



Generic substitution by pharmacies

“By regularly offering generic products and thus informing our customers about possible alternatives, we are contributing to cost containment in the healthcare system.”

Jeannette Zavodny, Manager Sun Store
Pharmacy Bern Storchengässchen

Remuneration report

Letter from the Chairman of the Remuneration Committee

Dear Shareholders,

On behalf of the Board of Directors and the Remuneration Committee of Galenica, I am pleased to present the Remuneration report for 2019.

The remuneration policy of Galenica aims to recruit, motivate and retain best-in-class employees who are entrepreneurially minded, success-oriented 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 the overall market position of the company while delivering the expected returns to its shareholders.

The remuneration system of Galenica is part of a sustainable, long-term corporate policy to support the strategic goals defined by the Board of Directors. 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.

The Galenica Group performed very well in a challenging market environment in 2019. As a result, the short-term bonus targets were exceeded with a target achievement of 132.0% while the target achievement of the LTI plan 2017-2019 due in 2020 was 121.1%.

Our remuneration system was unchanged in 2019. However, further efforts were made to provide an even more transparent disclosure, including additional explanations of the Galenica economic profit (GEP) achieved, including reference to the new chapter Alternative performance measures in the Annual report 2019 (full version) from page 92 onwards, a new chart of the ratio of fixed to variable remuneration, and a new table showing the activities of the Remuneration Committee during the year.

You can find detailed information on our remuneration system and remuneration for 2019 for the Board of Directors and the Corporate Executive Committee in this report. The Remuneration report will be submitted to shareholders at the Annual General Meeting on 19 May 2020 for a non-binding consultative vote.

We will continue to regularly assess and review our remuneration in the future to ensure an appropriate, sustainable remuneration policy.

We would like to thank our employees for their commitment and hard work, and you, dear shareholders, for your trust.



Fritz Hirsbrunner
Chairman of the Remuneration Committee

General

Remuneration Report

In this report, Galenica provides an overview of its remuneration model and remuneration principles. 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 components at top management level. The remuneration system as well as its reporting is in accordance with the 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.

2019 reporting year

The current Galenica was listed on the SIX Swiss Exchange in 2017. In the view of the Board of Directors and the Remuneration Committee, the remuneration model introduced in 2017 and the remuneration components have proved to be effective. They are appropriate, in line with the market, and are designed to achieve the goal of the remuneration policy and to ensure that the corporate strategy is sustainably supported, and the interests of shareholders are pursued. The maximum total remuneration for the Board of Directors for the year 2019 was increased from CHF 1.65 million to CHF 1.9 million by the 2018 Annual General Meeting. This takes account of the increase from six to seven board members. The maximum total remuneration for the Corporate Executive Committee in 2019 remains unchanged at CHF 5.8 million. At the request of the Remuneration Committee, the Board of Directors adjusted the remuneration of the Board of Directors in 2019. The remuneration of the Chair of the Board of Directors was set at the new level of CHF 350,000 (previous year: CHF 490,000). Remuneration for the role of chair of a committee is CHF 30,000.

A comparative benchmark study of the remuneration of the Corporate Executive Committee and members of Senior Management was carried out by the Remuneration Committee in 2018. The Board of Directors received support on this from Klingler Consultants. Overall, the benchmark study showed the remuneration of the Corporate Executive Committee and of members of Senior Management to be in line with the market in terms of structure and scale. The benchmark includes listed and private companies of a similar size

(in terms of market capitalisation) that are active in comparable sectors in Switzerland (with a focus on health, logistics and retail). The salaries of the Board of Directors were also reviewed in 2018. This market comparison had been carried out by A. Blust Consulting. Approximately 20 Swiss industrial companies of a similar size to Galenica in terms of market capitalisation (between CHF 1 billion and CHF 4 billion), sales and number of employees that are listed on the SIX Swiss Exchange were used as a benchmark (excluding the financial sector). The salaries of the Board of Directors were also judged to be in line with the market. The Remuneration Committee is planning to undertake another external benchmark study of the remuneration of the Corporate Executive Committee and of the salaries of the Board of Directors by 2021. The Annual General Meeting on 2 May 2019 approved the Remuneration report 2018 with a substantial majority (80.5%). Nevertheless, at the recommendation of the Remuneration Committee, the Board of Directors decided to provide an even more transparent disclosure in the Remuneration report 2019.

