectively reflecting the risk-appropriate return requirements of its shareholders over the programme period. The number of performance units initially allocated increases or decreases depending on the proportion of the achievement of the GEP or ROIC target set. Upon completion of the three-year programme period, such performance units are transformed into a corresponding number of shares of Galenica. Accordingly, the main factor influencing the transformation of performance units into Galenica shares is the operating performance of the Galenica Group over the respective three-year period. A linear interpolation is applied between the threshold of the GEP at the time of the allocation of the performance units and a maximum target attainment of 200%, or between the upper and lower limit of the ROIC target range. At the beginning of each financial year, a new LTI Programme with a new three-year target and assessment period is issued.

### Pensions and other employee benefits

Employee benefit plans consist mainly of retirement and insurance plans that are designed to protect the employees against the risks disability and death. The CEO and the members of the Corporate Executive Committee are covered by the pension scheme applicable to all employees. The pension solution of Galenica exceeds the legal requirements of the Swiss Federal Law on Occupational Pension Schemes (BVG) and is in line with what is being offered by other listed companies of comparable size.

Except for the expense allowance and the right to use a company car in line with the car policy applicable to all managers, the CEO and the members of the Corporate Executive Committee do not receive any particular additional benefits. The monetary value of the allowance – where related to salary, i.e. company cars – is disclosed at fair value in the remuneration table.

### Employment contracts

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

### Remuneration for 2017

In accordance with the Articles of Association, the shareholders of Galenica make a prospective annual decision on the maximum remuneration for members of the Board of Directors and members of the Corporate Executive Committee for the business year following the Annual General Meeting. In order to allow for a comparable basis with the prospective vote, remuneration paid or attributed in 2017 is presented on the same basis perspective of cost to the company. Accordingly, shares of Galenica distributed as part of the compensation are shown at market value at the date of allocation, not taking into account the 25% discount granted for tax purposes in relation with the blocking period of five years. It should be noted that remuneration to the Board of Directors and the Corporate Executive Committee is disclosed for a nine-month period in 2017, namely from the IPO in April until the end of 2017. This also includes accruals for bonus payments and remuneration related to the Long-term Incentive Programme.

### Board of Directors

The members of the Board of Directors are remunerated independent of the performance of the company in the form of a fixed salary. A minimum of 50% of such remuneration is paid out in shares of Galenica (blocked for five years).

Remuneration settled in the form of shares of Galenica was paid at the average price for the month of December 2017, i.e. CHF 48.79 per share.

### Corporate Executive Committee

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

The bonus payment for the business year 2017 has been calculated based on a target achievement of 118.8% of the objectives, i.e. 54% of the maximum possible bonus for the year. For the LTI Programme 2017–2019, the allocation of performance units has been defined on the basis of the average share price from February 2017 and return on invested capital (ROIC) targets defined by the Remuneration Committee. The target achievement of the LTI Programme 2015–2017 due in 2018 was 158.9%. At the time of the IPO, the allocated shares were changed into Galenica shares.

### Remuneration of the members of the Board of Directors in 2017 (9 months, from IPO in April 2017)

in thousand CHF	Fee				Number of shares	
	Fee in cash	Equivalent in shares	Other remuneration <sup>1)</sup>	Total	Held as at 31.12.2017 <sup>2)</sup>	Allocated for 2017
Jörg Kneubühler, Chairman	184	245	23	452	19,152	5,020
Daniela Bosshardt-Hengartner	–	150	8	158	–	3,074
Michel Burnier	–	120	5	125	–	2,459
Fritz Hirsbrunner	–	130	4	134	635	2,664
Philippe Nussbaumer	–	110	6	116	1,695	2,254
Andreas Walde	–	140	7	147	–	2,869
<b>Remuneration of the members of the Board of Directors</b>	<b>184</b>	<b>895</b>	<b>53</b>	<b>1,132</b>	<b>21,482</b>	<b>18,340</b>

<sup>1)</sup> Other remuneration corresponds to the social security costs due from the member of the Board of Directors but paid by Galenica as well as the employer's contribution to the pension funds. The employer's contributions to social security costs for 2017 amounted to CHF 53,000

<sup>2)</sup> Shares held by related parties of members of the Board of Directors are included in the declaration of the totals disclosed above

