

SHORT VERSION

# Annual report 2020

OF THE GALENICA GROUP AND GALENICA LTD.



## January



### Expanded role of pharmacists

Pharmacists are now permitted to sell an expanded range of medications for common illnesses without a prescription, thereby enhancing their responsibilities.

## February



### One year of Dermafora®

Derma-cosmetics line Dermafora® from Verfora celebrates its first birthday and is constantly being expanded.

## March



### High volume

Galexis, Alloga and Unione Farmaceutica Distribuzione (UFD) process approximately 60% higher volumes due to the coronavirus pandemic.

## April



### Change in management

New CEO Marc Werner takes over management of the Galenica Group from Jean-Claude Cléménçon.

## May



### Verfora takes over ThermoCare®

Verfora takes over distribution of the well-known ThermoCare® brand for Switzerland and Liechtenstein.

## June



### Launch of Coop Vitality mail-order pharmacy

Coop Vitality is the first pharmacy format to launch its mail-order pharmacy. This marks a key milestone in the Omni-channel strategy.

## July



### Verfora continues to expand

Verfora acquires the Hedoga Group with its well-known brands Osa®, Osanit® and Carmol®.

## August



### Launch of Amavita mail-order pharmacy

Amavita customers can now reorder medications on repeat prescription online and receive them by post.

## September



### New services for pharmacies

Pharma-Info, a joint venture of HCI Solutions and IFAK Data, takes over service offerings for pharmacies from Swiss pharmacy association Pharmasuisse.

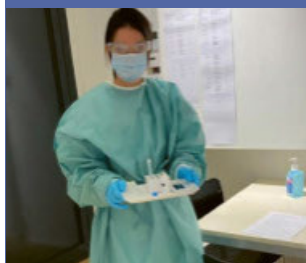
## October



### Vita-Merfen® available again

Vita-Merfen®, the well-known and popular ointment for disinfection and wound healing, is available again in pharmacies, drug-stores and through online pharmacy shops.

## November



### Rapid COVID-19 tests available in pharmacies

The first Amavita, Sun Store and Coop Vitality pharmacies offer rapid COVID-19 tests.

## December



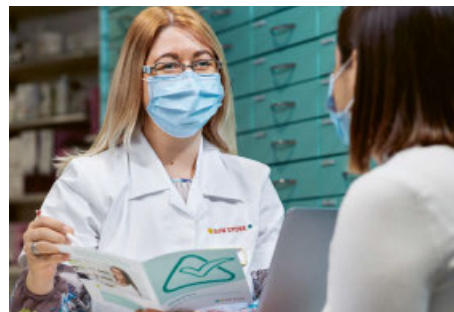
### Renewal for Galenica

The Galenica Group announces a new organisational structure from 2021 to meet customer and market needs even better in the future.

# Contents

## Annual report 2020

4	<b>Key figures 2020</b>	
6	<b>Foreword</b>	
10	<b>Galenica Strategy</b>	
12	<b>Health &amp; Beauty Segment</b>	
14	Retail Business sector	
18	Products & Brands Business sector	
22	<b>Services Segment</b>	
24	Services Business sector	
28	<b>Outlook 2021</b>	
30	<b>Political environment</b>	
34	<b>Sustainability coverage</b>	
	Fast, competent solutions for patients	
40	<b>Human Resources</b>	
50	<b>Corporate Governance</b>	
68	<b>Remuneration report</b>	
84	<b>Financial statements 2020 Galenica Group</b>	
	The full financial statements are available at <a href="http://www.galenica.com">www.galenica.com</a>	
90	<b>Addresses of companies of the Galenica Group</b>	



### **Fast, competent solutions for patients**

With their “Primary Care” offerings Amavita, Sun Store and Coop Vitality pharmacies make a significant contribution to the health and safety of patients.

**34**

### **Information regarding the Sustainability report**

As definitive sustainability data are not yet available during the drafting of the Annual report, the Sustainability report is published in the second quarter of the following year. Accordingly, it does not form part of the Annual report and is published on the website at the appropriate time: [www.galenica.com](http://www.galenica.com). There is, however, one feature on a selected sustainability topic in this Annual report 2020 on page 34.

# Key figures 2020

## Net sales

in million CHF



Health & Beauty <sup>1)</sup>	1,671.4
Services <sup>1)</sup>	2,631.7

## EBIT adjusted<sup>2)</sup>

in million CHF



Health & Beauty <sup>1)2)</sup>	123.9
Services <sup>1)2)</sup>	45.4

## Number of employees

at 31 December 2020



Galenica Ltd.	40
Health & Beauty	5,382
Services	1,783

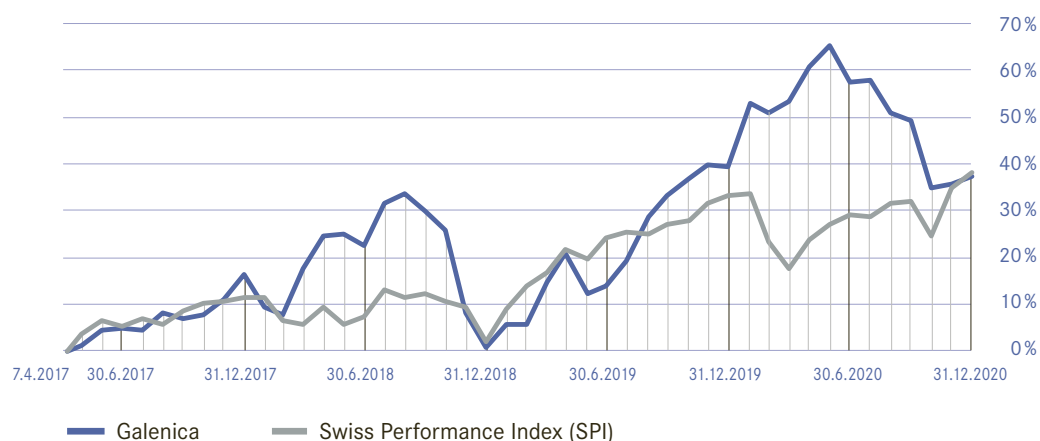
in million CHF	2020	2019	Change
<b>Net sales</b>	<b>3,479.8</b>	<b>3,301.0</b>	<b>+5.4 %</b>
Health & Beauty <sup>1)</sup>	1,671.4	1,620.8	+3.1 %
Services <sup>1)</sup>	2,631.7	2,441.0	+7.8 %
<b>EBITDA</b>	<b>309.5</b>	<b>260.3</b>	<b>+18.9 %</b>
<b>EBITDA adjusted<sup>2)</sup></b>	<b>213.6</b>	<b>210.4</b>	<b>+1.5 %</b>
Health & Beauty <sup>1)2)</sup>	146.5	146.5	+0.0 %
Services <sup>1)2)</sup>	68.1	65.8	+3.5 %
<b>EBIT</b>	<b>213.3</b>	<b>169.5</b>	<b>+25.9 %</b>
<b>EBIT adjusted<sup>2)</sup></b>	<b>168.6</b>	<b>166.9</b>	<b>+1.0 %</b>
in % of net sales	4.8 %	5.1 %	
Health & Beauty <sup>1)2)</sup>	123.9	123.7	+0.2 %
in % of net sales	7.4 %	7.6 %	
Services <sup>1)2)</sup>	45.4	44.7	+1.6 %
in % of net sales	1.7 %	1.8 %	
<b>Net profit</b>	<b>172.7</b>	<b>125.3</b>	<b>+37.8 %</b>
<b>Net profit comparable<sup>2)3)</sup></b>	<b>138.0</b>	<b>134.2</b>	<b>+2.8 %</b>
<b>Total assets</b>	<b>2,258.9</b>	<b>2,209.6</b>	<b>+2.2 %</b>
<b>Shareholders' equity</b>	<b>1,053.4</b>	<b>999.5</b>	<b>+5.4 %</b>
Equity ratio	46.6 %	45.2 %	
Capital contribution reserves	351.6	396.1	-11.2 %
<b>Net debt adjusted<sup>2)</sup></b>	<b>353.7</b>	<b>326.1</b>	<b>+8.5 %</b>
Debt coverage adjusted <sup>2)</sup>	1.7 ×	1.5 ×	
Gearing adjusted <sup>2)</sup>	31.9 %	31.0 %	
<b>Investment in property, plant and equipment and intangible assets</b>	<b>57.0</b>	<b>53.0</b>	<b>+7.5 %</b>
<b>Cash flow from operating activities adjusted<sup>2)</sup></b>	<b>175.3</b>	<b>202.8</b>	<b>-13.6 %</b>
<b>Free cash flow<sup>2)</sup></b>	<b>59.6</b>	<b>67.9</b>	<b>-12.2 %</b>
<b>Employees at reporting date (FTE)</b>	<b>5,538</b>	<b>5,449</b>	<b>+1.6 %</b>

<sup>1)</sup> Reported for each segment not taking into account Corporate and Eliminations

<sup>2)</sup> For details on the adjusted key figures, refer to the section Alternative performance measures from page 86 onwards of the Annual report 2020 (full version)

<sup>3)</sup> In 2019, net profit adjusted and excluding one-off effects from changes in the provisions for deferred taxes of CHF -8.4 million due to the Swiss Tax Reform

## Share price performance in percent



**3.1 %**  
dividend yield

more than  
**15,800**  
shareholders

## Share information

in CHF	2020	2019
Share price at reporting date	59.00	59.85
Highest share price for the year	72.25	61.30
Lowest share price for the year	57.15	42.80
Market capitalisation at reporting date in million CHF	2,920.4	2,952.9
Earnings per share <sup>1)</sup>	3.48	2.54
Earnings per share comparable <sup>1)2)7)</sup>	2.78	2.72
Shareholders' equity per share <sup>1)</sup>	21.19	20.16
Gross dividend per share <sup>3)</sup>	1.80	1.80
– of which paid out from retained earnings	0.90	0.90
– of which paid out from reserves from capital contributions	0.90	0.90
Dividend yield <sup>4)</sup>	3.1%	3.0%
Pay-out ratio comparable <sup>5)7)</sup>	64.7%	66.2%
Price-earnings ratio (P/E) comparable <sup>6)7)</sup>	21.2	22.0

<sup>1)</sup> Attributable to shareholders of Galenica Ltd.

<sup>2)</sup> Net profit comparable divided by average number of outstanding shares

<sup>3)</sup> According to Board of Directors' proposal to Annual General Meeting of 12 May 2021

<sup>4)</sup> Gross dividend per share in relation to the share price at reporting date

<sup>5)</sup> Gross dividend per share in relation to earnings per share comparable

<sup>6)</sup> Share price at reporting date in relation to earnings per share comparable

<sup>7)</sup> In 2019, net profit adjusted and excluding one-off effects from changes in the provisions for deferred taxes of CHF –8.4 million due to the Swiss Tax Reform

**1.80**  
gross dividend  
per share in CHF

**64.7 %**  
pay-out ratio  
(comparable<sup>7)</sup>)

**2.78**  
earnings per share  
in CHF  
(comparable<sup>7)</sup>)



# First point of contact for healthcare advice



Daniela Bosshardt, Chairwoman of the Board of Directors, and Marc Werner, CEO

## Dear Shareholders, Ladies and Gentlemen,

2020 will go down in the history of the Galenica Group as an exceptional and particularly challenging year. The coronavirus and its consequences placed extreme demands on our various Group companies, especially in the first half of the year.

Galenica passed this test of endurance with flying colours, proving our ability to master difficult situations and special challenges thanks to our outstanding performance. In addition, 2020 clearly highlighted the critical role played by the Galenica Group and its business activities, some of which are systemically relevant to the Swiss healthcare market, whether in the nationwide supply of medicines or as the first point of contact for healthcare advice and support. To read more about the efforts being undertaken by Galenica in relation to patient safety, please see the sustainability coverage from page 34.

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## Key figures 2020

- Net sales:  
CHF 3,479.8 million
  - EBIT adjusted<sup>1)</sup>:  
CHF 168.6 million
  - Net profit adjusted<sup>1)</sup>:  
CHF 138.0 million
  - Investments: CHF 57.0 million
  - Employees: 7,205  
(5,538 full-time equivalents)
- 

<sup>1)</sup> See section "Alternative performance measures" from page 86 onwards in the Annual report 2020 (full version)

## Significant impact of COVID-19

At the onset of the COVID-19 pandemic in spring 2020, the points of sale and online shops of Amavita, Sun Store and Coop Vitality pharmacies recorded above-average sales. The logistics companies Alloga, Galexis and Unione Farmaceutica Distribuzione (UFD) were also confronted with unprecedented order volumes during this period. Thanks to the considerable dedication of all employees, delays in deliveries or delivery problems with medicines were reduced to a minimum and operations in the pharmacies were ensured.

The Bichsel Group significantly ramped up its production capacity for infusion and rinsing solutions as well as disinfectants in order to meet the increased demand from hospitals in particular. On account of these domestic production laboratories, the Bichsel Group was classified as a systemically relevant company by the Federal Office for National Economic Supply (FONES) in the year under review.

Of course, COVID-19 also had negative effects on Galenica. To begin with, the decline in sales at pharmacies in high-frequency locations such as railway stations or airports dented results. In addition, the pharmacies were forced to temporarily close their perfumery ranges. At the same time, there was less demand for products for treating colds, which impacted Verfora's sales and also affected the Group's earnings.

Sales growth  
**+5.4 %**

## Key figures for the Galenica Group 2020

Galenica has adapted its organisational and management structure as of 1 January 2021. The new structure does not affect the reporting for financial year 2020, which is based on the segment and Business sector structure valid until 31 December 2020.

The Galenica Group generated consolidated net sales of CHF 3,479.8 million in 2020, representing a strong increase of +5.4%. The Swiss pharmaceutical market grew by +2.9% in 2020 despite government-mandated price reductions (IQVIA, Pharmaceutical Market Switzerland 2020). With slightly lower volumes (-1.8%, IQVIA Pharmaceutical Market Switzerland 2020), this is a clear indication that market growth was again driven by rising sales of high-priced medications.

The adjusted<sup>1)</sup> operating result (EBIT), i.e. excluding the effects of the IFRS 16 (Leases) and IAS 19 (Employee Benefits) accounting standards, amounted to a solid CHF 168.6 million and at +1.0% was up slightly on the previous year (CHF 166.9 million). Due to an accounting gain related to IAS 19 in the amount of CHF 43.0 million, mainly attributable to the adjustment of conversion rates in the Galenica Pension Fund, EBIT increased by 25.9 % to CHF 213.3 million (previous year: CHF 169.5 million).

Adjusted<sup>1)</sup> return on sales (ROS) declined slightly to 4.8% in the reporting year (previous year: 5.1%). This was due to the strong sales growth with lower margins in the Services Business sector and COVID-19 effects.

Net profit was up 37.8% year-on-year to CHF 172.7 million, influenced heavily by the aforementioned IAS 19 gain. On a comparable basis, adjusted<sup>1)</sup> net profit amounted to CHF 138.0 million (+2.8 %).

Investments in the financial year totalled CHF 57.0 million (previous year: CHF 53.0 million). They were used in particular for the roll-out of the new ERP system at Alloga and Galexis and for the renovation and modernisation of the Galexis distribution centre in Lausanne-Ecublens. These strategic efficiency projects will require further investments of around CHF 44–48 million until the planned completion of both projects by end-2023.

The Galenica Group's balance sheet remains very strong: adjusted<sup>1)</sup> net debt, i.e. excluding lease liabilities, increased by CHF 27.6 million and amounted to CHF 353.7 million at the end of 2020, corresponding to 1.7× adjusted EBITDA (end-2019: 1.5×).

<sup>1)</sup> See section Alternative performance measures from page 86 onwards in the Annual Report 2020 (full version).

### Further expansion of offline and online pharmacy network

In spite of COVID-19, the Galenica Group continued to develop successfully and at a fast pace. 17 new pharmacies were added in the course of the year, with the network of own and partner pharmacies comprising a total of 522 locations throughout Switzerland at the end of 2020. Furthermore, the new mail-order pharmacy was launched, which delivers prescription medicines to the homes of Amavita, Sun Store and Coop Vitality customers.

### Strong expansion of Verfora

Verfora secured the rights to various strong brands that ideally complement the portfolio in 2020. These include Bucco Tantum® and Thermacare® from Angelini Pharma, the pro- and prebiotic products OmniBiotic® from Allergosan and, with the acquisition of the Hedoga Group, the brands Osa®, Osanit® and Carmol®. In addition, the popular ointment Vita-Merfen® was relaunched on the Swiss market at the end of 2020.

### Further progress on major projects and expansion of market share

The logistics companies Alloga and Galexis were also able to press ahead with major projects despite additional burdens. At Alloga, the new ERP (enterprise resource planning) system was put into operation with pilot partners, and work began on modernising and renovating the Galexis distribution centre in Lausanne-Ecublens. Galexis was also able to gain further market share in the doctors segment and offer new services such as compulsory pandemic inventories for pharmacies and doctors imposed by the authorities.

### Conditions remain challenging

The market environment remains challenging. Various measures taken by the Federal Council to curb costs in the healthcare system are taking effect. Galenica is contributing to these cost reductions as we continue to promote generic substitution: in 2020, the generic substitution rate was increased from around 70% to 72%.

The current tariffs from the service-based remuneration for pharmacists (LOA IV) are only valid until the end of 2021. A new proposal was submitted to the Federal Council in May 2020 by Curafutura and Pharmasuisse with the aim of bringing LOA V into force on 1 January 2022. Further information can be found on pages 30–33.

### Galenica prepares for the future

Against the backdrop of rapidly changing conditions, the strategic programmes Omni-channel, Care, Professionals, Efficiency and Transformation were launched in spring 2020 under the leadership of new CEO Marc Werner. The programmes are designed to effectively and rapidly implement the Group's strategy by prioritising key issues and helping to drive forward relevant projects.

In order to create the optimal conditions for its implementation, Galenica has adapted its organisational and management structure as of 1 January 2021. The new structure is consistently focused on customers, promotes collaboration within the Group and strengthens the pharmacy channel, both in stores and online. At the same time, new opportunities for synergy and efficiency are opening up.

”

IN SPITE OF COVID-19,  
THE GALENICA GROUP  
CONTINUED TO DEVELOP  
SUCCESSFULLY  
AND AT A FAST PACE.



## Outlook for 2021

In its new composition and role, the Executive Committee will continue to focus on long-term issues such as the implementation of strategic programmes:

- the further expansion of the Omni-channel strategy and the improved efficiency of the logistics behind it;
- the development of new services and overall offers for patients and customers;
- the expansion and optimisation of the product range and services for business partners in the professional B2B market;
- the further improvement of operational efficiency.

At the same time, the new organisational structure will be implemented and further developed from an operational standpoint.

## Thanks to shareholders, business partners, customers and employees

We would like to thank all our customers for their considerable understanding when confronted with partial delays in delivery and reduced availability of products in the spring. We are also grateful to our business partners for their continued close collaboration and trust during the events surrounding COVID-19.

The employees of the Galenica Group made an important contribution to overcoming the coronavirus pandemic in 2020 with their considerable commitment and unique dedication. Their performance deserves great respect and appreciation.

We would like to express our sincere thanks to all our shareholders for their continued confidence after a demanding financial year.

Bern, 9 March 2021



Daniela Bosshardt  
Chairwoman of the  
Board of Directors



Marc Werner  
CEO



Temporary Amavita pharmacy in Zurich main station.

# Galenica story

## Vision



Health and wellbeing are at the heart of what we do. They are the reason we give our best every day.

## Values



**WE BUILD TRUST**



**WE SHOW RESPECT**



**TOGETHER, WE ARE STRONGER**



**WE ACT AS ENTREPRENEURS**



**WE PARTICIPATE WITH PASSION**

## Customer promise

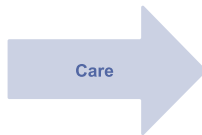


We support people at every stage of life on their journey towards health and wellbeing. With personal and expert advice and a unique range of products and services. Anytime and anywhere in Switzerland.

## Strategic programs



- Best customer experience anytime and anywhere
- Further development and networking of all online and offline channels
- Expansion of product range



- First point of contact for healthcare advice
- First-class healthcare services
- Preferred cooperation partner



- First-choice partner for healthcare professionals
- Leader in e-health



- Simple and efficient, for customers, partners and employees
- Process and cost optimisation



- Employees are fit for the future
- Competent, agile teams that decide

# Galenica strategy

Galenica is the leading fully integrated healthcare provider in Switzerland and plays a key role in the Swiss healthcare market. We want to sustainably and successfully strengthen our market position and further develop our core competences.

Our vision, values and customer promise set out what drives us, how we work and what we offer. The strategic programmes define what we want to achieve, and how.



## Vision

Health and wellbeing are our motivation for everything we do and are at the heart of our vision.



## Values

Our five key values guide us in all our activities and form the basis of our shared understanding of cooperation and how we treat one another.



## Customer promise

The customer is always the focus of all our activities.



## Strategic objectives

In implementation, we work with the Omni-Channel, Care, Professionals, Efficiency and Transformation programmes with the following objectives:

**Omni-Channel:** We offer our customers the best experience through all channels, anytime and anywhere. To this end, we manage an optimal pharmacy network, which is networked with digital purchasing options. We continuously develop and expand our product range in line with customer requirements.

**Care:** We develop first-class, needs-based healthcare and therapeutic services – from prevention right through to therapy. In doing so, we support our customers as the first point of contact for healthcare advice in our pharmacies, digitally and at home, and strengthen the role of pharmacies. New cooperation models with partners also contribute to this.

**Professionals:** We are the first choice when it comes to providing logistics services for pharmacies, drugstores, doctors, hospitals and nursing homes as well as for our partners and suppliers. We continuously optimise and develop our product portfolio and our services. This also applies in e-health, with innovative solutions to promote digitisation in the healthcare market. To this end, we offer our customers added value as a strong partner.

**Efficiency:** We want to make Galenica easier – for our customers and partners and for our employees. We combine and share our strengths in all our activities, consistently making processes and systems simpler – and digital where possible. At the same time, we create and systematically utilise synergies. By doing so, we reduce costs, sustainably ensure the Group's profitability and release funds for investments in the future and in the development of our employees.

**Transformation:** Only with continuous development can our employees harness their skills and perform to their full potential. As far as possible, we delegate decision-making to where the knowledge is. Employees have to decide independently on the necessary competencies within the given framework. At the same time, we work in an agile manner, try out new things, learn from our experiences and adapt where necessary.

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IF WE CORRECTLY  
AND CONSISTENTLY  
IMPLEMENT VISION  
AND CUSTOMER PROMISE,  
THE FRUITS OF OUR  
LABOUR WILL DRIVE THE  
SUCCESS OF GALENICA.

# Health & Beauty Segment



In the year under review, the Health & Beauty segment comprised the Retail and Products & Brands Business sectors. Retail operates the largest pharmacy network in Switzerland, with over 500 own and partner pharmacies. In addition, together with Mediservice, the Bichsel Group and Curarex Swiss, Galenica provides a unique and specialised range of home care services.

Retail's products and services are offered in pharmacies, as well as online and to patients at home (home care). The Products & Brands Business sector markets and distributes both own consumer products and brands and partner products and brands for the retail segment of the Swiss healthcare market. As of 1 January 2021, Galenica has introduced a new organisational structure (see page 28).



## Net sales and operating result

The Health & Beauty segment recorded net sales of CHF 1,671.4 million in 2020 (+3.1%), CHF 1,556.1 million of which was accounted for by the Retail Business sector and CHF 111.7 million by the Products & Brands Business sector. The growth was driven in particular by strong dynamic expansion activities such as acquisitions in the pharmacy network and product portfolio.

In spite of the persistent negative impact of COVID-19, the Health & Beauty segment managed to increase its adjusted<sup>1)</sup> operating result (EBIT), i.e. excluding the effects of the lease accounting standard IFRS 16, by 0.2% to CHF 123.9 million in the year under review. However, adjusted<sup>1)</sup> return on sales (ROS) decreased from 7.6% to 7.4%.

This result was achieved in particular thanks to the significant expansion activities in both Business sectors of the segment. Meanwhile, EBIT was dented by COVID-19 on multiple fronts: Pharmacies in high-frequency locations saw declining sales in the first six months and to a lesser extent also in the last six months of the year, while sales of beauty products likewise contracted as the authorities mandated the temporary closure of perfumery departments in the first half of the year, which some cantons reinforced in autumn 2020. The situation was compounded at pharmacies by the additional outlay required for construction and organisational measures to protect employees and customers and to continue day-to-day operations.

Hygiene and social distancing measures resulted in lower demand for Verfora products for colds. Given the uncertainties surrounding the active substance ibuprofen in connection with COVID-19, sales of Algifor<sup>®</sup> also took a hit. Although these uncertainties were ultimately allayed, demand for Algifor<sup>®</sup> remained muted.

Investments in the Health & Beauty segment totalled CHF 25.1 million (previous year: CHF 22.5 million). These were used in particular for pharmacy renovations, the ERP rollout at Mediservice and a new filling facility at Bichsel, as well as for the further development and implementation of the omni-channel strategy.

One of the main areas of focus of the Retail Business sector in the year under review was the continued expansion of the pharmacy network, which at the end of 2020 comprised a total of 522 own points of sale and partner locations, nine more than at end-2019. In addition, Retail strengthened the links between the online and offline worlds, for example by combining the Click & Collect offering with the home delivery service. The new mail-order pharmacy has been launched in phases and since January 2021 covers all three pharmacy formats. It sends prescription medications to customers of the Amavita, Sun Store and Coop Vitality pharmacies at home (see info box on page 16).