The Remuneration Committee also performed its regular duties in 2019, in particular preparing the Remuneration report for the Annual General Meeting, evaluating the performance of the CEO and determining the remuneration of the members of the Corporate Executive Committee and the Board of Directors. In addition, the Remuneration Committee conducted a self-assessment of its functioning. It rated its discussions and decision-making as efficient and targeted, and the support of the Board of Directors in matters of remuneration as effective.

Principles and responsibilities

The guiding principles for the remuneration of the Board of Directors, the CEO and the other members of the Corporate Executive Committee as well as the responsibilities for the remuneration system of Galenica are defined in the Articles of Association of Galenica. They include the provisions on the Remuneration Committee (Art. 21 of the Articles of Association) and remuneration (Art. 22 of the Articles of Association; see related links on page 88). Each year, the Board of Directors submits the maximum remuneration of the Board of Directors and the Corporate Executive Committee to the Annual General Meeting for binding approval. Such approval is prospective for the next business year following the Annual General Meeting. In addition, the Annual

General Meeting holds a consultative annual vote on the Remuneration report for the year under review (Art. 22 (1) of the Articles of Association).

On the basis of the Articles of Association and the decisions of the Annual General Meeting, the remuneration strategy and the related remuneration system for the members of the Board of Directors and the Corporate Executive Committee are determined 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 Chairwoman and the CEO as well as the aggregate remuneration for the other members of the Corporate Executive Committee based on a proposal from the Remuneration Committee. The remuneration of members of the Board of Directors, which may be paid in the form of shares blocked for five years, is decided by the Board of Directors based on a proposal from the Remuneration Committee within the range set by the Annual General Meeting.

Remuneration Committee

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 Annual General Meeting. At the 2019 Annual General Meeting, Fritz Hirsbrunner (Chairman), Michel Burnier and Andreas Walde (new member) were elected as members of the Remuneration Committee. Due to his management functions in various listed companies, Andreas Walde has extensive and long-standing experience in the area of remuneration and incentive systems. Having been appointed Chairwoman of the Board of Directors, Daniela Bosshardt stepped down from the Remuneration Committee with effect from the 2019 Annual General Meeting. She is regularly invited as a guest to the meetings of the Remuneration Committee, except those dealing with her own remuneration. The CEO is only invited to the meetings on a case-by-case basis, and not to discussions of agenda items that concern him personally. The Remuneration Committee reviews and approves the remuneration principles and programmes of the Galenica Group, evaluates the measurement criteria for the CEO and members of the Corporate Executive Committee to achieve the targets set by the Board of Directors, and assesses the extent to which these targets have been achieved. The Remuneration Committee is responsible for deciding on the individual remuneration of the members of the Corporate Executive Committee, and proposes the CEO's remuneration to the Board of Directors in consultation with the Chairwoman. In order to ensure its continued

attractiveness as an employer, Galenica performs regular benchmarks of its remuneration levels against relevant peer markets. Generally, Galenica targets median levels representing competitive offers. At each meeting of the Board of Directors, the Chair of the Remuneration Committee reports on the Remuneration Committee's current topics of discussion and decisions.

Further details on the Remuneration Committee can be found in the Corporate Governance section (see page 61) as well as in the Remuneration Committee Charter, which can be found on the Galenica website (see related links on page 88).

Remuneration components

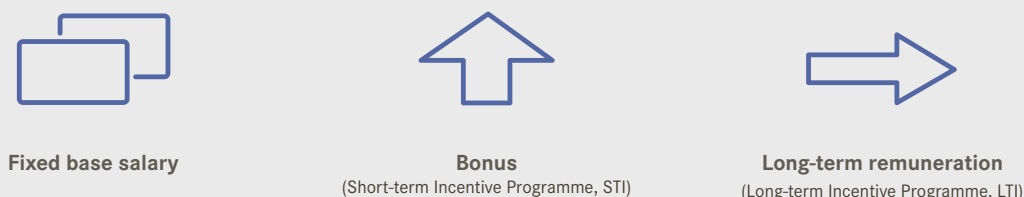
In order to attract talented employees, reward performance, promote the loyalty of key talents and ensure their long-term engagement towards Galenica, Galenica offers competitive remuneration. The remuneration model is based on three components: a fixed base salary, a short-term bonus and long-term remuneration.