### Remuneration of the members of the Corporate Executive Committee in 2017<sup>1)</sup> (9 months, from IPO in April 2017)

in thousand CHF	Total	of which Jean-Claude Cléménçon
Base salary	1,158	337
Bonus in cash	497	187
Bonus in shares	261	86
Long-term Incentive Programme <sup>2)</sup>	403	159
Contributions to pension funds	181	57
Other remuneration <sup>3)</sup>	20	9
<b>Remuneration received</b>	<b>2,520</b>	<b>835</b>
Social security costs	180	58
<b>Remuneration of the members of the Corporate Executive Committee</b>	<b>2,700</b>	<b>893</b>

<sup>1)</sup> Including remuneration of Daniele Madonna, Head of Retail Business sector, from 1 December 2017

<sup>2)</sup> The performance units falling due after three years are included with the fair value at grant based on the estimated target achievement (IFRS 2). The LTI Programme 2017–2019 was granted in PSU Vifor Pharma on 1 January 2017 and was converted to PSU Galenica due to the IPO. The total remuneration of the LTI Programme 2017–2019 for the Corporate Executive Committee amounts to CHF 537,000, whereof CHF 212,000 is related to Jean-Claude Cléménçon.

<sup>3)</sup> Including private utilisation of company car



In 2017, Jean-Claude Cl  men  on, CEO, was the member of the Corporate Executive Committee with the highest remuneration.

### Options

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

### Loans and credits

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

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

The current Galenica Ltd. was founded in the year under review, 2017, and did not pay any remuneration to former members of the Board of Directors or the Corporate Executive Committee.

## Remuneration trend

The members of the Board of Directors and Corporate Executive Committee were newly appointed in the year under review in connection with the foundation of the new Galenica Ltd. and the IPO on 7 April 2017. Accordingly, there are no historic data available for the new Galenica Ltd., founded in 2017, in terms of remuneration of the Board of Directors and Corporate Executive Committee. The maximum remuneration for the Board of Directors and the Corporate Executive Committee for 2017 and 2018 was determined during the preparation phase for the IPO at an Extraordinary General Meeting held on 10 March 2017.

Consideration is given to the nine-month pro rata effect following the IPO at the beginning of April 2017 and the filling of the management position in the Retail Business sector as of 1 December 2017. For 2018, no increase on a comparable basis to 2017 is planned.

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

	Number of shares held as at 31.12.2017 <sup>1)</sup>	Long-term Incentive Programme (LTI) Performance share units (PSU) <sup>2)</sup>			
		PSU granted in 2017 (potential vesting at 31.12.2019) <sup>3)</sup>	PSU granted in 2016 (potential vesting at 31.12.2018) <sup>3)</sup>	PSU granted in 2015 (potential vesting at 31.12.2017) <sup>3)</sup>	PSU pending
Jean-Claude Cl��men��on	80	4,739	2,089	5,635	12,463
Felix Burkhard	9,344	2,913	1,628	4,623	9,164
Daniele Madonna <sup>4)</sup>	1,396	1,212	329	–	1,541
Torvald de Coverly Veale	220	1,898	863	1,904	4,665
Christoph Amstutz	160	1,635	740	1,917	4,292

<sup>1)</sup> Shares held by related parties of members of the Corporate Executive Committee are also included in the totals disclosed above

<sup>2)</sup> Each performance share unit transforms at vesting into one share

<sup>3)</sup> The shares corresponding to the PSU are transferred to the beneficiaries in the subsequent year

<sup>4)</sup> Head Retail Business sector and member of the Corporate Executive Committee since 1 December 2017

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

## Development of maximum possible remuneration and effective pay-out

At the next Annual General Meeting in accordance with Article 22 of the Articles of Association of Galenica, the maximum possible remuneration to members of the Board of Directors and members of the Corporate Executive Committee is submitted to shareholders for approval prospectively for the business year following the Annual General Meeting (2019) and therefore sets an upper limit to possible remuneration taking into account all variable elements including in particular the bonus and the LTI Programme (with blocked shares and performance units valued at the grant date). In order to facilitate the assessment of such prospective remuneration, the corresponding amounts for 2017 are also indicated on a 12-month comparative basis in the graphs below. The effective pay-out for the period 2016-2017 is much lower than the maximum possible remuneration for 2017 and forms the basis for the maximum possible amounts submitted to the Annual General Meeting (including the initial number of performance units