The Products & Brands Business sector grew in 2020 mainly thanks to new licensing and distribution agreements. Distribution of the Bucco Tantum<sup>®</sup> brand was taken over from Angelini Pharma, strengthening the cold medication segment. In addition, Verfora has been distributing Thermacare<sup>®</sup> in Switzerland since 2020. The partnership with Institut Allergosan opened the door to the probiotic and prebiotic products segment. And on 1 July 2020, the Hedoga Group with its well-known brands Osa<sup>®</sup>, Osanit<sup>®</sup> and Carmol<sup>®</sup> was acquired (for more information, see the info box on page 20). Finally, in October 2020, Vita-Merfen<sup>®</sup> wound ointment was successfully relaunched on the Swiss market.

**Net sales**  
**1,671.4**  
in million CHF

Galenica Group  
CHF 3,479.8 million

**EBIT  
adjusted<sup>1)</sup>**  
**123.9**  
in million CHF

Galenica Group  
CHF 168.6 million

### Key figures 2020

- Net sales:  
CHF 1,671.4 million
- EBIT adjusted<sup>1)</sup>:  
CHF 123.9 million
- ROS adjusted<sup>1)</sup>: 7.4%
- Investments:  
CHF 25.1 million
- Employees: 5,382  
(4,025 full-time equivalents)

<sup>1)</sup> See section "Alternative performance measures" from page 86 onwards in the Annual report 2020 (full version)

# Retail Business sector



## Strong growth in spite of major challenges

### Net sales development

The Retail Business sector increased net sales in 2020 by 2.7 % to CHF 1,556.1 million (excluding Coop Vitality). The positive sales performance is primarily attributable to the acquisition of the Bichsel Group in 2019 and the significant expansion of the pharmacy network. The expansion (including the Bichsel Group) accounted for +3.2 % of the net sales growth. On a comparable basis (excluding expansion effects,) net sales decreased by -0.5 %.

Sales were adversely impacted by a one-time effect in 2020, which saw various intra-Group goods transactions discontinued at the beginning of 2020 as part of ongoing process optimisations. This negatively affected sales in the Retail Business sector by 1.7 % compared to the previous year. Excluding this one-time effect, organic growth would have amounted to +1.2 %. This one-time effect has no impact on the Group's consolidated sales.

The decline in sales in pharmacies at high-frequency locations in railway stations and airports due to COVID-19 had a negative impact of 1.9 % on the development of sales in the Retail Business sector in 2020.

Lower sales of OTC medicines and beauty products were offset by additional sales in prevention, nutrition and hygiene products.

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### Companies and formats

- Amavita pharmacies, [www.amavita.ch](http://www.amavita.ch)
  - Bichsel Group, [www.bichsel.ch](http://www.bichsel.ch)
  - Careproduct Ltd., [www.careproduct.ch](http://www.careproduct.ch)
  - Coop Vitality Ltd., [www.coopvitality.ch](http://www.coopvitality.ch)<sup>1)</sup>
  - Curarex Swiss Ltd., [www.curarex.ch](http://www.curarex.ch)
  - Galenicare Management Ltd., [www.galenicare.com](http://www.galenicare.com)
  - Mediservice Ltd., [www.mediservice.ch](http://www.mediservice.ch)
  - Sun Store pharmacies, [www.sunstore.ch](http://www.sunstore.ch)
  - Winconcept Ltd., [www.winconcept.ch](http://www.winconcept.ch)
- 

<sup>1)</sup> Joint venture with Coop

On the other hand, the three-fold increase in sales by the Amavita and Sun Store online shops coupled with the pleasing 5.7% growth by the Mediservice specialty pharmacy were able to practically compensate for the COVID-19-related decline in sales of 1.7% by the end of the year.

Government-mandated drug price reductions negatively impacted sales growth by 1.6% in 2020.

Finally, the generic substitution deliberately promoted by Galenica also had a dampening effect on sales due to lower drug prices. The already high generic substitution rate was increased from around 70% to 72% as of the end of 2020. The Galenica Group pharmacies therefore contributed more than CHF 63 million to reducing healthcare costs in 2020.

By comparison, medication sales (prescription [Rx] and OTC products) in the Swiss pharmacy market as a whole grew by 2.4% (IQVIA, Pharmaceutical Market Switzerland, 2020), while sales of other products (non-medications) were at +2.1% over the same period (IQVIA, Personal, Patient Care and Nutrition, 2020).

#### Dynamic expansion and further development of all sales channels

With a total of 17 new pharmacies, the bricks and mortar pharmacy network continued its extremely dynamic development. The newly acquired pharmacies include the well-known Adler Apotheke in Winterthur, which operates a successful own online shop and has mail-order business authorisation. At the same time, there were seven store closures as part of optimisation measures. At the end of 2020, the Galenica pharmacy network comprised 522 pharmacies, of which 366 own pharmacies (+10) and 156 partner pharmacies (-1).

In addition, the Retail Business sector further linked the online and offline worlds, for example by combining the Click & Collect offering with the home delivery service. Furthermore, the new mail-order pharmacy of Coop Vitality was launched in spring 2020, with Amavita following in the second half and Sun Store in January 2021. Amavita, Sun Store and Coop Vitality pharmacies can send prescription medications to their customers at home via the mail-order pharmacy.

#### Pharmacies as the first point of contact for health advice

The pharmacies clearly demonstrated how intrinsic they are to the Swiss healthcare system as the COVID-19 pandemic took hold, becoming the first point of contact for health advice throughout Switzerland during the lockdown. Since the fourth quarter of 2020, the first pharmacies have – subject to compliance with extensive requirements – been offering the newly approved rapid antigen tests and also PCR tests. At the same time, pharmacies have been preparing to offer COVID-19 vaccinations in the future.

The pharmacy formats also launched new products and services in the year under review, including an offering developed in collaboration with Mobiliar Versicherung. People who want to conclude a life insurance policy with Mobiliar can complete the required health test at all three pharmacy formats. The collaboration with health insurer Groupe Mutuel was also kicked off in the year under review in the form of the new Prima Pharma offering. Customers of health insurer Groupe Mutuel will

**Net sales**  
**1,556.1**  
in million CHF  
Galenica Group  
CHF 3,479.8 million

**Number  
of employees**  
**5,199**  
Galenica Group  
7,205

additionally be given the option of receiving the Suncard free of charge in the first year, which they can use to take advantage of special offers in Sun Store pharmacies.

#### Careproduct overcomes challenges

Careproduct, the provider of mobility aids such as wheelchairs as well as incontinence products, which was acquired by the Galenica Group in 2018, succeeded in overcoming the challenges posed by COVID-19 in the year under review. Medical disposables and incontinence products were ordered more often during lockdown. Alongside this, the range was expanded with products including bandages and ergonomic pillows.

#### Mediservice records growth in sales and customers

The specialty pharmacy Mediservice, which specialises in the care of people suffering from chronic and rare diseases, experienced greater demand for its services in the wake of COVID-19, such as direct home delivery of medications or therapy support at home. Demand for these services increased in particular among patient groups at increased risk, who require regular lifelong medications, or who are reliant in daily life on support with medication and during therapy. The same was true among patients who, due to COVID-19, were unable to be treated by their doctors at hospitals or medical practices. As an alternative, they were able to be treated via video at home by specialist nursing staff from Mediservice, always in close consultation with the relevant doctors.

Moreover, in 2020 Mediservice further expanded its existing collaborations with doctors and hospitals with integrated and optimal care for chronic patients. Through collaborations like these, in addition to increasing patient satisfaction, Mediservice also plays an active role in increasing efficiency and reducing costs in the healthcare system.

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THE ONLINE AND  
OFFLINE WORLDS  
WILL BE LINKED  
EVEN MORE CLOSELY  
FOR CUSTOMERS  
IN 2021.

#### Omni-channel strategy further implemented with mail-order pharmacy

The services of a mail-order pharmacy have been offered to customers by the Amavita and Coop Vitality pharmacies since 2020 and by the Sun Store pharmacies since January 2021. This allows patients to have their prescription medications delivered directly to their home and has taken Galenica an important step closer to integrating its physical points of sale with its webshops.

The mail-order pharmacy is housed at the Galexis distribution centre in Niederbipp. It therefore benefits from direct access to the full product range and well-coordinated, highly efficient processes of Galexis. The service was initially rolled out to patients who have repeat prescriptions. It has now been expanded to include single-prescription orders. Customers order via the online shops of Amavita, Sun Store or Coop Vitality and submit the original prescription to the mail-order pharmacy. As soon as this has been validated, i.e. checked by the pharmacist, the order is placed.



### Bichsel Group as a systemically important pillar

In the first half of the year in particular, the Bichsel Group recorded significantly higher demand for infusion and injection solutions, emergency medications and disinfectants due to COVID-19. Orders skyrocketed, especially from hospitals; the Bichsel Group was able to manage these thanks to expanded production capacities at its in-house manufacturing facilities. The Bichsel Group thus made a vital contribution to security of supply during this challenging time and was accordingly classified as a systematically important company by the Federal Office for National Economic Supply (FONES).

The home care unit was also able to ensure care for its patients during the COVID-19 pandemic seamlessly and without any loss of quality. In the area of clinical nutrition, the company additionally attracted new partners such as Tertianum, the largest operator of residential and care homes in Switzerland. The Bichsel Group offering for at-home patients and care home residents includes nutrition drinks, enteral and parenteral nutrition, and antibiotic and pain infusions.

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THE BICHSEL GROUP  
MADE A VITAL CONTRI-  
BUTION TO SECURITY  
OF SUPPLY DURING  
THE COVID-19 PANDEMIC.

### Own pharmacies and shareholdings

	31.12.2020	31.12.2019	Change
Amavita pharmacies <sup>1)</sup>	179	171	+8
Sun Store pharmacies <sup>1)</sup>	94	94	—
Coop Vitality pharmacies <sup>2)</sup> (joint venture with Coop)	87	84	+3
Mediservice specialty pharmacy <sup>1)</sup>	1	1	—
Majority holdings in other pharmacies <sup>1)</sup>	5	6	-1
<b>Total own points of sale</b>	<b>366</b>	<b>356</b>	<b>+10</b>

### Independent partners

	31.12.2020	31.12.2019	Change
Amavita partners	5	7	-2
Winconcept partner pharmacies	151	150	+1
<b>Total independent partners</b>	<b>156</b>	<b>157</b>	<b>-1</b>

<sup>1)</sup> Fully consolidated

<sup>2)</sup> Consolidated at equity

# Products & Brands

## Business sector



### Important acquisitions and new licences

#### Net sales development

The Products & Brands Business sector, which mainly comprises the business activities of Verfora, realised net sales of CHF 111.7 million in 2020. The year-on-year sales growth of 9.4% could be achieved thanks to new distribution agreements and the strong expansion of the product portfolio, with an expansion effect of +17.3%.

Sales in the core market Switzerland increased by 6.3% to CHF 87.3 million thanks to the expansion activities. Due to COVID-19-related declines in sales of Algifor® (ibuprofen) as well as cold and travel-related products, sales fell 7.2% on a comparable basis (excluding expansion effect). Additional sales of hygiene and prevention products were only partially able to compensate for these losses.

By comparison, the performance of the overall Swiss consumer health-care market was +3.5% (IQVIA, Consumer Health Market Switzerland, 2020).

Demand for Itinerol®, Trioфан® and Anti-Brumm®, which are typically part of a travel first aid kit, also decreased due to less travel. Negative reports on ibuprofen in connection with COVID-19 also had an impact on the growth of Verfora's biggest brand, Algifor®. By contrast, other products such as disinfectant products from Septo Clean® posted significantly higher temporary sales due to COVID-19.

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#### Companies

- G-Pharma AG
  - Verfora AG, [www.verfora.ch](http://www.verfora.ch)
-

Export sales totalled CHF 24.4 million, +22.3% year-on-year – primarily as a result of the acquisition of the Hedoga Group.

#### Vita-Merfen® available again

Vita-Merfen®, the well-known ointment for disinfection and wound healing, has been available again in Swiss pharmacies and drugstores since the fourth quarter of 2020. The product was taken off the market by its former brand owner in 2015 due to production difficulties. Verfora acquired the Merfen® and Vita-Merfen® brands in 2017. While Merfen® for wound disinfection has always been available in the specialist retail trade, Verfora has been working intensively on the relaunch of Vita-Merfen® for the past four years. Marketing authorisation was received from Swissmedic, the Swiss licensing and regulatory body for medicinal products, in the first quarter of 2020.

#### Continuous further development

Verfora was also a strong partner for the specialist retail trade in the year under review. Therefore, new products were launched, including Anti-Brumm® Naturel roll-on, the first multivitamin and mineral hot drink Veractiv® as well as a warm-up gel from Perskindol® and the innovation Perskindol® Dolo as a phytotherapeutic alternative treatment for arthritis and osteoarthritis.

The company's own derma-cosmetics line Dermafora®, introduced in 2019, was also expanded in 2020 with the launch of a new body care range and an anti-ageing booster.

#### Closer collaboration with Angelini Pharma

Verfora took over Swiss distribution of the key Bucco Tantum® brand from Angelini Pharma at the start of 2020, strengthening its presence in the cold medication segment. Stronger collaboration was developed with Angelini from 1 July 2020, when Italian pharma company entrusted Verfora with distribution of Thermacare® in Switzerland. Thermacare® products generate heat to help the body rebuild damaged tissue and speed up the healing process.

#### Net sales

# 111.7

in million CHF

Galenica Group  
CHF 3,479.8 million

#### Number of employees

# 183

Galenica Group  
7,205



### New collaboration with Institut Allergosan

Verfora entered a partnership with Austria's Institut Allergosan in early 2020, and took over distribution of the Omni Biotic® brand in Switzerland, thereby entering the important market for probiotic and prebiotic products. This is one of the fastest-growing segments in the Swiss consumer healthcare market. Institut Allergosan has been one of the world's leading centres of expertise in the field of microbiome research for over 25 years and develops probiotics and prebiotics based on this. The brand was launched in Switzerland several years ago and can now be developed more quickly with the help of Verfora and in close collaboration with Retail.

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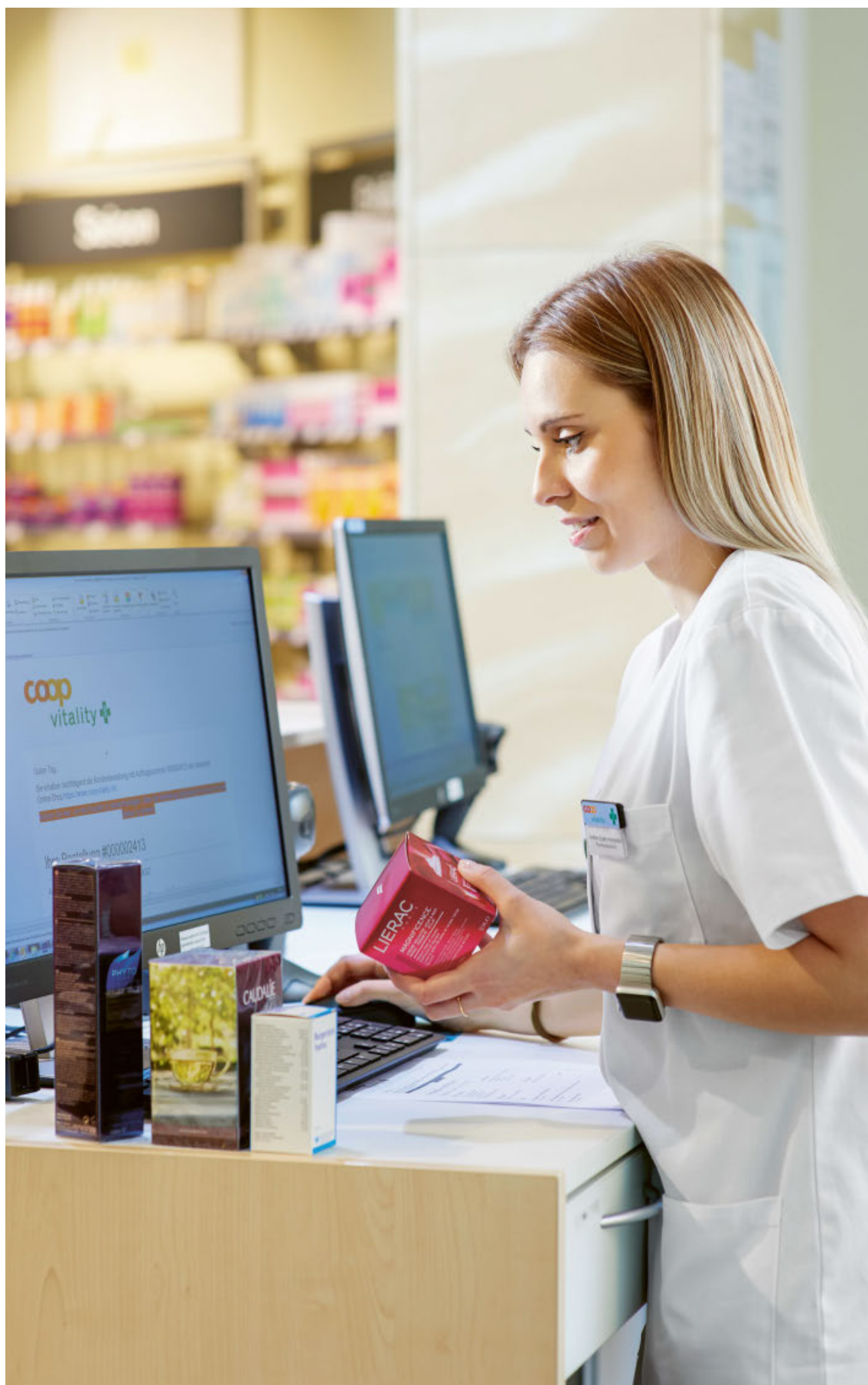
VERFORA WAS A  
STRONG PARTNER  
FOR THE SPECIALISED  
TRADE ALSO IN 2020.

### Acquisition of the Hedoga Group creates significant growth

On 1 July 2020, Galenica acquired the Hedoga Group along with its well-known brands Osa®, Osanit® and Carmol®. This consolidated Verfora's leading position in the Swiss consumer healthcare market and strengthened its positioning as a strong partner for pharmacies and drugstores for over-the-counter medicines and health products. The move also bolstered Verfora's export business in selected markets, particularly in Europe. Osa® and Osanit® include traditional and homeopathic remedies used mainly to treat teething pain in children. Carmol® is a medicinal product (lemon balm spirit) to treat digestive disorders and relieve feelings of discomfort. Hedoga is a Swiss company operating in Switzerland and Austria.







# Services Segment



In the year under review, the Services segment comprised logistics services for the Swiss healthcare market from Alloga (pre-wholesale), Galexis, Unione Farmaceutica Distribuzione and Pharmapool (wholesale), as well as Medifilm, which is active in drug blister packaging. These are complemented by services from HCI Solutions, which provides master data for the Swiss health-

care market and offers management software solutions for pharmacies. HCI Solutions also develops tools to securely manage, communicate and distribute sensitive health data and improve patient safety. As of 1 January 2021, Galenica has introduced a new organisational structure (see page 28).

## Net sales and operating result

The Services segment generated net sales of CHF 2,631.7 million in 2020, representing a strong increase of 7.8% compared to the previous year. Services therefore clearly exceeded the growth of the overall market of +2.9% (IQVIA, Pharmaceutical Market Switzerland, 2020).

COVID-19 triggered at times extremely high demand for medications and consumables, particularly in March 2020, which then weakened before rising again in the autumn. Overall, these additional sales contributed an estimated 1.4% to annual sales.

At the same time, new customers were acquired. Sales to doctors saw especially dynamic growth, and market share was increased with specialist physicians in particular.

Agreements with suppliers and invoicing models were revised in connection with the new transparency obligations of the new Ordinance on Integrity and Transparency in the Context of Therapeutic Products (OITTP). This technical effect increased 2020 sales in the Services segment by 2.3%. Excluding this technical one-time effect, Services recorded strong growth of 5.5%. This one-time effect has no impact on the Group's consolidated sales.

The negative impact on sales development due to the federally mandated price reduction measures continued in 2020, depressing sales by -1.8%. Excluding this effect, net sales in the Services segment would have risen by 9.6%.

The adjusted<sup>1)</sup> operating result (EBIT), i.e. excluding the effects of the lease accounting standard IFRS 16, was increased by 1.6% to CHF 45.4 million. However, adjusted<sup>1)</sup> return on sales (ROS) decreased slightly from 1.8% to 1.7%. The positive effects of COVID-19 on sales were offset by considerable additional costs. COVID-19 did not have a significant impact on EBIT in the Services segment overall. The extra costs generated by the coronavirus included protective measures for employees and additional staff resources to manage the high additional volume and to compensate for risk groups who were unable to come to work during the lockdown. EBIT was also affected by additional expenses in distribution in 2020 due to the renovation of the Galexis distribution centre in Lausanne-Ecublens. Although sales to doctors in particular saw dynamic growth and Galenica also gained market share with specialist physicians, this was largely in the area of high-priced medications with a low margin.

Investments totalled CHF 32.3 million in the year under review (previous year: CHF 31.0 million) and were largely used for the modernisation and renovation of the Galexis distribution centre in Lausanne-Ecublens as well as for the gradual roll-out and implementation of the new enterprise resource planning (ERP) software at Alloga and Galexis. Due to the steadily rising risks in connection with cybercrime, additional measures to protect the IT infrastructure and networks were also implemented in 2020.

The temporary record-high goods volumes due to COVID-19 were handled well thanks to the high degree of flexibility and considerable commitment of employees. In addition, Alloga successfully brought the new ERP system into operation with pilot partners. Galexis supported its customers in establishing group practices and medical centres. Galexis also worked with the Retail Business sector on the construction and launch of the new mail-order pharmacy at the Niederbipp site (see info box on page 26).

**Net sales**  
**2,631.7**  
in million CHF  
Galenica Group  
CHF 3,479.8 million

**EBIT  
adjusted<sup>1)</sup>**  
**45.4**  
in million CHF  
Galenica Group  
CHF 168.6 million

## Key figures 2020

- Net sales:  
CHF 2,631.7 million
- EBIT adjusted<sup>1)</sup>:  
CHF 45.4 million
- ROS adjusted<sup>1)</sup>: 1.7%
- Investments:  
CHF 32.3 million
- Employees: 1,783  
(1,477 full-time equivalents)

<sup>1)</sup> See section "Alternative performance measures" from page 86 onwards in the Annual report 2020 (full version)



# Services

## Business sector



### Dynamic trends

#### Greater warehousing capacity at Alloga

Pre-wholesaler Alloga migrated four more pilot partners to the new enterprise resource planning (ERP) software in summer 2020. This successfully completed the pilot phase; the full roll-out should be completed by 2023.

Alloga also reported exceptionally high volume swings due to COVID-19, which made ensuring on-time processing of orders challenging during the first wave of COVID-19 in the spring. Alloga's partners subsequently increased their buffer stocks at the warehouse, resulting in a need to increase warehousing capacity.

At the same time, in anticipation of a COVID-19 vaccine becoming available at some point, deep-freeze logistics were expanded (see info box on page 26).

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#### Companies

- Alloga Ltd., [www.alloga.ch](http://www.alloga.ch)
  - Galexis Ltd., [www.galexis.com](http://www.galexis.com)
  - HCI Solutions Ltd., [www.hcisolutions.ch](http://www.hcisolutions.ch)
  - Medifilm Ltd., [www.medifilm.ch](http://www.medifilm.ch)
  - Pharmapool Ltd., [www.pharmapool.ch](http://www.pharmapool.ch)
  - Unione Farmaceutica Distribuzione Ltd., [www.ufd.swiss](http://www.ufd.swiss)
-



### **Galexis manages pandemic inventories for pharmacies, doctors and hospitals**

The first half of the year under review at wholesaler Galexis was characterised by COVID-19-related extra shifts and, in some instances, Sunday work. It was necessary to temporarily strengthen logistics with administrative staff to handle the high volumes. Galexis benefited in the second half from demand for higher warehousing capacity from customers who had increased their inventories.

Due to COVID-19, the authorities have indicated that doctors and pharmacies must also have compulsory pandemic inventories of products available, including gloves, disinfectant and masks. As of 2020, Galexis has offered to manage these inventories, resulting in synergy gains and economies of scale for customers.

At the same time, work on rolling out the new ERP system is continuing at Galexis as well. The planning phase was completed in 2020. Implementation will start in 2021, with the order management system being migrated first followed by the warehouse management systems.

During the ongoing renovation and modernisation work in Lausanne-Ecublens, operations were ramped up again for a short period to ensure the security of supply of medications to the population during the first wave of COVID-19. For this reason – and due to unexpected necessary soil remediation work – the building work has been put back by six months. Completion of the work is scheduled for the second quarter of 2022.

Galexis launched a new offering tailored to the needs of specialist doctors such as oncologists, rheumatologists and gastroenterologists in the year under review. These doctors prescribe more high-priced special medications, which need to be transported and stored in an unbroken cold chain. Galexis takes on the logistics for these refrigerated products and provides the doctors with specially equipped refrigerators.

The Galexis strategy initiated in 2020 to assist its customers in establishing group practices and medical centres has already resulted in several successfully implemented projects. Physician wholesaler Pharmapool also had a stable financial year in 2020. The Felan own brand range for independent pharmacists, comprising cost-effective, customised pharma and OTC products, was successfully expanded in the year under review with a nutritional supplement line.

