

Annual report 2021

of the Galenica Group and Galenica Ltd.

Milestones 2021

January



Expansion of the mail-order pharmacy service

Amavita, Coop Vitality and now Sun Store customers can reorder medications on repeat prescriptions online. This marks a key milestone in the «Omni-Channel» strategy.

February



Introduction of G-Net

The Group-wide intranet, known as «G-Net», will be launched at the start of the year. Office-based and non-office-based workers will be networked with one another via the platform.

March



New ERP system

Galexis begins the implementation phase of rolling out the new ERP (Enterprise Resource Planning) system.

April



Subscriptions for self-tests

The Switzerland-wide distribution of COVID-19 self-tests has begun. Amavita and Sun Store are offering customers a subscription that allows them to obtain five COVID-19 self-tests each month.

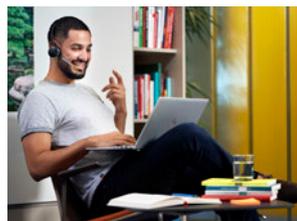
May



Verfora acquires Dr. Wild products

Verfora acquires the therapeutic product range from Dr. Wild & Co. Ltd., which includes well-known brands such as Vitamin D3 Wild Öl® and VI-DE 3®.

June



Remote working policy updated

Galenica introduces its updated remote working policy from the second half of the year in order to give employees the greatest possible degree of flexibility.

July



Acquisition of Lifestage Solutions Ltd.

Galenica strengthens its range of services for home care organisations and nursing homes with the acquisition of Lifestage Solutions Ltd.

August



Boosting and expanding pharmacy channels

Galenica further expands its pharmacy network with the acquisition of Apodoc Hardbrücke Ltd. in Zurich, an innovative pharmacy with an integrated medical practice.

September



Verfora expands again

With the acquisition of Spagyros, Verfora is strengthening its offering in the interesting fields of phytotherapy, gemmotherapy, spagyric medicine and homoeopathy.

October



Primary Care

The range of products and services in the Primary Care segment now includes a total of 28 indications designed to provide quick, expert advice in pharmacies with the help of an algorithm.

November



New Compendium app

The Compendium.ch app from HCI Solutions has been given a makeover. This user-friendly application is aimed not only at health-care professionals, but also at patients looking for information about medical products.

December



Modernisation of physical points of sale

The first ever Sun Store pharmacy, which is located in the Crissier Shopping Centre, is celebrating its reopening with a new, customer-oriented store design.

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A strong partner in the healthcare industry

Dear Shareholders,
Ladies and Gentlemen,



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

We can look back on a successful 2021 financial year. With an increase in sales of 10.2% and increased profit of 26.7%, we exceeded our forecast for 2021. The ongoing COVID-19 pandemic once again had a major impact on our business. With our logistics services and the offerings in pharmacies to combat COVID-19, we were able to make a key contribution to creating reliable procurement and supply chains as well as to patient safety and health.

You can find an operative review of the past financial year in our Management report.

[Management report 2021](#)

Over the past year, a number of changes have also taken place in the political environment, which has an impact on our business, such as the delay in the preparation of the SBR V tariff model and the revision of the distribution share, or the discussion about direct imports from other European countries.

[Political environment](#)

«Our patients and customers are at the heart of what we do. And this is at the core of our customer promise.»

The focus is on the customer

Our transformation journey on the path to becoming a fully integrated healthcare provider has gained significant momentum. Our patients and customers are at the heart of what we do. And this is at the core of our customer promise: «We support people at every stage of life on their journey towards health and well-being.»

With the aim of providing people with the best possible support, we have further sharpened our strategy and business model:

- We manage the strongest pharmacy network in Switzerland and are systematically expanding our offering both in-store and online.
- We offer specialist retailers and our pharmacies an attractive product range and comprehensive services.
- We are a leader in healthcare logistics and digital solutions for the Swiss healthcare market.

This and much more makes us a strong partner for all stakeholders in the healthcare market. Our strategy, the Galenica story, is based on this and to implement it, we have focused our strategic programmes on offering customers and patients the best customer experience across all channels.

Galenica story

«Our aim is to offer customers and the entire healthcare market the greatest possible added value.»

Digitalisation as an opportunity

It is not only COVID-19 that has shown that digitalisation in healthcare is lagging well behind. Compared with other sectors, we have a lot of catching up to do and can also see significant development opportunities. Our product and service offers give us the opportunity to play a leading role in shaping this development. This includes systematically offering, networking and further expanding our products and services via digital channels as part of our strategic «Omni-Channel» programme. After all, the shopping and consumer behaviour of the population is changing rapidly – and not just since COVID-19. And these changing habits are here to stay.

Another aspect of digitalisation is networking between the various players in the Swiss healthcare system. This networking is not only a success factor for us, but above all for our customers and patients. With our strategic «Care» and «Professionals» programmes, we offer our customers – and the healthcare market as a whole – the greatest possible added value through new cooperation models and strong partnerships.

This also helps us to counter the persistently high cost pressure in the healthcare sector. Thanks to digital e-health offers, partnerships and services adapted to market needs, we can reduce process costs and relieve the system.

«Patients want and should receive outpatient treatment at home whenever possible. With our range of services, we support everyone involved.»

Increasing demand for home care services

The ageing population and associated cost pressure are increasing the need and demand for more outpatient services and treatment options. In order to be able to offer solutions in this area too, we are expanding our range of services in a targeted manner within the framework of the strategic «Care» and «Professionals» programmes: both for customers and patients, such as the elderly and chronically ill, as well as for care organisations such as care homes and home-care organisations. Patients want and should receive outpatient treatment at home whenever possible. With our range of services, we want to support everyone involved: through our bricks-and-mortar pharmacies, in the home care sector and with logistics and IT solutions.

«In 2021, we further strengthened our commitment to sustainability.»

Sustainable contributions to patient safety

With our vision of «Health and well-being are at the heart of what we do. They are the reason we give our best every day», we have already anchored one of the Sustainable Development Goals (SDGs) of the United Nations (UN) in our strategy. In 2021, we further strengthened our commitment to sustainability. Based on a survey of external and internal stakeholder groups, we have updated and refined our relevance matrix. Specific sustainability targets have been defined for the thematic areas classified as material, such as patient safety. For example, we want to increase the use of the «e-Mediplan» electronic medication plan and continue to focus on the development and introduction of e-prescriptions. Other goals include reducing municipal waste and greenhouse gas emissions and reducing the absence rate for occupational and non-occupational accidents.

Sustainability at Galenica

Thanks to our employees, customers, partners and shareholders

We would like to thank our employees for their hard work over the past year. We would also like to thank our customers for their loyalty, our business partners for their excellent cooperation and our shareholders for their trust.

Bern, 8 March 2022



Daniela Bosshardt
Chairwoman of the Board of
Directors



Marc Werner
CEO

Management report

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Introduction

Management report

Highlights from the financial year 2021 Primary Care

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Offers in pharmacies

Online shops

+50%

Sales growth

COVID-19

90,000

Vaccinations in Galenica Group
pharmacies

The Galenica Group can look back on an extremely successful financial year 2021: consolidated net sales increased by 10.2% to CHF 3,834.7 million and the adjusted¹⁾ operating result (EBIT) increased by 26.4% to CHF 213.1 million. The Board of Directors will propose to the Annual General Meeting a dividend of CHF 2.10 (+17%), of which CHF 1.05 will be paid from the capital contribution reserve.

This sales development was driven in particular by one-off additional sales in connection with COVID-19. The business developed very dynamically, especially in the last few months of 2021. On the one hand, the one-off additional sales in relation to COVID-19 increased again, and on the other hand, the sales of cold and flu medicines went up sharply compared to the same period of the previous year. A strong performance by the Mediservice speciality pharmacy and further market share gains in the wholesale business with physicians also contributed positively to sales growth. Once again, acquisitions of companies and products were another growth driver in the 2021 financial year. The profit from the sale of the property at the Galenica headquarters in Bern also had a positive impact on EBIT.

¹⁾ Excluding the effects of IAS 19 and IFRS 16. See chapter «Alternative performance measures».

Financial key figures

Highlights from the financial year 2021

- As of the end of 2021, more than 230,000 antigen, PCR and antibody tests and over 90,000 vaccinations were carried out in Galenica Group pharmacies.
- With 28 primary care offers, the importance of pharmacies as the first point of contact for health issues increased further.
- The linking of online and offline offers gained further momentum, for example with the online booking of test and vaccination services.
- Online sales at Amavita and Sun Store grew by 50%.
- The speciality pharmacy Mediservice saw excellent growth with new medicines for rare diseases in combination with the increasing demand for home care services.
- New and existing partnerships with healthcare providers strengthened the offering available to business (B2B) and end (B2C) customers.
- Verfora reinforced its leading position in the Swiss consumer healthcare market through acquisitions.
- Galexis gained more market share with new offers for specialist doctors and the support of medical centres.

Important contribution to combating COVID-19

Management report

In 2021, the Galenica Group was once again able to demonstrate and further consolidate its leading role in the Swiss healthcare system. Galenica made a key contribution to the security of procurement and supply as well as patient safety and health through its logistics services and pharmacy offerings to combat COVID-19.

In April 2021, pharmacies in Switzerland began dispensing COVID-19 self-tests. The employees in logistics and the pharmacies only had a few days to prepare for one of the largest dispensing campaigns in the history of Swiss pharmacies. In addition, the self-tests were delivered to pharmacies in packs of 25, and the pharmacies had to repack them into sets of five in order to meet official requirements.





↑ [Primary Care: The pharmacy as the first point of contact for health problems](#)

By the end of September, upon presentation of their health insurance card, people were able to receive five COVID-19 self-tests per person per month; these were paid for by the federal government. Amavita and Sun Store customers were also able to have their five tests sent to their home monthly on subscription. The Galenica Group pharmacies were already offering antigen and PCR tests at the end of 2020, and antibody tests were made available in November 2021. By the end of December 2021, more than 230,000 antigen, PCR and antibody tests had been carried out in Galenica Group pharmacies. Since spring 2021, the three pharmacy formats Amavita, Sun Store and Coop Vitality have also been able to offer vaccinations against COVID-19. In Switzerland, the vaccination permit for pharmacies is regulated at cantonal level. As of the end of 2021, 190 Galenica Group pharmacies with the corresponding cantonal licence were offering COVID-19 vaccinations. In relation to this, Galenica has given more pharmacy employees special training and has adapted the capacity of some pharmacies.

In order to overcome the major logistical challenge of distributing the COVID-19 self-tests, Galexis set up separate warehouse and sales logistics functions in spring 2021, which it integrated into the regular operating processes over the course of the year under review.

The logistics companies of the Galenica Group supported the authorities in ensuring the availability of logistics services to transport vaccines in 2021, in particular Alloga in the canton of Bern and Unione Farmaceutica Distribuzione (UFD) in Ticino. As each canton determines its own COVID-19 logistics for vaccines, with the military pharmacy taking priority, the distribution concept also differs from canton to canton.

HCI Solutions also made valuable contributions to combating COVID-19 in 2021. After the medical and pharmacy software Documedis® was approved by the Federal Office of Public Health (FOPH) as a reporting solution for COVID-19 tests and vaccinations, HCI Solutions promptly programmed the necessary interfaces for the software connection. Since then, pharmacies and medical practices have been able to record information on the vaccinations and tests for their patients, print confirmations and send the corresponding data to the relevant authorities at the touch of a button.

COVID-19 in figures

- Between April and September 2021, Galexis and UFD delivered around 14 million COVID-19 self-tests to Swiss pharmacies.
- In 2021, around 230,000 antigen, PCR and antibody tests were carried out at all Galenica pharmacies.
- In 2021, Galenica Group pharmacies dispensed some 8.5 million self-tests.
- Galenica's more than 190 pharmacies, which have a vaccination licence in 18 cantons, administered more than 90,000 COVID-19 vaccinations in the year under review.

Key figures Galenica Group

Management report

Net sales

+10.2%

Galenica Group CHF 3,834.7 million

EBIT adjusted¹

+26.4%

Galenica Group CHF 213.1 million

Employees

7,239

Galenica Group

In 2021, the Galenica Group generated consolidated net sales of CHF 3,834.7 million, representing strong year-on-year growth of 10.2% compared to the previous year.

This sales development was driven in particular by one-off additional sales in connection with COVID-19 with a growth in sales of 3.1%, most of which occurred in the first half of the year. The business developed very dynamically, especially in the last few months of 2021. On the one hand, the one-off additional sales in relation to COVID-19 increased again, and on the other hand, the sales of cold and flu medicines went up sharply compared to the same period of the previous year. In addition, a strong performance by the specialty pharmacy Mediservice and further market share gains in the wholesale business with doctors made a positive contribution to sales growth. Once again, acquisitions of companies and products were another growth driver in the 2021 financial year.

By way of comparison, the Swiss pharmaceutical market grew by 4.4% in the reporting year (IQVIA, Pharmaceutical Market Switzerland, 2021). As in 2020, this growth was driven by increased sales of high-priced medications, whereas the volumes sold decreased by 0.6% (IQVIA, Pharmaceutical Market Switzerland, 2021).

The adjusted¹ operating result (EBIT), i.e. excluding the effects of the IFRS 16 (Leases) and IAS 19 (Employee Benefits) accounting standards, grew by 26.4% to CHF 213.1 million. Key drivers were additional COVID-19-related sales with a positive EBIT impact estimated at CHF 25 million and profit from the sale of the property at the Galenica headquarters in Bern of around CHF 9.4 million. The adjusted¹ return on sales (ROS) also increased year-on-year from 4.8% to 5.6%.

At CHF 168.2 million, -2.6% (previous year: CHF 172.7 million), net profit was slightly below the previous year's result due to an extraordinary IAS 19 book profit in the 2020 financial year. Adjusted¹ net profit also showed strong growth at CHF 174.8 million (+26.7%).

Investments in the financial year 2021 totalled CHF 60.4 million (previous year: CHF 57.0 million). These were mainly attributable to the modernisation of the distribution centre in Lausanne-Ecublens and the introduction of the new ERP (Enterprise Resource Planning) system at Alloga and Galexis. In addition, there was increased investment in the development of digital infrastructure in connection with the strategic «Omni-channel» programme.

The Galenica Group's balance sheet was further strengthened. Compared to the previous year, the adjusted¹ shareholders' equity increased by CHF 96.1 million to CHF 1,206.2 million. The adjusted¹ net debt, i.e. excluding lease liabilities, dropped sharply compared with the previous year due to the significant operating cash flow, totalling CHF 258.2 million at the end of December 2021, which corresponds to 1.0× adjusted¹ EBITDA (as of the end of 2020: 1.7×).

The growth in adjusted¹ operating cash flow was very pleasing. It rose to CHF 283.2 million, which corresponds to an increase of 61.5% year-on-year. This growth was due to both the high operating result and the reduction in net working capital as a result of the excellent business development at the end of the 2021 financial year. Despite strong acquisition activity (cash flow for M&A: CHF -69.5 million), free cash flow amounted to a solid CHF 194.9 million (+226.8%), which was also positively influenced by the net sales proceeds from the property at the Galenica headquarters of CHF 38.2 million.

¹⁾ Excluding the effects of IAS 19 and IFRS 16. See chapter «Alternative performance measures».

«Products & Care» segment

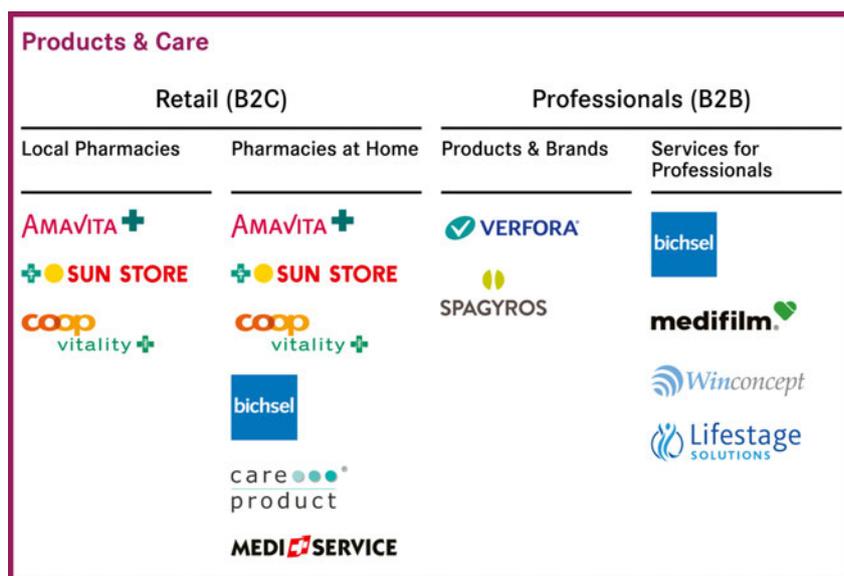
Management report

The «Products & Care» segment comprises the «Retail» business area with offerings for patients and end customers (B2C) and the «Professionals» business area with offerings for business customers and healthcare partners (B2B).



The «Retail» business area comprises the two sectors «Local Pharmacies» (POS) and «Pharmacies at Home» (mail-order and home care), while the «Professionals» business area comprises the «Products & Brands» and «Services for Professionals» sectors.

These activities focus on developing and marketing healthcare services and products via different sales channels: On the one hand, directly to end customers (B2C) through a strong presence with its own bricks-and-mortar pharmacies or at home with home-care services, mail-order pharmacies and e-shops. On the other hand, as an effective partner of service providers (B2B) in the healthcare sector, such as pharmacies, drug stores, doctors, care homes, home-care organisations and hospitals.