Overview of remuneration components

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 also assessed after year-end and rewarded accordingly. The CEO, other members of the Corporate Executive Committee and certain members of Senior Management also receive additional **long-term remuneration (Long-term Incentive Programme, LTI)**. The purpose of this variable remuneration 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 strengthened.

The remuneration of members of the Corporate Executive Committee 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.

Overview of remuneration components



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 remuneration (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 their fixed annual base salary and target bonus.

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 (Remuneration Committee or Board of Directors) 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 remuneration (LTI) paid out to members of the Corpo-

rate Executive Committee and eligible members of Senior Management. However, the annual bonus and long-term remuneration (LTI) represent two independent elements and are calculated and weighted separately.

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; these are known as employee shares (blocked for three years; more information in the Notes to the Consolidated financial statements 2019 on page 147 and in the Human Resources section on page 52).

Lastly, all employees, including members of the Corporate Executive Committee, receive employer's contributions to the pension fund.

Galenica economic profit (GEP)

The bonus and long-term remuneration (LTI) depend primarily on the achievement of the specified financial targets of the Galenica Group. An increase in the Galenica economic profit (GEP) is used as the metric. 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 inter-

Remuneration elements

	Fixed base salary	Bonus (short-term)	LTI (long-term)
Member of the Board of Directors	yes	no	no
CEO and members of the Corporate Executive Committee	yes	yes	yes
Member of Senior Management	yes	yes	yes (individual members)

Activities of the Remuneration Committee during the year

Subject	1 st quarter	2 nd /3 rd quarter	4 th quarter
Remuneration policy		- Benchmarking	
Board of Directors		- Review of regulations	- Review of salaries (following year)
Corporate Executive Committee	- Performance evaluation (previous year) - Bonus (STI, previous year) - LTI (Calculation of the effective LTI and setting of GEP target)		- Target remuneration (basic salary following year) - Target bonus (STI, following year)
Governance	- Remuneration report - AGM preparations (max. total remuneration for Board of Directors and Corporate Executive Committee together with comments on remuneration-related votes)		- Preparation of Remuneration report - Identification of topics (following year) - Galenica Group salary review (following year) - Remuneration Committee self-assessment

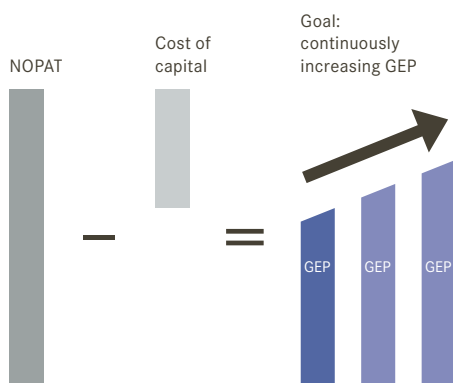
Responsibility for the remuneration process

Level of authority	CEO	Chairwoman	Remuneration Committee	Board of Directors	Annual General Meeting
Remuneration of the Chairwoman			proposes	approves	approves maximum possible remuneration for the Board of Directors including the Chairwoman for the following year
Remuneration of members of the Board			proposes	approves	
Remuneration of the CEO		recommends	proposes (in consultation with Chairwoman)	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 (in consultation with Chairwoman)	recommends	approves (remuneration per member)	is informed, approves (total amount)	

The Chairwoman is invited to all meetings of the Remuneration Committee (right of attendance, no voting rights), except those dealing with her own remuneration. The CEO is invited to attend discussions on a case-by-case basis, but not to discussions of agenda items that concern his performance or remuneration.

Relevant parameter: Galenica economic profit (GEP)

GEP: net operating profit (NOPAT) minus weighted average cost of capital over the average invested capital



ests 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. GEP is the key indicator in Galenica's value-based management concept. It comprises different values, such as net operating profit (NOPAT), cost of capital (WACC) and invested capital. The Board of Directors considers the economic value added (EVA) approach to be a sound, recognised and meaningful concept that is in line with sustainable value creation. GEP is calculated as the net operating profit (before interest and after amortisation and tax; NOPAT) less the weighted average cost of capital (WACC) over the average invested capital. The extent to which the GEP increases, or the target for return on invested capital (ROIC; for the LTI plan prior to 2018) 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. 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. Further information on GEP can be found in the Value based management section, under Alternative performance measures in the Annual report 2019 (full version) from page 92 onwards.



Annual base salary (fixed)

The annual base salary is the fixed compensation reflecting the scope and key areas of responsibility 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 and thus suitable to reward 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 in 13 monthly instalments.