### **UFD grows throughout Switzerland thanks to “e-box”**

Unione Farmaceutica Distribuzione (UFD) ensured the security of medication supplies in Ticino at all times both before and during the lockdown in the spring. A corresponding emergency plan, which was agreed with the cantonal authorities and included the deployment of people required to perform civil defence service, limited interruptions for customers to a minimum. The plan also included early protective measures for employees. In addition, and thanks to the proven quality of services in Ticino, UFD gained further pharmacy customers in 2020.

#### **Net sales**

# 2,631.7

in million CHF

Galenica Group  
CHF 3,479.8 million

#### **Number of employees**

# 1,783

Galenica Group  
7,205

# ”

ALLOGA, GALEXIS AND UFD WERE ABLE TO HANDLE THE HIGH ORDER VOLUMES DUE TO COVID-19 WITHOUT MAJOR DELIVERY DELAYS THANKS TO THE CONSIDERABLE COMMITMENT OF ALL EMPLOYEES.

UFD's Switzerland-wide "e-box" logistics solution saw considerably higher volumes compared to 2019 due to increased order numbers in the Galenica Group pharmacy online shops. To meet this continuing higher demand, UFD will open a second distribution centre in Oensingen in 2021. This step will not only improve capacity and delivery performance but also reduce delivery times to end customers thanks to the proximity of the new location to the Galexis distribution centre in Niederbipp. Moreover, it will strengthen the Galenica Group's online business, as UFD supports the logistics processes for pharmacy online shops with the "e-box", from processing the customer's order to handing over the package to the transport company.

### Medifilm increases internal efficiency

Thanks to prudent inventory management, Medifilm was able to deliver orders in full and on schedule at all times, despite shortages of certain medications. As of the end of 2020, nearly 11,000 patients were benefiting from Medifilm's services.

Simplified terms and conditions enabled Medifilm's business partners to directly influence prices through their individual order behaviour. The terms and conditions depend on factors including how time-consuming the blistering work is at Medifilm for the requested medications. Thanks to its in-house system, Medifilm is able to improve operational efficiency, for example by optimising the purchasing, storage and unpacking of medications before blistering.

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AS OF THE END OF 2020,  
NEARLY 11,000 PATIENTS  
WERE BENEFITING FROM  
MEDIFILM'S SERVICES.



### COVID-19 presents major challenges for logistics

The temporary record-high goods volumes due to COVID-19 – up as much as 60% – were handled well thanks to the high degree of flexibility and considerable commitment of employees at the logistics companies. Alloga's partners increased their buffer stocks at the warehouse in response to the first COVID-19 wave in the spring, resulting in a need to increase warehousing capacity.

At the same time, in anticipation of a COVID-19 vaccine becoming available at some point, deep-freeze logistics were expanded. The first deliveries of the COVID-19 vaccine Comirnaty® from Pfizer/BioNTech were received by Alloga at the end of 2020. In order for the designated

vaccine centres to be able to commence vaccination in January 2021 as planned, the ampoules – which are stored in ultra-deep freezers at minus 70°C – were picked and distributed directly to the vaccine centres in temperature-controlled boxes together with the requisite vaccination equipment (syringes, cannulas and swabs).

In connection with COVID-19, the authorities have indicated that pharmacies and doctors must also have compulsory pandemic inventories of products available, including gloves, disinfectant and masks. Galexis is now offering to manage these inventories on behalf of its customers.

## HCI Solutions contributes to digitalisation of the healthcare system

HCI Solutions founded joint venture Pharma-Info Ltd. together with partner IFAK Data Ltd. at the end of September. This new company, in which HCI Solutions holds a minority stake, has taken over six service offerings for pharmacies from Swiss pharmacy association Pharmasuisse.

Software solution “Quatron”, which was launched in 2019 to enable independent pharmacists to easily set up an individualised online shop, saw strong demand in 2020, also due to COVID-19.

To ensure pharmacists can send the results of the corona rapid antigen tests introduced at the end of 2020 to the Federal Office of Public Health (FOPH) quickly and easily, HCI Solutions has implemented a corresponding digital interface to the FOPH in the Documedis® e-medication solution. Documedis® is now integrated into almost all e-health platforms of the various cantonal and interregional healthcare networks. These networks are now in the process of setting up so-called reference communities. Once these are certified by the federal government, they can offer an electronic patient record under federal legislation.

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HCI SOLUTIONS HAS IMPLEMENTED A DIGITAL INTERFACE TO THE FEDERAL OFFICE OF PUBLIC HEALTH (FOPH) IN DOCUMEDIS® SO THAT PHARMACISTS CAN REPORT THE RESULTS OF RAPID CORONA TESTS QUICKLY AND EASILY.

### Key figures wholesale/pre-wholesale 2020

	Wholesale: Galexis, Unione Farmaceutica Distribuzione	Pre-wholesale: Alloga
<b>Storage</b>		
– Number of prepared boxes	> 10,400,000	–
– Number of delivered order lines	> 41,600,000	> 1,633,000
– Number of prepared packages	> 121,500,000	> 87,381,000
<b>Distribution</b>		
– Annual tonnage	> 14,400	> 7,500
– Number of packages	> 152,000	> 493,000
– Number of pallets	–	> 68,800
<b>Structure</b>		
– Number of items in stock	> 48,500	> 11,000
– Number of suppliers/partners	> 1,100	> 90
– Number of points of sale supplied	> 8,300	> 11,300
<b>Technology</b>		
– Degree of automation in Niederbipp	62%	–
– Degree of automation in Lausanne-Ecublens	41%	–
– Degree of automation in Barbengo-Lugano	37%	–
– Degree of automation in Burgdorf	–	31%

# Outlook for 2021

In order to create the optimal conditions for implementing the strategy and strategic programmes, Galenica has adapted its organisational and management structure as of 1 January 2021. Reporting for financial year 2021 will follow the new organisational structure and will now be divided into the two segments “Products & Care” and “Logistics & IT”.

## Products & Care

The Products & Care segment comprises the Service Units Pharmacies, Healthcare and Products & Marketing. They develop and market health services and products via the various channels – in pharmacy stores, online or at home – to private customers and patients as well as to business customers and partners.

### Pharmacies

The Service Unit Pharmacies supports and relieves the pharmacies with centralised back-office functions, so they can fulfil their important role as the first point of contact for questions about health and wellbeing.

With Amavita, Sun Store and Coop Vitality (joint venture with Coop), Galenica operates the largest pharmacy network in Switzerland, giving it an excellent distribution network for the sale of own, exclusive and partner brands. In addition, Care-product offers efficient solutions to support and improve mobility for elderly and disabled persons.

### Healthcare

The Service Unit Healthcare develops offerings for health and prevention services and supports the pharmacies so they can offer care and advisory services in stores, digitally and also at home. Partnerships with players in the healthcare sector are likewise being established for this purpose.

Mediservice cares for patients in a variety of ways, ranging from the direct dispatch of prescription medicines and the monitoring of medications to inhome care. The Bichsel Group specialises in the manufacture of individual medicines and medical devices as well as home care services in the field of home nutrition and home dialysis. Medifilm complements the range with the customised packaging of medicines.

### Products & Marketing

The Service Unit Products & Marketing manages Galenica's product range for the Group's various own formats and channels, from sales right through to marketing, and for its own pharmacies as well as for the overall market, such as the independent specialist retail trade and doctors.

A large portion of the product portfolio is managed by Verfora. This comprises own and partner brands in the categories of medications, health, prevention and beauty. Furthermore, Win-concept supports owner-managed pharmacies and drugstores in their day-to-day business with a wide range of services. Under the Feelgood's name, these more than 150 partner pharmacies constitute the largest group of pharmacies in Switzerland.

## Logistics & IT

The Logistics & IT segment consists of the Service Units Wholesale & Logistics and IT & Digital Services. They develop and operate the logistics, IT and digital infrastructure and platforms for the entire Galenica Group as well as for customers and partners in the healthcare market.

### Wholesale & Logistics

The Service Unit Wholesale & Logistics offers its customers – the Group's own pharmacies as well as customers in the healthcare market as a whole – an optimised range characterised by high availability and a comprehensive logistics service. The offering likewise includes quality logistics for suppliers with the associated services.

Pre-wholesaler Alloga and wholesalers Galaxis, Unione Farmaceutica Distribuzione (UFD) and Pharmapool offer their customers in the Swiss healthcare market logistics and other services, for example own brands for the specialist retail trade and doctors. Customers of the Galenica Group include pharmaceutical companies and suppliers as well as pharmacies, drugstores, physicians, care homes and hospitals.

### IT & Digital Services

Alongside the development and operation of internal Group IT as well as digital infrastructures and platforms, HCI Solutions provides the healthcare market with solutions in the area of e-health, including master data for the Swiss healthcare market and management solutions for pharmacies. HCI Solutions also develops tools to securely manage, communicate and distribute sensitive health data and improve patient safety.



## Segment structure as of 1 January 2021



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GALENICA IS  
A PARTNER FOR  
ALL MARKET  
STAKEHOLDERS  
IN THE HEALTH-  
CARE MARKET.

## Outlook and priorities for 2021

### Products & Care: Services and products via all sales channels

**Linking the online and offline worlds:** Galenica will link the online and offline worlds more closely. This includes expanding the service offering of the new mail-order pharmacy of Amavita, Sun Store and Coop Vitality.

**Expanding the product and service offering:** The product range in the online shops and the services offered in the pharmacies as well as to patients at home will likewise be further optimised and expanded.

- With that in mind, Amavita is continuing a pilot project started at the end of 2020 with the online-based dermatologist network onlinedoctor.ch to provide its customers with even better and easier access to dermatology services. Customers with skin problems will still receive competent first-line treatment at Amavita pharmacies, as they have enjoyed to date. For more complex cases, the pharmacist will receive professional support from onlinedoctor.ch, including a medical report and any necessary drug prescriptions.
- A collaboration is being launched with health insurer CSS in the area of prevention services, for example diabetes and allergy tests, for patients covered by supplementary insurance.
- Bichsel's production capacities at Unterseen near Interlaken will be increased at the start of the second half of 2021 with a new and modern filling facility for solutions in plastic bottles.
- Medifilm wants to gain more individual patients as new customers via the pharmacies.

- Verfora wants to position itself even more strongly in 2021 as the first choice for business partnerships in the professional Swiss B2B consumer healthcare market. Sales promotion services will therefore be further expanded and new products launched in 2021. This approach will be implemented through new licensing and distribution agreements and acquisitions. Existing own brands such as the Algifor® product range will also be expanded.
- In collaboration with Medifilm, the Bichsel Group, Galenicare and Galexis, Galenica also wants to promote interprofessional cooperation for comprehensive support for patients and care home residents, thereby better serving the growth market of “care homes”.

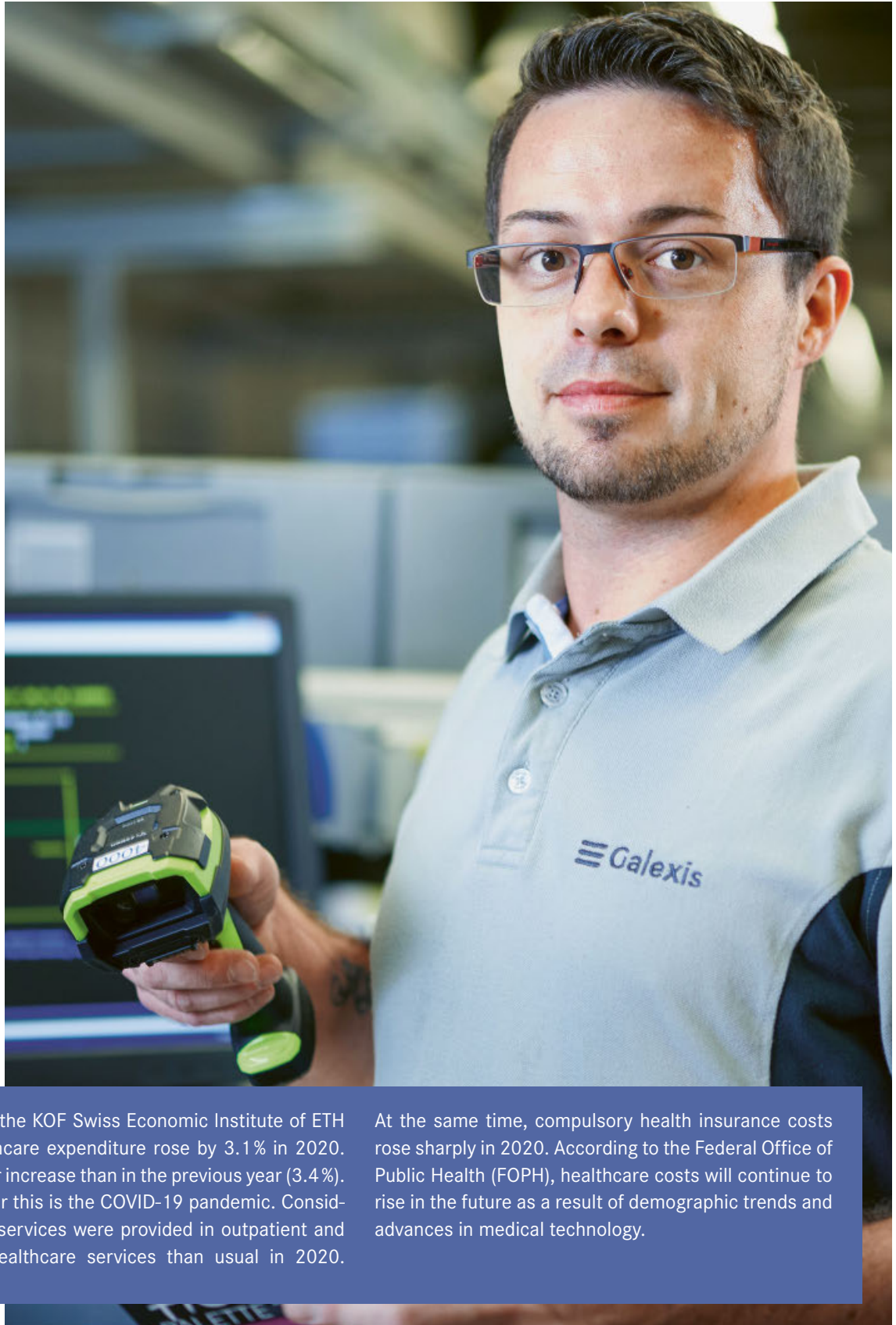
### Logistics & IT: Efficiency gains and expansion of logistics and digital offerings

Alloga will focus on various projects to improve the efficiency of internal processes in 2021. Expansion of logistics capacity is also on the agenda, with a particular focus on the logistics required throughout Switzerland in relation to the coronavirus vaccine. The rollout of the ERP system will also be continued. In cooperation with Solarstadt Burgdorf, the photovoltaic system installed on Alloga's roof will be extended.

Galexis will begin the realisation phase of replacing the ERP software in 2021. The strategy of supporting customers in establishing group practices and medical centres will be continued.

Certification of a first reference community by the federal government is expected in 2021, whereupon this reference community will be able to offer the first electronic patient records under federal legislation with Documedis®.

# Political environment



According to the KOF Swiss Economic Institute of ETH Zurich, healthcare expenditure rose by 3.1% in 2020. This is a lower increase than in the previous year (3.4%). The reason for this is the COVID-19 pandemic. Considerably fewer services were provided in outpatient and supporting healthcare services than usual in 2020.

At the same time, compulsory health insurance costs rose sharply in 2020. According to the Federal Office of Public Health (FOPH), healthcare costs will continue to rise in the future as a result of demographic trends and advances in medical technology.

### Initial package of measures to contain costs

The Federal Council has divided the healthcare cost containment programme into two packages of measures. These packages are based on recommendations from an international expert group, which approved the report to the Federal Council on “Cost containment measures to relieve the burden on compulsory basic health insurance” in August 2017.

The Federal Council is pursuing the following objectives with the initial package of measures (selection):

- Pilot projects (experimental article) and reimbursement of treatments abroad
- Better-structured tariff negotiations (national tariff organisation)
- Creation of flat-rate outpatient charges
- Reduction in the price of generics (reference price model)
- Improvement of invoice verification

Parliament began consultations on the first package of measures in 2020. During the consultations, the National Council as the first legislative chamber came out against the introduction of a reference price model for medications whose patents have expired. Conversely, it came out in favour of the proposal on flat-rate outpatient charges, which the Council of States was against at the first reading.

Both chambers were in favour of the introduction of an experimental article, which would make it possible to implement innovative, cost-containing pilot projects to ease the burden on premium payers. Parliament will continue consultations on the first package of measures in 2021.

### Second package of cost-containment measures submitted for consultation

The second package of measures under the healthcare cost containment programme was submitted for consultation in autumn 2020. The dispatch and draft legislation should be approved and submitted to parliament in 2021. The package includes the following (selection):

#### Cost targets

The Federal Council sets a national cost target and also recommends that the cantons set cost targets for various outpatient and inpatient cost blocks. If the cost targets are not achieved, the tariff partners should lower the tariffs.

The question of whether patients would have to switch service providers when the budget for the current year is used up is a matter of debate.

Cost targets are being put forward to parliament as an indirect counterproposal to the federal popular initiative “For lower premiums – to curb healthcare costs”.

#### Initial point of consultation

When they have health problems, insured persons are required always to contact their family doctor as an initial point of consultation.

Family doctors advise the patients, treat them themselves or refer them to other service providers. Specialist doctors can be chosen freely, as long as the initial point of consultation has consented. The initial point of consultation will receive a flat fee from the insurer for each person.

**Number of employees  
in the Swiss healthcare  
system**

**325,908**

full-time equivalents

(2017, source:  
Federal Statistical Office)

The proposal has been criticised, as 70% of insured persons have already opted voluntarily for an alternative insurance model, such as the family doctor model. In contrast to the proposal of the Federal Council, the first point of contact in alternative insurance models can be chosen freely. This role can be taken on by telemedicine, a pharmacist or a family doctor.

The position of pharmacies as the first point of contact for healthcare advice is a key topic in the Galenica strategy (see also page 10). This also involves partnerships with health insurers for insurance models. Pharmacists have the specialist training and skills needed to provide a widely accessible, efficient and cost-effective initial consultation. For this reason, pharmacies are taking on a major role in the healthcare system and help keep rising costs in the health sector under control.

### **Patient care programmes**

The Federal Council is proposing treatment programmes with the involvement of various services providers throughout the treatment process. It believes that these will lead to better results than unstructured individual measures.

The programmes may be under the supervision of doctors, but it is also possible that other service providers such as pharmacies could provide independent services.

### **Price models and reimbursements**

Price models should ensure rapid, cost-effective access to innovative medicinal products. The Federal Council proposes that marketing authorisation holders should reimburse part of the costs to the insured person. They would benefit from prices no longer having to be published.

Two points have been criticised: The Federal Council would gain far-reaching powers as regards reimbursements. Calls are also being made for medicinal product prices under basic health insurance to be made public.

### **New LOA V tariff model submitted**

Curafutura, the association of innovative health insurers, and pharmacy association Pharmasuisse submitted the new LOA V pharmacy tariff for service-based remuneration together with a proposal for a revised distribution share to the Federal Council in May 2020. Under the proposal, the distribution share and service-based remuneration would be approved as a package. For example, the salary cost of the pharmacy team to provide pharmaceutical services would be removed from the distribution share and instead now be billed via LOA V.

The aim is for the revised distribution share and LOA V to be implemented on 1 January 2022.

**1,819**

**pharmacies  
in Switzerland**

(2021, source: Pharmasuisse)

**281**

**hospitals with a total  
of 580 locations**

(2019, source:  
Federal Statistical Office)

**37,882**

**doctors  
in Switzerland**

(2019, source:  
Swiss Medical Association)



### Electronic patient record delayed

The launch of the electronic patient record has had to be delayed several times. The reason given for the delay by the Swiss Federal Audit Office (SFAO) was the complex certification process as well as the accreditation of the certification authorities. The FOPH has avoided giving a specific launch date, but it is now expected to be in May 2021.

New medical service providers that want to invoice services via basic health insurance must join a certified reference community. The voluntary nature of this for doctors with their own practices will therefore be removed for new service providers.

### Mail-order business

The requirements concerning mail order of medicinal products are regulated at the federal level in the Therapeutic Products Act. Subsequent mailing or home delivery of medicinal products by bricks-and-mortar pharmacies, drugstores or private pharmacies belonging to medical practices are not covered by the term “mail-order pharmacy”. The Federal government will be examining the development of a future solution.

During the coronavirus crisis, the Association of Cantonal Pharmacies permitted pharmacies and drugstores to deliver non-prescription medications to the homes of individuals who were not regular customers following a specialist consultation by phone.

### Periodic review of drug prices

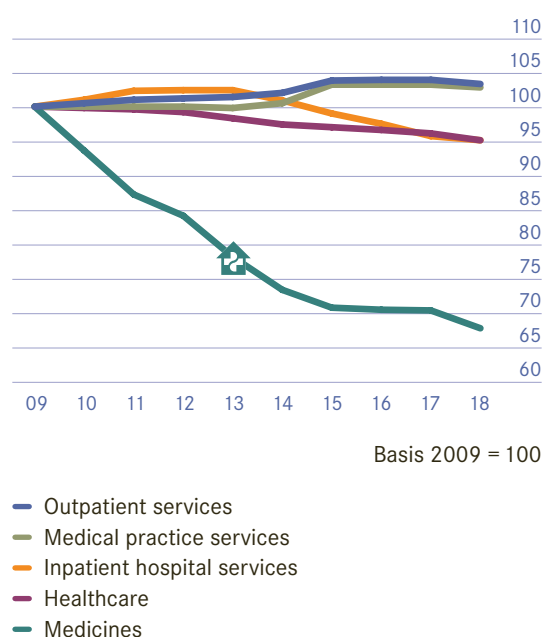
All medicines reimbursed by compulsory health insurance and that are consequently included in the specialties list (SL) are subject to a price review by the FOPH three years after their initial listing. The assessment is based on the criteria of efficacy, suitability and cost-effectiveness and, for several years now, an international price comparison (IPC) and a therapeutic cross-comparison (TCC). Under the three-year review, the Federal Office of Public Health (FOPH) reduced the prices of 257 originator products by an average of 16.3% in 2019, which corresponds to savings of around CHF 120 million. The FOPH completed around 55% of its review for 2020 and reduced the prices of more than 300 medicinal products by an average of 11.0%. Savings of at least CHF 60 million are expected as a result. The review of the remaining medicinal products with further expected savings should be completed by 1 February 2021.

### Outlook

The main objective of both packages of measures is to contain costs. There is a risk here of losing focus on efficient service provision, and of the savings leading to cutbacks and rationing. It is also important with all measures to prevent inadequate care and over- and underprovision of care.

In the area of medicinal products, differential pricing for low-priced and innovative high-priced medications should be examined. The price reduction rounds should not result in low-priced medications disappearing from the market and no new inexpensive medications being approved.

Price index medicines and healthcare services



Source: Federal Statistical Office, Swiss consumer price index, IQVIA, conversion basis 2009 Pharmasuisse

# Fast, competent solutions for patients



Since the start of 2019, pharmacies have been able to dispense certain prescription medications over the counter without a doctor's prescription, subject to certain conditions. For many patients, this is a fast, safe and straightforward solution when they have acute symp-

toms. In this way, the Galenica pharmacies are making a significant contribution to the safety and health of patients. Pharmacists are increasingly supported by algorithms that have been specially developed for this purpose.

A patient has a runny, puffy nose, watery eyes and constant itching and sneezing. It's immediately clear to him that the start of spring has brought with it the onset of the pollen season. He needs the right medication to relieve his symptoms as soon as possible. When he gets to the Amavita pharmacy, the pharmacist first asks him about his symptoms and clarifies possible risk factors such as severe breathing difficulties. During the focused consultation, she is supported by the Documedis® Primary Care Algorithms module from HCI Solutions. The pharmacist enters all the patient's answers and information in this system. Although he does not have any severe breathing difficulties, he is having trouble sleeping and feels restricted in his day-to-day activities due to his symptoms. The pharmacist rules out an emergency and asks the patient to come to the consultation room for a more in-depth assessment. Here, the patient confirms that he has had the same symptoms every spring for years, and that the doctor has always prescribed medication. Based on what the patient says, the pharmacist concludes that the patient has seasonal allergic rhinitis, otherwise known as hay fever, and due to the severity of the symptoms, that he needs a prescription allergy medication. She rules out other allergies with similar symptoms such as dust mite allergy due to the seasonal nature of the symptoms. The Documedis® module also recommends antihistamine treatment based on the patient information entered. The pharmacist explains to the patient how to take the medication and dispenses it to him.

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THE PHARMACY AS THE FIRST POINT OF CONTACT IS NOT ONLY PRACTICAL FOR PATIENTS; IT ALSO RELIEVES THE BURDEN ON THE HEALTHCARE SYSTEM.

#### **Improved access to therapeutic products and medical services**

Since the start of 2019, pharmacies in Switzerland have been able to dispense certain prescription medications over the counter without a doctor's prescription, subject to certain conditions. For patients, this means fast, safe and straightforward access to therapeutic products and medical services.

Demographic change in Switzerland is posing significant challenges for healthcare. Growing life expectancy is increasing demand for health services, while at the same time, rates of chronic and lifestyle diseases are rising among the population. To ensure continuing access for all to high-quality basic healthcare in the future, new supply models and collaboration between all service providers are needed. Basic healthcare covers all services which, from experience, are used by a majority of the population. Pharmacies play a key role here.