Key figures «Products & Care» segment

The «Products & Care» segment achieved net sales of CHF 1,908.1 million (+13.4%) in the financial year 2021.

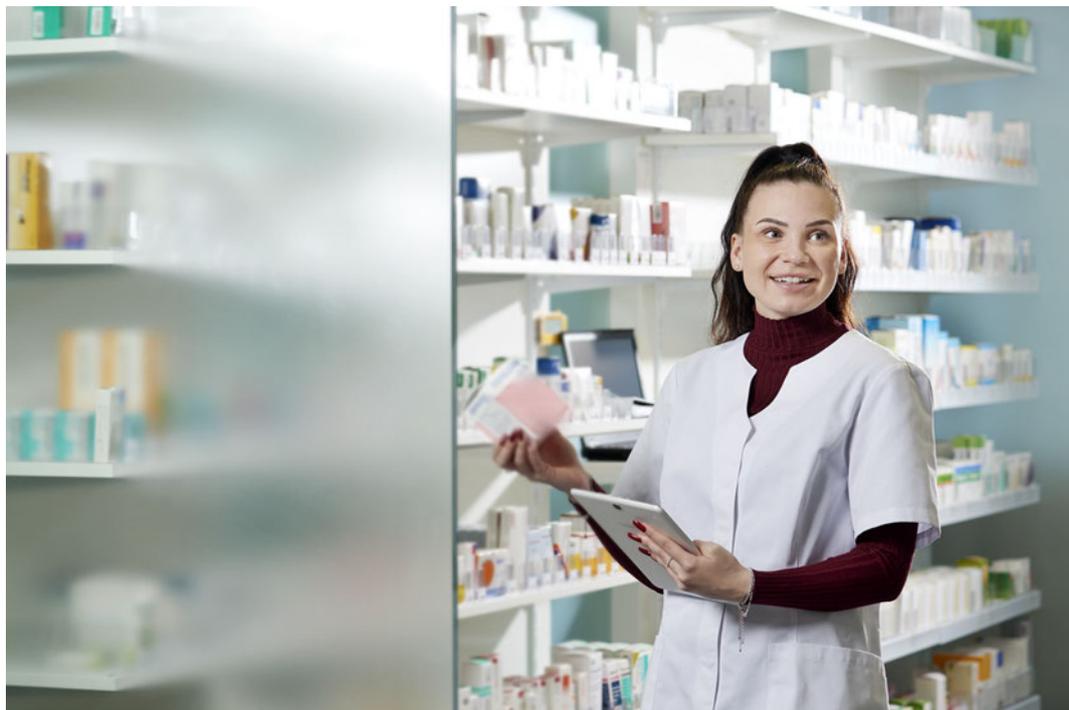
Of this, CHF 1,720.0 million (+13.3%) was accounted for by the «Retail» business area (B2C), with the «Local Pharmacies» sector contributing CHF 1,261.5 million (+8.5%, excluding Coop Vitality) and the «Pharmacies at Home» sector contributing CHF 458.8 million (+29.2%).

The «Professionals» (B2B) business area increased sales to CHF 194.0 million (+11.9%), with the «Products & Brands» sector contributing CHF 131.6 million (+17.8%) and the «Services for Professionals» sector contributing CHF 62.4 million (+1.4%).

The adjusted¹ operating result (EBIT), i.e. excluding the effects of the IFRS 16 (Leases) accounting standard, increased by 24.4% to CHF 154.5 million in financial year 2021 and the adjusted¹ return on sales (ROS) increased from 7.4% to 8.1%. This strong growth was generated in particular by the one-off additional sales from offers to combat the COVID-19 pandemic of an estimated EBIT contribution of CHF 19 million.

Investments in the «Products & Care» segment totalled CHF 23.5 million (previous year: CHF 26.0 million). These were mainly used for pharmacy renovations and the development of digital infrastructure as part of the «Omni-channel» programme.

¹ Excluding the effects of IFRS 16. See chapter «Alternative performance measures».



Sustainable generics substitution rate

The generics substitution promoted by Galenica dampened sales because of the lower prices of generics. Compared to the previous year, the generic substitution rate increased by 1.5 percentage points to 73.5% at the end of 2021. As a result, Galenica's contribution to reducing price increases in the Swiss healthcare system will continue to make an impact in the long term.

«Retail» business area (B2C)

Local Pharmacies

In the financial year 2021, the «Local Pharmacies» sector achieved net sales of CHF 1,261.5 million (+8.5%, excluding Coop Vitality). The main drivers of this growth were the various offers to combat the COVID-19 pandemic, which had a significant impact in the first half of the year in particular. Excluding the extraordinary additional sales from COVID-19 initiatives, sales growth amounted to 2.9%, mainly thanks to a positive expansion effect of 2.2%.

The loss in sales of «Local Pharmacies» in the first half of 2021 – due to the lack of a flu epidemic in the winter of 2020/2021 – was offset overall by the strong sales growth of cold and flu medicines in the fourth quarter of 2021.

By contrast, at the end of the year, sales in pharmacies at high frequency locations without sales from COVID-19 initiatives were still around 20% below the pre-pandemic level of 2019, while this shortfall was around 35% at the beginning of 2021.

In addition, government-ordered price reductions led to a decline in revenue of -1.0% in 2021. Without this effect, net sales in the «Local Pharmacies» sector would have increased by 9.5%.

By way of comparison, sales of medications from bricks-and-mortar pharmacies in Switzerland (prescription [Rx] and OTC products) grew by 3.5% in the reporting year (IQVIA, Pharmaceutical Market Switzerland, 2021).

In the year under review, pharmacies were also able to strengthen their position as the first point of contact for health issues. At the end of 2021, the offerings and services in the Primary Care segment comprised 28 indications with accompanying advice. The major advantage for patients is that they do not have to make an appointment in advance, but can go directly to the pharmacy for simple medical examinations and treatment recommendations on six to seven days a week.



↑ [Sun Store Pharmacy in Crissier](#)

Physical points of sale are becoming more modern

Despite the development of the online and home care offers, physical points of sale remain an important element of the sales structure. For this reason, Galenica continued to invest in bricks-and-mortar pharmacy locations in the financial year 2021. Thus, since the second half of 2021, the store layout of the Sun Store pharmacies has been undergoing a gradual modernisation process based on a new concept. In addition, the pharmacy locations of all formats are being constantly modernised and adapted to current requirements, for example with rooms for vaccinations and health advice services.

Further optimisation of the pharmacy network

In 2021, five pharmacies were acquired, and three new locations opened. At the same time, six locations were closed as part of optimisation measures. At the end of 2021, the Galenica own pharmacy network comprised a total of 368 pharmacies (+2).

Overview of development of the pharmacy network in 2021

	31.12.2021	31.12.2020	Change
Amavita pharmacies ¹⁾	181	179	+2
Sun Store pharmacies ¹⁾	92	94	-2
Coop Vitality pharmacies ²⁾	88	87	+1
Specialty pharmacy Mediservice ¹⁾	1	1	-
Majority holdings in other pharmacies ¹⁾	6	5	+1
Total own points of sale	368	366	+2

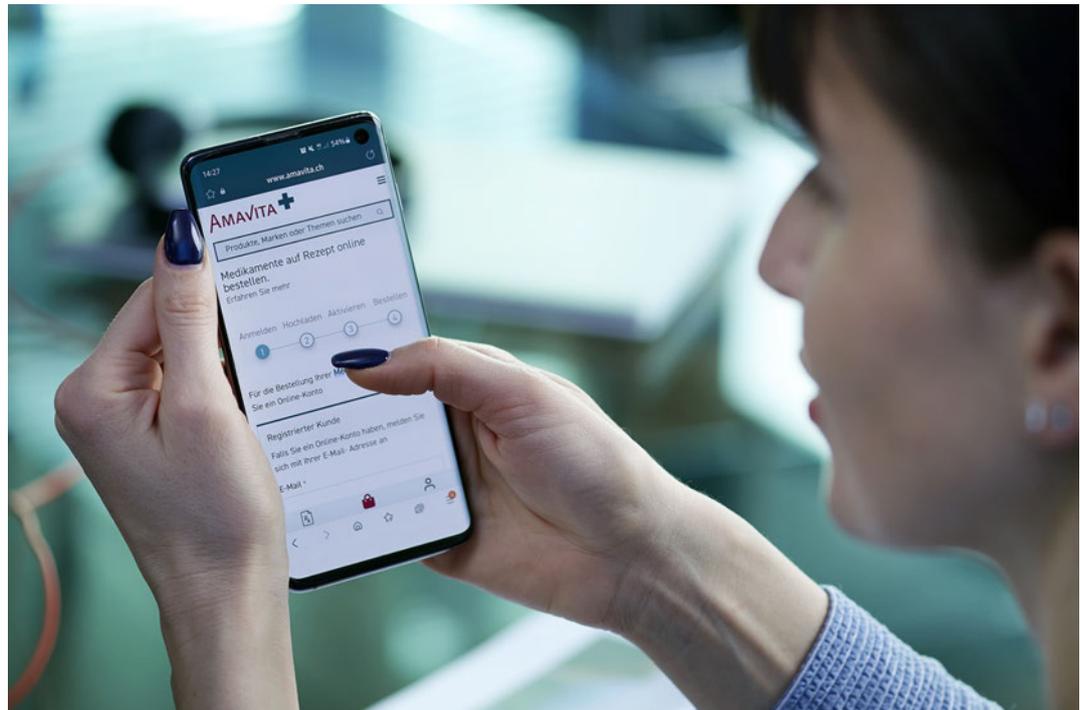
¹⁾ Fully consolidated

²⁾ Consolidated at equity



↑ [Pharmacist and doctor together under one roof](#)

Apodoc in Zurich has been part of the Galenica pharmacy network since July 2021. Apodoc is considered a pioneer in integrated patient care and has its own medical practice on its premises. With a view to further developing Galenica's strategy of offering added value to customers, Apodoc will enable Galenica to gain valuable experience in integrated care and collaboration between doctors and pharmacies.



«Retail» business area (B2C)

Pharmacies at Home

The «Pharmacies at Home» sector achieved extraordinary strong growth with sales of CHF 458.8 million (+29.2%). This strong performance was driven in particular by the specialty pharmacy Mediservice, which offers new medications to treat rare diseases in combination with home care services.

In addition, the Galenica Group online shops achieved a strong growth of 23.9%, even without taking into account the COVID-19-related additional sales. Taking into account COVID-19 self-test subscriptions, this growth even amounted to 50.5%.

With growth of 6.0%, Bichsel's home care activities also made a positive contribution to the sales performance of «Pharmacies at Home».

Government-ordered price reductions resulted in a fall in sales of -2.5% in 2021. Without this effect, net sales in the «Pharmacies at Home» sector would have increased by 31.7%.

By way of comparison, sales of medications from mail-order pharmacies in Switzerland (prescription [Rx] and OTC products) grew by 16.2% in the reporting year (IQVIA, Pharmaceutical Market Switzerland, 2021).



↑ [Preparation in the mail-order pharmacy](#)

Stronger link between online and offline offers

As part of the strategic «Omni-Channel» programme, Galenica further expanded the online and offline offerings of its pharmacy formats and linked them more closely. All pharmacy formats now also offer a mail-order pharmacy service: Patients can order their prescription medications online and have them delivered to their home. In addition, the service offerings in the Amavita, Sun Store and Coop Vitality web shops were further expanded, for example by giving patients the option to book online appointments for flu and COVID-19 vaccinations as well as antigen, PCR and antibody tests.

Strategy Omni-Channel



↑ [Home care - Patient care at home](#)

Mediservice: consistent strategy implementation bears fruit

The specialty pharmacy Mediservice, which looks after people with chronic and rare diseases, contributed significantly to the strong growth of the «Pharmacies at Home» sector. At the end of 2021, Mediservice had the expertise to professionally treat more than 50 indications. Mediservice was also able to expand its home care offering to cover more than 80 highly complex therapies in the year under review. This included not only treating patients at home and via telephone but also video consultations with the advisory service provided by Mediservice. As a result, Mediservice can make a significant contribution to increasing patients' independence and improving their quality of life.

Bichsel shows strong growth in the home care sector

The growing demand for home care services is also reflected in the offerings of Bichsel, particularly in connection with intravenous therapies. Thus, the demand for parenteral nutrition and for antibiotic therapies produced specifically for individual patients increased.



«Professionals» business area (B2B)

Products & Brands

The «Products & Brands» sector achieved sales of CHF 131.6 million (+17.8%) in the financial year 2021. Of this total, CHF 104.1 million (+19.3%) came from the Swiss market and CHF 27.5 million (+12.4%) from exports involving distribution partners in various countries. Sales drivers in the «Products & Brands» sector, which mainly comprises the business activities of Verfora, were acquisitions and new in-licensing in particular. The expansion-related growth thus amounted to a considerable 22.0%.

Strong losses in sales in the first half of 2021 (organic growth, adjusted for expansion effect, -22.9%) due to the absence of the 2020/2021 flu season and declining sales of travel-related products were largely compensated in the second half of the year. At -4.2% overall and -2.4% in the Swiss market, organic growth in 2021 remained only slightly negative.

By way of comparison, the consumer healthcare market declined by 0.2% year-on-year (IQVIA, Consumer Health Market Switzerland, 2021, excluding COVID-19 self-tests).

Verfora successful with acquisitions and partnerships

Verfora further expanded its position as the market leader in the Swiss consumer healthcare market in 2021. New partnerships and acquisitions in particular also contributed to this.

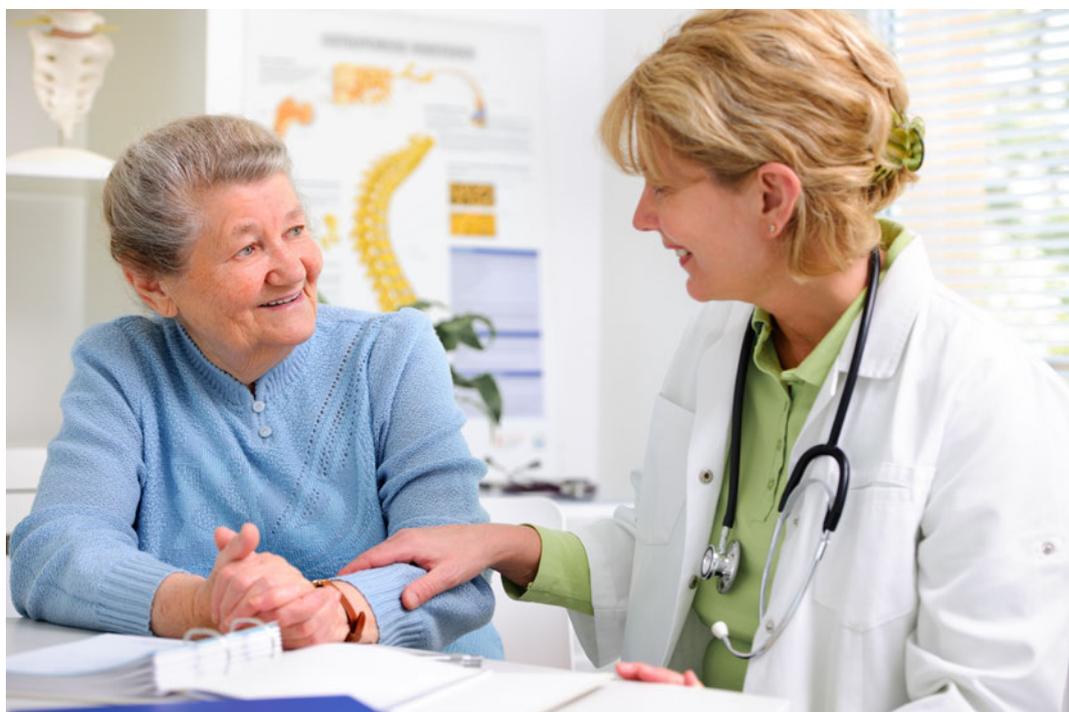
In May 2021, Verfora acquired the therapeutic product range from Dr. Wild & Co. Ltd., which includes well-known brands such as Vitamin D3 Wild Öl® and VI-DE 3®. Verfora thus secured the rights to strong brands and licences with potential. The acquired products from Dr. Wild have been leader in the attractive vitamin D market in Switzerland for many years and strengthen Verfora's product portfolio in the area of prevention and immune system fortification. Verfora took over the experienced medical field service of Dr. Wild for marketing purposes and established its own medical field service, which commenced operations at the beginning of 2022.



↑ [Spagyros: Centre of competence for complementary medicine](#)

Thanks to the acquisition of [Spagyros Ltd.](#) in September 2021, Verfora will not only be able to meet the growing demand for phytotherapy and complementary medicines through its own products but will also strengthen the position of pharmacies and drugstores with a range of products that require intensive consultation.

The acquisition of the Hedoga Group in 2020, the partnership with Angelini Pharma, which was also expanded in 2020, and the new distribution agreement with Institut Allergosan also had a positive impact on the 2021 financial year. The probiotic portfolio of Allergosan, in particular Omni-Biotic[®], recorded pleasing growth in 2021. Through the acquisition of Hedoga, Verfora has not only become the clear market leader in the Swiss lemon balm spirit market, but has also strengthened its export business in selected European markets.



«Professionals» business area (B2B)

Services for Professionals

The «Services for Professionals» sector generated sales of CHF 62.4 million (+1.4%) in financial year 2021. Growth was generated in particular by the acquisition of Lifestage Solutions Ltd. in July 2021.