Short-term Incentive Programme (STI or bonus, variable)

The annual 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 threshold, a target, a payment curve and a cap are defined against which the results are assessed. The bonus curve for GEP attainment and achievement of personal targets starts when a threshold is reached, which gives entitlement to 50% of the target bonus. Achievement of the target results in a bonus payment of 100%. The total bonus is capped and 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 by the other members of the Corporate Executive Committee is assessed by the CEO and, in consultation with the Chairwoman, 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 and other members of the Corporate Executive Committee are required to draw 32% of the bonus in Galénica shares; the rest is paid out in cash. A discount of currently 25% on the average stock market price for the month of December of the preceding year is granted as the shares remain blocked for five years. If employment ends due to termination, the calculation and payment for a completed assessment period (= calendar year) are based on the effective performance and results. In the event of departure during an assessment period that is still ongoing, 80% of the target bonus is paid on a pro rata basis.



Long-term Incentive Programme (long-term remuneration, LTI, variable)

The objective of the variable long-term remuneration is to promote the strategy of the Galénica 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 too, Galénica 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 Galénica, identification with the company and motivation among 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 GEP target for the long-term remuneration (LTI) is defined for a three-year period.

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 Galénica Group and the share price performance of Galénica shares. The LTI Programme is based on performance share units (PSU), which are granted to participants after the release of the results of the preceding year and which convert into shares of Galénica subject to the attainment of a performance target defined by the Remuneration Committee over a three-year period. PSU are virtual; no real units are issued. The number of PSU allocated at the beginning of the plan period depends on a defined percentage of the annual base 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 plan is defined by the Remuneration Committee by setting a target GEP increase reflecting the risk-appropriate return requirements of its shareholders over the plan period. The number of PSU initially allocated increases or decreases depending on the proportion of the achievement of the GEP target set at the end of the three-year plan period. Upon completion of the three-year plan period, such PSU are transformed into a corresponding number of shares of Galénica. Accordingly, the main factor influencing the transformation of PSU into Galénica shares is the operating performance of the Galénica 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 PSU and a maximum target attainment of 200% (cap). Target achievement of 100% gives entitlement to 100% of the allocated PSU. At the beginning of each financial year, a new LTI plan with a new three-year target and assessment period is issued.

As a rule, the three-year assessment period must be complete in order for employees to be eligible for a payment of shares. If the employment is terminated during a current assessment period prior to publication, an LTI payment of 80% of the pro-rata target entitlement for the current cycles will be made. Where a period has been concluded but the results have not yet been published, the entitlement will be calculated and paid out after the annual results have been published. In the event of a change of control at Galénica Ltd., the allocated performance share units (PSU) will be treated as if the LTI were completed and the target had been 100% achieved.

Presentation of total amounts

In order to create a comparable basis for the prospective shareholder vote on the maximum remuneration of members of the Board of Directors and the Corporate Executive Committee, remuneration paid (STI) or attributed (LTI) in

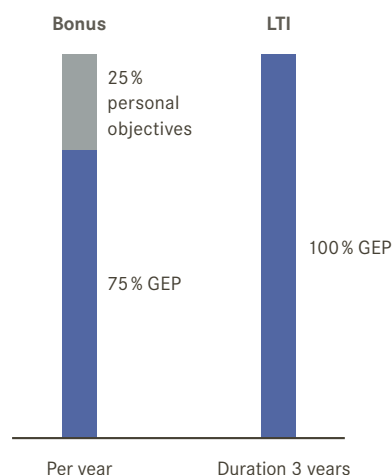
2019 is presented on the same basis from the perspective of costs to the company. Accordingly, Galenica shares allocated as a component of remuneration are disclosed at market value on the allocation date. In the case of the STI, the added value of the 25% discount granted in connection with the blocking period of five years, is offset and incorporated into total remuneration (see tables on page 85).

Pensions and other employee benefits

Employee benefit plans consist mainly of retirement plans and insurance plans that are designed to protect employees against the risks of 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 corresponds to the legal requirements of the Swiss Federal Law on Occupational Pension Schemes (BVG) and is in line with what is being offered in the market.

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 use of company cars is of a salary nature and is disclosed at fair value in the remuneration table under other remuneration.