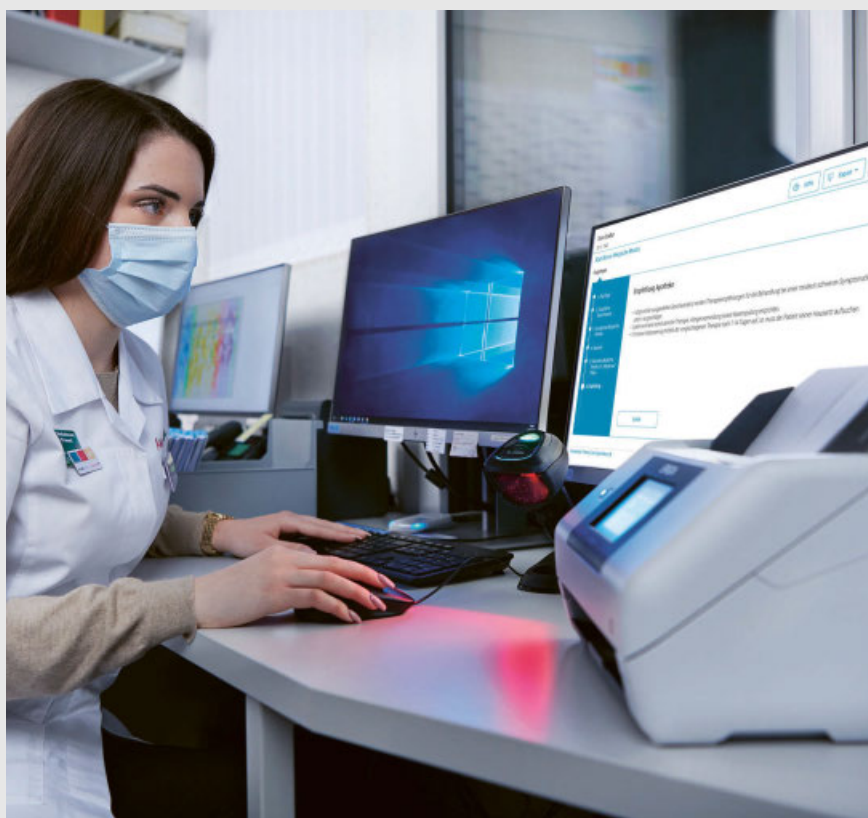
In view of this, the ordinary revision of the Therapeutic Products Act (TPA) came into force on 1 January 2019. The new TPA has resulted in certain drugs being reclassified within the different dispensing categories, among other things. Certain prescription medications can now be dispensed over the counter by a pharmacist in justified cases without a doctor's prescription for indications defined in Annex 2 of the Ordinance on Medicinal Products (VAM). However, this must be documented (for further information, see infobox on Dispensing categories on page 39).

### Improved basic healthcare

“This change strengthens the role of pharmacists in the healthcare system. It means additional skills and duties for our pharmacists, but also greater responsibility,” explains Carine de Mesmaeker, Head of Health Insurers and Cooperation at Galenicare. The profession of pharmacist has changed significantly in recent years: from producer and seller of therapeutic products to advisor and provider of additional services. “As a pharmacist, these additional skills give me the opportunity to offer customers primary care directly in the pharmacy if the treating physician is not available or the patient doesn’t want to go to the emergency department,” says Nicole Jonin, Managing Pharmacist at Amavita Domdidier. The pharmacy as the first point of contact is not only practical for patients; it also relieves the burden on the healthcare system. Minor accidents no longer have to be treated by a doctor or even at the emergency department, but can be taken care of in the pharmacy.

### Documedis® Primary Care Algorithms (PCA.CE)

The Documedis® *Primary Care Algorithms* (PCA.CE) module comprises a set of algorithms for frequent ailments such as allergic rhinitis, irritable stomach, reflux disorders and urinary tract infection. Documedis PCA.CE has been approved by Swissmedic, the Swiss Agency for Therapeutic Products, as a Class I medical device according to Art. 6 of the Medical Devices Ordinance (MedDO). This means that the processes developed by HCI Solutions are certified. Pharmacists are guided through the consultation with the help of algorithms and obtain a recommendation on how to proceed, including suggested medications. They can also document the consultation at the same time. The patient information entered is not saved in Documedis®. The pharmacist however always decides on and is responsible for dispensing the medicinal product and its dosage. The algorithms are only an aid.





Thanks to a dense network of pharmacies, medication and advisory services are easily accessible for the entire Swiss population – without an appointment and long waiting times. According to Nicole Jonin, customers appreciate the fast, competent advice without having to book an appointment, and are also prepared to pay for additional advisory services. Patients have the choice of booking a doctor's appointment or going to the pharmacy. "This promotes patients' health literacy and autonomy," adds Carine de Mesmaeker, highlighting the increased patient-centric focus of healthcare. The key is to understand patient needs and enable patients to handle or correctly manage their own health.

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THE FOCUS IS ON  
THE NEEDS OF PATIENTS.

“We have implemented various measures at Galenica in recent years to empower our pharmacies and support them in this new role. These include training, further education, process adjustments in the quality management system as well as developing digital tools such as the Documedis® Primary Care Algorithms module,” explains Andrea Brügger, Health Insurer and Cooperation Specialist at Galenicare.

### Quality is the top priority

Easily accessible basic healthcare must ensure equally high quality with a focus on the safety and health of patients. Training and further education for specialists therefore play a key role. “We offer pharmacies web-based training to learn the new processes, skills and how to use the new Documedis® module. All pharmacists and pharmacy assistants are required to complete this training,” explains Andrea Brügger. Pharmacists can also obtain the Certificate of Competence in Medical History in Basic Healthcare Provision to strengthen their new skills. A medical history involves systematic questioning of a patient to record their current symptoms and previous conditions. This further training enables pharmacists to carry out competent, targeted patient consultations at the pharmacy, quickly identify emergency situations and make an initial assessment based on frequent symptoms. In 2019 and 2020, 60 Galenica pharmacists completed the training. A further 200 pharmacists are currently taking the training.

Pharmacists are required to document dispensing of prescription medications without a doctor's prescription. “As part of our quality management, we have introduced two new processes and developed hard-copy forms for all therapeutic products dispensing that requires documentation,” explains Christa Strahm, Quality Specialist at Galenicare. “These include all legally required details on the health of the patient that have to be documented by the pharmacist, as well as important information on the use of the therapeutic product. The forms support pharmacists in their work and ensure high quality and safety for our patients.” HCI Solutions has also developed additional digital applications as part of Documedis® for the most common illnesses. Pharmacists decide themselves whether they should document these types of consultation digitally or on paper.

### Increased patient safety thanks to algorithms

“The new Documedis® module guides pharmacists through the consultation using targeted questions and gives recommendations based on the defined algorithms and patient information entered,” explains Regina Andermatten, Head of Medical Data at HCI Solutions. The recommendations support pharmacists in their decisions. Regina Andermatten adds that this ensures the required documentation of category B prescription medications. Algorithms are – in general terms – approaches programmed into software to solve a frequent problem. Using the algorithms in the Documedis® module, the system works out a solution, in this case a treatment or drug recommendation, based on the answers entered during the consultation. These types of intelligent systems have considerable potential to improve healthcare quality and efficiency by supporting diagnoses and treatment decisions. (For further information, see box on Algorithms.)

“The support with medical histories and treatment decisions we get from the algorithms is very worthwhile for us as pharmacists. They’re also easy to use,” says pharmacist Nicole Jonin. HCI Solutions has since also developed algorithms for various non-prescription medicinal products for common ailments that pharmacists wanted support with. One example is worrisome tick bites.

A total of 11 algorithms were rolled out in 2019 and 2020, including for conditions such as allergic rhinitis, conjunctivitis and urinary tract infections. Documedis PCA.CE is a Class I medical device. “HCI Solutions develops the algorithms based on ISO 9001-certified data content,” explains Regina Andermatten. More algorithms are already planned for 2021, including for lumbalgia, earache and sinusitis.

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INTELLIGENT SYSTEMS  
HAVE CONSIDERABLE  
POTENTIAL TO IMPROVE  
HEALTHCARE QUALITY  
AND EFFICIENCY.

## Changes to the dispensing categories of medicinal products in Switzerland

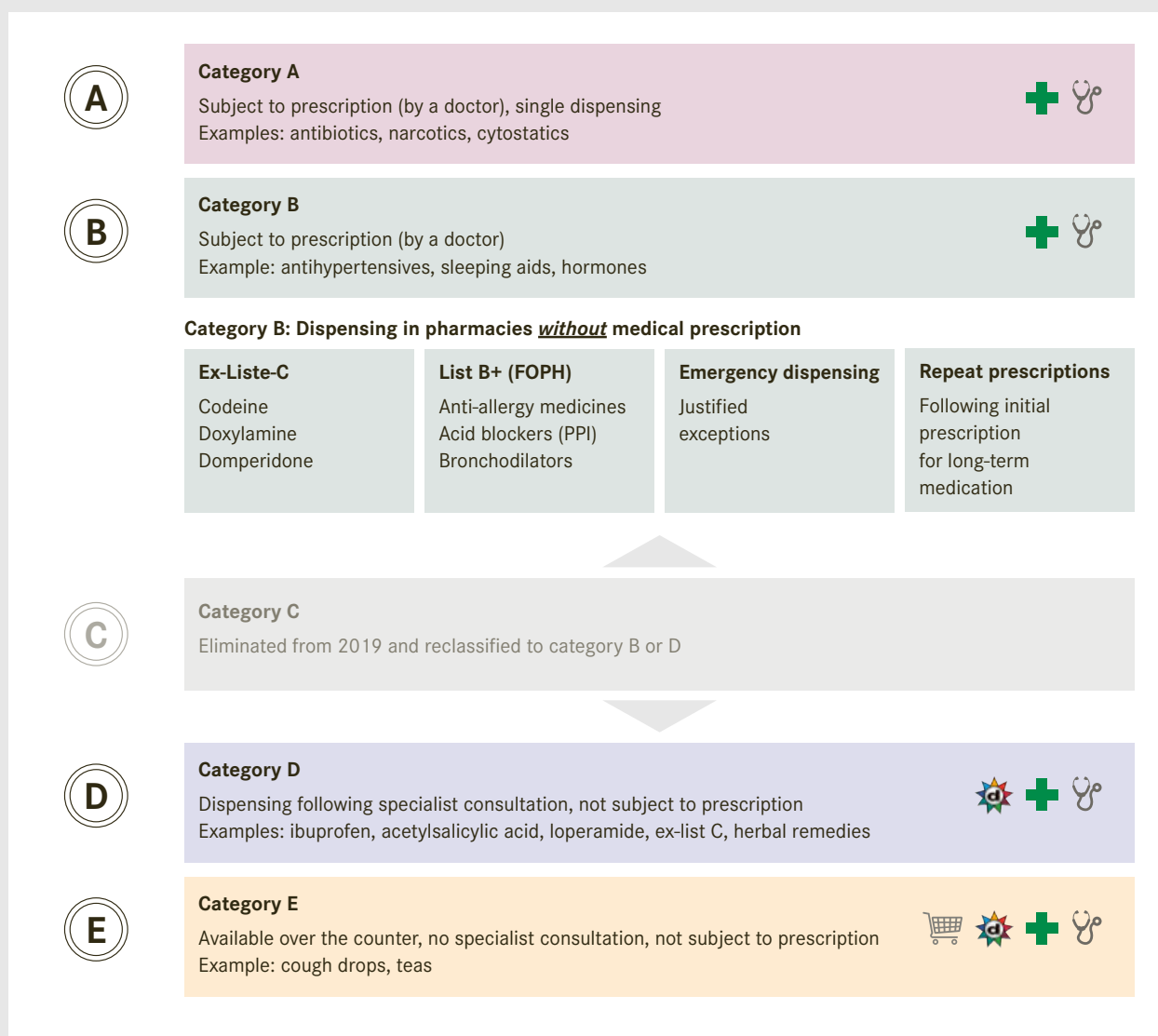
Dispensing of licensed medicinal products is strictly regulated by law in Switzerland. To ensure patient safety, medicinal products are classified into different dispensing categories. Depending on the category, they can be dispensed in pharmacies, drugstores or by retailers. A basic distinction is made between prescription medications, non-prescription medications dispensed after specialist advice and over-the-counter medications.

Until the end of 2018, medications in dispensing categories A and B were mainly dispensed with a doctor's prescription, while those in category C were dispensed after specialist advice under the control of a pharmacist. As part of the revision of the Therapeutic Products Act, the government decided to eliminate the previous dispensing category C and reclassify the medicinal products concerned to category B or D.

Medicinal products with an increased risk of abuse or which could lead to severe interactions with other medicinal products have been reclassified to dispensing category B.

The Federal Council also classified in category B medicinal products for treatment of common illnesses that a survey of pharmacists indicated should be allowed to be dispensed without a doctor's prescription.

Category B medications must be dispensed personally by a pharmacist and documented.



# Human Resources



The 2020 reporting year confronted all Business sectors and in particular all employees with major challenges. Nevertheless, the employees of the Galenica Group

rallied to face these challenges together and – with a great deal of passion and motivation – made the best out of the situation.



## Overcoming challenges together

The 2020 reporting year was shaped by the coronavirus pandemic in the area of human resources as well. Many of the activities planned for 2020 had to be cancelled, held “remotely” (i.e. virtually) or postponed, such as seminars on the new human resources offering MOVE. Protection concepts had to be developed from the ground up and adapted to the current situation, especially for employees in the pharmacies and logistics. The pandemic also called for innovative solutions and increased flexibility on the part of employees and employers in the area of education and training.

The number of Galenica employees continued to grow in the year under review, mainly due to the expansion activities in the Health & Beauty segment. As of the end of 2020, Galenica employed 7,205 people. Given the increasing number of employees, efficiency is a key topic when it comes to HR processes. Following the harmonisation of the various HR and working time regulations, the HR departments devoted their efforts in 2020 to process innovation and the digitisation of the different HR processes. Alongside the digital application processes that have already been introduced and the electronically supported reviews and appraisals, the focus is now on rolling out the electronic personnel file and tapping into new channels and opportunities to recruit specialists.

## Training and development

### Employee development

Productive cooperation requires the regular exchange of knowledge between employees. Galenica has developed various instruments to encourage this dialogue. The existing personnel development and training offering was already revised in 2019. While the previous offering concentrated primarily on new managers, the focus of the new MOVE concept has been expanded to Group-wide continuous personnel development. In 2020, MOVE was rolled out in a scaled-back form as part of pilot events. Due to COVID-19, many pilot events had to be postponed or even cancelled completely. Wherever possible, the seminars were held “remotely” (i.e. virtually).

### E-learning and events

Group-wide e-learning modules were rolled out in 2020 too, allowing all employees with a business e-mail account to access training on “Information security” and “Antitrust law”. Advanced modules on the topic of “Information security” are already planned for 2021.

New employees were again invited to an induction day (MOVE 1) in 2020 to give them a stronger sense of the culture, development and strategies of the Galenica Group and its companies. Given the special situation, these events could only be held in the summer on a reduced scale. 88 employees took part in the induction days in the year under review.

Number  
of employees

7,205

5,308

Women  
(74 %)

1,897

Men  
(26 %)

Number of employees



● Galenica Ltd.	40
● Retail	5,199
● Products & Brands	183
● Services	1,783

## Investing in employees

The development of its employees is a top priority for Galenica, with special emphasis placed on structured training and development. CHF 3.3 million was invested in further training in 2020 (previous year: CHF 4.0 million).

### Training in pharmacies

In addition to the offerings at Group level, the Retail Business sector in particular offers pharmacy employees specific further training modules, such as the CAS course “Management for Pharmacists” in cooperation with the University of Basel. 20 employees took part in the CAS course in 2020. The CAS course was revised in the year under review with respect to more practical application.

The Retail Business sector also covers the costs of the further training as “Specialist Pharmacist in Retail Pharmacy” (FPH in Retail Pharmacy) for its pharmacists. Due to the revision of the Federal Act on Medical Professions (MedBG), certified pharmacists have to complete this federal training course if they want to manage a pharmacy. Galenicare is committed to ensuring that as many pharmacists as possible from all formats complete this training. At the end of 2020, 130 employees were in the programme, which they will complete in 2021.

In light of the revision of MedBG, Galenicare has also developed the FPH certificate of competence in patient history in primary care as further training together with an external provider. This further training strengthens the skills of pharmacists in the area of primary care and qualifies them to diagnose minor ailments and dispense an appropriate prescription drug. In the year under review, 160 pharmacists had already obtained this certificate and 188 were completing training. However, their graduation will be delayed slightly since it was not possible to hold the required training courses due to the lockdown in spring 2020 and the restrictions in the second half of the year.

As of the end of 2020, 466 employees were in possession of the FPH certificate of competence in vaccinations, with another 83 in training.

In addition, the Retail Business sector offered a range of other educational programmes and training courses for its employees, including initial training attended by 50 people to prepare for the impending introduction of LOA V (service-based remuneration for pharmacists).

To strengthen the pharmacy offering in basic medical care, the focus was additionally placed on broad-based training on algorithms and software applications in primary care. The e-learning modules provided for this purpose were completed by 4,500 employees.

As of the end of 2020, an additional 200 pharmacists were receiving training for the rapid antigen tests in pharmacies approved by the government.

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THE DEVELOPMENT OF  
ITS EMPLOYEES IS A TOP  
PRIORITY FOR GALENICA.

### Developing talented individuals

The two-year Talent Mentoring Programme continues to be 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 managers are made available to help develop the next generation of talented individuals, with each mentee being assigned a personal mentor, who supports them on their personal development journey.

### Attracting employees

All Business sectors again relied increasingly on social media, particularly on Xing and LinkedIn, to recruit new employees. Recruitment for pharmacies continues to encompass neighbouring countries; however, this has become more complex due to the revised Federal Act on Medical Professions (MedBG) and the requirement for pharmacists to have an FPH in Retail Pharmacy. Galenicare further strengthened its presence in Swiss universities to establish direct contact with pharmacy students and make them enthusiastic about a career as a pharmacist. The aim is to reach students while they are still studying and to encourage them to pursue a career up to manager of a Galenica Group pharmacy.

The recruitment of specialist staff continues to be a challenge in all Business sectors, which is why the Galenica Group is continually modernising its recruitment activities.

### Training apprentices

Galenica is putting a lot of effort into training future specialists: in 2020, the Group companies trained 808 apprentices – 723 young women and 85 young men. Of these, 274 completed their apprenticeships, many with flying colours. Having qualified, 113 apprentices have since become Group employees. In 2020, due to the closure of vocational schools owing to COVID-19, only the practical component of the final apprenticeship exams went ahead.

### Various communication platforms

Personal and direct exchanges between all employees from all language regions of Switzerland and a total of 81 nations are at the heart of Galenica's communication efforts. The various information events and management meetings within the Business sectors and companies are a good way of ensuring this. Information is provided on current topics in all areas of the company at events and, from the start of 2021, via the newly introduced G-Net (see page 44).

Additionally, a printed version of the employee magazine Spot is sent out twice a year to the homes of all current and retired employees, opening up the Galenica world to their partners and family members.

### Headcount trends

	Number of employees		of which part-time employees <90 %		Full-time equivalents	
	2020	2019	2020	2019	2020	2019
Galenica Ltd.	40	39	13	10	36	34
Retail	5,199	5,134	2,529	2,433	3,865	3,855
Products & Brands	183	140	66	56	160	120
Services	1,783	1,758	431	398	1,477	1,440
<b>Total</b>	<b>7,205</b>	<b>7,071</b>	<b>3,039</b>	<b>2,897</b>	<b>5,538</b>	<b>5,449</b>
Total employees in %			42.2 %	41.0 %		

**652**  
Managerial employees

**52 %**  
Women

**48 %**  
Men

### Number of managerial employees

	Total number of managerial employees		of which women		of which men	
	2020	2019	2020	2019	2020	2019
Galenica Ltd.	21	25	6	11	15	14
Retail	399	394	243	238	156	156
Products & Brands	53	52	27	27	26	25
Services	179	170	61	59	118	111
<b>Total</b>	<b>652</b>	<b>641</b>	<b>337</b>	<b>335</b>	<b>315</b>	<b>306</b>
Total employees in %	9.0 %	9.1 %	4.7 %	4.7 %	4.4 %	4.3 %



### Greater efficiency by digitising HR processes

Following the harmonisation of the various HR regulations as of 1 January 2020, the next transformation in the human resources area kicked off. With a view to better exploiting Group-wide synergies and improving the efficiency anchored in the business strategy, HR processes are now also being digitised and harmonised throughout the Group wherever possible.

Since 2020, the Retail Business sector already digitised its expenses process, allowing employees to scan their receipts directly using an app and have them approved electronically by their line manager. The expenses are automatically reimbursed with the next month's salary. This digitised process makes collecting paper receipts and filling out physical forms a thing of the past. Medical certificates can also now be submitted electronically. They are saved on a shared database, meaning they no longer have to be filed manually.

Since 2019, all companies in the Galenica Group have also had a digital application management system at their disposal, which enables the entire application process to be handled paperlessly. This not only saves time and resources, but also makes things much more streamlined, transparent and – above all – simpler.

Since 2020, process innovation and the digitisation of the annual HR processes have been on the agenda. Going forward, target agreements with employees and annual review meetings and performance appraisals will no longer be documented and signed physically, but digitally.

Another project in the digitisation pipeline is the electronic personnel file, or “e-Dossier”.

### Digital communication platform for all employees

In addition to enhancing efficiency, digitisation opens the door to new possibilities of communication and interaction among employees of the Galenica Group. One of the greatest challenges has been to create a network between employees of the various companies – both at office workstations and in the pharmacies, distribution or warehouses – in order to foster a communal dialogue, provide information and improve knowledge sharing. A digital solution for this was designed in the form of the new digital communication platform G-Net, which went online at the start of 2021. From now on, all employees of the Galenica Group can access the new Galenica intranet using a desktop computer, laptop or directly on a mobile device such as a smartphone. This also includes all employees working in a pharmacy or warehouse. G-Net provides them with information on what's going on with the business and the opportunity to interact with other colleagues in forums and share their specialist knowledge. Office and non-office workers are networked with one another. In addition, the central functions can in future reach all employees quickly and simply via a digital channel.



## Employee motivation

### The “Comité de Réflexion”

Galenica encourages the exchange of views between employees in all Galenica Group companies and corporate management in an internal think tank, the “Comité de Réflexion”. The more than 20 employees from all country and language regions help to firmly anchor and further shape the corporate culture. The committee meets on a regular basis to discuss current issues. In 2020, one virtual meeting was held, owing to coronavirus.

### Annual motto for 2020/2021: Trust, change, connect!

The annual motto for 2020 and 2021 is “Trust, change, connect!”. The three invitations it contains are a perfect fit with the challenging, changing environment of the Galenica Group. The slogan expands on the key value “We build trust” and encourages employees to shape the future with trust and deal positively with and actively support changes in their day-to-day working life. However, the main activities surrounding the annual motto were postponed until 2021 due to coronavirus.

### “Opinio” employee survey

As of 2020, the “Opinio” employee survey will no longer be conducted just once every three years but annually and with a reduced set of questions. Going forward the survey will also only be conducted digitally. The online survey focuses on employee motivation and satisfaction. Increasing the frequency to once a year means that it will be possible to assess the general satisfaction and motivation of employees at more frequent intervals and thus to respond more quickly and in a more targeted manner to any needs identified.

A total of 4,379 employees took part in the survey. This corresponds to a response rate of 63 %, virtually unchanged from the previous survey in 2017. Employee motivation is good, with a group-wide score of 72 out of a possible 100 points. Particular high scores were given to satisfaction with work (76 out of 100 points), confidence in line management (78 out of 100 points) and interest in the company’s future (80 out of 100 points).

Critical scores were given to areas such as execution, engagement and appreciation. The Executive Committee is discussing these less positively rated areas in depth, and will take measures to further boost employee satisfaction and motivation for the group as a whole.

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THE ANNUAL MOTTO FITS PERFECTLY WITH THE CHALLENGING, CHANGING ENVIRONMENT.

Headcount development 2016–2020



## Work-life balance

Employees today require flexible working hour arrangements, and the Galenica Group offers many opportunities to facilitate this. The Home Office Regulation introduced at the beginning of 2020 was already made much more flexible in spring and autumn 2020 through application wherever possible in response to the recommendation by the Federal Council. The Home Office Regulation will be reviewed in 2021 on the basis of prevailing employee needs. Employees also appreciate the opportunity to work part time (42% of employees work part time; see page 43).

## Health and safety

### Health

The health of employees has always been extremely important to Galenica. In the year under review, however, the safety of employees took on a whole new meaning. The specifications laid down by the Federal Office of Public Health (FOPH) to protect employees were implemented within a very short amount of time and subsequently adapted on an ongoing basis, particularly in pharmacies and logistics. The protective measures taken were regularly reviewed by the State Secretariat for Economic Affairs (SECO), the Swiss National Accident Insurance Fund (SUVA) and the responsible cantonal authorities and deemed to be good. To protect employees in administrative roles, the Home Office Regulation was made more flexible and implemented wherever possible.

Regular information events and training courses were once again held as often as possible in 2020, for example with Suva. The Galenica Group now offers all employees a flu shot. Another new development is the collaboration between the Galenica Group and the organisation Carelink, which offers emergency psychological support in crisis situations, for example following a robbery at a pharmacy.

### Illnesses

Employees were once again able to take advantage of Galenica Case Management in 2020. Support is provided to employees on sick leave, as well as those at risk of having to take sick leave. Following illness or an accident, the aim is to facilitate a rapid return to work. The number of illnesses increased compared to the previous year to 490.

### Accidents

Based on data from Suva and private insurers, Galenica's accident statistics show a decrease in occupational accidents. In 2020, 172 accidents were reported.