The COVID-19-related decline in sales at Winconcept and the lower year-on-year sales with the productions at Laboratorium Bichsel were only partially offset by the strong sales growth at Medifilm. Winconcept supports 150 partner pharmacies at the end of 2021 (previous year: 151).



↑ [Lifestage Solutions: Offering for home care organisations and care homes](#)

Greater range of services for home care organisations and care homes

As part of the strategic «Professionals» (B2B) and «Care» (B2C) programmes, Galenica acquired [Lifestage Solutions Ltd.](#) at the end of July 2021.

Lifestage Solutions develops and operates an innovative digital trading platform for home care organisations and care homes, enabling them to order medical consumables, care products and services fully automatically. As a result, Lifestage Solutions simplifies the daily routines of its customers, allowing them to concentrate on their core task of care while also saving them money.

Furthermore, thanks to the synergies with Bichsel Homecare, Mediservice and Medifilm, it will also be possible to increase the services for home care patients. With its expanded offering, Galenica is making an important contribution to the health, well-being, safety and independence of patients in need of care.

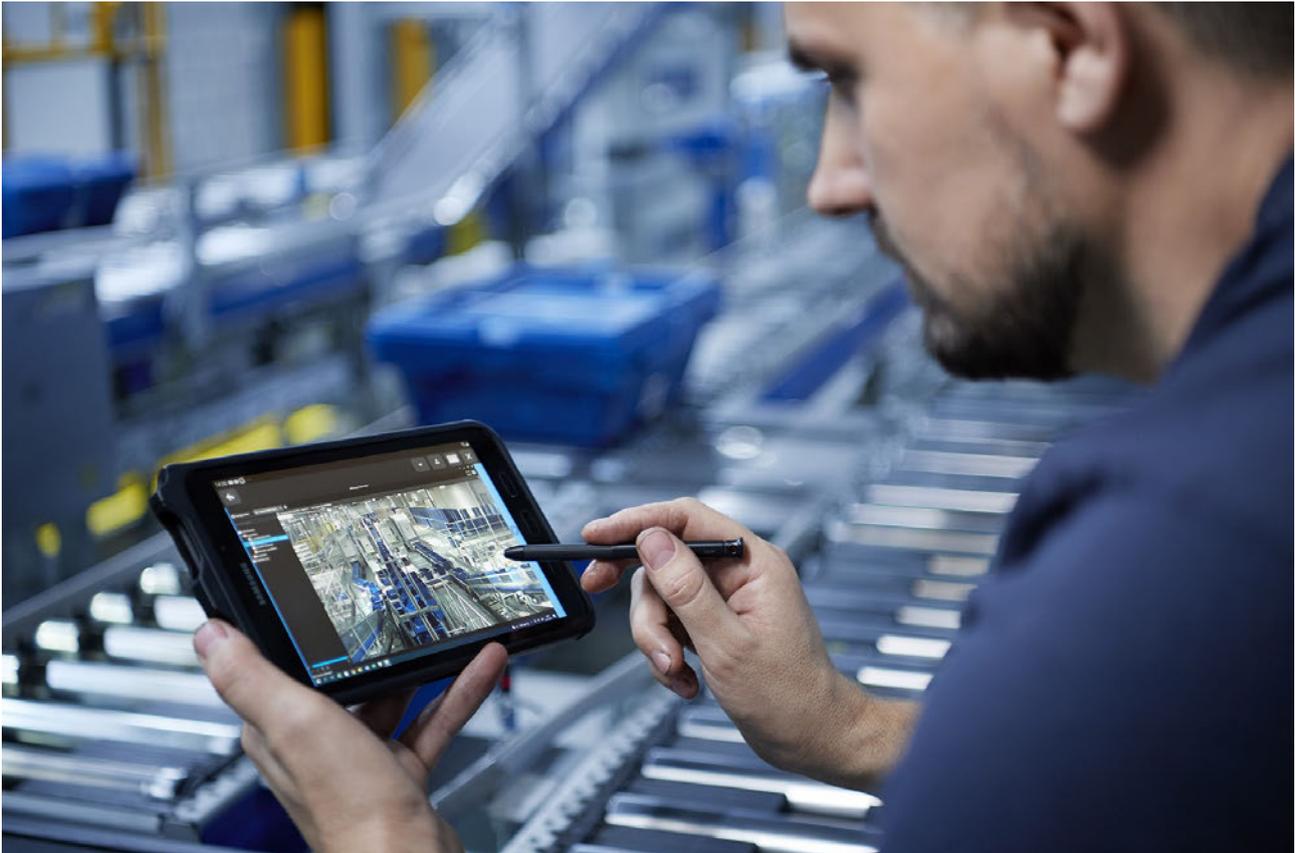
Bichsel increases production capacities and efficiency

In the reporting year, production capacities for liquid solutions in plastic bottles were increased as the result of a new, modern filling plant. The installation of the new PPB (polypropylene bottle) filling plant focused on automation, product and patient safety, and employee protection. The new plant will allow Bichsel to produce a larger number of solutions in plastic bottles in accordance with regulatory compliance requirements. At the same time, the sachet line was repositioned in the production department and connected to the automation system, which also led to efficiency gains.

«Logistics & IT» segment

Management report

The «Logistics & IT» segment comprises two sectors: «Wholesale» and «Logistics & IT Services». They operate and develop the logistics and IT platforms for the Galenica Group and offer services to all the parties involved in healthcare – pharmacies, drug stores, doctors, hospitals and care homes.



These activities focus on optimising and further developing the range of logistics solutions and services as well as producing innovative solutions to promote digitalisation in the healthcare market.



Key figures «Logistics & IT» segment

The «Logistics & IT» segment achieved net sales of CHF 2,831.4 million (+7.9%) in the 2021 financial year. CHF 2,728.4 million (+7.8%) of this was generated by the «Wholesale» sector and CHF 111.9 million (+13.7%) by the «Logistics & IT Services» sector. The «Logistics & IT» segment thus clearly exceeded the growth of the overall market of 4.4% (IQVIA, Pharmaceutical Market Switzerland, 2021).

COVID-19 also impacted sales in the «Logistics & IT» segment in the year under review. Additional extraordinary sales, driven primarily by the coronavirus pandemic, contributed an estimated 3% to sales growth. Another sales driver was again the market share gains in the wholesale business with doctors.

Losses in sales in the first half of 2021 due to the absence of the flu and cold season in the winter of 2020/2021 were largely compensated by a strong increase in the fourth quarter 2021.

Government-ordered price reductions led to a decline in sales of 1.3% in 2021. Had this not been the case, the segment's net sales would have increased by 9.2%.

The adjusted¹ operating result (EBIT), i.e. excluding the impact of the IFRS 16 (Leases) accounting standard, rose year-on-year by 35.2% to CHF 61.0 million. This significant growth was boosted by the profit from the sale of the property at the Galenica headquarters in Bern amounting to CHF 9.4 million, as well as the EBIT contribution generated by one-off additional sales to combat the coronavirus pandemic of an estimated CHF 6 million.

Thanks to these two special factors, the adjusted¹ return on sales (ROS) rose to 2.2% (previous year: 1.7%).

Investments totalled CHF 37.0 million (previous year: CHF 31.4 million). These were primarily used for the modernisation and renovation of the Galexis distribution centre in Lausanne-Ecublens, for the gradual roll-out of the new ERP software at Alloga and Galexis and for the development of digital infrastructure as part of the strategic «Omni-Channel» programme.

¹ Excluding the effects of IFRS 16. See chapter «Alternative performance measures».



Sector «Wholesale»

Strong sales growth of +7.8% to CHF 2,728.4 million was achieved in the «Wholesale» sector, also due to COVID-19-related additional sales.

The pharmacy customer segment recorded significant growth of 7.5%. Adjusted for the extraordinary sales of the COVID-19 initiatives, sales to pharmacies increased by 3.2%. Market growth of stationary pharmacies amounted to 3.5% in the financial year 2021 (IQVIA, Pharmaceutical Market Switzerland, 2021).

Another sales driver was again market share gains in the wholesale business with doctors, with sales growth of a strong 9.8% in this segment. Services for oncologists and rheumatologists were the main contributors to this. Galenica was also able to position itself as the ideal partner for specialist doctors in particular.

By way of comparison, the medical market developed by 6.0% in the reporting year (IQVIA, Pharmaceutical Market Switzerland, 2021). As was the case in 2020, non-essential operations and elective interventions in hospitals and by specialist doctors were postponed nationwide in 2021 due to COVID-19. For this reason, hospitals (+3.0%, IQVIA, Pharmaceutical Market Switzerland, 2021) are still lagging behind the overall market (+4.4%, IQVIA, Pharmaceutical Market Switzerland, 2021).



↑ [Galenicas contribution to the security of medical supplies](#)

Growing presence in the physician market

Galexis gained further market shares in the physicians segment in 2021. As a specialist partner, Galexis actively supports its customers in setting up and maintaining group practices and medical centres of various sizes. It thus helps to secure the supply of medical care in Switzerland – particularly in regions where there is already a shortage of family doctors or where this is likely to be the case in the near future.

Significant expansion of warehouse capacities

Galexis significantly increased its warehousing capacity in 2021 to meet the growing demand for its logistics services. In Niederbipp (canton of Bern), the existing distribution centre was expanded and, in particular, the storage capacity for medications was expanded by the creation of 17,600 new storage bays, resulting in a total of 61,395 with two additional automated storage and retrieval machines. The storage and retrieval machines went into operation at the end of September 2021. These additional storage capacities will enable Galexis to significantly increase product availability.

Innovation for the distribution of chilled medications

The range of refrigerated medications (2–8 degrees) is constantly increasing. Galexis delivers more than 2,000 containers of chilled products every day, reaching capacity limits on peak days. Until now, the cool boxes have used cooling elements, which took around 14 hours to reach the required temperature. Galexis was able to optimise this process in 2021 with a sustainable solution similar to that in the catering industry. By using ‘shock freezers’, the time needed to condition the cool boxes to the required temperature can be reduced to four hours. This reduction has made Galexis more agile and enabled it to react more flexibly to the market with a maximum capacity of around 3,000 boxes per day. Galexis is the first pharmaceutical wholesaler to use this innovative cooling process, which sets new standards in pharmaceutical logistics.



↑ [Innovative cooling technology at Galexis: Shock-Freezer](#)

Galexis also commissioned a new central warehouse for medical technology products at the neighbouring site in Oensingen (canton of Solothurn). This warehouse also serves as a second location for handling UFD's «E-Box» logistics service. Until now, all deliveries of online orders received in the Amavita, Sun Store and Coop Vitality online shops have been picked and shipped from UFD in Barbengo-Lugano. Thanks to the new storage capacities in Oensingen, around half of the 60,000 items available throughout Switzerland have been delivered within 24 hours as of summer 2021.

The renovation and modernisation of the Galexis distribution centre in Lausanne-Ecublens continued in the year under review. The outer shell of the new building and the office wing were completed and the administration department moved in at the end of 2021. The conversion included the refurbishment of all the buildings and the roofs to increase energy efficiency. The interior will be fitted out and put into full operation in the course of 2022.

Galexis launches ERP test phase

While more progress has been made with the introduction of the ERP (enterprise resource planning) system at Alloga, the introduction at Galexis began with the implementation phase. This means that the ERP system for Galexis was set up on the basis of the Alloga ERP system and started with the test phase and subsequent data migration.



Sector «Logistics & IT Services»

The «Logistics & IT Services» sector achieved net sales of CHF 111.9 million (+13.7%) in financial year 2021. The main driver of the strong growth was additional invoicing for internal Group IT services due to the new organisational structure introduced in 2021. HCI Solutions also contributed to sales growth with the expansion of digital services in the healthcare sector.

Continuous ERP roll-out at Alloga

The introduction of the ERP system at Alloga progressed according to plan in the year under review. At the end of 2021, Alloga was able to migrate around a third of its customers to the SAP platform. The progress of further migration work depends on the IT changes at the customers' premises.

Increased efficiency and expanded range of services

In 2021, Alloga was able to implement a new digital tool that suppliers can use to enter their delivery dates themselves in advance. This allows Alloga a better capacity utilisation at goods receipt and to increase the efficiency of its processing with suppliers. Alloga was also able to expand its range of chilled goods services to include Monday deliveries. Thanks to new refrigerated transport boxes, which keep cool for longer, refrigerated goods ordered on Fridays can be assembled for storage and transport at between two and eight degrees on Fridays and delivered on the following Monday.



↑ [E-Mediplan: increasing patient safety with digital innovations](#)

HCI Solutions: new Documedis® function as the basis for e-Mediplan increases patient safety

By the end of 2021, half of the doctors in Switzerland were already able to access the Documedis® medical and pharmacy software from HCI Solutions via their primary IT system. This also enables them to use the «Clinical Decision Support» (CDS) check, which was supplemented by additional algorithms in the reporting year. The CDS check is algorithm-based and checks a patient's medication for risks, such as potential intolerance to two drugs taken at the same time. This prevents medication errors and increases patient safety. In 2021, monthly CDS checks increased steadily from around five million in January to almost nine million in December. The CDS check also serves as the basis for the e-Mediplan electronic medication plan. This is integrated into the apps of all Galenica Group pharmacy formats. It not only sends automated messages to remind customers to take their medications, but also gives product information such as dosage, when to start and stop taking medication, comments, instructions and images. The e-Mediplan makes a significant contribution to increased medication safety and further functions will be added in 2022.

Pilot project on electronic transmission of prescriptions

A pilot project for the reliable and secure electronic transmission of prescriptions was launched in the first half of 2021. The corresponding IT solution «E-prescription» was developed by HCI Solutions and its partner company AD Swiss Net. Medi24, Switzerland's leading telemedicine provider, was the first medical practice to take part in this pilot project. «E-Prescription» is scheduled to be introduced into onlinedoctor.ch and other doctors in 2022.

Sustainability

Management report

Galenica further stepped up its commitment to sustainability in the financial year 2021. Based on a survey of external and internal stakeholder groups, the relevance matrix was updated and refined further. Moreover, specific sustainability goals were defined for the areas that were deemed to be essential.



These goals include, for example, reducing municipal waste and greenhouse gas emissions, reducing the number of occupational and non-occupational accidents, and increasing the use of the e-Mediplan electronic medication plan as a contribution to patient safety in pharmacies. In addition, Galenica is including sustainability reporting in accordance with the GRI Standards «core» option for the first time in the 2021 Annual Report.

[GRI report](#)

Energy consumption reduced in relation to net sales

The Galenica Group's total energy consumption – both within and outside the organisation – continued to increase 9% year-on-year in 2021 and amounted to 65,439 MWh (previous year: 60,312 MWh). The Galenica Group's direct and indirect greenhouse gas emissions amounted to 12,127 tonnes of CO₂ equivalents (tCO₂e) (previous year: 10,578 tCO₂e). This increase is due to the fact that the fuel consumption of the Group's own vehicles has been included in the data in 2021 for the first time ever. Without this data expansion, CO₂ emissions would have decreased 1% compared to the previous year. 44% of energy consumption within the organisation comes from renewable sources such as hydropower and photovoltaics and around 56% from non-renewable sources such as heating oil, natural gas, diesel and petrol. The intensity of energy consumption in relation to Group net sales in the 2021 financial year decreased by 2% and the intensity of CO₂ emissions in relation to Group net sales increased by 4%.

Key environmental figures



↑ [Driving into the future in an eco-friendly way](#)

New mobility concepts and the use of renewable energies

In order to reduce its environmental footprint, Galenica is increasingly focusing on new mobility concepts and the use of renewable energies in distribution. In addition to providing charging stations for electric cars and e-bikes, the company purchases its own vehicles on the basis of eco-friendly criteria and, wherever possible, chooses climate-neutral models. In addition, Galenica encourages its employees to switch to public transport wherever possible. All employees who use public transport to commute to work receive an annual contribution towards their transport costs in the form of Rail Checks or SBB (Swiss Federal Railways) vouchers.



↑ [What sustainability means for Galenica](#)

When renovating and converting sites, Galenica pays particular attention to measures designed to increase energy efficiency over the long term, such as energy-saving lighting in points of sale, warehouses and office spaces. The installation of motion detectors and sustainable air-conditioning systems also contributes to improved energy efficiency.

The Galexis distribution centre in Lausanne-Ecublens will be equipped with a photovoltaic system, new building insulation and new roof insulation in accordance with the latest sustainability standards. This reduces heat loss in winter and makes cooling in summer more efficient.



Galenica invests in its employees

The number of employees of the Galenica Group also rose in the 2021 financial year. As of the end of 2021, Galenica had 7,239 employees (previous year: 7,205).

The development of its employees is a top priority for Galenica, which is why it invested CHF 3.7 million in employee training and development in the year under review (previous year: CHF 3.3 million). At Amavita, Sun Store and Coop Vitality in particular, extensive training programmes were offered to develop the skills of pharmacy employees. Around 935 employees completed these programmes in 2021. Galenica is also actively involved helping to combat the skills shortage. During the financial year, the Group trained 823 apprentices in its Service and Business Units.

Key social figures



↑ [Connecting employees digitally](#)

As part of the new organisational structure introduced at the start of 2021, the regulations applicable to employees of the Galenica Group have been further harmonised. In addition, Galenica has expanded its internal digital communication platforms to promote and further develop the dialogue among employees and the transfer of knowledge, even during the COVID-19 pandemic. The home working regulation has also been revised in order to offer employees the greatest possible flexibility.