Influence on variable remuneration of the GEP increase



Remuneration of the Board of Directors 2019

Remuneration of members of the Board of Directors

The remuneration of members of the Board of Directors is independent of 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 chair 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 their mandate. Remuneration settled in the form of shares of Galenica was paid at the average price for the month of December 2019, i.e. CHF 60.07 per share, net of a 25% discount.

The members of the Board of Directors do not participate in the employee benefit plans. The only exception was Jörg Kneubühler, who, as former CEO of the Galenica Santé business unit, is still insured with the pension fund. However, Galenica does not finance any pension fund contributions for him. Jörg Kneubühler stepped down from the Board of Directors with effect from the Annual General Meeting of 2 May 2019.

LTI three-year programme

Year	2017	2018	2019	2020	2021	2022
ROIC						
GEP						
GEP						
GEP						
GEP						

Remuneration of the members of the Board of Directors in 2019

in thousand CHF	Number of months	Salary				Number of shares	
		Salary in cash	Equivalent in shares ¹⁾	Other remuneration ²⁾	Total	Held as at 31.12.2019 ³⁾	Allocated for 2019
Chair of the Board of Directors							
Jörg Kneubühler, Chairman (until 2 May 2019) ⁴⁾	4	82	109	11 ⁵⁾	202	n/a	1,813
Daniela Bosshardt, Chairwoman (from 3 May 2019)	8	–	311	12	323	7,822	5,179
Members of the Board of Directors							
Daniela Bosshardt (until 2 May 2019)	4	–	71	6	77	n/a ⁶⁾	1,184
Michel Burnier	12	–	160	6	166	4,239	2,664
Fritz Hirsbrunner	12	–	200	7	207	7,157	3,330
Bertrand Jungo	12	80	107	11	198	1,187	1,776
Markus R. Neuhaus (from 3 May 2019)	8	–	124	7	131	1,740	2,072
Philippe Nussbaumer	12	–	160	8	168	7,605	2,664
Andreas Walde	12	–	196	10	206	7,023	3,256
Remuneration of the members of the Board of Directors⁷⁾		162	1,438	78	1,678	36,773	23,938
<i>Maximum amount according to GM resolution</i>					1,900		

¹⁾ The amounts include the calculated discount of 25%, granted due to the five-year blocking period

²⁾ Other remuneration corresponds to the social security costs due from the member of the Board of Directors but paid by Galenica. Employer's contributions to social security costs for 2019 amounted to CHF 78,000

³⁾ Shares held by related parties of members of the Board of Directors are included in the declaration of the totals disclosed above

⁴⁾ Jörg Kneubühler received CHF 300,000 for consultancy from 3 May 2019

⁵⁾ The employer's contributions to the pension fund as well as the employee's contributions were paid by Jörg Kneubühler

⁶⁾ Included in the balance above (7,822 shares)

⁷⁾ See from page 60 of the Corporate Governance section for roles and membership of committees

Remuneration of the members of the Board of Directors in 2018

in thousand CHF	Salary				Number of shares	
	Salary in cash	Equivalent in shares ¹⁾	Other remuneration ¹⁾	Total	Held as at 31.12.2018 ²⁾	Allocated for 2018
Jörg Kneubühler, Chairman	245	326	30 ³⁾	601	29,250	7,270
Daniela Bosshardt	–	213	11	224	3,074	4,748
Michel Burnier	60	80	6	146	2,459	1,780
Fritz Hirsbrunner	–	173	6	179	3,299	3,858
Bertrand Jungo	40	53	5	98	–	1,187
Philippe Nussbaumer	–	160	8	168	4,044	3,561
Andreas Walde	–	187	9	196	2,869	4,154
Remuneration of the members of the Board of Directors⁴⁾	345	1,192	75	1,612	44,995	26,558
<i>Maximum amount according to GM resolution</i>				1,650		

¹⁾ Other remuneration corresponds to the social security costs due from the member of the Board of Directors but paid by Galenica. The employer's contributions to social security costs for 2018 amounted to CHF 75,000

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

³⁾ The employer's contributions to the pension fund as well as the employee's contributions were paid by Jörg Kneubühler

⁴⁾ See from page 52 of the Corporate Governance section for roles and membership of committees (Annual report 2018)

The annual salary of the Chair of the Board of Directors was set by the Board of Directors at CHF 350,000 with effect from the Annual General Meeting of 2 May 2019 (2018: CHF 490,000). Otherwise, the 2019 remuneration amounts for the Board of Directors were the same as in the previous year.