Preventive case management with Helsana and collaboration with Movis and Pro-fawo were continued throughout the 2020 financial year to improve safety at work. A regular analysis of absence rates in the Retail and Services Business sectors was also carried out, and measures were drawn up based on the findings.

”

THE SPECIFICATIONS  
LAID DOWN BY THE  
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OF TIME AND SUBSE-  
QUENTLY ADAPTED ON  
AN ONGOING BASIS.

## Employee profit-sharing programme

All employees were once again paid a profit-sharing bonus in 2020. 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 Galenica shares at a preferential price, regardless of their employment level. In 2020, 18.5% of employees participated in this programme (previous year: 18.7%). These shares are blocked for three years after the date of purchase.

The profit-sharing bonus forms part of the annual bonus for members of Senior Management (MDI) and members of Management (MKA). This is dependent on attaining quantitative and qualitative targets. The share-based remuneration programme LTI (see page 74 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.

## Employee benefit plans

At the end of 2019, the final steps were taken towards the division of the Galenica Pension Fund. The new Galenica Pension Fund has been up and running since 1 January 2020. Due to increasing life expectancy and declining interest income, the conversion and contribution rates will be updated with effect from 1 January 2022.

### Galenica Pension Fund

The Galenica Pension Fund covers the risks and economic consequences of old age, disability and death according to the specifications of the Swiss Federal Law on Occupational Retirement, Survivors' and Disability Pension Plans (BVG). Like the previous foundations, it is legally, organisationally and financially independent of Galenica.

### Defined contribution principle

The pension fund is managed according to the defined contribution principle and is generally funded by contributions from the employee and the employer. The contributions made by employee and employer 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 fund 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 schemes 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.

## 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**.

## Reporting in the Consolidated financial statements, defined benefit 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). The pension scheme is classified here as a defined benefit plan. In addition to recording short-term benefits to employees, benefit obligations for this pension plan following the end of employment are also calculated by actuaries. These actuarial calculations generally result in a lower coverage ratio (ratio of pension fund assets to liabilities). However, these results have no impact on the benefits the pension fund pays. Further information on reporting and the current coverage ratio can be found in the notes to the Consolidated financial statements (see page 126).

## Works committee

Representatives of the Galenica Corporate Executive Committee and HR management from all Business sectors met for one virtual meeting with the works committee, which represents all employees of the Galenica Group and which gathers all the staff committee presidents, to discuss issues that went beyond matters addressed by staff committees in the individual Business sectors.

The staff committees generally meet several times per year and are also informed about the topics and resolutions of the works committee meetings.

## 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 committed to supporting various social projects and charitable organisations.

**I care for you.** Since 2018, the Galenica Group has been the main partner of the “I care for you” crowdfunding platform. Galenica can thus contribute, through a focused commitment, to ensuring that numerous different projects have a facility through which to raise funds. The Swiss-based foundation was founded in 2015 and is the first Swiss crowdfunding platform for purely social and humanitarian projects. The platform enables non-profit organisations and individuals to raise funds online for a specific project in a simple, inexpensive way. Donors can see exactly how their donations are used. Each project is checked carefully by the foundation in advance for reliability and integrity. The project initiators receive professional advice and support during implementation. In addition, the foundation requires evidence that successful projects have actually been implemented.

The Galenica Group used its Christmas and New Year card for 2020 to support the foundation “Pestalozzi Children’s Foundation”. CHF 1.00 per card was donated to the foundation.

In addition to this commitment, Galenica selectively supports other projects in the healthcare sector. Furthermore, Galenica Group companies support a number of social projects. A few examples are listed below:

**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 produced and maintained by Alloga employees – since 2012, this task has been performed by the Gewa foundation.

**2 × Christmas.** In December 2020, Galenicare employees took part in the “2 × Christmas” campaign of the Swiss Red Cross. They filled boxes with non-perishable foods and toiletries, which were then sorted and distributed to people in need and social institutions in Switzerland.

**Computers for a good cause.** Galexis and HCI Solutions provide IT equipment they no longer need to a good cause. Galexis has been donating its old computers to Bern-based aid organisation Bär und Leu since 2013. The association collects aid supplies for various humanitarian projects and distributes the computers to schools and a family centre in Ukraine. The computers that HCI Solutions no longer needs are used for development projects in Africa via the “Quorum” association – for example, in schools in Cameroon.

**Winds of Hope.** Aid organisation “Winds of Hope” set up by Dr. Bertrand Piccard supports children with noma, a severe bacterial infection that degrades the bones of the face and primarily affects infants. Throughout the year, Sun Store sells wallets and donates the proceeds to the organisation. The foundation uses these donations to train health workers in developing countries affected by this disease.

**Casa Santa Elisabetta.** Unione Farmaceutica Distribuzione (UFD) sold cards for International Women’s Day on 8 March 2020 and donated the proceeds to “Casa Santa Elisabetta” in Lugano, an association that supports women and mothers experiencing difficulties.





# Corporate Governance



The Corporate Governance report outlines the structures, processes and regulations on which well-functioning corporate governance at Galenica is based. Galenica meets the requirements of Swiss law and those stated in the SIX Swiss Exchange Directive on Information relating to Corporate Governance (Directive Corporate Governance) and follows the recommendations of the

Swiss Code of Best Practice for Corporate Governance of Economiesuisse. The structure of this Corporate Governance report is based on the SIX Swiss Exchange Directive Corporate Governance. The remuneration and profit-sharing for top management are disclosed in a separate Remuneration report (starting on page 68).

## Group structure and shareholders

### Structure of the Group

Galenica Ltd. is headquartered at Untermattweg 8, 3027 Bern, Switzerland. It is a corporation under Swiss law and, as a holding company, owns all the companies in the Galenica Group directly or indirectly. Galenica Ltd. has been listed on the SIX Swiss Exchange since 7 April 2017 (ticker symbol: GALE). Shares in Group companies are not publicly traded.

The Group's structure and the consolidated subsidiaries and associates are shown in the Financial statements 2020 on page 141. The addresses of the main Group companies are listed on pages 90 and 91. The Articles of Association of Galenica Ltd., the Organisational Regulations as well as the charters of the committees of the Board of Directors can be accessed on the Galenica website (see related links on page 67).

### Shareholders

On 31 December 2020, Galenica had 15,813 shareholders, six of which, according to documents submitted to Galenica Ltd. and the SIX Swiss Exchange, were major shareholders holding 3% or more of the voting rights in Galenica Ltd.:

- UBS Fund Management (Switzerland) Ltd., Basel, Switzerland, with 2,671,158 shares
- BlackRock, Inc., New York, USA, with 1,408,808 shares
- Alecta Pensionsförsäkring, Ömsesidigt, Stockholm, Sweden, with 2,000,000 shares
- Credit Suisse Funds Ltd., Zurich, Switzerland, with 1,626,752 shares
- Rudolf Maag, Binningen, Switzerland, with 1,500,000 shares
- Norges Bank (Central Bank of Norway), Oslo, Norway with 1,515,199 shares

No other shareholder disclosed exceeding the 3% threshold of shares.

The transactions disclosed to the Stock Exchange Disclosure Office pursuant to Art. 120 of the Federal Act on Financial Market Infrastructures and Market Conduct in Securities and Derivatives Trading (FMIA) can be viewed on the Disclosure Office website of the SIX Swiss Exchange (see related links on page 67).

As of 31 December 2020, the pension fund of the Galenica Group was registered with 0.39%.

### Cross shareholdings

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

## Structure of the share capital

### Share capital

On 31 December 2020, the fully paid share capital of Galenica amounted to CHF 5,000,000, divided into 50,000,000 shares with a nominal value of CHF 0.10 each. Galenica shares (securities no. 36 067 446, ISIN CH036 067 446 6) are listed on the SIX Swiss Exchange. As of 31 December 2020, 49,498,560 shares were outstanding (not including treasury shares). The market capitalisation amounted to CHF 2,920.4 million.

### Authorised capital

According to Art. 3a of the Articles of Association, the Board of Directors is authorised to increase the share capital of CHF 5,000,000 by a maximum of CHF 500,000 at any time up to and including 2 May 2021 by issuing no more than 5,000,000 fully paid shares.

### Conditional capital

According to Art. 3b of the Articles of Association, the share capital may be increased by a maximum of CHF 500,000 by exercising conversion rights or option rights. As of 31 December 2020, Galenica had no conditional capital.

### Changes in the capital

Information about changes in the share capital, reserves and distributable profit can be found on page 152 of the Financial statements 2020.

### Participation and dividend certificates

Galenica has no participation or dividend certificates.

### Registration of shareholders

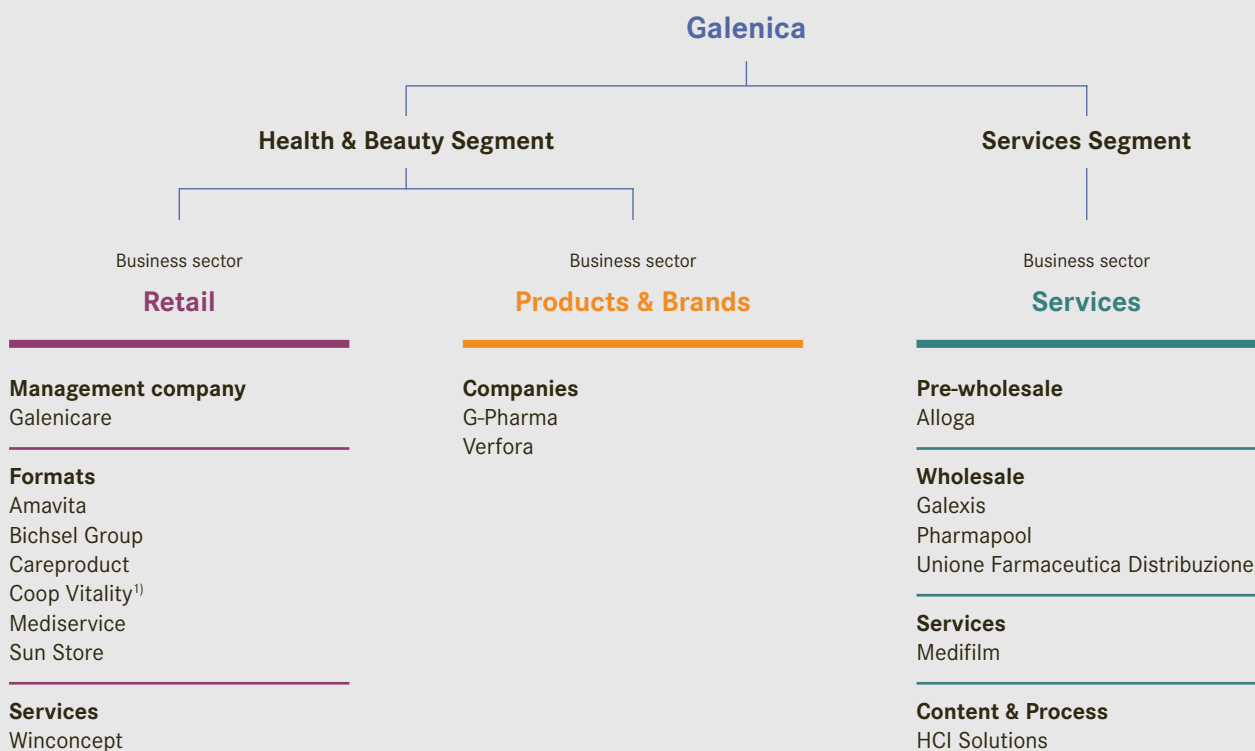
Buyers of shares are entered in the shareholders' register upon request as shareholders with voting rights if they declare explicitly that they have acquired the shares in their own name and for their own account.

### Registration and voting rights

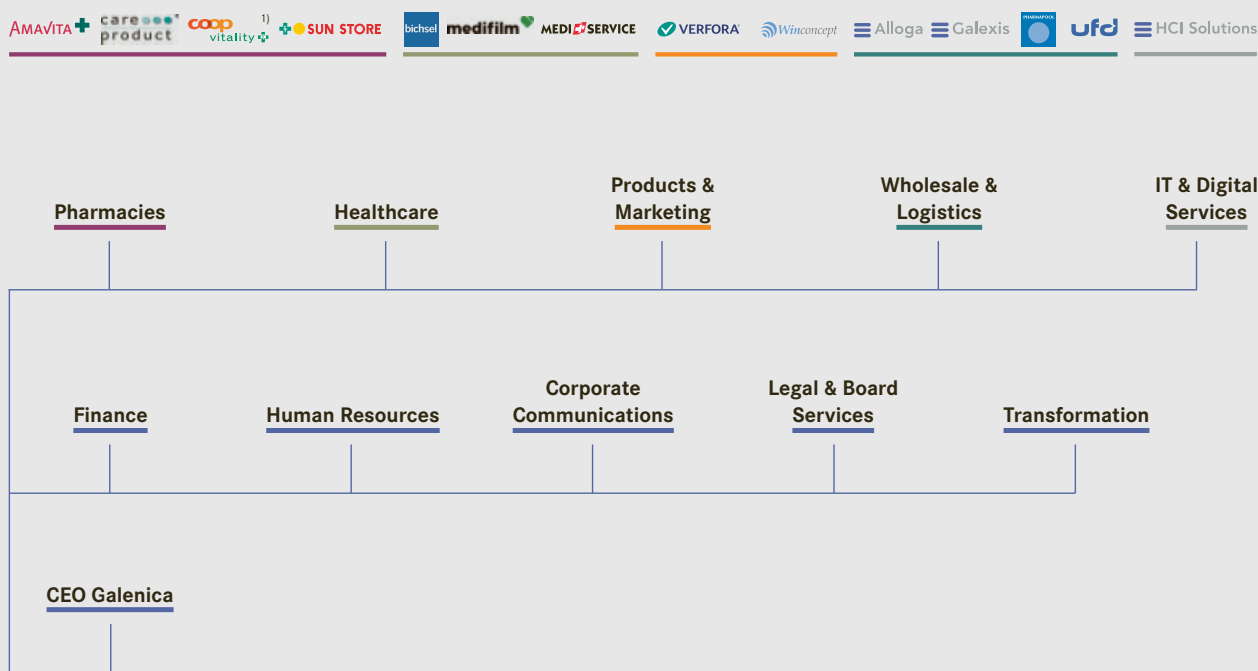
Each registered share entitles the holder to one vote at the Annual General Meeting. Pursuant to Art. 13 of the Articles of Association, voting rights at Galenica are restricted to 5% of the share capital.

Legal entities and partnerships, other groups of persons or joint owners who are interrelated through capital ownership, voting rights, common management or are otherwise linked, as well as individuals or legal entities or partnerships that act in concert to circumvent this provision, are treated as one single entity.

## Structure of the Galenica Group until 31.12.2020



## Structure of the Galenica Group as of 1.1.2021



<sup>1)</sup> Joint venture with Coop



The Board of Directors may refuse registration in the shareholders' register if purchasers do not declare explicitly, upon request, that they have acquired the shares in their own name and for their own account. The Board of Directors is also authorised to cancel any entries in the shareholders' register that came about on the basis of incorrect information or to change these into entries without voting rights, and vice versa.

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

### Registration of nominees

A nominee may be registered with voting rights up to a limit of 2% of the share capital entered in the commercial register. Shares in excess of this limit can only be registered if the nominee in question discloses the name, address and number of shares of the person for whose account the nominee holds 0.5% or more of the share capital entered in the commercial register. Galenica has signed an agreement of this nature with three nominees.

### Convertible bonds and options

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

## The Board of Directors

The Board of Directors of Galenica Ltd. is responsible for the overall management and ultimate supervision of the Group. It determines the strategic goals, the general ways and means to achieve them while harmonising strategy, risks and financial resources, and issues instructions and oversees the managers responsible for conducting the company's businesses. The Board of Directors pursues the aim of increasing enterprise value on a sustainable basis and ensures a balanced relationship between management and control (corporate governance). It decides on the Group's medium-term planning, budget and annual objectives. The values and essential framework of the company's activities are also determined by the Board of Directors. For the Board of Directors, sustainability is of central importance (on sustainability, see also the feature starting on page 34). With regard to personnel, it is responsible for the selection and deselection of the members of the committees, the CEO and the members of the Corporate Executive Committee as well as the organisation of the remuneration system.

The specific duties of the Board of Directors of Galenica Ltd. are based on the Code of Obligations (in particular Art. 716a CO), the company's Articles of Association and its Organisational Regulations (see related links on page 67). Pursuant to the Articles of Association, the Board of Directors consists of five to nine members. It consisted of seven members as of the end of 2020. Pascale Bruderer was elected to the Board of Directors at the Annual General Meeting 2020. Fritz Hirsbrunner did not stand for re-election as a member of the Board of Directors at the General Meeting on 19 May 2020.

Continued on page 57 ►

## Committees of the Board of Directors and their chairs and members 2020

	Name	Member since	Independent	Remuneration Committee	Audit and Risk Committee	Strategy Committee	Governance and Nomination Committee
Board of Directors	Daniela Bosshardt Chairwoman	2017	Yes			Member	Chairwoman
	Bertrand Jungo Vice-Chairman	2018	Yes		Member	Chairman	Member
	Pascale Bruderer	2020	Yes	Member			
	Michel Burnier	2017	Yes				Member
	Markus R. Neuhaus	2019	Yes	Member	Chairman	Member	Member
	Philippe Nussbaumer	2017	Yes			Member	
	Andreas Walde	2017	Yes	Chairman	Member		
Number of meetings 2020	8			3	7	7	7
Honorary Chairman	Etienne Jornod						
General Secretary	Markus Dill (until 31.7.2020)						
General Secretary	Barbara Wälchli (as of 1.8.2020)						

## Members of the Board of Directors



### **Daniela Bosshardt, Chairwoman of the Board of Directors, elected since 2017**

- Born 1972, Swiss citizen
- Pharmacist, Federal Diploma in Pharmacy, Federal Institute of Technology, Zurich (ETHZ)
- Financial analyst at Bank am Bellevue (1998–2002) and M2 Capital (2003–2004)
- Management consultant in the pharmaceutical, medical technology and biotechnology sectors since 2004
- Member of the Board of Directors of Reprisk Ltd.
- Former Board mandates at Vifor Pharma Ltd. (2008–2019), investiere.ch Verve Capital Partners Ltd. (2017–2019) and Nobel Biocare Ltd. (2010–2014)



### **Bertrand Jungo, Vice-Chairman of the Board of Directors, elected since 2018**

- Born 1965, Swiss citizen
- Business administrator lic.rer.pol., University of Fribourg
- CEO of Swiss department store group Manor from 2006 to 2017
- CEO of Admeira Ltd. from 2017 to 2019; from 2020, member of the Board of Directors
- Member of the Advisory Board of Neoperl Ltd.
- Member of the Advisory Board of the International Retail Summit (IRS) of the Gottlieb Duttweiler Institute (GDI)



### **Pascale Bruderer, elected since 2020**

- Born 1977, Swiss citizen
- Masters in political science
- Member of the National Council from 2002 to 2011
- Member of the Council of States from 2011 to 2019
- Former member of the Social Security and Health Committee
- Former president of the umbrella organisation for disabled people, Inclusion Handicap
- Former managing director of Krebsliga Aargau
- Member of the Board of Directors of Bernexpo AG and TX Group
- Co-owner and member of the Executive Board of Crossiety AG



### **Prof. Hon. Dr. Michel Burnier, elected since 2017**

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



#### **Dr. Markus R. Neuhaus, elected since 2019**

- Born 1958, Swiss citizen
- Dr. iur., certified tax expert
- Various roles at PwC from 1985, including CEO of PwC Switzerland from 2003 to 2012, member of PwC's Global Board from 2005 to 2007, member of the PwC Network Executive Team from 2010 to 2013, member of PwC's Office of the Global Chairman from 2013 to 2016 and Chairman of PwC Switzerland from 2012 to 2019
- Various other functions, including Vice Chairman of the Zurich Chamber of Commerce, Vice Chairman of Avenir Suisse and Chairman of the Finance and Tax Commission of Economiesuisse
- Member of the Board of Directors of Barry Callebaut AG (Vice Chairman), Baloise Holding AG, Orior AG (Vice Chairman) and Jacobs Holding AG



#### **Dr. Philippe Nussbaumer, elected since 2017**

- Born 1969, Swiss citizen
- FPH pharmacist, federal diploma / PhD in pharmaceutical sciences, University of Geneva / dipl. oec. HEC, University of Lausanne
- Federal ski instructor diploma and federal expert J+S; since 2004, Vice-President of the Swiss Snowsports School of Neuchâtel / Les Bugnenets
- Owner and president of the Pharmacie Centrale and the Pharmacie de la Gare in La Chaux-de-Fonds
- Since 2007: Founder, owner and president of Ecopharma SA in La Chaux-de-Fonds
- Since 2012: Member of the Board of Directors of Veripharm Ltd.
- Since 2014: Founder and member of the Board of Directors of the Medi-Centre Ltd. medical centre in La Chaux-de-Fonds

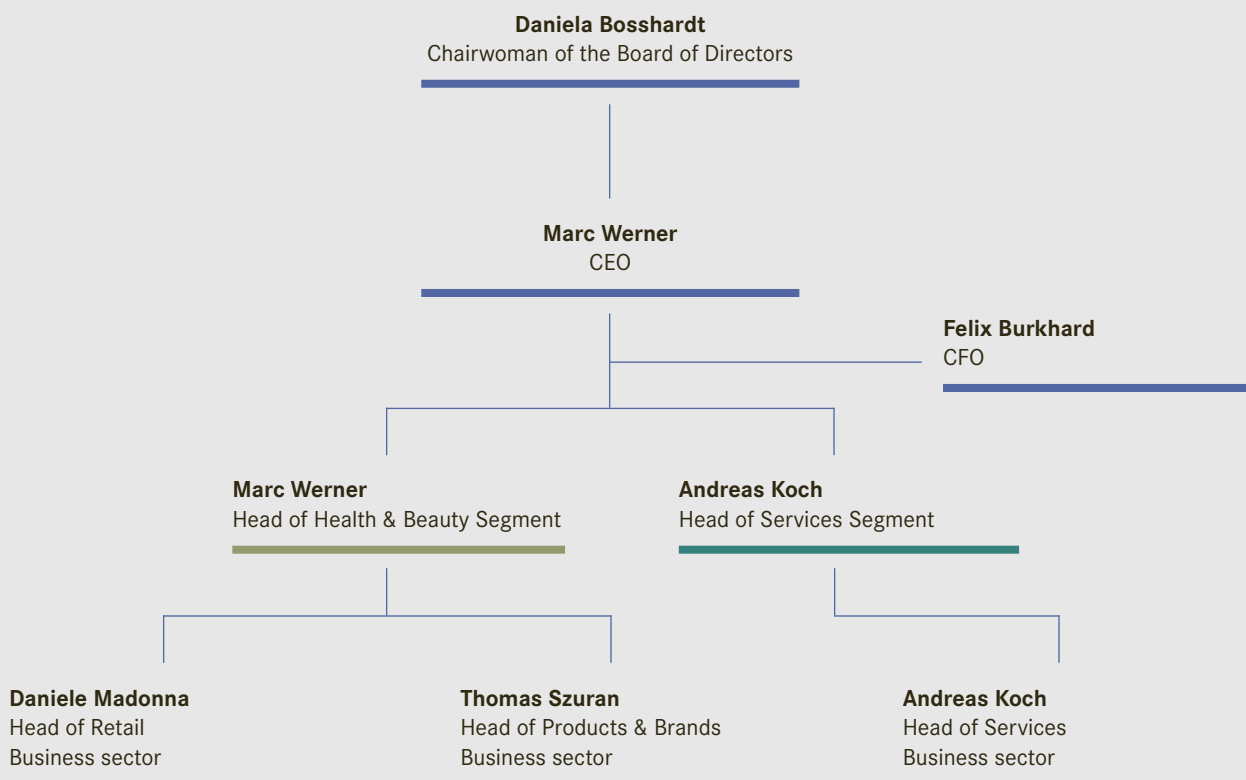


#### **Dr. Andreas Walde, elected since 2017**

- Born 1962, Swiss citizen
- Attorney-at-law and doctorate in law, University of Basel
- Various legal and management positions in the chemical and pharmaceutical industry for more than 30 years with specialisation in financial and corporate structures, M&A, risk management, compliance and corporate governance: 1988–1996 at Roche, 1998–2010 at Clariant and 2012–2013 at Petroplus, in the latter two among others as Group General Counsel; General Secretary of Vifor Pharma Ltd., former Galenica Group, since 2013
- Former member of the Board of Swiss-Holdings and member of the Board of Scienceindustries
- Former (Board) mandates for several private and (non-Swiss) listed companies as well as former member of the Board of the Society of Swiss Enterprises in Germany

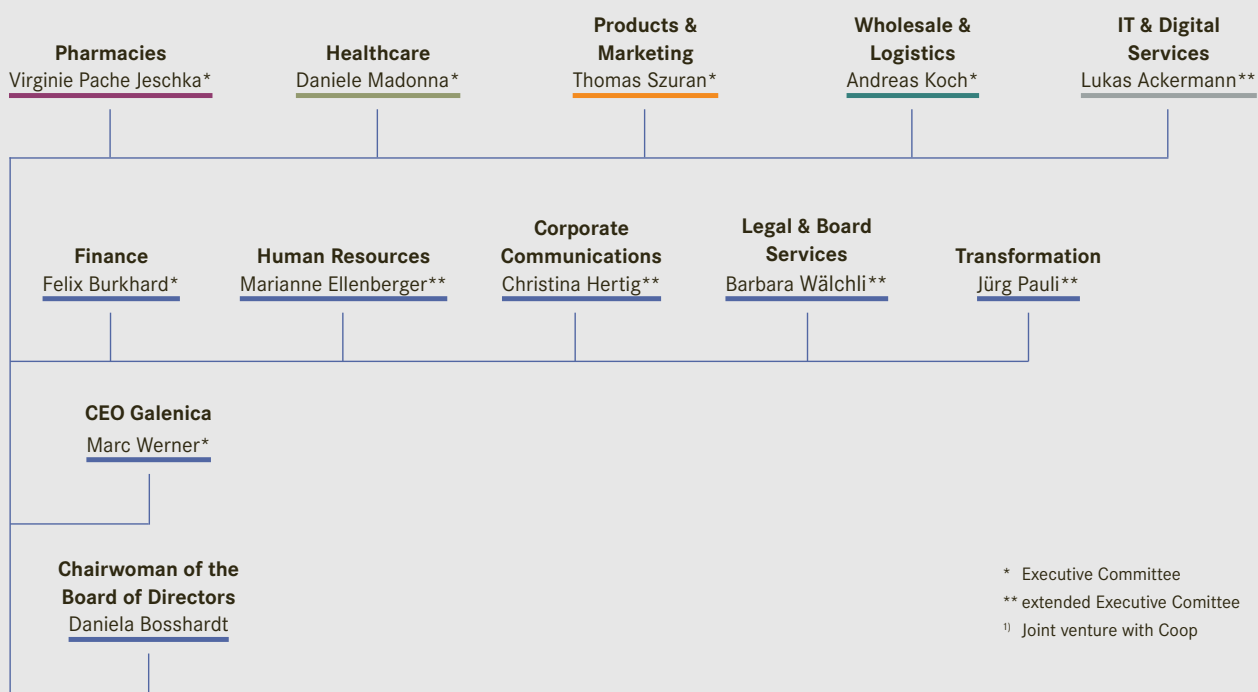
## Leadership organisation until 31.12.2020

Status: December 2020



## Leadership organisation as of 1.1.2021

AMAVITA+ care product coop vitality<sup>1)</sup> SUN STORE bichsel medifilm MEDISERVICE VERFORA Winconcept Alloga Galaxis ufd HCI Solutions



\* Executive Committee

\*\* extended Executive Committee

<sup>1)</sup> Joint venture with Coop



In selecting the members of the Board of Directors, care is taken to ensure that competency for each significant area of the Galenica Group's activities is represented and that the necessary specialised expertise is also available. The election of Pascale Bruderer strengthened expertise in health-care policy, home care and digitalisation. The Board of Directors will continue to focus actively on the issue of succession planning and its composition. Attention will be paid in particular to diversity and complementarity in this regard. New members of the Board of Directors are introduced to their responsibilities and gain an overview of the current challenges for the Group and Business sectors at a one-day event. In 2020, an assessment was carried out with external support (Thomas Hammer, Board Consulting). The Board of Directors is a well-constituted team of optimum size, with a range of experience, complementary expertise and a good combination of different personalities. The committees of the Board of Directors carried out a self-assessment in 2020.