Galenica Group employees were once again able to use case management in the year under review. The primary objective of this scheme is to ensure that employees return to work quickly after an illness or accident. 2021 saw 434 new cases of illness, an decrease of 8% compared to the previous year. The number of occupational accidents fell by 5% compared to 2020. This decline is partly attributable to awareness-raising campaigns carried out in recent years. The number of non-occupational accidents rose by 14% compared to the previous year. The increase can be explained by the integration of some companies and pharmacies into the HR system in 2021 and the resulting increase in the number of employees for whom non-occupational accidents are recorded.

The Group-wide employee survey «Opinio» was once again carried out in 2021. With a response rate of 58%, the number of participants was down on the previous year. The results of the survey show that there is room for improvement, particularly in the areas of compensation, procedures and workload. The individual Service and Business Units are taking targeted measures to improve their results in the coming year.

Political environment

The KOF Swiss Economic Institute at the Federal Institute of Technology of Zurich (ETH Zurich) is forecasting growth in healthcare spending of 7.1% in 2021. The main reason for this growth is the fight against the COVID-19 pandemic. According to KOF, growth rates are likely to slow down in 2022 (+1.3%) and 2023 (+1.2%) if the pandemic situation lets up. According to estimates, COVID-19-related additional costs covered by basic insurance were approximately CHF 700 million in 2021.



Introduction

The Federal Council has called on health insurers to reduce the sometimes high reserves in favour of policyholders and has specified the conditions for the voluntary reduction of reserves and the reimbursement of excess premium income in its Health Supervision Ordinance. As a result of this decision, average health insurance premiums have fallen by 1.2% for the first time since 2008. The reduction of reserves is expected to delay the surge in premiums. Insurers, on the other hand, are hoping that the Swiss parliament will implement cost containment measures in order to counteract the expected increase.

Number of employees in the Swiss
healthcare sector

496,692

Full-time equivalents (2020, source:
Federal Statistical Office)

Initial package of measures to contain costs

The Federal Council has divided the healthcare cost containment programme into two packages of measures. These 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 main objectives with the initial package of measures:

- Facilitate pilot projects (experimentation article) and reimburse treatments abroad
- Improve tariff negotiation structure (national tariff organisation)
- Introduce flat-rate outpatient charges
- Reduce the price of generics / introduce reference pricing model
- Improve invoice verification

Experimentation article

Parliament approved the first part of the first package of measures in summer 2021. The focus is on the newly created experimentation article. The aim of this is to test innovative and cost-containing pilot projects to ease the burden on premium payers that deviate from the previous statutory regulations. The pilot projects are limited in terms of content, time and location and must be approved by the Federal Department of Home Affairs (FDHA). Experiments with alternative insurance models or in the field of integrated care may be carried out. Digitalisation is also to be promoted through pilot projects.

The associations of service providers and insurers must now set up an organisation structure that is responsible for developing and expanding as well as adjusting and maintaining the tariff structures for outpatient medical treatment.

Reference prices

In the second part of the package of measures in 2021, the National Council, as the first legislative chamber, spoke out against the introduction of reference prices. The Council of States also opposed reference prices during the winter session. Parliament is thus refraining from introducing reference prices. Concerns are too great that the security of the supply of medicines could further weaken.

Direct imports of medicinal products

Under the title «Parallel Imports», the National Council has approved a regulation allowing direct imports of medicinal products from the European Economic Area. Direct imports would mean that Swissmedic would neither be able to grant approval nor assume market surveillance for the products in question. This would mean that the relevant authorities would no longer know which medicinal products are on the market in Switzerland, meaning batch recalls would also no longer be possible. All medicinal products authorised in the EU/EFTA would be legally marketable in Switzerland – for example, medicinal products with a package leaflet and patient information written in Greek. Galenica resolutely rejects direct imports of medicinal products because they make it harder for specialist advice to be provided, while also leading to inevitable supply bottlenecks and damaging the quality of drug and patient safety. The Council of States rejected this proposal for direct imports of medicinal products during the winter session, which differs from the position of the National Council. In doing so, it creates an incongruity with the National Council, which will be cleared up in 2022.

The package also contains «Measures to manage costs», which Pharmasuisse, the Swiss Pharmacists Association, and the FMH Swiss Medical Association firmly reject. These measures mean that the quantitative development of the items and the development of the allocated costs must be monitored, with penalties in place for the unjustified development of billed costs. The National Council and the Council of States narrowly rejected the «Measures to manage costs» proposal, each with the deciding vote of the Council President.

Pharmacies in Switzerland

1,819

(2021, source: Pharmasuisse)

Second package of cost containment measures: critical assessment of the consultation package

The Federal Council submitted the second package of measures under the healthcare cost containment programme for consultation in autumn 2020. The FDHA published the consultation report in April 2021. 328 opinions were received during the consultation process.

The dispatch and draft legislation should be approved and submitted to parliament in 2022. The package mainly covers the following areas:

Cost targets

A clear majority of those taking part in the consultation refused to introduce cost targets. The FDHA wrote in its report on the results of the consultation process that, in particular, the service providers and patient and consumer associations reject the measure, but also many insurers and business organisations.

Nevertheless, the Federal Council submitted the proposal of cost targets to parliament in November 2021 as an indirect counterproposal to the popular initiative «For lower premiums – to curb healthcare costs». «The introduction of cost targets aims to strengthen the transparency of the medically explainable increase in costs, raise cost awareness among the responsible actors and limit the cost growth of compulsory health insurance to a medically justifiable level», writes the Federal Council in response to a parliamentary procedural request.

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.

Initial points of consultation were rejected by a clear majority during the consultation process, in particular by service providers, business associations, insurers and umbrella associations of municipalities, towns and mountain regions as well as patient associations and organisations. According to the FDHA in its consultation report, consumer associations, most cantons and some political parties are cautiously in favour of the measure. The requirement for doctors to take over this triage function may be rejected rather than the proposition to introduce initial points of consultation. This contradicts the idea of interprofessional collaboration.

Networks for coordinated care

In principle, almost all respondents in the consultation were in favour of promoting coordinated care. However, many organisations reject the proposed measures. The majority of service providers, umbrella organisations for business, insurers and political parties are rather negative on the matter.

Pricing models and reimbursements

Pricing 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 insurers. They would benefit from prices no longer having to be published.

Pricing models were supported by a large majority of those taking part in the consultation process, with some insurers and some service providers being critical of the notion.



Hospitals in Switzerland

276

(2020, source: Federal Statistical Office)

Revision of distribution share: second consultation planned

Following the consultation on the 2018 distribution share in 2021, the FDHA has developed a new model based on two pillars:

- Uniform distribution share for medicinal products with the same active ingredient composition
- Planned adaptation of the model of the distribution share

The new two-pillar model will be submitted for consultation in the first half of 2022. The model will enter into force in 2023 at the earliest.

With the revision of the distribution share, the Federal Office of Public Health (FOPH) expects annual savings of CHF 100 to 120 million. Several stakeholders take a critical view of the proposals, as they are seen as the introduction through the back door of the lowest-cost principle and reference prices, which parliament rejects.

In 2021, parliament adopted a motion (20.3936) instructing the Federal Council to revise the distribution shares in Art. 38 of the Health Insurance Benefits Ordinance (HIBO) in agreement with the affected service providers so that they effectively cover distribution costs.

Doctors in Switzerland

38,502

(2021, source: Swiss Medical Association)

Implementation of the SBR V tariff model delayed

Curafutura, the association of innovative health insurers, and the Swiss Pharmacists Association Pharmasuisse submitted the new SBR V (service-based remuneration V) pharmacy tariff 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 costs of the pharmacy team to provide pharmaceutical services would be removed from the distribution share and instead now be billed via SBR V. The head of the department of the FDHA has asked the tariff partners to revise the agreement in order to maintain cost neutrality.

The date the agreement will enter into force is undecided and will depend on the introduction of the revised distribution share. It would not be appropriate for the system to eliminate personnel costs from the distribution share without mapping the expenses in the SBR at the same time.

Introducing electronic patient records hesitantly – EPRA revision to follow

New medical service providers that want to invoice services via basic health insurance must now join a certified reference community. In March 2021, parliament passed a motion requiring not only new service providers but all healthcare professionals to join a reference community.

In August 2021, the Federal Council published its «Electronic patient record. What remains to be done before it can be used extensively?» report. It proposes various measures to promote the dissemination and use of electronic patient records (EPRs). The Federal Council is expected to pass a policy decision on the further development of the Electronic Patient Record Act (EPRA) at the end of February 2022.

In order for EPRs to be a success, applications that can be used quickly, such as electronic vaccination records, e-medication plans, e-prescriptions, admittance and discharge reports, and patient wills are required. An obligation of service providers to adopt electronic prescriptions and electronic medication plans could help the use of EPRs to achieve a breakthrough. Such motions have already been submitted, but have been rejected by the Federal Council.

Mail-order sales of OTC drugs should be simplified

The Federal Council is planning to simplify the mail-order process for over-the-counter (OTC) drugs.

Galenica shares the position of the Federal Council that the requirement in the Therapeutic Products Act (TPA) that a patient must have a doctor's prescription prior to ordering a non-prescription medicinal product for mail order is no longer up-to-date. Specialist advice and patient safety are also important for over-the-counter medicines, as they may be associated with side effects and interactions with other medicines. Patient safety can also be ensured digitally if the purchaser is clearly identified.

In its communication, the Federal Council states that it is planning to submit a corresponding revision of the TPA for consultation at the beginning of 2023.

Outlook

Naturally, the packages of cost containment measures are primarily aimed at reducing costs. There is a risk that the focus on efficient service provision will be lost and that the savings will lead to reduced services and rationing at the expense of patients.

The price trend for medicinal products is a cause for concern. On the one hand, costs in the high price range are rising, while on the other hand, opportunities to save on low-priced drugs have been virtually depleted following several rounds of price reduction. These must not lead to even more low-priced medicines disappearing from the market and hardly any new, low-priced medicines being approved anymore.

For the Galenica Group, the focus is on efficient service provision and the prevention of inappropriate, excessive and inadequate supply. It supports targeted measures to reduce costs, for example by promoting parallel imports or eliminating false incentives in relation to the distribution share. Galenica does, however, oppose any measures that de facto lead to the rationing of benefits and thus to poorer patient care.

The coronavirus pandemic has shown that the digital transformation of healthcare is lagging behind. Digitalisation is a top priority at Galenica. Health data ecosystems that can communicate with one another are needed to make data-based knowledge a reality. Stakeholders are required to come up with joint solutions, and the legislative powers must quickly adopt the necessary decrees.

Generally speaking, digital solutions that improve care and/or make it cheaper are to be promoted. Digital solutions also have to cope with people's changing consumer and shopping habits. For example, simplification of the mail-order business of OTC drugs are to be supported while also preserving patient safety.

Outlook 2022

Galenica will continue to focus on implementing the projects from the strategic programmes. This includes linking and expanding more products and services across all sales channels. At the same time, the logistics and digital offerings are being developed further. And finally, Galenica intends to achieve greater increases in efficiency across the entire Group, for the benefit of customers and partners alike.



↑ [Lifestage Solutions: Offering for home care organisations and care homes](#)

Products & Care

- The pharmacy network is being continuously optimised and expanded, including by improving the quality of the online shops and investing in the shopping experience at physical points of sale.
- With the aim of strengthening the position of pharmacies as the first point of contact for health issues and basic medical care, the Documedis® «Primary Care» module is to be expanded with additional algorithms for treating further common medical issues. Galenica is also committed to incorporating «Primary Care» services into health insurance models. The insurance company CSS is taking the lead here and will start paying for this service for its patients with the MyFlex outpatient supplementary insurance from the start of 2022.
- Following the opening of the first Sun Store branch operating under the new store concept, this will be rolled out to other locations in 2022. In addition, Sun Store will introduce a new loyalty programme for its customers in 2022 and celebrate its 50th anniversary.

- The collaboration between Bichsel, Mediservice, Medifilm and Lifestage Solutions will be further expanded in the area of home care and care homes so that customers can fully benefit from the associated added value and new offers.
- Winconcept developed a new three-stage partnership model in 2021 and will launch it in 2022 for independent pharmacies and drug stores. In addition, Winconcept is celebrating its 20th anniversary.



↑ Progress in the implementation of the ERP system

Logistics & IT

- Launched in 2021, the pilot project for the reliable and secure electronic transmission of prescriptions using the «e-Prescription» digital solution from HCI Solutions and partner company AD Swiss Net is to be further tested with additional partners and developed for market readiness.
- Alloga is planning to complete the rollout of the new ERP system. At Galexis, the rollout will be taken further, with a staggered implementation at the Niederbipp and Lausanne-Ecublens sites in order to minimise risks. The launch is planned for Lausanne-Ecublens in 2023, and Niederbipp in 2024. At the same time, Galexis will open the modernised Lausanne-Ecublens distribution centre in the second half of 2022.
- Implementing measures for achieving the sustainability goals is also a top priority. Further pilot projects with alternative drives for delivery vehicles are to be launched and the necessary charging infrastructure for company vehicles is to be set up at relevant locations.

Guidance 2022

Galenica expects the coronavirus situation to normalise gradually over time. With the easing of social distancing and hygiene measures, an increase in cold and flu infections is expected. At the same time, Galenica expects a slow recovery at high-frequency locations. However, as more people are working from home, footfall continues to be expected below pre-coronavirus levels. The extraordinarily high level of additional sales resulting from the measures taken to combat the coronavirus pandemic are no longer expected in the 2022 financial year. Nevertheless, Galenica expects consolidated sales to be at least on prior year level.

Based on adjusted¹⁾ EBIT for 2021 excluding the extraordinary results from the COVID-19 initiatives (estimated CHF 25 million) and the sale of the headquarters property in Bern (CHF 9.4 million), Galenica expects an EBIT increase of 5% to 10%.

Galenica strives for a strong and yet sustainable dividend development and plans for 2022 a dividend at least on prior year level.

¹⁾ Excluding the effects of IAS 19 and IFRS 16. See chapter «Alternative performance measures».

About us

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Galenica Strategy

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.

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 place our trust in others. We keep our promises. We are credible.
- WE SHOW RESPECT**
We listen actively. We respect other opinions. We give feedback appreciatively. Wir geben wertschätzend Feedback.
- TOGETHER, WE ARE STRONGER**
We act in the collective interest of the Galenica Group. We consciously make use of the strengths of each individual. We learn from one another.
- WE ACT AS ENTREPRENEURS**
We act with courage. We take responsibility. We simplify things.
- WE PARTICIPATE WITH PASSION**
We move forward with enthusiasm. We stay on top of the game. We go the extra mile.

Customer promise



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

Strategic objectives



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

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

CARE

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

PROFESSIONALS

- First-choice partner for healthcare professionals
- Leader in e-health
- Patient safety and security of supply

EFFICIENCY

- Simple and efficient, for customers, partners and employees
- Process and cost optimisation
- Sustainable use of resources

TRANSFORMATION

- Making employees fit for the future
- Promoting equal opportunities and diversity
- Decision-making by competent, agile teams

Sustainability at Galenica

Sustainability at Galenica

Sustainability is an integral part of Galenica’s corporate management. This is based on the steadfast belief that proactive and responsible action contributes significantly to the long-term economic success of a company and has an impact both within and outside a company.

Our sustainability principles

We firmly believe that our Group can achieve long-term economic success only if we also bear social responsibility and use natural resources efficiently and respectfully.

This conviction is reflected in the three key sustainability principles of Galenica, in addition to our customer promise. Supported by the Executive Committee, they form an essential part of the Group’s corporate culture.

Company value

We increase the company's value in the long term by acting sustainably.

Employees

We commit our employees to act responsibly and ensure a safe, flexible and supportive working environment.

Resource efficiency

We use resources respectfully and efficiently and reduce negative environmental impacts.

With these guiding principles, we educate and motivate our employees to continuously increase our resource intensity, efficiency, capacity for innovation and, ultimately, competitiveness. At the same time, the lively, ongoing dialogue with the various stakeholders helps to identify requirements and expectations at an early stage and to maintain Galenica’s strong reputation.

Sustainability organisation

The Board of Directors bears ultimate responsibility for the economic, ecological and social impact of the Galenica Group. The Governance, Nomination and Sustainability Committee advises the Chairwoman of the Board of Directors and the entire Board of Directors on sustainability. The Committee consists of the Chairwoman of the Board of Directors, the Vice Chairman and other members who are elected by the Board of Directors at the suggestion of the Chairwoman of the Board of Directors. Among other things, the Committee reviews the relevance matrix on an annual basis, adopts the sustainability goals and ensures that the corporate strategy is geared towards sustainable management. The Executive Committee is responsible for implementing the sustainability goals and integrating sustainability into day-to-day business.

We have formalised our commitment to social responsibility in the form of the Sustainability Committee (SC). The SC plays an advisory and coordinating role and develops concrete proposals for the implementation of the sustainability strategy for the attention of the Executive Committee and the Board of Directors. The main task is

to systematise internal sustainability management and external reporting and to ensure that the measures are implemented. The Committee is structured in such a way that, in addition to covering all key sustainability topics, all Business and Service Units and the Executive Committee are also represented on the Committee by a responsible person.

The SC met four times in the year under review. In between Committee meetings, several smaller meetings were held by individual working groups in order to draw up the sustainability goals and coordinated measures for all material topics. In 2022, the measures will be further specified or will already have been implemented. This is mainly done by the Business Units or companies responsible. The SC coordinates the activities and the Chief Transformation Officer regularly reports to the Executive Committee and the Board of Directors.