Remuneration amounts of the Board of Directors (in thousand CHF, per year)

Chair of the Board of Directors	350 ¹⁾
Board member	110
Vice-Chair	20
Committee chair	30
Committee member	10

¹⁾ Until 2 May 2019, CHF 490,000

Remuneration of the Corporate Executive Committee 2019

Remuneration of the CEO and the members of the Corporate Executive Committee

The CEO and the members of the Corporate Executive Committee receive a **fixed base salary**, a **short-term bonus** and **long-term remuneration (LTI)**; see page 77 for remuneration components). Customary benefits, such as contributions to pension funds and social security costs, are also provided. 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 payout 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 (Art. 22 (7) Articles of Association of Galenica Ltd.; see further links on page 88).

In 2019, a GEP of CHF 48.0 million was achieved (see Value based management section, under Alternative performance measures in the Annual report 2019 [full version], in the Financial statements 2019 from page 92 onwards). This corresponds to an increase in GEP of 9.0% over the prior year. For the bonus payment (STI), this represents a target achievement of 132.0% for the financial year 2019, indicat-

Level of target achievement 2018 and 2019

Level of target achievement for bonus (STI, one-year basis)

2018		131.2%
2019		132.0%

Level of target achievement for LTI (three-year basis)

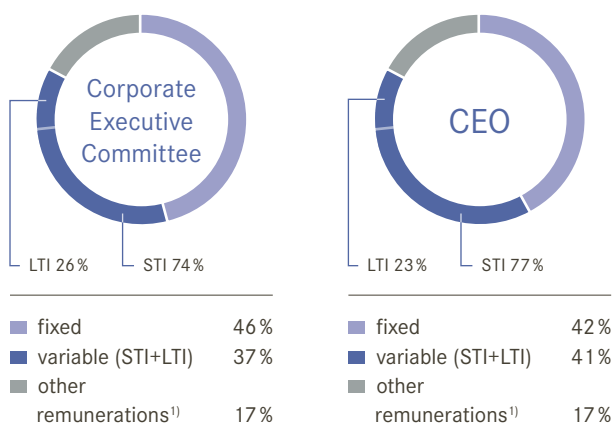
2016–2018		117.3%
2017–2019		121.1%

ing that the short-term bonus targets were exceeded. This corresponds to 60.0% of the maximum possible bonus for the year. For the LTI plan 2019–2021, the allocation of PSU has been defined on the basis of the average share price from February 2019 and the GEP target defined by the Remuneration Committee. The stated GEP represents a target achievement of 121.1% for the LTI plan 2017–2019 payable in 2020. This means that the level of achievement as regards long-term targets is slightly higher than the previous year. Compared to the previous year, it is worth noting the CEO's lower LTI (due to 2020 departure) and for the total amount, the change of the Head of Products & Brands Business sector.

In 2019, Jean-Claude Cléménçon, CEO, was the member of the Corporate Executive Committee with the highest remuneration.

Continued on page 87 ►

Fixed – variable ratio 2019



¹⁾ Including costs for employee benefit plans and social security charges

Remuneration of the members of the Corporate Executive Committee in 2019

in thousand CHF	Total	of which Jean-Claude Cléménçon, CEO
Base salary	2,029	450
Bonus in cash (STI)	792	206
Bonus in shares (STI) ¹⁾	437	129
Long-term Incentive Programme ²⁾	430	99
Contributions to pension funds	387	103
Other remuneration ³⁾	57	11
Remuneration received⁴⁾	4,132	998
Social security costs	292	68
Remuneration of the members of the Corporate Executive Committee⁴⁾	4,424	1,066
<i>Maximum amount according to GM resolution</i>	<i>5,800</i>	

Five members in 2019

¹⁾ The amounts include the calculated discount of 25 %, granted due to the five-year blocking period

²⁾ Performance share units falling due after three years are included with the fair value at allocation based on the estimated target achievement (IFRS 2). The total remuneration of the LTI Programme 2019–2021 for the Corporate Executive Committee amounts to CHF 430,000, whereof CHF 99,000 is related to Jean-Claude Cléménçon. Calculated with 19/36 months for the CEO as retired with effect from 31 July 2020

³⁾ Including private use of company car

⁴⁾ Including remuneration of Torvald de Coverly Veale, member of the Corporate Executive Committee and Head Products & Brands Business sector until 13 January 2019

