

# 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	- Performance evaluation (previous year) - Short-term bonus payout (STI, previous year) - LTI vesting (previous period) - Performance objectives for short-term bonus and LTI (current year/period)		- Target remuneration (basic salary, following year) - Target bonus (STI, following year) - LTI allocation (following year)
Remuneration governance	- Remuneration report - AGM preparation		- Preparation of Remuneration report - Annual meeting schedule and topics (following year) - Galenica Group salary review (following year) - Remuneration Committee self-assessment

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).

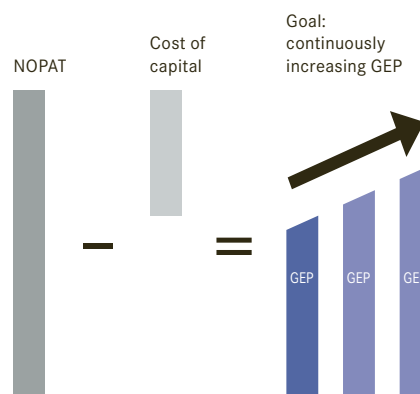
In addition to the remuneration components mentioned above, the members of the Corporate Executive Committee are eligible to participate in the share acquisition plan where employees are invited every year to acquire a certain number of blocked shares of Galenica at a discounted price (more information 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

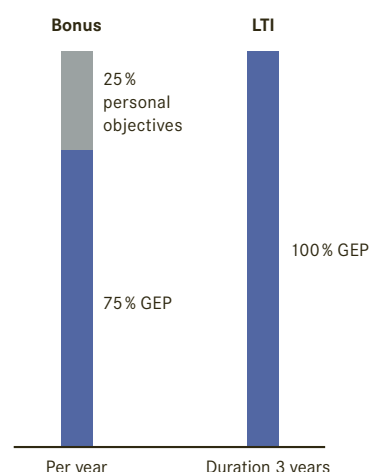
The short-term bonus and the long-term remuneration depend primarily on the achievement of the Galenica economic profit (GEP). The GEP is a measure designed to reflect the principles of value-based management derived from an economic value added (EVA) approach. It is based on the understanding that in 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



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

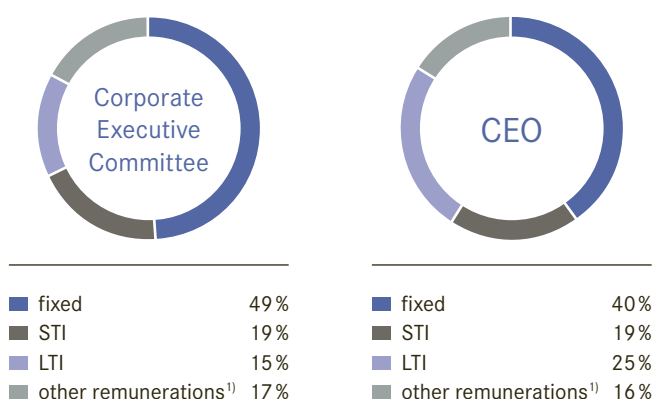
Payout factor for short-term bonus (STI, one-year basis)

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			Total	Number of shares	
		Salary in cash	Equivalent in shares <sup>1)</sup>	Other remuneration <sup>2)</sup>		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

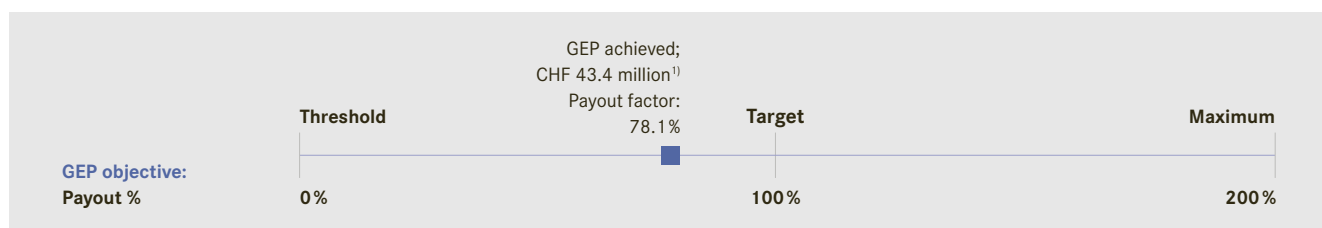
For the LTI plan 2018–2020, payable in early 2021, the GEP achievement was CHF 43.4 million. This represents a payout factor of 78.1%.

### 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 pending
		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>	
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	➔	50 % GEP
				50 % relative TSR
	Terms & conditions	Termination rules	➔	Stricter termination rules
		No clawback and malus provisions		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