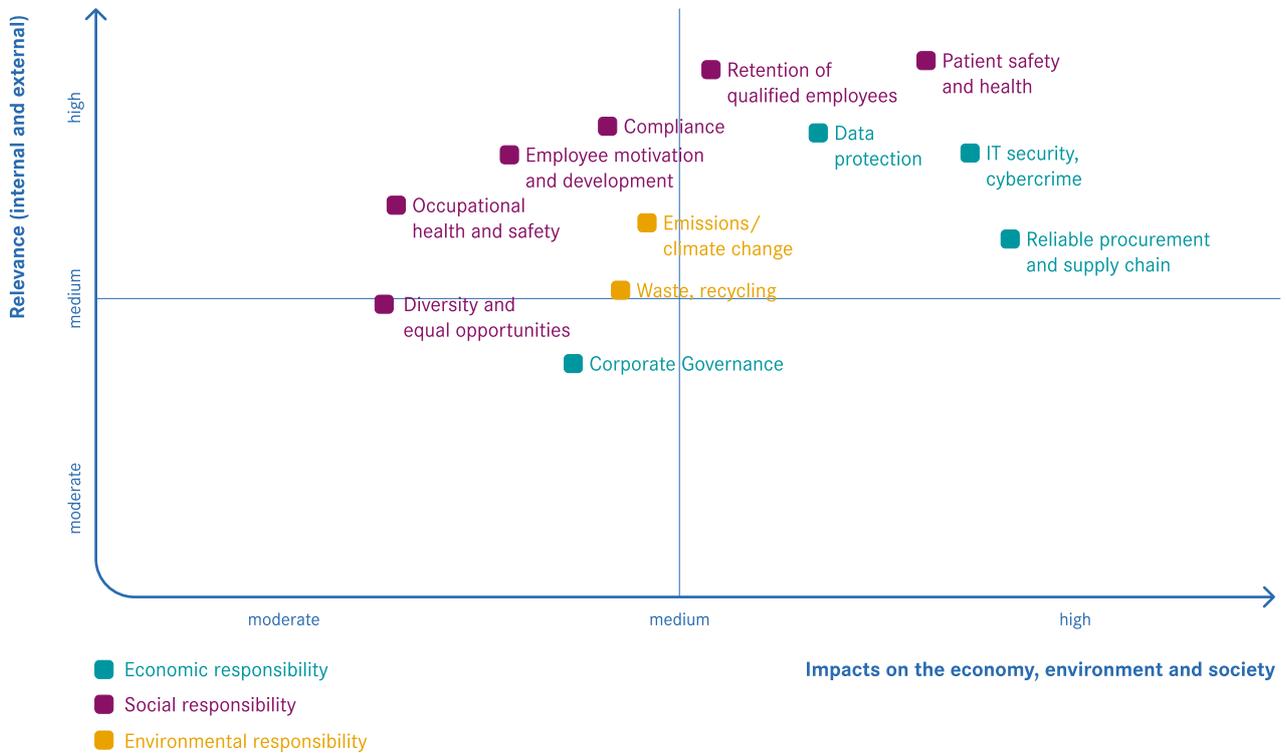


↑ Sustainability organisation

Relevance matrix

In 2017, we identified the key sustainability topics of the Galenica Group internally for the first time and evaluated them from the perspective of the Galenica Group and its key stakeholders. Following in-depth discussions by the SC and the Executive Committee, the material topics were further expanded and clarified in 2020. Finally, in the year under review, we carried out a materiality process in accordance with GRI Standards, with the involvement of external stakeholders for the first time. Internal and external stakeholders – investors, partners, suppliers, customers, associations, employees, public authorities, as well as members of the SC, the Executive Board and the BoD – evaluated the relevance of the topics and the impact of Galenica’s business activities on the social, ecological and economic environment in an online survey. In addition, interviews were held with representatives of all external stakeholder groups to discuss the evaluations and the associated requirements and expectations. The results are presented in the updated relevance matrix. The Executive Committee and the Board of Directors have approved the updated relevance matrix.

Relevance and impact



Our sustainability goals

The SC has defined specific targets for all material sustainability topics, which were approved by the Executive Committee and the Board of Directors at the end of 2021.

In addition, in the financial year 2021 the topic of sustainability was integrated into the goals of the strategic programmes and therefore firmly anchored in the corporate strategy.

[Galenica strategy](#)

Our contribution to the Sustainable Development Goals

The Sustainable Development Goals (SDGs) form the global reference framework for sustainable development. The Galenica Group is committed to the SDGs. As Switzerland’s leading fully integrated healthcare provider, we make an important contribution to SDG 3 (Health and Well-being). This goal is at the heart of our business activities and is consistent with our customer promise to support people at every stage of their life on their journey towards health and well-being. We also contribute to SDG 8 (Decent Work and Economic Growth), SDG 12 (Responsible Consumption and Production), SDG 13 (Climate Action), SDG 10 (Reduced Inequalities) and SDG 16 (Peace, Justice and Strong Institutions) through our corporate activities.



Patient safety and health

Patient safety and health is a top priority for us. With personal and expert advice and a unique range of products and services, we support patients at every stage of their lives, promote their well-being and enable people of all ages to lead a healthy life in accordance with SDG 3.



Emissions and climate change

We promote the use of renewable energies in distribution, the use of public transport and electromobility by our employees, always take measures to increase energy efficiency into account and check the feasibility of installing photovoltaic systems during renovations. In addition, we have defined specific targets for reducing greenhouse gas emissions, replacing fossil fuels and using exclusively renewable energy sources at all our operating sites. We also rely on supply chain partnerships in accordance with SDG 17 to promote recycling with regard to the climate, water and waste. With these measures, we are contributing to the fight against climate change.



Waste and recycling

In addition to traditional municipal waste, we also produce medical and chemical waste. The prevention, reduction, recycling and professional disposal of waste is of central importance to us. We also contribute to biodiversity conservation by disposing of medications properly. Environmentally friendly waste management forms the basis of responsible consumption and production.



IT security and cybercrime

With the increasing digitalisation of the healthcare system, the risk of cyberattacks is increasing. This is why IT security is a critical topic at Galenica. As a healthcare provider, we process sensitive information and data. We ensure that these are protected against unauthorised access and unauthorised changes or loss. Protecting IT systems is key to a peaceful and inclusive society as well as strong institutions.



Data protection

Protecting patient and customer data is a top priority for us. We respect and protect the personal data and privacy of patients when processing their data. Our Data Protection Policy firmly includes general rules on the organisation and responsibilities of the Galenica Group with regard to data protection. Data protection is an important basis of a peaceful and inclusive society as well as strong institutions.



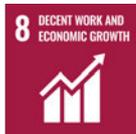
Reliable procurement and supply chain

We work closely with suppliers to ensure the greatest possible availability of medicines. An IT-based scheduling system also helps us optimise our procurement and logistics processes. Reliable provision of medicines to the population is key to promoting health and well-being.



Employee motivation and development

Our employees play a key role in our success. We consistently promote employee motivation and development by offering our employees attractive and fair employment conditions, modern and flexible working models as well as various training and education programmes and opportunities. We also support the next generation of skilled workers by training apprentices. Through all these measures, we support sustainable labour and economic growth in Switzerland.



Securing skilled workers

Securing skilled workers in the healthcare professions and IT sectors is a major challenge in Switzerland. Our recruitment strategy includes measures to promote the company's image as an employer, positioning and university marketing for pharmaceutical students in order to secure skilled workers. In doing this, we support sustainable labour and economic growth in Switzerland.



Health and safety at the workplace

The physical and mental health of employees is very important at Galenica. This is why we take all possible precautions to protect the health and safety of all employees in the workplace. We also operate preventive case management in order to identify potential health risks at an early stage and ensure a swift return to work after an illness or accident. We thus make a significant contribution to the health and well-being of our employees.



Diversity and equal opportunity

We are committed to diversity and equality and bring together people from 82 countries and all age groups. Three-quarters of employees are women. Our Code of Conduct states that we do not tolerate any discrimination or harassment. We also ensure that salaries are equal between men and women. We ensure equal opportunities and are committed to reducing inequalities. In doing this, we also contribute to SDG 5 (Gender Equality).



Corporate Governance

Good and transparent corporate governance is crucial for us to manage the company effectively and efficiently. In addition, corporate governance forms the basis of a peaceful and inclusive society based on the equal participation of all people as well as strong institutions.



Compliance

We attach great importance to conducting our business activities in an ethical and legal manner. All our business activities are carried out in accordance with the applicable legislation. In doing this, we are contributing to a peaceful and inclusive society.

Our sustainability goals

Ethical and legal business activities

We train all employees in compliance at least once a year.

Protect patient data and IT systems

- We make our employees aware of IT security and cybercrime.
- Twice a year, we carry out measures to raise employee awareness in the area of data protection.

Corporate management



Increase patient safety and health

- We will expand the use of the eMediplan in Galenica pharmacies by 10% a year until 2023.
- We will make patient information on all Algifor products available online in five other languages that are relevant for Switzerland by 2022.

Ensuring the availability of medicinal products

We will review the compliance of our top ten suppliers with the Supplier Code of Conduct every three years from 2025.

Promote employee motivation and development

We will increase the motivation rate of our employee survey to 75 out of 100 points and the participation rate to 75% by 2024.

Ensure occupational health and safety

- We will reduce the absence rate for occupational and non-occupational accidents by 10% by 2024.
- We will reduce the absence rate due to mental illnesses by 5% by 2024.

Secure skilled workers

We will reduce the time-to-hire for IT and pharmacy positions by 10% by 2024.

Promote diversity and equal opportunity

- We will improve diversity, in particular gender equality, in all Service Units by 2024.
- We will maintain the proportion of women in management at 50%.

Environment

Reduce and safely dispose of waste

We will reduce our municipal waste by 50% by 2025.

Minimise greenhouse gas emissions

- From 2025, we will be sourcing 100% of our electricity from renewable sources at all our locations.
- We will reduce the greenhouse gas emissions produced by all our operations, processes and supply chains by 25% by 2025 and by 50% by 2030.
- We will replace 40% of the fossil fuels in our vehicle fleet with renewable alternatives by 2028.

Key figures

Contents key figures

54	Financial key figures
56	Key social figures
60	Key environmental figures

Financial key figures

Net sales
in million CHF



■ Products & Care ¹⁾: 1,908.1
■ Logistics & IT ¹⁾: 2,831.4

EBIT adjusted²⁾
in million CHF



■ Products & Care ^{1) 2)}: 154.5
■ Logistics & IT ^{1) 2)}: 61.0

Number of employees
at 31 December 2021



■ Products & Care: 5,330
■ Logistics & IT: 1,667
■ Group Services: 242

in million CHF	2021	2020	Change
Net sales	3,834.7	3,479.8	10.2%
Products & Care ¹⁾	1,908.1	1,683.1	13.4%
Logistics & IT ¹⁾	2,831.4	2,625.1	7.9%
EBIT	207.4	213.3	-2.8%
EBIT adjusted²⁾	213.1	168.6	26.4%
in % of net sales	5.6%	4.8%	
Products & Care ^{1) 2)}	154.5	124.2	24.4%
in % of net sales	8.1%	7.4%	
Logistics & IT ^{1) 2)}	61.0	45.2	35.2%
in % of net sales	2.2%	1.7%	
Net profit	168.2	172.7	-2.6%
Net profit adjusted²⁾	174.8	138.0	26.7%
Total assets	2,565.9	2,258.9	13.6%
Shareholders' equity	1,233.7	1,053.4	17.1%
Equity ratio	48.1%	46.6%	
Capital contribution reserves	307.0	351.6	-12.7%
Net debt adjusted²⁾	258.2	353.7	-27.0%
Debt coverage adjusted ²⁾	1.0 x	1.7 x	
Gearing adjusted ²⁾	21.4%	31.9%	
Investment in property, plant and equipment and intangible assets	60.4	57.0	6.1%
Cash flow from operating activities adjusted²⁾	283.2	175.3	61.5%
Free cash flow²⁾	194.9	59.6	226.8%
Employees at reporting date (FTE)	5,533	5,538	-0.1%

¹⁾ Reported for each segment not taking into account Group Services and Eliminations

²⁾ For details to the adjusted key figures refer to chapter Alternative performance measures of the Annual report 2021

Share price performance in percent



Share information

in CHF	2021	2020
Share price at reporting date	68.55	59.00
Highest share price for the year	73.15	72.25
Lowest share price for the year	57.20	57.15
Market capitalisation at reporting date in million CHF	3,402.7	2,920.4
Earnings per share ¹⁾	3.38	3.48
Earnings per share adjusted ¹⁾²⁾	3.52	2.78
Shareholders' equity per share ¹⁾	24.76	21.19
Gross dividend per share ³⁾	2.10	1.80
– of which paid out from retained earnings	1.05	0.90
– of which paid out from reserves from capital contributions	1.05	0.90
Dividend yield ⁴⁾	3.1%	3.1%
Pay-out ratio adjusted ⁵⁾	59.7%	64.7%
Price-earnings ratio (P/E) adjusted ⁶⁾	19.5	21.2

¹⁾ Attributable to shareholders of Galenica Ltd.

²⁾ Net profit adjusted divided by average number of outstanding shares

³⁾ According to Board of Directors' proposal to Annual General Meeting of 11 May 2022

⁴⁾ Gross dividend per share in relation to the share price at reporting date

⁵⁾ Gross dividend per share in relation to earnings per share adjusted

⁶⁾ Share price at reporting date in relation to earnings per share adjusted

Key social figures

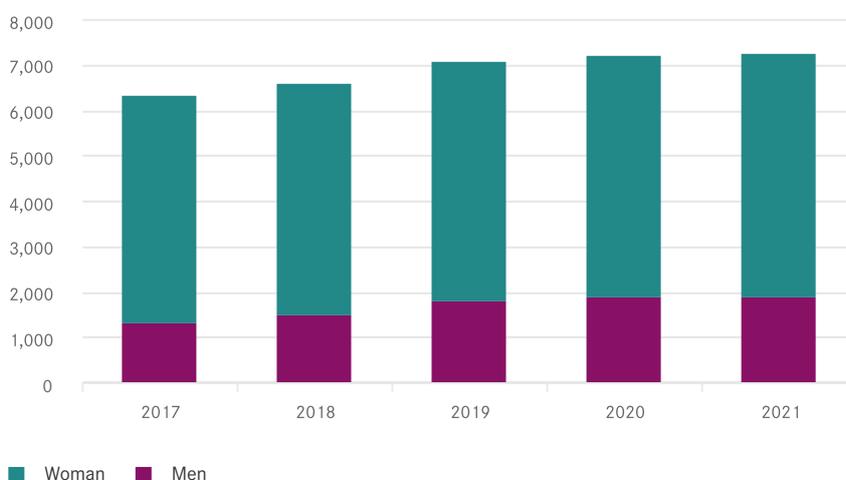
Key social figures

Galenica provides key employee figures on employment, occupational health and safety, education and training, diversity and equal opportunities. Other key figures on patient safety and health as well as reliability of procurement and supply are also published.

Employment

Aspect	GRI Indicator	Unit	2021	2020	2019	2018	2017
Employees	102-8	number	7,239	7,205	7,071	6,580	6,314
by gender	102-8						
- women	102-8	number	5,351	5,308	5,268	5,078	4,997
- men	102-8	number	1,888	1,897	1,803	1,502	1,317
part-time (<90%)	102-8	number	3,058	3,039	2,897	2,603	2,567
Employee Turnover	401-1	%	14.5	10.6	11.4	12.4	12.8

Number of Galenica Group employees 2017–2021



Galenica continues to grow

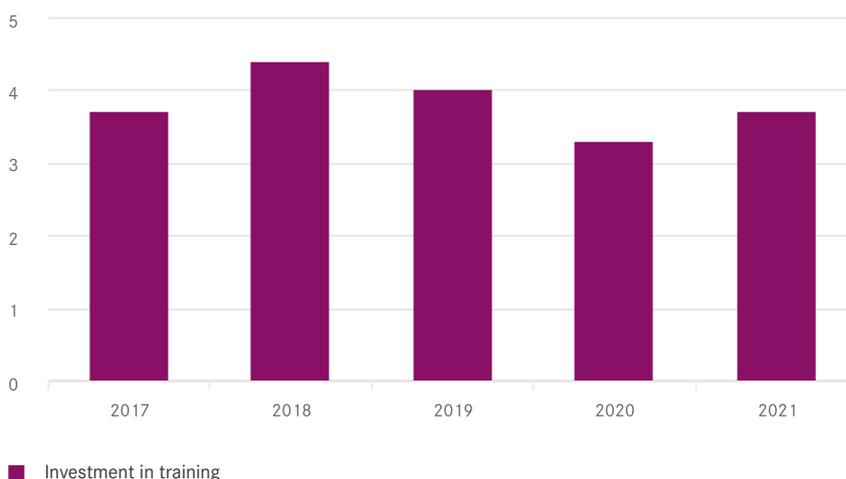
Galenica continued to grow in 2021. At the end of 2021, the Galenica Group had 7,239 employees, an increase of 0.5% over the previous year. This increase is due to the acquisition of companies such as Spagyros and Lifestage Solutions. The proportion of women is around 74% and has remained relatively constant over the past five years. 42% of employees work part time, i.e. with a workload below 90%. This figure has also remained more or less unchanged since 2017. The proportion of managers to all staff has remained unchanged since 2017 at 9%. From 2017 to 2021, the proportion of female managers rose from 48% to 52%. Employee turnover at Galenica was 14.5% in 2021, 4% higher than in the previous year. This increase can be attributed, among other things, to the adjustment of Galenica's organisational and management structure at the beginning of 2021 or the additional workload due to COVID-19-related extra work, especially in the pharmacies and logistics.