The Articles of Association of Galenica Ltd. restrict the ability of its directors to act in the highest management and administrative bodies of other legal entities outside of the Group (Art. 17 (3) of the Articles of Association). This includes, in particular, limiting such outside activity to five mandates in listed legal entities and seven mandates in profit-oriented, non-listed legal entities. None of the members reached this limit in 2020.

None of the members of the Board of Directors was actively involved in Galenica or in any of the companies within the Group in the year under review. This has been the case for the previous three years, with the exception of Jörg Kneubühler, who announced his departure as Chairman of the Board of Directors at the General Meeting of shareholders on 2 May 2019. Based on the criteria of the Swiss Code of Best Practice for Corporate Governance, all members are therefore independent.

#### **Duties of the Chairwoman of the Board of Directors**

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

#### **Disclosure of potential conflicts of interest**

No member of the Galenica Board of Directors has any significant relations with Galenica or any of its subsidiaries. Philippe Nussbaumer is a pharmacist in the canton of Neuchâtel and is a customer of Galaxis and a Winconcept partner. The business relationships between the companies of the Galenica Group and Philippe Nussbaumer are on an arm's length basis.

#### **Election and term of office**

Each member of the Board of Directors, its Chairman, each member of the Remuneration Committee as well as the independent proxy are elected individually by the Annual General Meeting for a term of office of one year, i.e. from one Annual General Meeting to the end of the next. Members may be re-elected.

#### **Internal organisation**

The Chairwoman calls a meeting of the Board of Directors at least four times a year and prepares and leads the meetings. The individual agenda items are set by the Chairwoman. She decides on a case-by-case basis whether to involve additional persons in the consultations of the Board of Directors. The Corporate Executive Committee also participates in part of every meeting to report on ongoing business and to explain in more detail the documentation in light of the decisions to be taken. Any member of the Board may request that the Chairwoman call a meeting of the Board of Directors and that items be included on the agenda. The members of the Board receive the documentation they need to prepare for the agenda items in a timely manner, normally ten days before the meeting in question. The Board of Directors constitutes a quorum when the majority of its members are present. Minutes are kept, recording all discussions and resolutions.

In 2020, the Board of Directors held eight meetings. The Board of Directors is also informed on a regular basis about the current state and general development of the Business sectors.

As part of its risk management, the Board of Directors receives from the Corporate Executive Committee an overview of the most important risks, along with preventive measures to be implemented Group-wide as part of the risk management process. This is provided when circumstances require it, but at least twice a year. Further information on this topic can be found on page 65.

## Committees

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

- Governance and Nomination Committee
- Remuneration Committee
- Audit and Risk Committee
- Strategy Committee

The committees prepare the business of the Board of Directors in the areas of activity assigned to them and submit recommendations to the entire Board of Directors. They meet as often as business requires and report to the Board of Directors on activities and results. They draw up their own agendas and keep minutes.

Each committee has its own duties and responsibilities, which are stipulated in a charter. The charters of the committees are published on the Galenica website (see related links on page 67).

## Governance and Nomination Committee

The Governance and Nomination Committee comprises four members. This committee supports the Chairwoman and the Board of Directors in the ultimate management and monitoring of the company (corporate governance). It also evaluates the appointment of and changes to members of the Board of Directors and its committees, the CEO and members of the Corporate Executive Committee, and makes appropriate suggestions to the Board of Directors.

In 2020, the Governance and Nomination Committee held seven meetings. The members were Daniela Bosshardt (Chairwoman), Bertrand Jungo, Fritz Hirsbrunner (until 19 May 2020), Michel Burnier (since 19 May 2020) and Markus R. Neuhaus.

## Remuneration Committee

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

- Proposes a remuneration strategy and objectives for the Group and the members of the Corporate Executive Committee to the Board of Directors;
- Proposes to the Board of Directors the salaries and remuneration for the members of the Board of Directors, the Chairwoman, the CEO and the Corporate Executive Committee as a whole;
- Approves the remuneration for the members of the Corporate Executive Committee (excluding the CEO) according to the proposal of the CEO and in agreement with the Chairwoman of the Board of Directors.

### Members of the Corporate Executive Committee until 31.12.2020

Name	Member since	Role
Marc Werner	2020	CEO
Felix Burkhard	2017	CFO
Andreas Koch	2020	Head of Services Business sector
Daniele Madonna	2017	Head of Retail Business sector
Thomas Szuran	2019	Head of Products & Brands Business sector

### Members of the Corporate Executive Committee as of 1.1.2021

Name	Member since	Role
Marc Werner	2020	CEO
Felix Burkhard	2017	CFO
Andreas Koch	2020	Head of Wholesale & Logistics
Daniele Madonna	2017	Chief Healthcare Officer
Virginie Pache Jeschka	2021	Chief Pharmacies Officer
Thomas Szuran	2019	Chief Products & Marketing Officer

For the regulations in the Articles of Association governing remuneration, see page 63 and the Remuneration report from page 68. The activities and focuses of the Remuneration Committee in the year under review are detailed in the Remuneration report (see page 70).

### **Audit and Risk Committee**

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

- Audits reports by the Corporate Executive Committee using the company's compliance and risk management process;
- Monitors measures taken by the Corporate Executive Committee for compliance with internal and external regulations;
- Evaluates the effectiveness of the external auditor and approves its fees;
- Evaluates the internal audit programme, accepts reports from Internal Audit and checks whether the Corporate Executive Committee has used appropriate measures to implement Internal Audit's recommendations;
- Submits recommendations to the Board of Directors on the Group's capital structure, financing of investments and acquisitions, and setting of long-term objectives.

### **Strategy Committee**

The Strategy Committee comprises four members and carries out the following duties:

- Monitors, for the attention of the Board of Directors, implementation of the strategy decided on by the Board of Directors;
- Supports the Board of Directors and Corporate Executive Committee in reviewing and further developing the strategy;
- Assesses proposals from the Corporate Executive Committee on strategic issues and gives recommendations to the Board of Directors.

### **Frequency of meetings of the Board of Directors and its committees in 2020**

In 2020, the Board of Directors held eight meetings, together with members of the Corporate Executive Committee. The Remuneration Committee met three times, the Audit and Risk Committee seven times and the Strategy Committee seven times. The Governance and Nomination Committee met seven times. In principle, all the members participate in all the meetings of the Board of Directors. Attendance of meetings of the Board of Directors in 2020 was 97% and that of committee meetings was 98%.

Continued on page 62 ►

# Members of the Executive Committee as of 1 January 2021



## **Marc Werner, CEO**

- Born 1967, Swiss citizen
- Federal certified marketing director
- Various management training courses at the International Institute for Management Development (IMD) in Lausanne, London Business School and Harvard Business School
- 1990 to 1995: Head of Sales at Sinomec Ltd. (Zellweger Uster Ltd.)
- 1995 to 1996: Head of Product Management Photofinishing, Federation of Migros Co-operatives
- 1997 to 2000: Head of Marketing and Sales at Minolta (Switzerland) Ltd.
- 2000 to 2004: Head of Marketing & Sales at Bluewin Ltd.
- Joined the Swisscom Group in 2005 as Head of Marketing & Sales at Swisscom Ltd., Head of Service from 2012 to 2013, member of the Group Executive Board from 2013, Head of Private Customers until 2015 and Head of Sales & Services from 2016 to 2019
- Since 2020: CEO and member of the Corporate Executive Committee of the Galenica Group



## **Felix Burkhard, CFO**

- Born 1966, Swiss citizen
- Lic. oec., HSG University of St. Gallen (HSG), and Swiss certified accountant
- 1991–1995: Financial auditor at Revisuisse PriceWaterhouse (Bern) and Head of Finance and Controlling at Amidro Ltd. (Biel/Bienne)
- Joined the former Galenica Group in 1996 as Corporate Controller; Deputy Head of Retail Business sector from 2000; in addition, Head of the Amavita pharmacy chain from 2008; Head of Retail Business sector from 2010 to 2015; member of the Corporate Executive Committee of the Galenica Group since 2010; Head of Strategic Projects from 2015 to 2017
- CFO Galenica Group since 2017



## **Andreas Koch, Head of Wholesale & Logistics**

- Born 1971, German and Swiss citizen
- Education as logistics manager
- Studied business administration at the University of Mannheim and graduated with a degree in business administration
- Program for Executive Development (PED) at IMD Lausanne
- 2000–2009: Consulting and management functions in the field of supply chain management at various consulting firms
- 2009–2015: Head of Supply Chain Management at Galexis and from 2011 also at Alloga – member of both executive committees
- 2015–2019: Head of Alloga
- Since 2019: Head of Galexis
- Since 2020: Head of Services Business sector and member of the Corporate Executive Committee of the Galenica Group



#### **Daniele Madonna, Chief Healthcare Officer**

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



#### **Virginie Pache Jeschka, Chief Pharmacies Officer**

- Born 1979, Swiss citizen
- Masters in political sciences – University of Lausanne and three semesters in Mainz (Germany)
- 2003 to 2006: Junior Marketing Manager at Danone Schweiz AG (mineral water) in Fribourg
- 2006 to 2010: Category Manager and Head of Sales at L'Oréal – Apothekenkosmetik Schweiz AG in Neuenhof
- 2010 to 2018: Head of Caudalie Suisse and Caudalie D-A-CH GmbH (and Poland ad interim) in Düsseldorf
- Since 2018: Head of Coop Vitality
- Since 2021: Chief Pharmacies Officer and member of the Corporate Executive Committee of the Galenica Group



#### **Dr. Thomas Szuran, Chief Products & Marketing Officer**

- Born 1967, Swiss citizen
- Dr. sc. nat. from the Federal Institute of Technology (ETH Zurich)
- Various roles at Abbott Laboratories between 1997 and 2002, including Sales & Marketing Manager for the Eastern European & Mediterranean region
- Sales Director at Pfizer Switzerland (Zurich) from 2002 to 2005 and Country Manager at Pfizer in Israel from 2005 to 2007
- Joined Biomed Ltd. (Dübendorf) in 2008 as Marketing Director, and was CEO of Biomed Ltd. from 2011 to 2018
- Since 2012: Member of the Executive Board and, since 2013, President of the Association of the Swiss Self-Medication Industry (ASSGP)
- Since 2019: Head of Products & Brands Business sector and member of the Corporate Executive Committee of the Galenica Group



## Management

The Board of Directors has delegated the management of the company to the CEO in accordance with the Organisational Regulations. The CEO assumes operational management of the Galenica Group and heads the Corporate Executive Committee. The Board of Directors maintains regular contact with the CEO and the members of the Corporate Executive Committee and sometimes invites them or just the CEO to attend its meetings when relevant items are to be discussed. At each meeting, the members of the Corporate Executive Committee are invited to report on their respective Business sectors and to discuss important business matters with the Board.

### Duties of the CEO

The CEO is responsible for implementing the strategic and operational objectives approved by the Board of Directors, for preparing the budget and ensuring that it is met, and for the management of the Group. The CEO leads the Corporate Executive Committee and reports to the Chairwoman. Together with the Chairwoman, he prepares the information for the meetings of the Board of Directors. At these meetings, the CEO submits important strategic, HR-related and financial business cases to the Board for consultation and decision-making. The CEO also represents Galenica externally.

### Corporate Executive Committee

The instructions and resolutions of the Board of Directors are implemented for each of the Group's Business sectors by the Corporate Executive Committee under the leadership of the CEO. The Board sets appropriate objectives for the CEO and those members of the Corporate Executive Committee allocated to the relevant Business sector and approves the budget. Compliance with these targets is monitored based on monthly reports to the Board, which include key figures and reporting on important events and developments, and on the planning cycle. In the first quarter, the results for the previous year are compared with the planning for that year. In the first quarter of the current financial year, the annual financial statements for the previous year are prepared, and in the second quarter, an initial forecast "Last Estimate 1" for the current financial year is drawn up. The third quarter sees the preparation of the half-year financial statements, and the fourth quarter a second forecast "Last Estimate 2" together with the budget for the following year and medium-term planning for the next two years.

The Articles of Association of Galenica Ltd. restrict the ability of the members of the Corporate Executive Committee to act in the highest management and administrative bodies of other companies, limiting such outside activity to one mandate in listed companies and three mandates in total, subject to prior approval by the Board of Directors (Art. 20 (3) of the Articles of Association). None of the members of the Corporate Executive Committee reached this limit in 2020.

Further information on the other duties of the Board of Directors, Chairwoman and Corporate Executive Committee can be found in the Organisational Regulations published on the Galenica website (see related links on page 67).

### Information and monitoring tools

The Board of Directors monitors the Corporate Executive Committee and supervises its working practices. The Galenica Group has a comprehensive electronic information management system. The Board of Directors receives a written report on a quarterly basis and is informed on a monthly basis about the Group's financial and operating performance. In addition, operating performance, opportunities and risks are discussed in depth at meetings attended by members of the Corporate Executive Committee.

### Management contracts

No management contracts exist as specified under point 4.4 of the Annex to the SIX Swiss Exchange Directive Corporate Governance.

## Remuneration

The regulations in the Articles of Association governing remuneration (incl. profit-sharing, loans, credits and pension benefits) of members of the Board of Directors and the Corporate Executive Committee as well as those governing votes by the Annual General Meeting on remuneration can be found in the Remuneration report from page 68.

## Shareholders' rights to participate

The Annual General Meeting is held each year within six months of the close of the financial year. Extraordinary General Meetings are called as often as necessary by a decision of the Annual General Meeting or Board of Directors, at the request of the auditors or at the written request of shareholders representing on aggregate not less than 7% of the share capital entered in the commercial register.

Each share recorded as a share with voting rights in the shareholders' register entitles the holder to one vote at the Annual General Meeting. Shareholders are also entitled to dividends and have other rights pursuant to the Code of Obligations.

Results of the ballots taken at the Annual General Meetings are made available on the Galenica website after each meeting (see related links on page 67).

### Voting restrictions and proxy voting

A registered shareholder may be represented at the Annual General Meeting on the basis of a written power of attorney by another representative or the independent proxy to whom instructions may be given in writing or electronically. There are no rules that deviate from legal provisions relating to attendance of the Annual General Meeting.

A shareholder or a beneficiary with voting rights may register for shares which, when added to shares already registered as voting shares in the purchaser's name, do not exceed 5% of all voting shares. See pages 51 and 53 for further details.

## Procedure and conditions for lifting restrictions on voting rights

For restrictions on voting rights to be lifted, shareholders who together represent not less than 5% of the share capital entered in the commercial register must request in writing that such an item be included on the agenda no later than 40 days before the Annual General Meeting. The Annual General Meeting must indicate its approval based on at least two-thirds of the votes represented and the absolute majority of the nominal capital represented.

### Quorums under the Articles of Association

In addition to the cases cited in Art. 704 of the Code of Obligations, approval by at least two-thirds of the votes represented and the absolute majority of the nominal capital represented is required in the following cases:

- A change in the provisions relating to restrictions on the transfer of registered shares (Art. 15c of the Articles of Association);
- Conversion of registered shares into bearer shares and vice versa (Art. 15d of the Articles of Association).

### Convening of the Annual General Meeting

The Articles of Association do not differ from legal regulations with regard to the convening of the Annual General Meeting and the setting of the agenda. The Annual General Meeting is convened by the Board of Directors no later than 20 days before the date of the meeting. The shareholders are invited to attend by a notice placed in official publications. The meeting may also be convened electronically or by sending a letter to all shareholders at the addresses entered in the shareholders' register. The notice of a meeting shall state the items on the agenda, the proposals of the Board of Directors and the requests of any shareholders who have called for a General Meeting to be convened or for a particular item to be included on the agenda.

### Inclusion of items on the agenda

Shareholders who together represent not less than 5% of the share capital entered in the commercial register may request that an item be included on the agenda. They must submit such requests in writing no later than 20 days before the scheduled date of the meeting. Agenda items relating to financial year 2020 that are to be dealt with at the Annual General Meeting on 12 May 2021 must be submitted no later than 2 April 2021, and those for the Annual General Meeting on 11 May 2022 no later than 1 April 2022. The items to be included on the agenda must be specified along with the motion on which the shareholder requests a vote.

## Shareholders' register

There are no regulations in the Articles of Association regarding a deadline for entry in the shareholders' register. However, for practical reasons the shareholders' register remains closed to entries for several days prior to an Annual General Meeting. This will be the case from Wednesday 5 May 2021 for financial year 2020 and from Wednesday 4 May 2022 for financial year 2021. Shareholders entered in the shareholders' register by Tuesday 4 May 2021 and Tuesday 3 May 2022 respectively may exercise their voting rights at the corresponding Annual General Meeting.

Instructions to the independent proxy holder may be given in writing and also electronically through a platform named Nimbus Shapp® which is used by Galenica. The invitation to the Annual General Meeting, which will be sent to all shareholders on or around 13 April 2021, includes the required login information to create a personal user profile. The instructions must be received by the independent proxy holder by the evening of the penultimate day before the Annual General Meeting, i.e. by Monday 10 May 2021 for the 2021 Annual General Meeting and by Monday 9 May 2022 for the 2022 Annual General Meeting.

## Change of control and protective measures

The obligation to make a public offer pursuant to Art. 125 et seq. FinMIA has not been changed in the Articles of Association. The employment contracts of the members of the Corporate Executive Committee and the members of senior management also contain no provisions to this effect.

## Auditors

Ernst & Young Ltd., Bern, Switzerland, have been the Galenica Group's auditors since 2017. Roland Ruprecht, certified accountant, a partner at Ernst & Young, has been in charge of the audit since 2017. The fees paid to the Group's auditors Ernst & Young in 2020 for their audit of Galenica and companies within the Galenica Group totalled CHF 799,000.

The fees paid to Ernst & Young and their close collaborators for other services rendered to Galenica and its subsidiaries in the period under review amounted to CHF 63,000 for additional advice in audit matters.

In 2020, Roland Ruprecht attended two meetings of the Audit and Risk Committee. Moreover, the auditors presented their report at the meeting of the Board of Directors on 4 March 2021.

The auditors are regularly informed of new projects. The auditors' activities are reviewed at least once a year by the Audit and Risk Committee. The criteria that are of particular importance in these reviews are: competence in reporting, understanding of the structure of the Group, quality of reporting, compliance with deadlines, independence and costs.

## Compliance and Code of Conduct

A commitment to abiding by the law and guidelines (compliance) and acting with integrity is a fundamental part of the corporate culture of the Galenica Group and a consistent focus of its corporate governance. Galenica attaches considerable value to doing business in a manner that is ethically correct and in accordance with the legal requirements in place. Galenica's compliance efforts are based on three pillars: prevention, detection and reaction. Various compliance training sessions were again held in 2020, including Group-wide competition law training. Galenica enforces a zero-tolerance approach to corruption and bribery on the part of employees, partners, suppliers and representatives of third parties. The Board of Directors determined the current status of the various compliance measures at a meeting in the year under review. The Code of Conduct of the Galenica Group is particularly important to the Board of Directors. It contains all key principles in connection with corruption, bribery, gifts and invitations for all employees. Galenica also requests that its suppliers support its efforts in pursuit of sustainable development and has issued a Supplier Code of Conduct to this end. The Galenica Group Code of Conduct and the Supplier Code of Conduct are published on the Galenica website (see related links on page 67).

The Galenica Group operates in Switzerland. Accordingly, the OECD's action plan regarding taxes on multinational companies (BEPS action plan) is not applicable to Galenica.

## Information and monitoring tools of the Board of Directors with respect to management

### Risk management process

Galenica has a risk management process in place which enables the Board of Directors, the Corporate Executive Committee as well as the relevant management of Group companies to identify and assess potential risks in a timely manner, and take the preventive measures necessary. The goal of this process is to identify and assess significant risks at all management levels and to manage them while making conscious use of the opportunities the process provides.

As part of Group-wide Galenica Risk Management (GRM), the companies in the Group conduct a risk assessment at least twice a year. This standardised process is based on a risk grid in which the most important strategic and operational risks and their possible effects – particularly from a financial and reputational perspective – are identified in line with pre-defined criteria and then evaluated in accordance with the probability of their occurrence and their effect. These risks are entered into a risk matrix for each Business sector and, depending on the importance, also incorporated into the Group risk matrix.

The Board of Directors of Galenica receives an overview of the most important risks from the Corporate Executive Committee when circumstances require it, but at least twice a year. The Board evaluates the overview, adding information as needed, and where required takes decisions on any preventive measures necessary, which will then be implemented Group-wide as part of the risk management process.

Galenica defines risk as the possibility that an event or an action will lead to immediate financial loss or other negative consequences.

Additional information about the management of financial risks can be found in the Notes to the Consolidated financial statements 2020 on pages 135 and 136.

### Internal control system

As part of its risk management system, Galenica operates an internal control system (ICS) to provide reliable internal and external financial reporting and to prevent false information and errors about business transactions. The ICS provides the necessary processes and controls to ensure that risks relating to the quality of the company's financial reporting can be detected and managed in a timely manner. A thorough review of the existence of the processes and controls of the Galenica ICS is carried out annually by the external auditors at the time of the interim audit. The results of these reviews are reported to the Audit and Risk Committee. Appropriate measures are taken by management to continually improve the company's processes with regard to the process areas of purchasing, procurement, investments, sales, HR, general financial management and reporting as well as IT controls.

### Internal Audit

Internal Audit carries out audits of operational and strategic risk management and the ICS in accordance with the audit plan determined by the Audit Committee. It carries out reviews, analyses and interviews across the Group and helps the Business sectors to meet their targets by ensuring an independent assessment of the effectiveness of the internal control processes. Internal Audit regularly produces reports on its audits and reports directly to the Audit and Risk Committee in writing. The activities of Internal Audit are conducted through contracts issued to external service providers.

## Information policy

Galenica and its companies operate an active and transparent information policy towards all their stakeholder groups. Consistency and credibility are two fundamental principles that are reflected in factual, comprehensive and objective communication.

### Ad hoc publicity

Important and price-relevant events are communicated in a timely manner via electronic media and in accordance with the SIX Swiss Exchange Directive. Any employees affected are informed first, as long as this is possible in the specific situation and allowed by law.

### Periodic publications

Once a year, Galenica publishes an Annual report and a half-year report. The full versions of these publications are available on the Galenica website (see related links on page 67). In addition, Galenica publishes a printed short version of the Annual report which is sent to the shareholders by mail upon request.

The invitation to the Annual General Meeting is sent to shareholders electronically or by mail, and is additionally published in the "Swiss Official Gazette of Commerce".

### Internet

All Galenica publications, all media releases and other supplementary information about the Group can be found on the Galenica website (see related links on page 67).