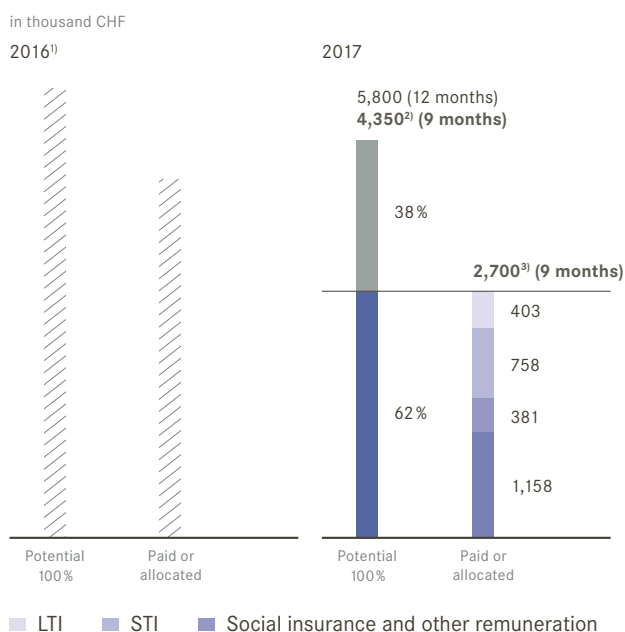
allocated as well as deferred bonus valued at the grant date). The remuneration of the CEO in 2017 amounted to 74% of the maximum possible remuneration. The remuneration of the members of the Corporate Executive Committee for 2017 in aggregate reached 64% of the maximum possible remuneration.

### Related links

[www.galenica.com](http://www.galenica.com)

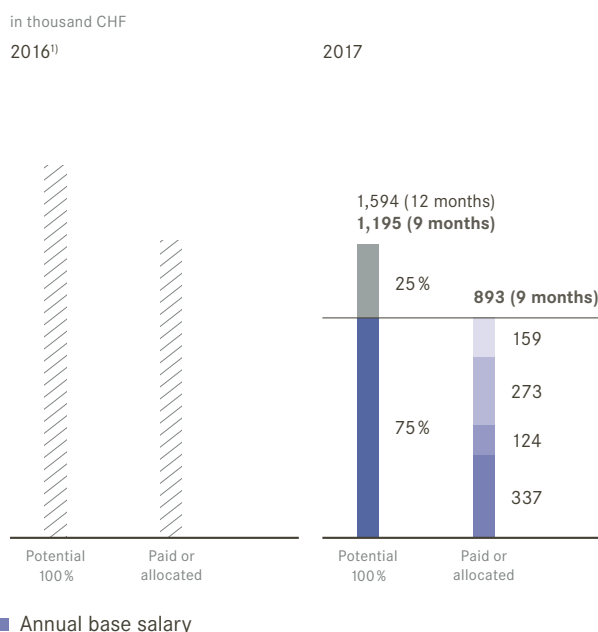
- **Articles of Association Galenica Ltd., Art. 21 (Remuneration Committee):** Publications / Downloadcenter / Corporate Governance
- **Articles of Association Galenica Ltd., Art. 22 (Remunerations):** Publications / Downloadcenter / Corporate Governance
- **Remuneration committee charter:** About Galenica / Organisation / Board of Directors

## Remuneration of all the members of the Corporate Executive Committee



## Highest remuneration in the Corporate Executive Committee

CEO Galenica Group



<sup>1)</sup> The current Galenica Ltd. was founded in 2017; therefore, there are no data for the previous year

<sup>2)</sup> Amount approved by the Extraordinary General Meeting on 10 March 2017, for five members

<sup>3)</sup> Including Head Retail Business sector as of 1 December 2017, previously four members

## Remuneration Report



Ernst & Young Ltd  
Schanzenstrasse 4a  
P.O. Box  
CH-3001 Berne

Phone: +41 58 286 61 11  
Fax: +41 58 286 68 18  
www.ey.com/ch

To the General Meeting of  
Galenica Ltd., Berne

Berne, 8 March 2018

## Report of the statutory auditor on the remuneration report

We have audited the remuneration report of Galenica Ltd. for the year ended 31 December 2017. The audit was limited to the information according to articles 14–16 of the Ordinance against Excessive Compensation in Stock Exchange Listed Companies (Ordinance) contained on pages 68 to 70 of the remuneration report.



### Board of Directors' responsibility

The Board of Directors is responsible for the preparation and overall fair presentation of the remuneration report in accordance with Swiss law and the Ordinance. The Board of Directors is also responsible for designing the remuneration system and defining individual remuneration packages.



### Auditor's responsibility

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

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

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



### Opinion

In our opinion, the remuneration report for the year ended 31 December 2017 of Galenica Ltd. complies with Swiss law and articles 14–16 of the Ordinance.

Ernst & Young Ltd

Roland Ruprecht  
Licensed audit expert  
(Auditor in charge)

Julian Fiessinger  
Licensed audit expert