Remuneration of the members of the Corporate Executive Committee in 2018

in thousand CHF	Total	of which Jean-Claude Cléménçon, CEO
Base salary	1,795	450
Bonus in cash (STI)	745	225
Bonus in shares (STI) ¹⁾	424	122
Long-term Incentive Programme ²⁾	579	217
Contributions to pension funds	291	80
Other remuneration ³⁾	36	11
Remuneration received	3,870	1,105
Social security costs	278	77
Remuneration of the members of the Corporate Executive Committee	4,148	1,182
<i>Maximum amount according to GM resolution</i>	<i>5,800</i>	

Five members in 2018

¹⁾ The shares are blocked for five years

²⁾ PSU falling due after three years are included with the fair value at allocation based on the estimated target achievement (IFRS 2). The total remuneration of the LTI Programme 2018–2020 for the Corporate Executive Committee amounts to CHF 579,000, whereof CHF 217,000 is related to Jean-Claude Cléménçon

³⁾ Including private use of company car

Shareholdings and rights to performance share units of members of the Corporate Executive Committee 2019

	Number of shares held as at 31.12.2019 ¹⁾	Long-term Incentive Programme (LTI) Performance share units (PSU) ²⁾			
		PSU granted in 2019 (potential vesting at 31.12.2021) ³⁾	PSU granted in 2018 (potential vesting at 31.12.2020) ³⁾	PSU granted in 2017 (settled at 31.12.2019) ³⁾	PSU pending
Jean-Claude Cléménçon	5,191	2,634	4,152	5,739	12,525
Felix Burkhard	14,080	3,028	2,925	3,527	9,480
Christoph Amstutz	5,779	1,719	1,661	1,980	5,360
Daniele Madonna	3,690	1,612	1,529	1,467	4,608
Thomas F. Szuran	80	1,983	—	—	1,983

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

²⁾ Each PSU transforms at vesting into one share

³⁾ The allocated PSU are settled with the target value. The shares corresponding to the PSU are transferred to the beneficiaries in the subsequent year

Shareholdings and rights to performance share units of members of the Corporate Executive Committee 2018

	Number of shares held as at 31.12.2018 ¹⁾	Long-term Incentive Programme (LTI) Performance share units (PSU) ²⁾			PSU pending
		PSU granted in 2018 (potential vesting at 31.12.2020) ³⁾	PSU granted in 2017 (potential vesting at 31.12.2019) ³⁾	PSU granted in 2016 (settled at 31.12.2018) ³⁾	
Jean-Claude Cléménçon	7,944	4,821	4,739	2,450	12,010
Felix Burkhard	15,807	2,925	2,913	1,910	7,748
Christoph Amstutz	3,356	1,661	1,635	868	4,164
Torvald de Coverly Veale	3,542	1,928	1,898	1,012	4,838
Daniele Madonna	1,849	1,529	1,212	385	3,126

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

²⁾ Each performance share unit transforms at vesting into one share

³⁾ The allocated PSU are settled with the target value. The shares corresponding to the PSU are transferred to the beneficiaries in the subsequent year

neration. For the CEO, the target bonus (STI) is 50% of the annual base salary. For the other members of the Corporate Executive Committee, the target bonus (STI) is between 40% and 45%. These figures are unchanged compared to 2018. Further information on the bonus can be found on page 80 of the Remuneration report. The LTI target for the CEO is 50% of the annual base salary. For the other members of the Corporate Executive Committee, the LTI target is between 25% and 35%. These figures are unchanged compared to 2018. Further information on the LTI can be found on pages 81 and 82 of the Remuneration report.

The share of personal targets in the total variable remuneration (bonus and LTI) for 2019 for members of the Corporate Executive Committee (excluding CEO) averaged 10.2%.

Other remuneration

Employment contracts

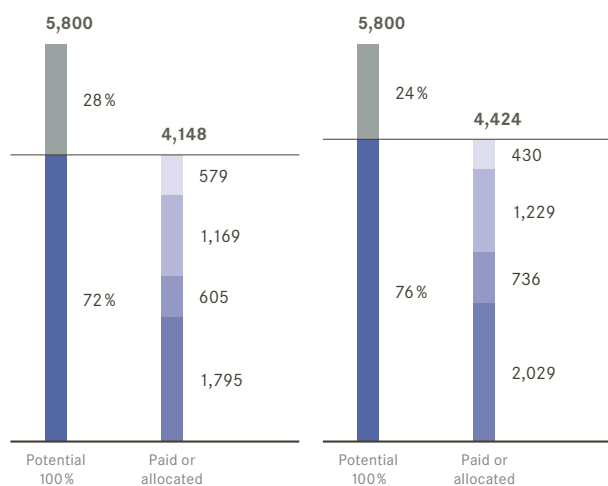
The CEO and the members of the Corporate Executive Committee are employed under employment contracts of unlimited duration and are subject to a notice period of a maximum of 12 months. They are not entitled to any severance packages, termination payments or change-of-control payments. With regard to clawback, the statutory claims for repayment apply (see amongst others Art. 678 (2) of the Code of Obligations, CO).