### Contact persons and important publication dates

#### For shareholders

For shareholders in relation to Corporate Governance:  
Barbara Wälchli, Secretary of the Board of Directors  
phone +41 58 852 85 78, aktienregister@galenica.com

#### For investors

Felix Burkhard, CFO  
phone +41 58 852 85 29, investors@galenica.com

#### For the media

Christina Hertig, Head of Corporate Communications  
phone +41 58 852 85 17, media@galenica.com

### Agenda 2021/2022

- Annual General Meeting 2021: 12 May 2021
- Half-year report 2021: 3 August 2021
- Annual report 2021: 8 March 2022
- Annual General Meeting 2022: 11 May 2022

Further important dates can be found on the Galenica website (see related links on page 67).

## Brand management

### Philosophy and implementation

#### **Galenica – Health and wellbeing are at the heart of what we do.**

Galenica seeks to be recognised as a reliable, dynamic and efficient Group within the healthcare market, which creates value for all stakeholder groups with high-quality products and services. Thus, Galenica also invests its energies in looking after its brands. Galenica stands for quality and professionalism, for credibility and transparency, and for reliability and continuity. There is a clear focus on the vision "Health and wellbeing are at the heart of what we do. They are the reason we give our best every day." in the support line. Group Corporate Communications is responsible for implementing Galenica's corporate brand communications.

#### **Corporate identity**

Galenica is a broad-based Group which manages well-established company, product and service brands in the healthcare market. Products and services under the Galenica brand guarantee a high level of quality. The communication philosophy "as centralised as necessary and as decentralised as possible" is also reflected in brand management. This means giving the individual companies under the Galenica umbrella room to address target groups in the best way possible for the market segment and product involved. That is why Galenica companies operate under their own names in the market. At the same time, over and above this diversity, the Galenica Group seeks in particular to express clearly the shared identity of the companies comprising the Group. Galenica therefore strives to present a uniform corporate design where possible and reasonable.



## Company brands of the Group

### Organisational basis

Since January 2021, the Galenica Group is structured in two segments: Products & Care and Logistics & IT. The Products & Care segment comprises the Service Units Pharmacies, Healthcare and Products & Marketing. The Logistics & IT segment consists of the Service Units Wholesale & Logistics and IT & Digital Services. The Group companies are assigned to the Service Units on the basis of their core activities. The Galenica brand is supported at all levels by the descriptor (the support line) used with the logo. At Group level, it is the broad basis of the vision that is communicated; at company level, it is the fact that the company is part of the Galenica Group that is signalled.

Many of the companies in which Galenica has more than a 50 % holding follow this strategy and use the common corporate design. New companies are integrated progressively in line with a clearly defined process. Important strategic marketing considerations are taken into account when dealing with well-established and well-known brands.

Basic guidelines on corporate design are summarised in two handbooks for staff and external partners, and include all areas of application, such as corporate stationery, printed products, company signs and website design. The handbook for employees is available in printed and electronic form, while the handbook for external partners is available in electronic form. In addition, internal training sessions on how to use the Galenica corporate design take place as needed for new employees; the sessions are also open to existing employees interested in refreshing or deepening their knowledge.

### Protection of the Group's brands

Galenica systematically fosters and protects its company brands in all countries where it is active and guarantees a high standard of quality.

### Product and service brands

The Galenica company brands are supplemented by the product and service brands of the companies within the Group, focused on the customers of the individual Business sectors: for example, the products of Verfora, the offering of the pharmacy formats Amavita and Sun Store, and the range offered by segment Logistics & IT including logistics and the databases and software products in the area of information management. The presentation of these products and services is tailored to markets and customers specific to individual companies and, therefore, differs from the Group corporate design. The corporate design and the accompanying communication and marketing measures are defined and implemented by the relevant company. Special events and activities organised in conjunction with the branding of products and services along with customer surveys during the year under review can be found in the sections for the Business sectors of the Galenica Group starting on page 12.

### Protection of product and service brands

Product and service brands are systematically fostered and protected by the individual companies in the countries where they are marketed.

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## Related links

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

- **Organisation:** About Galenica / Organisation
- **Board of Directors:** About Galenica / Organisation / Board of Directors
- **Publications:** Publications
- **Articles of Association:** Publications / Downloadcenter / Corporate Governance
- **Organisational Regulations:** Publications / Downloadcenter / Corporate Governance
- **Committees of the Board of Directors:** About Galenica / Organisation / Board of Directors / Downloads
- **Annual General Meeting:** Investors / Information for shareholders / Annual General Meeting
- **Code of Conduct of the Galenica Group:** Publications / Downloadcenter / Company
- **Supplier Code of Conduct:** Publications / Downloadcenter / Company
- **Press releases:** Media / Press releases
- **Dates to remember:** Investors / Investor calendar

[www.six-exchange-regulation.com](http://www.six-exchange-regulation.com)

- **SIX Swiss Exchange; Significant shareholders:** News / Published notifications / Significant shareholders
-

# 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 applicable 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.

## Letter from the Chair 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 2020.

The remuneration policy of Galenica aims to attract, motivate and retain best-in-class employees who are entrepreneurially minded, success-oriented and have high personal standards. The remuneration system is designed to support the achievement of the strategic goals defined by the Board of Directors and to provide appropriate compensation 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 to strengthen the overall market position of the company while delivering the expected returns to its shareholders.

Galenica posted a solid result in a challenging market environment in 2020. Despite the negative repercussions of the COVID-19 pandemic on our business, we were able to secure the jobs of our employees and did not apply for any kind of state support. Further, we followed our regular dividend payment policy in 2020 and will continue to do so for 2021. In this context, the Board of Directors decided that the usual payment modalities of the incentive plan can be applied without adjustments for the financial year 2020. Specifically, the original performance targets were not amended and no changes were made with regard to the performance assessment at year end. Regarding the short-term bonus, the GEP target for 2020 was not fully met, resulting in an average payout factor of 81.2%. Under the long-term incentive 2018–2020, the GEP target for 2018 to 2020 was partially met. This resulted in an overall payout factor of 78.1%. Further details on the performance achieved and the payouts under the incentive plans are provided in this report.

The Remuneration Committee reviewed the remuneration system for the Corporate Executive Committee in the year under review. Based on this analysis, the Remuneration Committee concluded that overall, the remuneration structure is appropriate and in line with standard market practice. However, the Remuneration Committee proposed changes with regard to the performance evaluation, which have been approved by the Board of Directors and will be implemented in 2021: the introduction of a growth and a sustainability object in the short-term bonus (STI) and the introduction of relative total shareholder return (TSR) as a performance indicator in the long-term remuneration (LTI).

You can find detailed information on our remuneration system and the remuneration awarded in 2020 to the Corporate Executive Committee and the Board of Directors in this report. The Remuneration report will be submitted to shareholders at the Annual General Meeting on 12 May 2021 for a non-binding consultative vote.

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



Andreas Walde  
Chairman of the Remuneration Committee



## Governance: principles and responsibilities in setting compensation

The guiding principles for the remuneration of the Board of Directors and 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 82).

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 financial 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. The Board of Directors also decides on an annual basis on the individual remuneration of the Chair of the Board of Directors 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 is determined by the Board of Directors based on a proposal from the Remuneration Committee within the limits 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 2020 Annual General Meeting, Andreas Walde (Chairman), Markus Neuhaus (new member) and Pascale Bruderer (new member) were elected as members of the Remuneration Committee.

The Remuneration Committee reviews and approves the remuneration principles and programmes of Galenica, including the design of the incentive plans, determines the performance indicators and targets for the CEO and the other members of the Corporate Executive Committee at the beginning of the financial year and assesses the extent to which these targets have been achieved at year end. The Remuneration Committee is responsible for setting the individual target remuneration of the members of the Corporate Executive Committee and proposes the CEO's target remuneration to the Board of Directors in consultation with the Chair of the Board of Directors.

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. The minutes of the meetings are made available to the members of the Board of Directors.

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

The Remuneration Committee reviewed the remuneration system for the Corporate Executive Committee in the reporting year. Based on this analysis, the Remuneration Committee concluded that overall, the remuneration structure is appropriate and in line with standard market practice. However, the Remuneration Committee proposed changes with regard to the performance evaluation, which have been approved by the Board of Directors and will be implemented in 2021: the introduction of a growth and a sustainability objective in the short-term bonus (STI) and the introduction of relative total shareholder return (TSR) as a performance indicator in the long-term remuneration (LTI). Further information on these changes can be found in the Outlook on page 81.

Otherwise, the Remuneration Committee also performed its regular duties in the reporting year, in particular setting performance targets and evaluating their achievement, determining the remuneration of the members of the Board of Directors and the Corporate Executive Committee and preparing the Remuneration report and the Annual General Meeting. In addition, the Remuneration Committee conducted a self-assessment of its functioning. It rated its discussions and decision-making as efficient and appropriate, and the support of the Board of Directors in matters of remuneration as effective.

Further details on the Remuneration Committee can be found in the Corporate Governance section (see page 50) as well as in the Remuneration Committee Charter, which can be found on the Galenica website (see related links on page 82).

### Benchmarking and external advisors

In order to ensure its continued attractiveness as an employer, Galenica regularly compares its remuneration levels with those of relevant peers. Generally, Galenica considers market median levels as being competitive.

The last benchmark study of the remuneration of the Corporate Executive Committee 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 to be in line with the market in terms of

## Responsibility for the remuneration process

Level of authority	CEO	Remuneration Committee	Board of Directors	Annual General Meeting
Remuneration policy		proposes	approves	
Financial performance objectives for short-term bonus		proposes	approves	
Individual performance objectives for short-term bonus	proposes (except for his own objectives)	proposes (CEO) approves (Executive Committee)	approves	
Remuneration of members of the Board of Directors		proposes	approves	approves maximum possible remuneration for the Board of Directors for the following year
Remuneration of the CEO		proposes (in consultation with CBD <sup>1)</sup> )	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 the CBD)	approves (remuneration per member)	is informed, approves (total amount)	

<sup>1)</sup> CBD = Chair of the Board of Directors

In 2020, the Remuneration Committee held 3 ordinary meetings and no ad hoc meeting according to the annual schedule.

## Activities of the Remuneration Committee during the year

Subject	1 <sup>st</sup> quarter	2 <sup>nd</sup> /3 <sup>rd</sup> quarter	4 <sup>th</sup> quarter
Remuneration policy		– Benchmarking and review	– Benchmarking and review
Remuneration of Board of Directors		– Review of compensation regulations	– Determination of remuneration (following year)
Remuneration of Corporate Executive Committee	<ul style="list-style-type: none"> <li>– Performance evaluation (previous year)</li> <li>– Short-term bonus payout (STI, previous year)</li> <li>– LTI vesting (previous period)</li> <li>– Performance objectives for short-term bonus and LTI (current year/period)</li> </ul>		<ul style="list-style-type: none"> <li>– Target remuneration (basic salary, following year)</li> <li>– Target bonus (STI, following year)</li> <li>– LTI allocation (following year)</li> </ul>
Remuneration governance	<ul style="list-style-type: none"> <li>– Remuneration report</li> <li>– AGM preparation</li> </ul>		<ul style="list-style-type: none"> <li>– Preparation of Remuneration report</li> <li>– Annual meeting schedule and topics (following year)</li> <li>– Galenica Group salary review (following year)</li> <li>– Remuneration Committee self-assessment</li> </ul>

In 2020, all members attended all meetings of the Remuneration Committee, which corresponds to an attendance rate of 100%.



structure and levels. The benchmark includes listed and private companies of a similar size (in terms of market capitalisation) that were active in comparable sectors in Switzerland (with a focus on health, logistics and retail). The Remuneration Committee is planning to undertake another external benchmark study of the remuneration of the Corporate Executive Committee by 2021.

The remuneration of the Board of Directors was also reviewed in 2018. This market comparison was carried out by Agnès 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 were listed on the SIX Swiss Exchange (excluding the financial sector) were used as a peer group. The study showed that the remuneration of the Board of Directors was also in line with the market.

The Remuneration Committee may decide to consult external advisors on specific compensation matters. In 2020, Agnès Blust Consulting provided services related to executive compensation, especially in the context of the review of the compensation system applicable to the Corporate Executive Committee. This company does not have any other mandates with Galenica.

## Remuneration system 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 compensation depending on the function they assume on the Board of Directors and on its committees, either as a member or chair. Such remuneration is paid 50% in cash and 50% in restricted shares, or if the Board member so decides, 100% in restricted shares. The shares are blocked for a period of 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 one times the annual compensation. Remuneration settled in the form of shares of Galenica was paid at the average price for the month of December 2020, i.e. CHF 58.71 per share, net of a 25% discount. The payment was made in January 2021.

### Remuneration amounts of the Board of Directors

(in thousand CHF, per year)

Chair of the Board of Directors	350
Vice-Chair of the Board of Directors	130
Board member	110
Committee chair	30
Committee member	10

The cash remuneration and the shares are paid in January for the previous business year.

Based on the regulation, the members of the Board of Directors have the option of joining the Galenica Pension Fund. All contributions (employer and employee contributions for savings and risk) are born by the member of the Board of Directors.

The remuneration system of the Board of Directors in 2020 remained unchanged compared to previous year.

## Remuneration system of the Corporate Executive Committee

In order to attract talented employees, reward performance, promote the loyalty of key talents and ensure their long-term commitment to Galenica, Galenica offers competitive remuneration. The remuneration model applicable to the Corporate Executive Committee is based on three components: a fixed remuneration (including a base salary and benefits), a short-term bonus and a long-term incentive.

### Remuneration components

The remuneration of the Corporate Executive Committee consists of a fixed compensation, which depends on the employee's functional level, benefits and a variable remuneration. The variable remuneration allows members of the Corporate Executive Committee to participate in the success of Galenica and to be rewarded for their individual contributions. The variable remuneration for the Corporate Executive Committee includes a short-term bonus (STI) and a long-term incentive (LTI). While the short-term awards compensation for the annual profit of Galenica and for the individual performance, the purpose of the LTI is to reward long-term performance and to harmonise the interests of shareholders with those of the executives.

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 portion of the short-term bonus (32%) and the long-term remuneration 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 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 82).

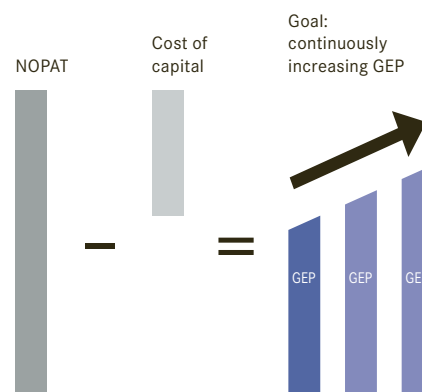
In addition to the remuneration components mentioned above, the members of the Corporate Executive Committee are eligible to participate in the share acquisition plan where employees are invited every year to acquire a certain number of blocked shares of Galenica at a discounted price (more information in the Notes to the Consolidated financial statements 2020 on page 139 and in the Human Resources section on page 46).

### Galenica economic profit (GEP) as a performance indicator

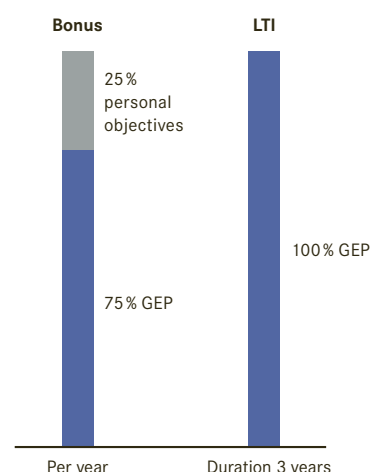
The short-term bonus and the long-term remuneration depend primarily on the achievement of the Galenica economic profit (GEP). The GEP is a measure designed to reflect the principles of value-based management derived from an economic value added (EVA) approach. It is based on the understanding that in 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. GEP is the key indicator in Galenica's value-based management concept. It comprises different values, such as Net operating profit after tax (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 after tax (NOPAT) less the weighted average cost of capital (WACC) over the average invested capital. The extent to which the GEP increase is achieved has a 75 % impact on the short-term bonus and a 100 % impact on the number of shares allocated under the long-term incentive 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 2020 (full version) from page 94 onwards.

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

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



### Influence on variable remuneration of the GEP increase



### Overview of the remuneration components for the Corporate Executive Committee

Remuneration component	Vehicle	Purpose	Performance measures
<b>Annual base salary</b>	Monthly cash salary	– Attract and retain employees	
<b>Pension &amp; benefits</b>	Pension and insurances Fringe benefits	– Protect against risks – Attract and retain employees	
<b>Short-term bonus (STI)</b>	Annual bonus in cash & shares blocked for 5 years	– Compensate for annual performance	Combination of financial objectives for the Group and individual objectives: – Galenica economic profit (75 %) – Individual objectives (25 %)
<b>Long-term incentive (LTI)</b>	PSU with a 3-year performance vesting	– Compensate for long-term performance – Align to shareholders' interests	Galenica economic profit and share price appreciation

#### Share ownership guidelines

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.

### 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 Corporate Executive Committee member. The base salary is determined according to 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 salaries at a particular level based on its financial performance and the evolving experience of the individual in the function. The annual base salary is paid out in cash in 13 monthly instalments.

### Short-term incentive (short-term bonus, STI variable)

The annual short-term bonus aims to reward the achievement of the financial objectives of Galenica and recognises individual contributions to the company's performance over a financial year.

The target bonus, i.e. the amount paid out if all performance objectives are reached at 100%, is defined individually and annually, before the beginning of the performance year. The target bonus is expressed as a percentage of the annual base salary and varies depending of the function in the organisation and on the impact of the function on the overall business result. The target bonus for the CEO amounts to 50% of annual base salary and ranges from 40% to 45% of annual base salary for the other members of the Corporate Executive Committee.

The achievement of financial objectives of Galenica is weighted at 75% and individual objectives at 25%. As in previous years, the financial objective of Galenica for 2020 was the GEP.

For both the GEP and individual objectives, a threshold, a target, a cap and a payout curve are defined against which the results are assessed. The payout curve starts when the threshold is reached, which gives entitlement to 50% of the target bonus. Achievement of all objectives results in a bonus payment of 100%. The total bonus is capped and has an upper limit of 200% of the target bonus.

The achievement of the GEP and of the individual objectives is assessed by the Remuneration Committee for the CEO and submitted to the Board of Directors for approval. The attainment of the individual objectives by the other members of the Corporate Executive Committee is assessed by the CEO and, in consultation with the Chair of the Board of Directors, submitted to the Remuneration Committee for approval.

The payment of the short-term bonus is made in the subsequent year after the publication of the Annual report. The CEO and other members of the Corporate Executive Committee are required to draw 32% of their bonus in Galenica shares; the rest is paid out in cash. A discount of 25% on the average stock market price for the month of December 2020 applies to the shares. The shares remain blocked for five years.

If employment ends due to termination, the calculation and payment for a completed assessment period (=financial 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 (LTI, variable)

The objective of the long-term incentive is to promote the strategy of Galenica, long-term thinking, alignment to shareholders' interests and the creation of sustainable value for customers and shareholders over the long term. In addition, the long-term incentive aims to strengthen loyalty to Galenica and identification with the company.

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

The LTI is based on performance share units (PSU), which are granted to participants after the release of the results for the preceding year and which convert into shares of Galenica subject to the attainment of a performance target over a three-year period defined by the Remuneration Committee. PSU are virtual; no real shares are issued.

The number of PSU allocated at the beginning of the plan period depends on a defined percentage of the annual base salary of the participant as well as the average share price during the final month prior to allocation, i.e. February. In 2020, the LTI grant for the CEO amounts to 50% of annual base salary and ranges from 25% to 35% of annual base salary for the other members of the Corporate Executive Committee.

### LTI three-year programme

2018	2019	2020	2021		
	2019	2020	2021	2022	
		2020	2021	2022	2023
GEP	GEP	GEP	GEP	GEP	

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 over the three-year plan period. The operating performance objective for the three-year plan period is defined by the Remuneration Committee. For the LTI 2020-2022, it was a GEP increase reflecting the risk and return requirements of the shareholders over the plan period. A threshold level of performance for the GEP is determined, below which there is no payout, as well as a target level of performance (100 % payout) and a cap (200 % payout). A linear interpolation is applied between the threshold and the cap. The number of PSU initially allocated is multiplied by the payout factor depending on the achievement of the GEP target at the end of the three-year plan period to provide for the number of Galenica shares that will be allocated at the end of the plan period.

As a rule, the three-year plan period must be completed in order for employees to be eligible for the payment of shares. If the employment is terminated within a plan period, an LTI payment of 80% of the pro-rata target entitlement will be made. Where a plan 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 Galenica, the PSU granted and outstanding will be treated as if the LTI had been completed and the target had been achieved at 100%.

### **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 fulfils 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 entitlement to a company car in line with the car policy of Galenica, the CEO and the members of the Corporate Executive Committee do not receive any particular additional benefits. The private use of the company car is disclosed at fair value in the remuneration table under other remuneration.

### **Share ownership guideline**

Members of the Corporate Executive Committee are required to hold shares of Galenica equal in value to at least 75% of their fixed annual base salary and target bonus within a period of five years of their appointment to the Corporate Executive Committee.

### **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. The employee contracts do not include non-competition clauses. With regard to clawback, the statutory claims for repayment apply (see among others Art. 678 (2) of the Code of Obligations, CO).

## Remuneration awarded for 2020 and 2019

### Remuneration awarded to the Board of Directors for 2020 and 2019

#### Comments to the remuneration tables of the members of the Board of Directors

In 2020, the Board of Directors consisted of seven members, as it did in 2019. The total remuneration awarded to the Board of Directors amounts to CHF 1.6 million and is in line with the amount of CHF 1.9 million approved at the Annual General Meeting in 2019. It is an decrease of 3.8% compared to previous year (remuneration was reduced for the function of Chair of the Board of Directors beginning from the 2019 Annual General Meeting).

### Remuneration awarded to the CEO and the members of the Corporate Executive Committee for 2020 and 2019

#### Comments to the remuneration tables of the members of the Corporate Executive Committee

In 2020, Marc Werner, CEO as of 1 April 2020, was the member of the Corporate Executive Committee with the highest remuneration.

The remuneration awarded to the CEO in the year 2020 and the Corporate Executive Committee amounts to CHF 3.9 million and is in line with the amount of CHF 6.0 million approved at the Annual General Meeting in 2019. It is an decrease compared to previous year, for the following reasons:

- The base salaries were lower compared with the previous year (–8.6%). This is due to the new composition of the Corporate Executive Committee. The base salary of one member of the Corporate Executive Committee was increased for 2020 to bring it closer to the level of the other members of the Corporate Executive Committee.
- The payout under the short-term bonus was significantly lower in 2020 due to the COVID-19 pandemic compared to the previous year.

- The LTI grant value increased by 62.8% versus the previous year. The high increase is attributable to the fact that the LTI grants to members of the Corporate Executive Committee who stepped down in the reporting year are reported in full (even though some of the entitlement is forfeited). The LTI grants to new members are also fully disclosed. The value of the LTI grants for individual members of the Corporate Executive Committee was not increased versus the previous year.
- The variable compensation in the year 2020 amounted to 109% of the annual base salary for the CEO and ranged between 61% and 75% of the annual base salary for the other members of the Corporate Executive Committee.

### Performance in 2020

The Galenica Group generated consolidated net sales of CHF 3,479.8 million in 2020, representing a strong increase of 5.4%. The adjusted<sup>1)</sup> operating result (EBIT), i.e. excluding the effects of the IFRS 16 (Leases) and IAS 19 (Employee Benefits) accounting standards, amounted to a solid CHF 168.6 million and slightly increased by +1.0% compared to the previous year (CHF 166.9 million). Thanks to an extraordinary IAS 19 book profit of CHF 49.8 million due to the adjustment of the conversion rates in the Galenica Pension Fund, reported EBIT increased by 25.9% to CHF 213.3 million (previous year: CHF 169.5 million). Adjusted<sup>1)</sup> return on sales (ROS) declined slightly to 4.8% in the year under review (previous year: 5.1%). This was due to the strong sales growth with lower margins in the Services Business sector and COVID-19 effects. Net profit was up 37.8% year-on-year to CHF 172.7 million, influenced heavily by the aforementioned IAS 19 gain. On a comparable basis, adjusted<sup>1)</sup> net profit amounted to CHF 138.0 million (+2.8%).

<sup>1)</sup> See section Alternative performance measures from page 86 onwards in the Annual report 2020 (full version).