Training and education

Aspect	Unit	2021	2020	2019	2018	2017
Investment in training	Mio. CHF	3.7	3.3	4.0	4.4	3.7
Apprentices in training	number	823	808	841	797	771
Completed apprenticeships in year under review	number	244	274	265	266	236

Investment in training in CHF million 2017-2021

Does not include data from Apodoc, Bichsel Group, Careproduct, Lifestage Solutions and Spagyros.



Increasing investment in employee development and the next generation of skilled workers

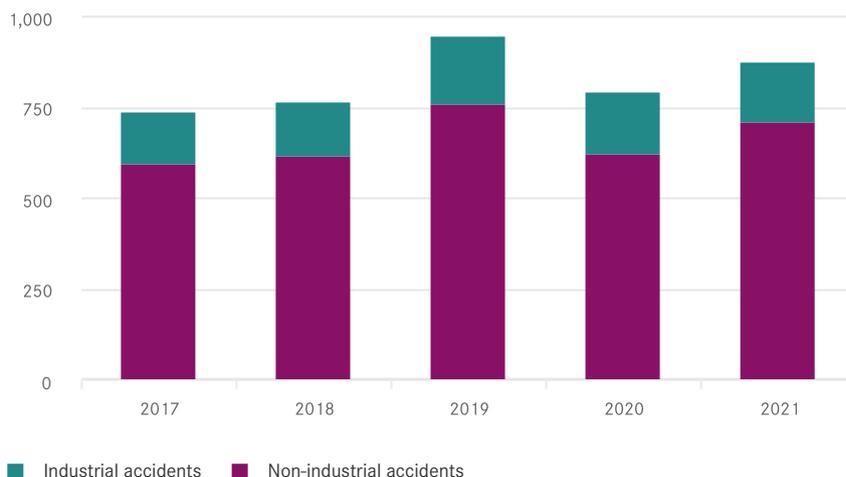
In total, Galenica invested around CHF 3.7 million in employee training in the year under review. In 2021, Galenica trained 823 apprentices at its companies, of which 244 completed apprenticeships. Since 2017, the number of apprentices in the Galenica Group has increased by around 7%.

Occupational health and safety

Aspect	GRI Indicator	Unit	2021	2020	2019	2018	2017
Accidents	403-9 (2018)	number	871	793	947	766	738
Occupational accidents	403-9 (2018)	number	163	172	191	153	146
Absence rate of work-related injuries (accidents)	403-9 (2018)	%	0.07				
Non-occupational accidents		number	708	621	756	613	592
Illnesses	403-10 (2018)						
Cases of illness (long-term, entitled to daily sickness benefits)	403-10 (2018)	number	434	471	508	560	676
Absence hours due to illness	403-10 (2018)	number	539,990	519,883			
Absenteeism rate	403-10 (2018)	%	4.9	4.5			
Case Management							
Return to work rate		%	75	52	91	37	67

Number of industrial and non-industrial accidents 2017–2021

Does not include data from Apodoc, Bichsel Group, Careproduct, Lifestage Solutions and Spagyros.

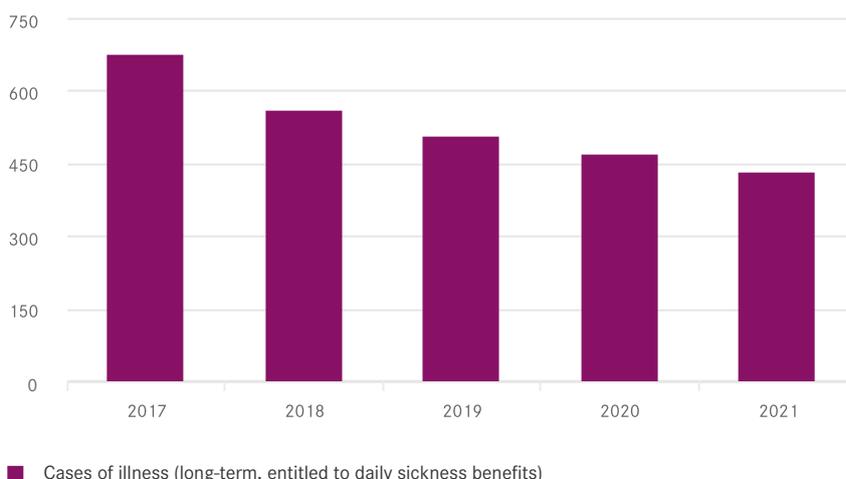


Occupational accidents decreased compared to the previous year

Compared to the previous year, the number of occupational accidents fell by 5%. This decline is partly attributable to awareness-raising campaigns carried out in recent years. The number of non-occupational accidents rose by 14% compared to the previous year. The increase can be explained by the integration of some companies and pharmacies into the HR system in 2021 and the resulting increase in the number of employees for whom non-occupational accidents are recorded. In 2021, Galenica recorded a total of 163 occupational and 708 non-occupational accidents. These figures also include minor accidents, which did not result in an absence of more than three working days. In 2021, minor accidents accounted for 10% of all occupational and non-occupational accidents. The absence rate for occupational accidents was around 1% in the reporting year and was recorded for the first time in 2021. Over the last five years, occupational and non-occupational accidents have increased by 18%. The number of employees rose by 15% over the same period.

Number of cases of illness 2017–2021

Does not include data from Apodoc, Bichsel Group, Careproduct, Lifestage Solutions and Spagyros.



Reduction in cases of illness since 2017

At the end of 2021, Galenica recorded 434 cases of illness. Cases of illness are classed as all long-term absences due to an illness lasting more than 30 days and which are entitled to daily sickness benefits. The number for the reporting year should always be

interpreted with caution, as certain cases are usually reported at a later date in the following year. Between 2017 and 2021, the number of cases of illness fell by 36%.

In 2020, Galenica recorded the absences of all employees for the first time. In 2021, the Galenica Group recorded a total of 538,990 hours of absence for 7,239 employees, an increase of 4% compared to the previous year. Compared to the target hours, this results in an absence rate of around 5% for the reporting year. The absence rate has thus increased by 8% compared to 2020.

In 2021, Galenica Case Management provided assistance to 67 employees at risk of illness or who had already fallen ill, thus helping to prevent or reduce absences where possible. Out of 44 closed cases in 2021, 33 employees were able to return to work thanks to Case Management. This corresponds to a return rate of around 75%. This has increased by 44% compared to the previous year.

Patient safety and health

Aspect	Unit	2021	2020	2019	2018	2017
Pharmacovigilance: forwarding of reports of side effects						
- compliance with deadline for forwarding a report of side effects	%	92	97	98	99	97
- compliance with deadline for reporting to the authorities or contractual partner	%	100	100	100	100	92
- completeness of information of the reported cases	%	98	98	99	96	94
Reliable procurement and supply chain						
Availability of medicinal products on average	%	99.6				

Employees adhering to pharmacovigilance

In 2021, Verfora employees met the deadline for forwarding adverse event reports in 92% (target: >90%) of cases. The authorities or contractual partners were notified within the required period in 100% of cases (target: >90 %). The completeness of information on the reported adverse events was exemplary at 98% (target: >80%).

Employee data

The key figures on the number of employees cover all companies of the Galenica Group. The other key employee figures only include the companies that are fully integrated into the Galenica Group HR system. The integration of new companies such as Bichsel, Spagyros, Lifestage Solutions and Apodoc into the HR system will take place at a later date. Due to systemic challenges, full HR integration may take a some time, depending on the size of the company.

Key environmental figures

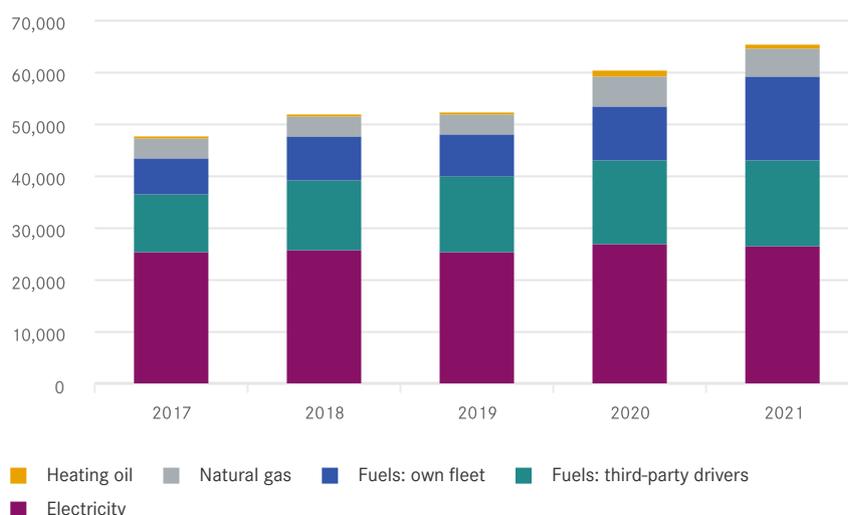
Key environmental figures

Galenica discloses key figures on energy consumption, greenhouse gas emissions, waste generated and water intake.

Energy consumption

Aspect	GRI Indicator	Unit	2021	2020	2019	2018	2017
Energy consumption (within and outside of the organisation)	302-1	GJ	235,582	217,122	187,956	186,528	172,197
Energy consumption within the organisation	302-1	GJ	176,676	160,068	135,429	137,591	132,522
- non-renewable sources (heating oil, natural gas, diesel, petrol)	302-1	GJ	99,488	81,502	63,898	65,742	61,775
- renewable sources (hydropower, solar energy)	302-1	GJ	77,188	98,992	74,353	76,515	71,446
Electricity consumption within the organisation	302-1	GJ	95,721	97,490	91,144	92,289	91,559
Heat energy consumption within the organisation	302-1	GJ	22,418	25,251	15,324	15,097	15,722
Energy consumption outside of the organization	302-2						
- Downstream transport and distribution	302-2	GJ	58,906	57,054	52,527	48,937	39,675
Energy intensity	302-3	GJ/FTE	12	11	10	10	10

Energy consumption 2017–2021
Mwh



Data from Apodoc, Lifestage Solutions and Spagyros as well as heat consumption of the Pharmacies Service Unit and the Galenica Group headquarters are not included. Since 2021, the fuel consumption of the company's own company vehicles has been included (except Service Unit Pharmacies).

Increase in energy consumption due to broadening of the data basis

In 2021, the Galenica Group's total energy consumption – both within and outside the organisation – amounted to 65,439 MWh (235,582 GJ). The increase of 9% compared with the previous year is due to the broadening of the data basis. In 2021, the fuel consumption of all the companies' own service vehicles, with the exception of the Service Unit Pharmacies, was included for the first time. Without this expansion of the data basis, energy consumption would have decreased by 1% compared to the previous year. Total energy consumption (in MWh) per full-time equivalent increased by 9%. Compared to the previous year, the intensity of energy consumption in relation to Group net sales in the 2021 financial year decreased by 2%. Absolute energy consumption at the Galenica Group has increased by 37% since 2017 as a result of the Group's growth and the aforementioned broader data parameters. Energy consumption outside the organisation includes fuel from contracted drivers. 44% of energy consumption within the organisation comes from renewable sources such as hydropower and photovoltaics and around 56% from non-renewable sources such as heating oil, natural gas, diesel and petrol.

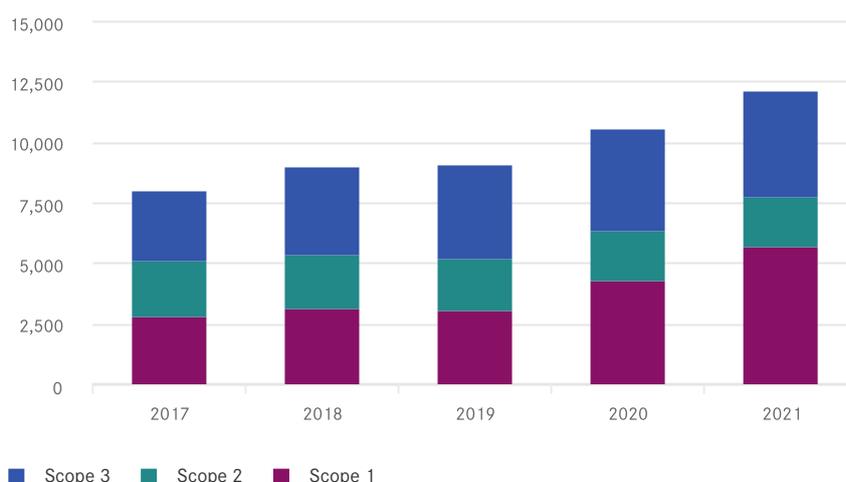
Electricity and fuels as the main energy sources

Electricity and fuels are Galenica's main energy sources. Electricity accounts for 41% of total energy consumption both within and outside the organisation. In 2021, electricity consumption amounted to 26,589 MWh. All operational and administrative locations of the Galenica Group obtain hydroelectric and photovoltaic electricity only. At the pharmacies' sales premises, the choice of energy source can only be influenced to a very limited extent since virtually all of the premises are rented.

50% of the energy used in 2021 came from fuels. Around half of this fuel consumption is attributable to the Group companies' own delivery and service vehicles, and the other half to contracted drivers. The fuel consumption of the Group's own delivery fleet fell by 1% in 2021. Fuel consumption by third-party vehicles rose by 3% compared to 2020. Galenica covers the remaining 9% or so of its energy requirements with fossil-fuel based heating oil and natural gas. The Galenica Group's heating requirements fell by around 11% compared to the previous year (heating oil -16% and natural gas -10% compared to the previous year). The reduction in heat consumption is partly attributable to the conversion of the Bichsel Group's production area. This resulted in production being at a standstill for an extended period of time. In addition, Galexis was able to reduce natural gas consumption thanks to the installation of a heat pump at the Niederbipp site.

CO₂ Emissions

Aspect	GRI Indicator	Unit	2021	2020	2019	2018	2017
Direct and indirect GHG emissions	305	tCO _{2e}	12,127	10,578	9,102	8,996	8,019
Direct (Scope 1) GHG emissions: fuels and combustibles	305-1	tCO _{2e}	5,708	4,262	3,047	3,117	3,008
Indirect (Scope 2) GHG emissions: purchased electricity	305-2	tCO _{2e}	2,037	2,073	2,148	2,238	1,771
Other indirect (Scope 3) GHG emissions: downstream transport and distribution	305-3	tCO _{2e}	4,381	4,244	3,907	3,640	3,040
Intensity of GHG emissions	305-4	tCO _{2e} /FTE	2.2	1.9	1.7	1.8	1.7

CO₂ emissions based on scopes 2017–2021
tCO₂e

Does not include data from Apodoc, Lifestage Solutions and Spagyros. Scope 3 includes the CO₂ emissions of the contract drivers of Galexis, Alloga and Pharmapool.

Increase in CO₂ emissions

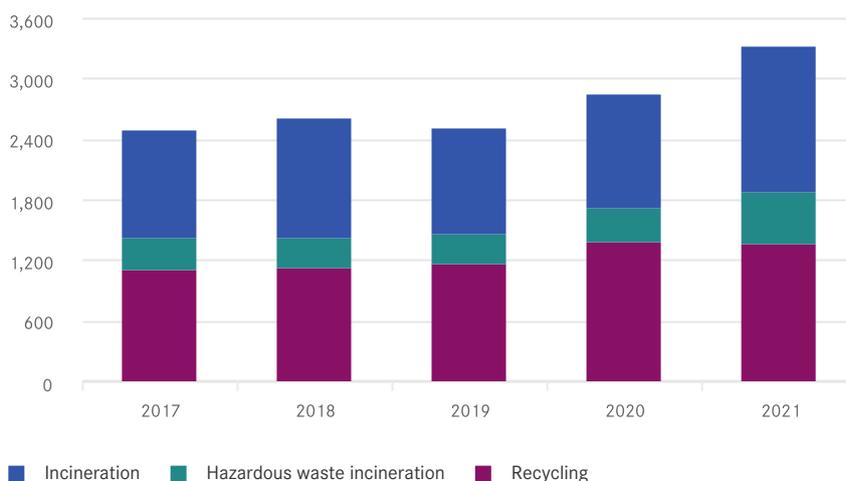
The CO₂ emissions caused by energy consumption are calculated using scientific emission factors (Swiss greenhouse gas inventory of the Federal Office for the Environment). In 2021, the Galenica Group's emissions amounted to 12,127 tonnes of CO₂ equivalents (tCO₂e), which is 15% more than in the previous year. This increase is due to the fact that the fuel consumption of the Group's own vehicles has been included in the data in 2021 for the first time ever. Without this data expansion, CO₂ emissions would have decreased by 1% compared to the previous year. Emissions per full-time equivalent are 15% higher than in 2020. The intensity of CO₂ emissions in relation to Group net sales 2021 increased by 4% compared to the previous year. Compared to 2017, emissions increased by 51% as a result of the growth of the Galenica Group and the expansion of the underlying data. Goods transport of Group and contracted drivers is the main source of direct and indirect CO₂ emissions at Galenica. In 2021, 6,623 tCO₂e were released, corresponding to around 55% of Galenica's total CO₂ emissions.

Waste and Recycling

Aspect	GRI Indicator	Unit	2021	2020	2019	2018	2017
Total weight of waste generated	306-3 (2020)	t	3,321	2,850	2,507	2,616	2,489
by type:	306-3 (2020)						
- non-hazardous waste	306-3 (2020)	t	2,800	2,515	2,218	2,306	2,174
- hazardous waste	306-3 (2020)	t	521	335	289	310	315
by disposal method:	306-5 (2020)						
- incineration	306-5 (2020)	t	1,432	1,133	1,050	1,186	1,068
- hazardous waste incineration	306-5 (2020)	t	521	335	289	310	315
- recycling	306-5 (2020)	t	1,368	1,382	1,168	1,120	1,106

Waste by disposal method 2017–2021

In tons



Data from Apodoc, Lifestage Solutions, Spagyros, Verfora and the Galenica Group headquarters are not included. Data for pharmacies are estimates.