Options

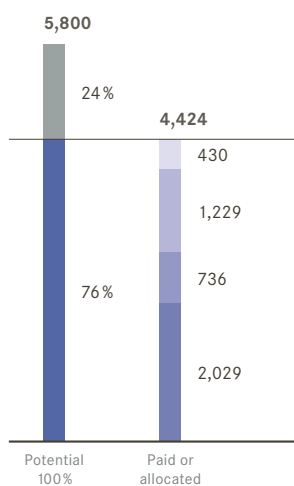
Neither the members of the Board of Directors nor the members of the Corporate Executive Committee hold tradable options.

Remuneration of all the members of the Corporate Executive Committee

in thousand CHF
2018



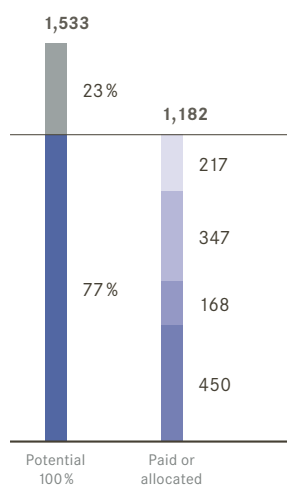
2019



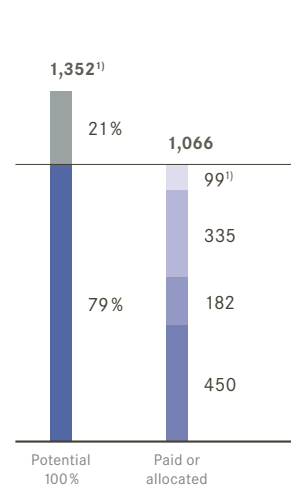
Highest remuneration in the Corporate Executive Committee

CEO Galenica Group

in thousand CHF
2018



2019



■ LTI ■ STI ■ Social insurance and other remuneration ■ Annual base salary

¹⁾ LTI reduced pro rata due to 2020 departure

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 2019.

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

Galenica did not pay any remuneration to former members of the Board of Directors or the Corporate Executive Committee in 2019.

Developments and outlook

In 2019, as in the previous year, the Board of Directors consisted of seven members. The Strategy Committee newly established in 2018 continued its work in the year under review. In addition, the Governance and Nomination Committee was established as a standing committee (previously ad hoc). The maximum total amount approved for 2019 by the Annual General Meeting of 9 May 2018, namely CHF 1.9 million, was maintained. The remuneration granted to members of the Corporate Executive Committee for financial year 2019 was also in line with the maximum total amount of CHF 5.8 million approved by the Annual General Meeting of 9 May 2018. A comparison of the levels of target achievement in 2019 versus the previous year is shown in the table on page 84.

At the Annual General Meeting on 19 May 2020, the maximum remuneration for the members of the Board of Directors and the members of the Corporate Executive Committee pursuant to Article 22 of the Articles of Association of Galenica will be submitted to the shareholders for approval for financial year 2021 following the Annual General Meeting. This in turn sets an upper limit for the maximum possible remuneration taking into account all variable elements such as the bonus (STI) and the LTI Programme (with blocked shares and PSU valued at the allocation date). The effective payout for 2019 is much lower than the maximum possible remuneration for 2019. The remuneration of the CEO in 2019 amounted to 79% of the maximum possible remuneration. The remuneration of the members of the Corporate Executive Committee for 2019 in aggregate reached 76% of the maximum possible remuneration.

Related links

www.galenica.com

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

Berne, 3 March 2020

Report of the statutory auditor on the remuneration report

We have audited the accompanying remuneration report of Galenica Ltd. for the year ended 31 December 2019. 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 82 to 88 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 accompanying 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 2019 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)

Simone Wittwer
 Licensed audit expert