### Payout factor 2019 and 2020

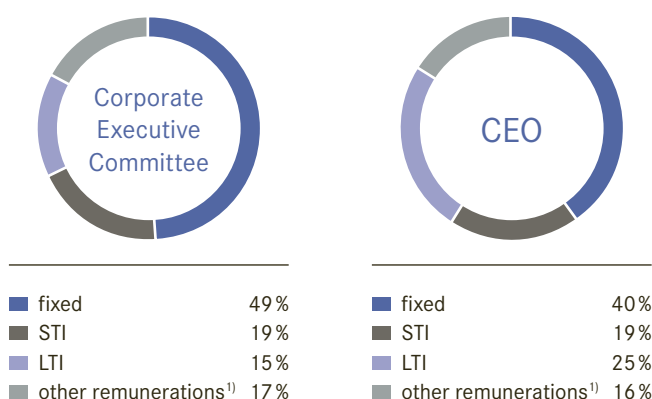
Payout factor for short-term bonus (STI, one-year basis)

2019		125.8%
2020		81.2%

Payout factor for LTI (three-year basis)

2017–2019		121.1%
2018–2020		78.1%

### Ratio between fixed and variable remuneration 2020 (remuneration awarded)



<sup>1)</sup> Including costs for employee benefit plans and social security charges



## Remuneration of the members of the Board of Directors in 2020

Net payments in thousand CHF	Salary				Number of shares	
	Salary in cash	Equivalent in shares <sup>1)</sup>	Other remuneration <sup>2)</sup>	Total	Held as at 31.12.2020 <sup>3)</sup>	Allocated for 2020
Daniela Bosshardt, Chairwomen	—	467	22	489	14,185	7,946
Pascale Bruderer (from 20 May 2020)	—	100	5 <sup>4)</sup>	105	—	1,703
Michel Burnier	60	80	6	146	6,903	1,362
Fritz Hirsbrunner (until 19 May 2020)	—	80	3	83	9,852	1,362
Bertrand Jungo	88	117	12 <sup>5)</sup>	217	2,963	2,001
Markus R. Neuhaus	—	211	11	222	3,812	3,604
Philippe Nussbaumer	—	160	8	168	10,269	2,724
Andreas Walde	75	100	10	185	10,279	1,703
<b>Remuneration of the members of the Board of Directors<sup>6)</sup></b>	<b>223</b>	<b>1,315</b>	<b>77</b>	<b>1,615</b>	<b>58,263</b>	<b>22,405</b>
<i>Maximum amount according to GM resolution</i>				<i>1,900</i>		

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

<sup>2)</sup> Other remuneration corresponds to the social security charges due from the member of the Board of Directors but paid by Galenica. Employer's contributions to social security charges for 2020 amounted to CHF 77,000 (not included in the above amount)

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

<sup>4)</sup> The employer's contributions to the pension fund as well as the employee's contributions were paid by Pascale Bruderer

<sup>5)</sup> The employer's contributions to the pension fund as well as the employee's contributions were paid by Bertrand Jungo

<sup>6)</sup> See pages 53, 58 and 59 of the Corporate Governance section for roles and membership of committees

## Remuneration of the members of the Board of Directors in 2019

Net payments in thousand CHF	Number of months	Salary				Number of shares	
		Salary in cash	Equivalent in shares <sup>1)</sup>	Other remuneration <sup>2)</sup>	Total	Held as at 31.12.2019 <sup>3)</sup>	Allocated for 2019
<b>Chair of the Board of Directors</b>							
Jörg Kneubühler, Chairman (until 2 May 2019) <sup>4)</sup>	4	82	109	11 <sup>5)</sup>	202	n/a	1,813
Daniela Bosshardt, Chairwoman (from 3 May 2019)	8	—	311	12	323	7,822	5,179
<b>Members of the Board of Directors</b>							
Daniela Bosshardt (until 2 May 2019)	4	—	71	6	77	n/a <sup>6)</sup>	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
<b>Remuneration of the members of the Board of Directors<sup>7)</sup></b>		<b>162</b>	<b>1,438</b>	<b>78</b>	<b>1,678</b>	<b>36,773</b>	<b>23,938</b>
<i>Maximum amount according to GM resolution</i>					<i>1,900</i>		

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

<sup>2)</sup> Other remuneration corresponds to the social security charges due from the member of the Board of Directors but paid by Galenica. Employer's contributions to social security charges for 2019 amounted to CHF 78,000 (not included in the above amount)

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

<sup>4)</sup> Jörg Kneubühler received CHF 300,000 for consultancy services from 3 May 2019

<sup>5)</sup> Both the employer's and employee's contributions to the pension fund were paid by Jörg Kneubühler

<sup>6)</sup> Included in the balance above (7,822 shares)

<sup>7)</sup> See from page 60 (annual report 2019) of the Corporate Governance section for roles and membership of committees

## Remuneration of the members of the Corporate Executive Committee in 2020

in thousand CHF	Total	of which Marc Werner, CEO (as of 1 april 2020)
Base salary	1,855	375
Short-term bonus in cash (STI) <sup>1)</sup>	449	106
Short-term bonus in shares (STI) <sup>2)</sup>	282	67
Long-term incentive <sup>3)</sup>	700	236
Contributions to pension funds	328	69
Other remuneration <sup>4)</sup>	48	16
<b>Remuneration awarded<sup>5)</sup></b>	<b>3,662</b>	<b>869</b>
Social security costs	276	64
<b>Remuneration of the members of the Corporate Executive Committee<sup>5)</sup></b>	<b>3,938</b>	<b>933</b>
<i>Maximum amount according to GM resolution</i>	<i>6,000</i>	

Five members in 2020

<sup>1)</sup> The short-term bonus for the reporting year, which is paid out in the following year

<sup>2)</sup> The amounts include the calculated discount of 25 %, granted due to the five-year blocking period

<sup>3)</sup> Performance share units falling due after three years are included with the fair value at allocation based on the estimated target achievement

<sup>4)</sup> Including private use of company car

<sup>5)</sup> Including remuneration of Jean-Claude Cléménçon until 31 March 2020 (stepped down from the Corporate Executive Committee as CEO effective 31 March 2020) and of Christoph Amstutz until 31 August 2020 (stepped down from the Corporate Executive Committee as Head of the Services Business sector effective 31 August 2020). Jean-Claude Cléménçon and Christoph Amstutz received a total of CHF 411,000 after their respective exits from the Corporate Executive Committee. This amount is not included in the disclosed amount

## 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
Short-term bonus in cash (STI) <sup>1)</sup>	792	206
Short-term bonus in shares (STI) <sup>2)</sup>	437	129
Long-term incentive <sup>3)</sup>	430	99
Contributions to pension funds	387	103
Other remuneration <sup>4)</sup>	57	11
<b>Remuneration awarded<sup>5)</sup></b>	<b>4,132</b>	<b>998</b>
Social security costs	292	68
<b>Remuneration of the members of the Corporate Executive Committee<sup>5)</sup></b>	<b>4,424</b>	<b>1,066</b>
<i>Maximum amount according to GM resolution</i>	<i>5,800</i>	

Five members in 2019

<sup>1)</sup> The short-term bonus for the reporting year, which is paid out in the following year

<sup>2)</sup> The amounts include the calculated discount of 25 %, granted due to the five-year blocking period

<sup>3)</sup> 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, of which 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

<sup>4)</sup> Including private use of company car

<sup>5)</sup> Including remuneration of Torvald de Coverly Veale, member of the Corporate Executive Committee and Head of Products & Brands Business sector until 13 January 2019

### Short term incentive (STI)

In 2020, a GEP of CHF 43.9 million was achieved (see Value based management section, under Alternative performance measures in the Annual report 2020 [full version] from page 94 onwards). This corresponds to a decrease in GEP of 8.7 % over the prior year. Regarding the part of GEP the short-term bonus payment (STI), this represents a payout factor of 73.6 % for the financial year 2020.

Individual performance is measured using 3–5 qualitative and quantitative personal objectives specifically defined for each Corporate Executive Committee member. The average personal payout factor for the members of the Corporate Executive Committee is 104 %.

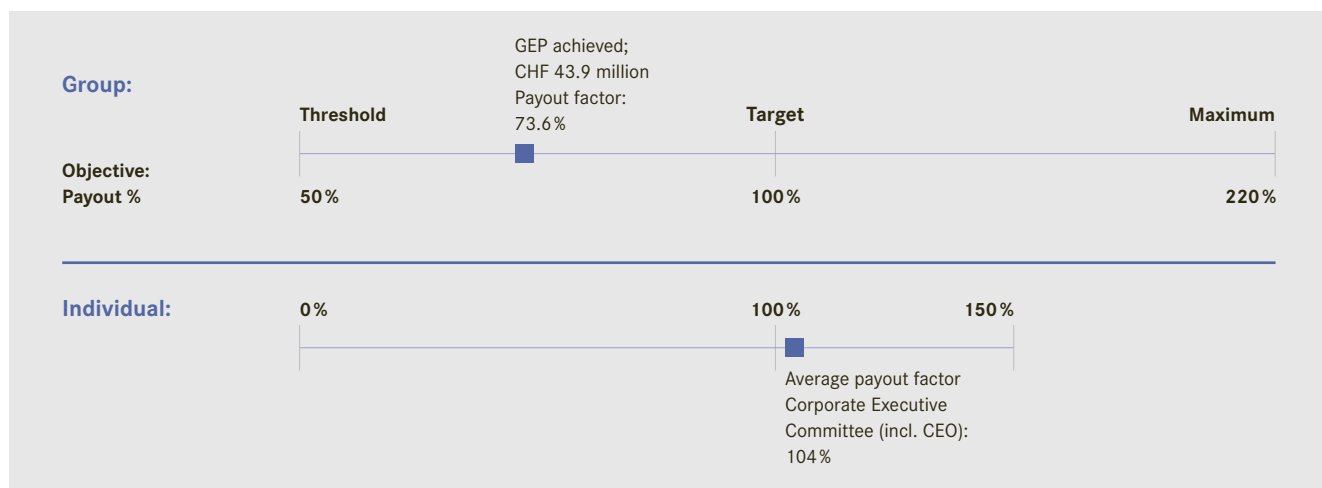
Consequently, the overall bonus payout percentage amounts to 83.3 % for the CEO and ranges from 80.2 % to 81.5 % of the target value for the other members of the Corporate Executive Committee. This compares to a payout of 134.6 % for the CEO and of 100.0 % to 132.1 % of the target value for the other Corporate Executive Committee members in 2019.

### Long-term incentive

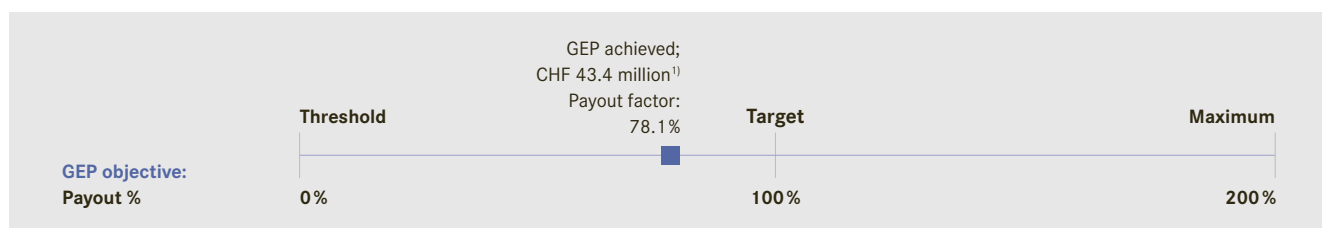
For the LTI plan 2018–2020, payable in early 2021, the GEP achievement was CHF 43.4 million. This represents a payout factor of 78.1 %.

### Performance under the short-term bonus in 2020

KPIs	2020 objectives	Payout	2020 results
Group financial performance (75 % weighting)	Maximum	220 %	GEP achieved: CHF 43.9 million Payout factor: 73.6 %
	Target	100 %	
	Threshold	50 %	
Personal objectives (25 % weighting)	3–5 quantitative and qualitative KPIs	0 %–150 %	Average payout factor Corporate Executive Committee (incl. CEO): 104 %
Payout CEO			83.3 %
Payout Corporate Executive Committee (without CEO)			80.2 %–81.5 %



### Performance under the LTI 2018–2020



<sup>1)</sup> Based on an old GEP definition valid at the time of the LTI 2018–2020

## Other 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 2020.

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

Galenica did not pay any remuneration to former members of the Board of Directors or Corporate Executive Committee in 2020.

## Shareholdings of the Corporate Executive Committee and the Board of Directors

### Equity overhang and dilution as of 31 December 2020

The equity overhang, defined as the total number of PSU outstanding (56,999 unvested PSU) divided by the total number of outstanding shares (49,498,560 shares) is 0.12 %.

The burn rate, defined as the total number of equities (shares and performance share units) granted in 2020 (124,850 shares and 18,720 PSU) divided by the total number of outstanding shares, is 0.29 %.

### Shareholdings and rights to performance share units of members of the Corporate Executive Committee 2020

	Number of shares held as of 31.12.2020 <sup>1)</sup>	Long-term Incentive Programme (LTI) Performance share units (PSU) <sup>2)</sup>			
		PSU granted in 2020 (potential vesting at 31.12.2022) <sup>3)</sup>	PSU granted in 2019 (potential vesting at 31.12.2021) <sup>3)</sup>	PSU granted in 2018 (settled at 31.12.2020) <sup>3)</sup>	PSU pending
Marc Werner	80	3,442	—	—	3,442
Felix Burkhard	16,287	1,990	3,028	2,284	7,302
Andreas Koch	1,690	967	606	428	2,001
Daniele Madonna	6,328	1,130	1,612	1,194	3,936
Thomas Szuran	1,375	1,303	1,983	—	3,286

<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 PSU transforms into a number (between 0 and 2) of shares at vesting and based on GEP target achievement

<sup>3)</sup> The allocated PSU are taken into account 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 2019

	Number of shares held as of 31.12.2019 <sup>1)</sup>	Long-term Incentive Programme (LTI) Performance share units (PSU) <sup>2)</sup>			
		PSU granted in 2019 (potential vesting at 31.12.2021) <sup>3)</sup>	PSU granted in 2018 (potential vesting at 31.12.2020) <sup>3)</sup>	PSU granted in 2017 (settled at 31.12.2019) <sup>3)</sup>	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 Szuran	80	1,983	—	—	1,983

<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 PSU transforms into a number (between 0 and 2) of shares at vesting and based on GEP target achievement

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

## Outlook

In 2020, the Remuneration Committee conducted a review of the remuneration system of the Corporate Executive Committee. Based on this analysis, the Remuneration Committee concluded that the remuneration structure overall is appropriate and aligned with market practice. In terms of performance measurement and governance, the Remuneration Committee proposed several changes that were approved by the Board of Directors and will be implemented in 2021:

- Introduction of a growth performance objective and a sustainability objective in the Short-term Incentive Programme (STI);
- Introduction of a relative total shareholder return (TSR) performance condition in the Long-term Incentive Programme (LTI);
- Revision of the termination rules in the LTI;
- Introduction of clawback and malus provisions in the LTI.

		Current		New
STI	Performance objectives	75 % GEP	➔	50 % GEP
		25 % individual objectives		25 % growth
LTI	Performance objectives	100 % GEP	➔	25 % individual objectives, including ESG <sup>1)</sup>
				50 % GEP
	Terms & conditions	Termination rules	➔	50 % relative TSR
		No clawback and malus provisions		Stricter termination rules
			➔	New clawback and malus provisions

<sup>1)</sup> ESG stands for Environmental, Social and Governance

Further details about those changes are provided below.

### Short-term Incentive Programme (STI)

The performance metrics under the STI will continue to include the Group's financial objectives with a weighting of 75 % and individual objectives with a weighting of 25 %.

The financial performance, currently fully based on GEP, will in future comprise a growth component in the form of the annual net sales growth of the Group. This growth component will account for one third of the financial performance (25 % of the overall STI).

The individual performance will be refined to include a maximum of three individual objectives, cascaded from the strategic objectives defined for the Group. At least one of these individual objectives will refer to sustainability, chosen on the basis of the core environmental, social and governance (ESG) topics identified in the sustainability strategy of Galenica. For 2021, the ESG objective will relate to customer satisfaction.

The other characteristics of the STI will remain unchanged.

### Long-term Incentive Programme (LTI)

In order to further strengthen the link with shareholders' interests, the LTI will include a new performance objective: the total shareholder return (TSR), measured in relation to a peer group of relevant companies. The peer group will include SMIM companies except financial services, real estate and companies active in a very cyclical business (such as Adecco, Dufry, Kühne+Nagel and OC Oerlikon). The objective will be to outperform half of the peer companies (100 % payout). There will be no vesting for performance within the



lower quartile of the peer group and the cap of 200% will be reached when Galenica is the best company in the peer group.

The relative TSR will account for 50% of the performance assessment of the LTI. The remaining 50% will continue to be subject to GEP performance. GEP is now calculated as a three-year average during the plan period.

In addition, and in order to reinforce good governance principles, the Board of Directors decided to strengthen the termination rules and to introduce clawback and malus provisions.

In case of voluntary resignation or termination for cause, or due to performance and/or behavior issues, the unvested awards will forfeit. Furthermore, clawback and malus provisions will apply in case of financial restatement due to material non-compliance with any accounting reporting standards, or in case a participant acts in violation of the law or internal regulations of Galenica.

The Board of Directors trusts that those changes are well aligned with the business strategy and with shareholders' interests.

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## 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 (Remuneration):** Publications / Downloadcenter / Corporate Governance
  - **Remuneration Committee Charter:** About Galenica / Organisation / Board of Directors
-

To the General Meeting of  
Galenica Ltd., Berne

Berne, 4 March 2021

## Report of the statutory auditor on the remuneration report

We have audited the remuneration report of Galenica Ltd. for the year ended 31 December 2020. 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 76 to 80 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 2020 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

# Financial statements 2020



# Consolidated statement of income

in thousand CHF	2020	2019
Net sales	3,479,753	3,301,002
Other income	15,053	13,516
<b>Operating income</b>	<b>3,494,806</b>	<b>3,314,518</b>
Cost of goods	(2,599,093)	(2,453,528)
Personnel costs	(442,910)	(464,119)
Other operating costs	(147,804)	(142,191)
Share of profit from associates and joint ventures	4,486	5,656
<b>Earnings before interest, taxes, depreciation and amortisation (EBITDA)</b>	<b>309,484</b>	<b>260,336</b>
Depreciation and amortisation	(96,157)	(90,845)
<b>Earnings before interest and taxes (EBIT)</b>	<b>213,327</b>	<b>169,491</b>
Financial income	789	727
Financial expenses	(5,523)	(6,825)
<b>Earnings before taxes (EBT)</b>	<b>208,593</b>	<b>163,393</b>
Income taxes	(35,875)	(38,093)
<b>Net profit</b>	<b>172,718</b>	<b>125,300</b>
Attributable to:		
– Shareholders of Galenica Ltd.	172,245	124,992
– Non-controlling interests	474	308

in CHF		
Earnings per share	3.48	2.54
Diluted earnings per share	3.48	2.53

# Consolidated statement of comprehensive income

in thousand CHF	2020	2019
<b>Net profit</b>	<b>172,718</b>	<b>125,300</b>
Translation differences	22	(1)
<b>Items that may be reclassified subsequently to profit or loss</b>	<b>22</b>	<b>(1)</b>
Remeasurement of net defined benefit liability	(45,018)	24,390
Income taxes from remeasurement of net defined benefit liability	7,710	(5,225)
Share of other comprehensive income from joint ventures	(1,187)	(92)
<b>Items that will not be reclassified to profit or loss</b>	<b>(38,495)</b>	<b>19,073</b>
<b>Other comprehensive income</b>	<b>(38,474)</b>	<b>19,072</b>
<b>Comprehensive income</b>	<b>134,245</b>	<b>144,372</b>
Attributable to:		
– Shareholders of Galenica Ltd.	133,818	144,132
– Non-controlling interests	427	240



# Consolidated statement of financial position

## Assets

in thousand CHF	2020	2019
Cash and cash equivalents	59,781	90,532
Trade and other receivables	406,360	421,518
Inventories	306,682	277,804
Prepaid expenses and accrued income	39,241	32,995
<b>Current assets</b>	35.9% <b>812,064</b>	37.2% <b>822,849</b>
Property, plant and equipment	268,055	267,558
Right-of-use assets	210,325	224,934
Intangible assets	916,222	846,226
Investments in associates and joint ventures	22,949	21,482
Financial assets	18,471	16,454
Deferred tax assets	10,852	10,076
<b>Non-current assets</b>	64.1% <b>1,446,874</b>	62.8% <b>1,386,730</b>
<b>Assets</b>	100.0% <b>2,258,938</b>	100.0% <b>2,209,579</b>

## Liabilities and shareholders' equity

in thousand CHF	2020	2019
Financial liabilities	41,117	44,630
Lease liabilities	47,209	47,796
Trade and other payables	314,458	323,921
Tax payables	11,829	13,798
Accrued expenses and deferred income	128,588	119,535
Provisions	3,580	3,727
<b>Current liabilities</b>	24.2% <b>546,780</b>	25.1% <b>553,407</b>
Financial liabilities	381,514	380,870
Lease liabilities	170,792	182,772
Deferred tax liabilities	48,267	37,019
Employee benefit liabilities	57,411	53,031
Provisions	819	2,940
<b>Non-current liabilities</b>	29.2% <b>658,803</b>	29.7% <b>656,632</b>
<b>Liabilities</b>	53.4% <b>1,205,583</b>	54.8% <b>1,210,039</b>
Share capital	5,000	5,000
Reserves	1,042,282	988,497
<b>Equity attributable to shareholders of Galenica Ltd.</b>	<b>1,047,282</b>	<b>993,497</b>
Non-controlling interests	6,073	6,043
<b>Shareholders' equity</b>	46.6% <b>1,053,355</b>	45.2% <b>999,540</b>
<b>Liabilities and shareholders' equity</b>	100.0% <b>2,258,938</b>	100.0% <b>2,209,579</b>

# Consolidated statement of cash flows

in thousand CHF	2020	2019
Net profit	172,718	125,300
Income taxes	35,875	38,093
Depreciation and amortisation	96,157	90,845
(Gain)/loss on disposal of non-current assets	(213)	(340)
Increase/(decrease) in provisions and employee benefit liabilities	(43,722)	116
Net financial result	4,734	6,098
Share of profit from associates and joint ventures	(4,486)	(5,656)
Share-based payments	4,704	5,408
Interest received	358	638
Interest paid	(4,934)	(4,889)
Other financial receipts/(payments)	(226)	(277)
Dividends received	3,087	4,165
Income taxes paid	(25,288)	(22,096)
<b>Cash flow from operating activities before working capital changes</b>	<b>238,763</b>	<b>237,405</b>
Change in trade and other receivables	23,715	(29,447)
Change in inventories	(21,704)	6,809
Change in trade and other payables	(16,053)	20,020
Change in other net current assets	(362)	15,651
<b>Working capital changes</b>	<b>(14,403)</b>	<b>13,033</b>
<b>Cash flow from operating activities</b>	<b>224,360</b>	<b>250,438</b>
Investments in property, plant and equipment	(36,492)	(33,749)
Investments in intangible assets	(19,195)	(19,839)
Investments in associates and joint ventures	(1,256)	—
Investments in financial assets	(6,544)	(9,901)
Proceeds from property, plant and equipment and intangible assets	539	617
Proceeds from financial assets	5,668	3,214
Proceeds from assets held for sale	—	1,872
Purchase of subsidiaries (net cash flow)	(58,369)	(77,108)
<b>Cash flow from investing activities</b>	<b>(115,649)</b>	<b>(134,894)</b>
Dividends paid	(89,216)	(83,924)
Purchase of treasury shares	(183)	(346)
Proceeds from sale of treasury shares	3,961	2,880
Proceeds from financial liabilities	125,973	86,676
Repayment of financial liabilities	(130,771)	(87,645)
Payment of lease liabilities	(49,065)	(47,622)
Purchase of non-controlling interests	(189)	—
<b>Cash flow from financing activities</b>	<b>(139,490)</b>	<b>(129,981)</b>
Effects of exchange rate changes on cash and cash equivalents	27	(1)
<b>Increase in cash and cash equivalents</b>	<b>(30,752)</b>	<b>(14,438)</b>
Cash and cash equivalents as at 1 January <sup>1)</sup>	90,532	104,970
<b>Cash and cash equivalents as at 31 December<sup>1)</sup></b>	<b>59,781</b>	<b>90,532</b>

<sup>1)</sup> Cash and cash equivalents include cash, sight deposits at financial institutions and time deposits with an original term of three months or less.  
Cash and cash equivalents are measured at nominal value.

## Consolidated statement of changes in equity

in thousand CHF	Share capital	Treasury shares	Retained earnings	Equity attributable to shareholders of Galenica Ltd.	Non-controlling interests	Equity
<b>Balance as at 1 January 2019</b>	<b>5,000</b>	<b>(32,199)</b>	<b>951,851</b>	<b>924,652</b>	<b>4,125</b>	<b>928,777</b>
Net profit			124,992	124,992	308	125,300
Other comprehensive income			19,140	19,140	(68)	19,072
<b>Comprehensive income</b>			<b>144,132</b>	<b>144,132</b>	<b>240</b>	<b>144,372</b>
Dividends			(83,758)	(83,758)	(166)	(83,924)
Transactions on treasury shares		6,235	(3,376)	2,859	—	2,859
Share-based payments			5,612	5,612	—	5,612
Addition to scope of consolidation			—	—	1,844	1,844
<b>Balance as at 31 December 2019</b>	<b>5,000</b>	<b>(25,964)</b>	<b>1,014,461</b>	<b>993,497</b>	<b>6,043</b>	<b>999,540</b>
Net profit			172,245	172,245	474	172,718
Other comprehensive income			(38,427)	(38,427)	(47)	(38,474)
<b>Comprehensive income</b>			<b>133,818</b>	<b>133,818</b>	<b>427</b>	<b>134,245</b>
Dividends			(88,963)	(88,963)	(63)	(89,026)
Transactions on treasury shares		6,146	(2,061)	4,085	—	4,085
Share-based payments			4,700	4,700	—	4,700
Change in non-controlling interests			145	145	(334)	(189)
<b>Balance as at 31 December 2020</b>	<b>5,000</b>	<b>(19,817)</b>	<b>1,062,099</b>	<b>1,047,282</b>	<b>6,073</b>	<b>1,053,355</b>

# Addresses of companies of the Galenica Group

## Galenica Group

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### Pension fund

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## Retail Business sector

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Not fully consolidated:

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## Services Business sector

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### Dauf Ltd.

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