Almost half of waste is recycled

In 2021, the total weight of waste for the Galenica Group was 3,321 tonnes, an increase of 17%. This is mainly due to the increased amount of waste produced by the Bichsel Group as a result of the renovation which took place in the reporting year. The weight of waste per full-time equivalent has increased by 17% compared to 2020. There are only estimates of waste data available for the pharmacies. The volume of the waste they generate accounts for around 33% of the total volume of waste generated. 84% of total waste was non-hazardous (mainly refuse from operations, cardboard, paper and plastics), while the remaining 18% was classified as hazardous waste (mainly medicines). 41% of waste was recycled, 43% was incinerated and 16% destroyed at a specialist facility for hazardous waste.

Water

Aspect	GRI Indicator	Unit	2021
Water withdrawal	303-1	m ³	1,074,854
- municipal water supply	303-1	m ³	45,235
- groundwater	303-1	m ³	1,029,619

Water

The Galenica Group's water intake in 2021 was 1,074,854 m³, with 4% coming from the municipal water supplies and 96% from groundwater. The groundwater is not consumed but returned to the groundwater flow. Alloga, Galexis and Unione use the groundwater for the heating and cooling cycle, either extracting heat or using it for cooling. In addition, water plays a central role in Bichsel's production processes. Data on water withdrawal is to be reported for the first time in 2021.

Data on environmental impact

As a rule, the key environmental figures cover all companies of the Galenica Group. The environmental data for Spagyros, Apodoc and Lifestage Solutions, which have only been part of the Galenica Group since mid-2021, is not included. However, this data is to be collected from 2022 onwards. Heat and electricity consumption data for Verfora is not yet included, as no information is currently available due to the office space rented. However, this environmental data should be available from 2022, as Verfora moved to a new building at the end of 2021.

The total energy consumption of the Galenica Group includes heat and electricity consumption as well as the fuel consumption of Group company vehicles and contract drivers. Fuel consumption between 2017 and 2020 only includes the consumption of Galenica's own delivery vehicles and the contract drivers of Wholesale & Logistics and Bichsel. Galenica reports the diesel consumption of the contract drivers of Galexis, Pharmapool and Alloga (estimated or measured data in tCO₂e) as the greatest indirect source of consumption. Since 2021, the fuel consumption of all the Group companies' own service vehicles has been included for the first time, with the exception of the Service Unit Pharmacies. The consumption data on waste and disposal includes municipal and hazardous waste as well as recycling. Since 2021, the water withdrawal of the Bichsel Group, Mediservice and the Service Unit Wholesale & Logistics has been reported for the first time, as only this data is currently available.

In the Service Unit Wholesale & Logistics, the energy and waste consumption data of all companies is included in the evaluation; these are the Burgdorf, Niederbipp, Lausanne-Ecublens, St. Gallen, Widnau and Barbengo-Lugano sites. With regards to Pharmapool, no heat is consumed thanks to the heat pump, the operation of which is factored into the electricity consumption.

The Service Unit Healthcare includes the energy and waste consumption of Medifilm, Mediservice and the Bichsel Group. The environmental data of the Bichsel Group has been reported since 2020. Due to the billing period of Medifilm's heat consumption during the year, only estimates based on last year's consumption data are available for the reporting year.

For the Service Unit Products & Marketing, the fuel consumption of Verfora's and Winconcept's own service vehicles is included. Winconcept's electricity consumption is included in the data for Galenica's main building in Bern.

For the Service Unit IT & Digital Services, the electricity consumption of the Geneva site and estimates of the electricity consumption of the St. Sulpice site are included. The electricity consumption of HCI Solutions at the head office in Bern is included directly in the head office data. Heat consumption data for the Geneva and St. Sulpice sites is available as estimates.

For the main building of the Galenica Group in Bern, only data on electricity consumption is available and included. Due to the billing period for heat consumption during the year, no consumption data is currently available for the reporting year.

Data on electricity consumption and municipal waste is available for the Service Unit Pharmacies. For Amavita, Sun Store and Coop Vitality, these are estimates based on a representative sample of 20 pharmacies. Almost all premises are leased, which is why only the annual costs for electricity are provided for each location, and not the actual electricity consumption. The electricity consumption of the Amavita, Sun Store and Coop Vitality pharmacies is estimated based on electricity costs in the year under review and the average electricity prices per region according to the Federal Electricity Commission (EiCom). The heat energy consumption at the pharmacy locations cannot currently be estimated based on the available data from running cost statements and is therefore not listed.

As Galenica is continuously optimising its environmental indicator system and is gradually expanding its system limits (due to the primarily inorganic growth of the company), data can only be compared to a limited extent from year to year. In 2018, Galenica reviewed the CO₂ conversion factors of Myclimate and had them extended to CO₂ equivalents (CO₂e). Since then, Galenica has only used the CO₂e unit. The previous years have been adjusted accordingly.

The calculated CO₂ emissions include both direct and indirect energy-related emissions. According to the Greenhouse Gas Protocol, direct sources of emissions include the production of heat for buildings and the operation of the vehicle fleet (= Scope 1). The largest indirect sources of emissions are the production of purchased electricity (= Scope 2) and the logistics services of contracted drivers (= Scope 3).

Corporate Reporting

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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](#).



*As of 01 January 2022 the Chief IT & Digital Services Officer, is part of the Corporate Executive Committee.

Group structure and shareholders

Structure of the Group

Galenica 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 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 2021. The addresses of the main Group companies as well as the Articles of Association of Galenica, the Organisational Regulations and the charters of the committees of the Board of Directors can be accessed on the [Galenica website](#).

Shareholders

As at 31 December 2021, Galenica had 18,114 shareholders, four of which, according to documents submitted to Galenica and the SIX Swiss Exchange, were major shareholders holding 3% or more of the voting rights in Galenica Ltd.

Major shareholders as at 31 December 2021 (holding 3% or more of the voting rights)

Shareholders	Number of shares	Shares in %
UBS Fund Management (Switzerland) AG, Switzerland	2,671,158	5.3
Alecta Pensionsförsäkring, Sweden	2,000,000	4.0
Credit Suisse Funds AG, Switzerland	1,626,752	3.3
Swisscanto Fondsleitung AG, Switzerland	1,533,324	3.1

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

The transactions disclosed to the Stock Exchange Disclosure Office pursuant to Article 120 of the Federal Act on Financial Market Infrastructures and Market Conduct in Securities and Derivatives Trading (FinMIA) can be viewed on the Disclosure Office website of the [SIX Swiss Exchange](#).

As of 31 December 2021, the pension fund of the Galenica Group was not registered.

Cross shareholdings

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

Number of registered shareholders as at 31 December 2021

Number of shares	Shareholders	Shares in %
1 - 100	3,426	0.4%
101 - 1,000	12,094	9.8%
1,001 - 10,000	2,317	11.8%
10,001 - 100,000	229	13.5%
> 100,000	48	32.3%
Total registered shareholders/shares	18,114	67.8%
Unregistered shares		32.2%
Total		100.0%

Registered shareholders per type as at 31 December 2021

	Shareholders in %	Shares in %
Individual Shareholders	94.8%	33.9%
Legal entities	5.2%	66.1%
Total	100.0%	100.0%

Registered shareholders per country as at 31 December 2021

	Shareholders in %	Shares in %
Switzerland	96.0%	78.7%
Germany	2.0%	1.1%
USA	0.1%	2.6%
GB	0.2%	13.4%
Other countries	1.7%	4.2%
Total	100.0%	100.0%

Structure of the share capital

Share capital

As at 31 December 2021, the fully paid share capital of Galenica amounted to CHF 5,000,000, divided into 50,000,000 shares, each with a nominal value of CHF 0.10. Galenica shares (securities no. 36 067 446, ISIN CH036 067 446 6) are listed on the SIX Swiss Exchange. As at 31 December 2021, 49,638,497 shares were outstanding (not including treasury shares). The market capitalisation amounted to CHF 3,402.7 million.

Authorised and conditional capital

According to Article 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 2021, Galenica had no conditional capital. For authorised capital, see below.

Changes in the capital

In 2021, the Annual General Meeting did not approve the Board of Directors being authorised to increase the Company's share capital by a maximum of CHF 500,000 at any time up to 12 May 2023, by issuing a maximum of 5,000,000 fully paid-up registered shares, each with a nominal value of CHF 0.10. Therefore, Galenica no longer has any authorised capital.

Further information about changes in the share capital, reserves and distributable profit can be found in the [Financial statements 2021](#).

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 Article 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.

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 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.

Board of Directors

Board of Directors

Board Committees

Audit & Risk Committee

Remuneration Committee

Governance, Nomination and
Sustainability Committee

Strategy Committee
(until AGM 2021)

The Board of Directors of Galenica 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. With regard to personnel, the Board of Directors 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 are based on the Code of Obligations (in particular Article 716a CO), the company's Articles of Association, and its Organisational Regulations. Pursuant to the Articles of Association, the Board of Directors consists of five to nine members.

The Board of Directors consisted of six members as of the end of 2021. Philippe Nussbaumer did not stand for re-election at the Annual General Meeting on 12 May 2021, and no new member was proposed to the shareholders for election to the Board of Directors.

The Board of Directors proposes Judith Meier for election as a new member of the Board of Directors to the Annual General Meeting on 11 May 2022.

Board of Directors competence and evaluation

In selecting the members of the Board of Directors, care is taken to ensure that the relevant competences for Galenica’s activities are represented and that the necessary specialised expertise is available. The Board of Directors evaluates current and prospective members of the Board according to a competence matrix to ensure that an appropriate mix of relevant skills and experience is represented. Particular attention is paid to diversity and complementarity.

In 2020, an assessment was carried out with external support (Thomas Hammer, Board Consulting), and in 2021, the Board of Directors and its committees carried out a self-assessment. The Chair of the Board of Directors initiates the self-assessment of the Board of Directors by distributing an evaluation questionnaire and by having an individual discussion with each member. The self-evaluation will again be followed by an external assessment in 2022. The Board of Directors is a well-constituted team of good size, with a range of experience, complementary expertise, and a good combination of different personalities. Expert know-how in increasingly strategically relevant areas will be gradually expanded.

Competences

	Bosshardt Daniela	Bruderer Pascale	Burnier Michel	Jungo Bertrand	Neuhaus Markus	Walde Andreas
Industry Experience	Pharmacy	Healthcare	Healthcare	Retail		
Digitalisation		(x)		(x)		
Regulations/Politics		x			x	
Leadership/Big Corp.				x	x	
Finance/M&A	x				x	x
Legal/Compliance					x	x
HR/Remuneration	x		x	x	x	x
Sustainability	x	x			x	x

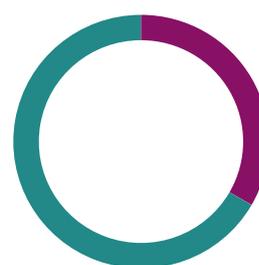
An (x) in brackets refers to substantive experience that was gained through intensive engagement in the corresponding area, but without formally holding a position of responsibility or having completed an educational programme in the respective field.

Age



- 40 - 45: 16.6%
- 45 - 50: 16.6%
- 50 - 55: 0%
- 55 - 60: 33.3%
- 60 - 65: 16.6%
- 65 - 70: 16.6%

Gender



- female: 33.3%
- male: 66.6%

The Articles of Association of Galenica restrict the ability of its directors to act in the highest management and administrative bodies of other legal entities outside the Group (Article 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 2021. 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. Based on the criteria of the Swiss Code of Best Practice for Corporate Governance, all members are therefore independent.

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 (Board member until AGM 2021) 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 and the Chairman are elected individually by the Annual General Meeting for a term of office of one year until the end of the next Annual General Meeting.

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.

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.

A commitment to abiding by the law and guidelines (compliance) and acting with integrity is the cornerstone of the corporate culture of the Galenica Group and is a consistent focus of its corporate governance. The Board of Directors ascertained the current status of the various compliance measures at a meeting held during the year under review. The Code of Conduct of the Galenica Group is particularly important for the Board of Directors. It sets out all of the key principles relating to corruption, bribery, gifts and the provision of hospitality for all employees.

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.

Committees

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

- Governance, Nomination and Sustainability Committee
- Remuneration Committee
- Audit and Risk Committee
- Strategy Committee (until AGM 2021)

In order to support the Board of Directors on ESG topics, the Governance and Nomination Committee has been enlarged to encompass sustainability, and in January 2021, it became the Governance, Nomination and Sustainability Committee.

The Strategy Committee, which had been initiated in 2018 to support the Board of Directors, was terminated as of AGM 2021 and its topics integrated again in the full Board.

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 their 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](#).

Committees of the Board of Directors and their chairs and members 2021

	Name	Member since	Independent	Remuneration Committee (RC)	Audit and Risk Committee (ARC)	Strategy Committee (SC) until AGM 2021	Governance, Nomination and Sustainability Committee (GNSC)
	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 (until AGM 2021)	2017	Yes			Member	
Board of Directors	Andreas Walde	2017	Yes	Chairman	Member		
Honorary Chairman	Etienne Jornod						
General Secretary	Barbara Wälchli						

Governance, Nomination and Sustainability Committee

The Governance, Nomination and Sustainability Committee comprises four members. This committee supports the Board of Directors in the ultimate direction and supervision of the Company and the Group. It supports the Board of Directors in determining the appropriate size, function, and needs of the Board, as well as the identification of individuals qualified to become or be re-elected as Board members. It also evaluates the appointment of and changes to the members of the Executive Committee and is kept informed about the succession planning for the Senior Management levels.

The Committee assists the Board in advising on the sustainability strategy, targets, initiatives and legislation regarding ESG topics. It includes assessing the completeness and accuracy of the reporting of the sustainability matters and monitoring progress on sustainability goals.

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 the salaries and remuneration for the members of the Board of Directors, the Chairwoman, the CEO, and the Corporate Executive Committee as a whole to the Board of Directors;
- 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.

The regulations in the Articles of Association governing remuneration as well as the activities and focuses of the Remuneration Committee in the year under review are detailed in the [Remuneration report](#).

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, and 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 on 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.

Frequency of meetings of the Board of Directors and its committees in 2021

In 2021, the Board of Directors held six meetings. Each meeting lasted between two to ten hours, including a two-day strategy meeting. The Remuneration Committee met five times, the Audit and Risk Committee seven times. The Governance Nomination and Sustainability Committee met six times, and the Strategy Committee met once. Furthermore, various videoconferences regarding specific issues were held.

In principle, all the members participate in all the meetings of the Board of Directors. Attendance of meetings of the Board of Directors in 2021 was 98%, and that of committee meetings was 98%.

The CEO and CFO attended each meeting of the Board of Directors and the Audit and Risk Committee. The Board of Directors and its Committees invites members of the Corporate Executive Committee and the Enlarged Corporate Executive Committee to attend the meetings related to specific topics.

Attendance in Board Meetings and Committees

	Board of Directors	Audit and Risk Committee (ARC)	Remuneration Committee (RC)	Governance, Nomination and Sustainability Committee (GNSC)	Strategy Committee (SC) until AGM 2021
Number of meetings	6	7	5	6	1
Average duration (hours)	6	2	1	1	3
Meeting attendance	98%	100%	93%	100%	100%

	Board of Directors	Audit and Risk Committee (ARC)	Remuneration Committee (RC)	Governance, Nomination and Sustainability Committee (GNSC)	Strategy Committee (SC) until AGM 2021
Number of meetings	6	7	5	6	1
Bosshardt Daniela	6	-	-	6	1
Bruderer Pascale	6	-	1*	3**	-
Burnier Michel	6	-	3**	3*	-
Jungo Bertrand	6	7	-	6	1
Neuhaus Markus	6	7	5	6	1
Nussbaumer Philippe	1*	-	-	-	1
Walde Andreas	6	7	5	-	-

* (member until May 2021)

** (member since May 2021)

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

Risk management

Galenica has a risk management process in place which enables the Board of Directors, the Corporate Executive Committee, and 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 Service Unit 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 2021](#).

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 Service Units 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.

Management

Corporate Executive Committee

Marc Werner CEO Galenica Group	Felix Burkhard Finance	Virginie Pache Pharmacies	Daniele Madonna Healthcare	Dr. Thomas Szuran Products & Marketing	Andreas Koch Wholesale & Logistics
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Extended Corporate Executive Committee

Lukas Ackermann IT & Digital Services*	Marianne Ellenberger Human Resources	Christina Hertig Corporate Communications	Barbara Wälchli Legal & Board Services	Jürg Pauli Transformation
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*As of 01 January 2022 the Chief IT & Digital Services Officer, is part of the Corporate Executive Committee.

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 both the Corporate Executive Committee and the Enlarged Corporate Executive Committee. The CEO reports to the Chairwoman of the Board of Directors. The Board of Directors maintains regular contact with the CEO and the members of the Corporate Executive Committee and the Enlarged Corporate Executive Committee.

Corporate Executive Committee

The instructions and resolutions of the Board of Directors are implemented for each of the Group's Service Units by the Corporate Executive Committee and the Enlarged 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 Service Unit 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 subsequent two years.

The Articles of Association of Galenica 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 (Article 20 (3) of the Articles of Association). None of the members of the Corporate Executive Committee reached this limit in 2021.

Further information on the other duties of the Board of Directors and the Corporate Executive Committee can be found in the Organisational Regulations published on the [Galenica website](#).

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 Annexe to the SIX Swiss Exchange Directive Corporate Governance.

Remuneration, Shareholdings and Loans

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.

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.

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.

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 Article 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 (Article 15c of the Articles of Association);
- Conversion of registered shares into bearer shares and vice versa (Article 15d of the Articles of Association).

Convening of the Annual General Meeting

The Articles of Association do not differ from the relevant legal regulations as regards 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 40 days before the scheduled date of the meeting. 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 4 May 2022 for financial year 2021 and from Wednesday 26 April 2023 for financial year 2022. Shareholders entered in the shareholders' register by Tuesday 3 May 2022 and Tuesday 25 April 2023 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 called Nimbus Shapp[®], which is used by Galenica. The invitation to the Annual General Meeting, which will be sent to all shareholders on or around 12 April 2022, 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 09 May 2022 for the 2022 Annual General Meeting and by Monday 1 May 2023 for the 2023 Annual General Meeting.

Change of control and defence measures

The obligation to make a public offer pursuant to Article 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 contain no provisions to this effect either.

Auditors

Ernst & Young AG, Bern, Switzerland, have been the Galenica Group's auditors since 2017. The leading auditor, Roland Ruprecht, certified accountant and partner at Ernst & Young, was in charge of the audit for the business years 2017 to 2020. His successor, Daniel Zaugg, certified accountant and partner at Ernst & Young, has been the leading auditor since the business year 2021. The fees paid to the Group's auditors, Ernst & Young, in 2021 for their audit of Galenica and its subsidiaries totalled CHF 790,000.

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 99,000 for additional advice in audit matters and CHF 282,000 for transaction advice.

In 2021, the auditors attended two meetings of the Audit and Risk Committee. The auditors presented their report to the Board of Directors at the meeting of 2 March 2022.

The auditors are regularly informed of new projects. Their 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. The auditors have direct access to the chair of the Audit and Risk Committee regarding the discussion of relevant issues.

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 announcements in accordance with Art. 53 LR

Price-sensitive facts are communicated in a timely manner via electronic media and in accordance with the SIX Swiss Exchange Directive.

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](#). Galenica sends a printed version of the Annual report to shareholders by post mail only 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](#).

Contact persons and important publication dates

For shareholders

For shareholders in relation to Corporate Governance:
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For investors

Felix Burkhard, CFO
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For the media

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

Agenda 2022/2023

- Annual General Meeting 2022: 11 May 2022
- Half-year report 2022: 9 August 2022
- Annual report 2022: 7 March 2023
- Annual General Meeting 2023: 3 May 2023

Further important dates can be found on the [Galenica website](#).

Fixed blackout periods

Members of the Board of Directors and the Executive Committee and all members of senior management and middle management and employees involved in preparing the financial statements are required to observe the prohibition on trading during the fixed blackout periods:

Event	Start of blackout period	End of blackout period
Publication of annual results	Executive Committee meeting, in which the announcement is made by the CFO following consolidation; for the Board of Directors, the following Board of Directors meeting	First trading day following publication
Publication of half-year results	Executive Committee meeting, in which the announcement is made by the CFO following consolidation; for the Board of Directors, the following teleconference with the CFO	First trading day following publication

Members of the Board of Directors



Daniela Bosshardt

Chairwoman of the Board of Directors

Board member since 2017, born in 1972, Swiss citizen

Corporate

Governance: Independent member

Career highlights: After completing her studies, she practiced as a pharmacist (1996-1998). Daniela Bosshardt was a financial analyst at Bank am Bellevue (1998-2002) and M2 Capital (2003-2004). Since 2004, she has worked as an independent consultant in the healthcare sector. Daniela Bosshardt was a board member of Vifor Pharma AG (2008-2019), Verve Capital Partners AG (2017-2019) and Nobel Biocare AG (2010-2014).

Qualification: Federal Diploma in Pharmacy from the Federal Institute of Technology, Zurich (ETH).

Other main activities: Daniela Bosshardt is a member of the Board of Directors of RepRisk AG (an Environmental, Social & Governance data science company) and EGS (Ernst Göhner Stiftung) Beteiligungen AG.



Bertrand Jungo

Vice-Chairman of the Board of Directors

Board member since 2018, born in 1965, Swiss citizen

Corporate

Governance: Independent member

Career highlights: From 2006 to 2017, he held the position of CEO of the Swiss department store group Manor. From 2017 until February 2020, he was CEO of Admeira AG, and from 2020 to July 2021, he served as a member of the Board of Directors at Admeira AG. He was also a member of the Advisory Board of the International Retail Summit (IRS) of the Gottlieb Duttweiler Institute (GDI) (2010 – July 2021).

Qualification: Degree as business administrator lic.rer.pol from the University of Fribourg.

Other main activities: Since August 2021, he has been a delegate of the Board of Directors of the AG Grand Hotels Engadinerkulum Holding. Furthermore, he is a member of the Board of Neoperl AG as well as at Zoologischer Garten Basel AG.



Pascale Bruderer

Board member since 2020, born in 1977, Swiss citizen

Corporate

Governance: Independent member

Career highlights: Pascale Bruderer was a member of the National council from 2002 to 2011 (president of the National council 2009/2010) and a Member of the Council of States from 2011 to 2019. She was formerly a member of the Social Security and Health Committee. She served as president of the umbrella organisation for disabled people, Inclusion Handicap, and was the managing director of Krebsliga Aargau.

Qualification: Master's degree in political science from the University of Zurich and education at Harvard University in Boston (USA) and at the Executive School of the University of St. Gallen.

Other main activities: Pascale Bruderer is a member of the Board of Directors of the BERNEXPO AG, Tamedia Espace AG and the TX Group AG. Furthermore, since 2019, she has been a co-owner and member of the executive Board of Crossiety AG.



Prof. Hon. Dr Michel Burnier

Board member since 2017, born in 1953, Swiss citizen

Corporate

Governance: Independent member

Career highlights: Prof. Hon. Dr Michel Burnier was a member of the Medicines Committee of the Swiss Association of Pharmacists until 2001 and served on the boards of Swissmedic from 2002 to 2010 and Speedel Holding AG from 2007 to 2009.

Qualification: Swiss-registered Doctor of Internal Medicine and Nephrology.

Other main activities: Prof. Hon. Dr Michel Burnier is currently Professor Emeritus at the University of Lausanne, where he was the head of the Service of Nephrology and Hypertension until July 2019 and Professor at the Medical University of Gdansk (Poland). Furthermore, he is currently on the Board of Vifor Pharma AG and is a member of the Swiss Society of Nephrology (former President), the Scientific Council of the European Society of Hypertension (former Treasurer) and the Swiss Society of Hypertension (former President). Since 2020, he has been a member of the Board of Fondation Méline and the Editor in Chief of the journal Blood Pressure since 2022.



Dr Markus R. Neuhaus

Board member since 2019, born in 1958, Swiss citizen

Corporate

Governance: Independent member

Career highlights: Dr Markus R. Neuhaus held various roles at PwC from 1985 on, 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.

Qualification: Master of law and doctorate in law from the University of Zurich. Certified tax expert. Various management courses at international business schools (Harvard, Insead, IMD).

Other main activities: Dr Markus R. Neuhaus is Vice-Chairman of the Board of Directors of Barry Callebaut AG and Orior AG and a member of the Board of Directors of Baloise AG and Jacobs Holding AG. He also serves as Vice-Chair of the Board of Trustees of Avenir Suisse.



Dr Andreas Walde

Board member since 2017, born in 1962, Swiss citizen

Corporate

Governance: Independent member

Career highlights: After completing his studies and being admitted to the Swiss Bar, he held various legal and management positions in international chemical and pharmaceutical companies for more than 30 years with a focus on corporate governance, remuneration systems, sustainability, risk management, ethics and compliance, as well as on financial and corporate structures and M&A, e.g. at Roche (1988–1996), Clariant (1998–2010), Petroplus (2012–2013) and Vifor Pharma (since 2013). His former positions include memberships on the board of several private and (non-Swiss) public listed companies. He is a member of the board of scienceindustries and has served on the boards of SwissHoldings and the Society of Swiss Enterprises in Germany.

Qualification: Attorney-at-law and doctorate in law from the University of Basel.

Other main activities: Dr Andreas Walde is General Secretary of Vifor Pharma AG.

Members of the Executive Committee



Marc Werner

CEO

Member of the Executive Committee of the Galenica Group since 2020, born in 1967, Swiss citizen

Career highlights: His journey started as Head of Sales at Sinomec AG (1990 – 1995) before he moved on to serve as Head of Product Management Photofinishing at the Federation of Migros Co-operatives (1995 – 1996). He became Head of Marketing and Sales and Member of the Executive Board at Minolta (Switzerland) AG (1997 – 2000) and then Head of Marketing & Sales at Bluewin AG (2000 – 2004). In 2005, Marc Werner joined then the Swisscom Group as head of Marketing & Sales. He moved into the role of Head of Private Customers (2013 – 2015) and Member of the Group Executive Board before serving as head of Sales & Services (2016 – 2019).

Qualification: Federal certified marketing director and graduate of various Executive Education programmes at the International Institute for Management Development (IMD) in Lausanne, University of St. Gallen, London Business School, and Harvard Business School.



Felix Burkhard

CFO

Member of the Executive Committee of the Galenica Group since 2010, born in 1966, Swiss citizen

Career highlights: From 1991 to 1994, Felix Burkhard acted as Financial Auditor at Revisuisse PriceWaterhouse in Berne and 1995 as Head of Finance and Controlling at Amidro AG in Biel-Bienne. He joined the former Galenica Group in 1996 as Corporate Controller before becoming Deputy Head Retail Business sector in 2000. In 2008, he was named Head of the Amavita pharmacy chain and later Head Retail Business sector (2010 – 2015). Felix Burkhard then moved into the role of Head Strategic Projects (2015 – 2017). He has served as a member of the Corporate Executive Committee of the Galenica Group since 2010.

Qualification: Lic. oec. at the University of St. Gallen (HSG), and Swiss certified accountant.



Andreas Koch

Head of Wholesale & Logistics

Member of the Executive Committee of the Galenica Group since 2020, born 1971, German and Swiss citizen

Career highlights: Between 2000 and 2009, Andreas Koch worked in different consulting and management functions in the field of supply chain management at various consulting firms. He then became Head of Supply Chain Management at Galexis – from 2011 also at Alloga – and was a member of both Executive Committees. In 2015, he rose to the position of Head of Alloga, after which he became Head of Galexis in 2019. In 2020, Andreas Koch took over the responsibility for the Services Business Sector at Galenica.

Qualification: He completed an apprenticeship as forwarding & logistics manager before studying business administration at the University of Mannheim, and graduated with a degree in business administration. He later completed the Programme for Executive Development (PED) at IMD Lausanne.



Daniele Madonna
Chief Healthcare Officer

Member of the Executive Committee of the Galenica Group since 2017, born in 1977, Swiss citizen

Career highlights: After his studies, Daniele Madonna worked as a pharmacist at the Olympia Pharmacy and the Victoria Pharmacy in Zurich (2003 – 2004). He joined the former Galenica Group in 2004 as Manager of the Coop Vitality pharmacy in Tenero. He later acted as Regional Sales Manager at Coop Vitality (2010 – 2014). Daniele Madonna was CEO of Coop Vitality AG (2014 – 2018) before becoming Head Retail Business sector in 2017. Since 2021, he has served as Chief Healthcare Officer at Galenica.

Qualification: He obtained the Federal Diploma in Pharmacy from the Federal Institute of Technology, Zurich (ETH), did further training as an FPH in Retail Pharmacy and a CAS in General Management at the University of St. Gallen (HSG) and completed the Programme for Executive Development (PED) at IMD in Lausanne.

Other main activity: Member of the Board of Coop Vitality, Member of the Board of Apotheke im KSW – Winterthur, Delegate of Pharmasuisse.



Virginie Pache Jeschka
Chief Pharmacies Officer

Member of the Executive Committee of the Galenica Group since 2020, born in 1979, Swiss citizen

Career highlights: After completing her studies, Virginie Pache started working as a Junior Marketing Manager at Danone Schweiz AG (mineral water) in Fribourg (2003 – 2006). Afterwards, she became Category Manager and Head of Sales at L'Oréal – Apothekenkosmetik Schweiz AG (2006–2010). She then was appointed Head of Caudalie Suisse (and Poland ad interim) and afterwards Caudalie D-A-CH GmbH in Switzerland, then in Düsseldorf, Germany (2010–2018), before she became Head of Coop Vitality in 2018.

Qualification: Masters in Political Sciences – University of Lausanne and three semesters in Mainz (Germany).



Dr Thomas Szuran
Chief Products & Marketing Officer

Member of the Executive Committee of the Galenica Group since 2019, born in 1967, Swiss citizen

Career highlights: After having graduated from ETH Zurich, Thomas Szuran acted in various roles at Abbott Laboratories between 1997 and 2002, including being Sales & Marketing Manager for the Eastern European & Mediterranean region. He later became Sales Director at Pfizer Switzerland (Zurich) (2002 – 2005) and Country Manager at Pfizer in Israel (2005 to 2007). He joined Biomed AG in Dübendorf in 2008 as Marketing Director and was CEO of Biomed AG from 2011 to 2018. In 2019, Thomas Szuran became Head Products & Brands Business sector at the Galenica Group.

Qualification: Dr sc. nat. Federal Institute of Technology (ETH) Zurich

Other main activity: From 2012–2020, Thomas Szuran was member of the Executive Board and since 2013, he has served as President of the Association of the Swiss Self-Medication Industry (ASSGP).

Further information about the CVs of the Executive Committee and the Enlarged Executive Committee can be found on the [Galenica website](#).

Members of the Corporate Executive Committee 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

As of 1 January 2022, Lukas Ackermann is, in his role as Chief IT & Digital Services Officer, part of the Corporate Executive Committee.

Remuneration report

Remuneration report

In this report, Galenica provides an overview of its remuneration model and remuneration principles. The following pages describe the remuneration system applicable to the Board of Directors and the Corporate Executive Committee and outline the process and responsibilities under which the remuneration of those two bodies is determined. 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 2021.

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.

2021 was a very successful year for Galenica. Sales increased massively against the backdrop of Covid-19, and sales of medicines for colds and flu infections rose towards the end of the year. Although the one-off extraordinary income from the sale of the property at Galenica's headquarters was not taken into account when assessing the Galenica Economic Profit (GEP) target, the short-term bonus (STI) almost reached the maximum payout level thanks to the excellent results. Under the long-term remuneration (LTI) 2019-2021, the realised GEP resulted in an overall vesting multiple of 200%. Further details on the performance achieved and the payouts under the incentive plans are provided in this report.

As discussed in last year's Remuneration report, the Remuneration Committee performed a thorough review of the compensation system applicable to the Corporate Executive Committee in 2020. While the Remuneration Committee concluded that overall, the remuneration structure was appropriate and in line with market practice, it proposed to make the following changes related to the performance conditions of the incentive schemes:

- Group annual sales growth was included as a financial performance objective in the STI,
- A sustainability component (ESG [Environment, Social, Governance]) was included in the individual STI performance objective,
- Relative total shareholder return (TSR) was introduced in the LTI in addition to the GEP; furthermore, the determination of operating performance was slightly modified to reflect the average annual GEP over the performance period, and
- The governance related LTI provisions were updated to include clawback/malus provisions and stricter termination rules.

No revisions were made to the compensation programme for the Board of Directors.

Besides its regular activities throughout the year, the Remuneration Committee conducted a benchmark analysis of the compensation levels of the Corporate Executive Committee in the reporting year. The outcome of this analysis is summarized in this report.

Going forward, the Remuneration Committee will continue to regularly review the remuneration system to ensure that it is still fit-for-purpose in the evolving context in which the company operates. The Remuneration report provides detailed information on our remuneration system and on the remuneration awarded in 2021 to the

Corporate Executive Committee and the Board of Directors and will be submitted to the shareholders at the Annual General Meeting on 11 May 2022 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.

A handwritten signature in black ink, appearing to read 'Walde', with a stylized, cursive script.

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](#)).

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 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. 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 2021 Annual General Meeting, Andreas Walde (Chairman), Markus Neuhaus and Michel Burnier (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.

Responsibility for the remuneration process

Level of authority	CEO	Remuneration Committee	Board of Directors	Annual General Meeting
Remuneration policy		proposes	approves	consultative vote on the Remuneration report
Performance objectives for short-term bonus and long-term remuneration		proposes	approves	
Individual performance objectives for short-term bonus	proposes (except for his own objectives)	proposes (CEO) approves (Executive Committee)	approves (CEO)	
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)	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	is informed	

CBD = Chair of the Board of Directors

Activities of the Remuneration Committee during the year

Subject	1 st quarter	2 nd / 3 rd quarter	4 th quarter
Remuneration policy		Review of shareholders' feedback Benchmarking and review (every 2-3 years)	Benchmarking and review (every 2-3 years)
Remuneration of Board of Directors		Review of compensation regulations	Determination of remuneration (following year)
Remuneration of Corporate Executive Committee	Performance evaluation (previous year) STI payout (previous year) LTI vesting (previous period) Performance objectives for STI and LTI (current year/period)	Benchmarking of remuneration levels (every 2-3 years)	Target remuneration (basic salary, following year) Target STI (following year) LTI allocation (following year)
Remuneration governance	Remuneration report AGM preparation		Preparation of Remuneration report Annual meeting schedule and topics (following year) Remuneration Committee self-assessment Galenica Group salary review (following year)

In 2021, the Remuneration Committee held five ordinary meetings according to the annual schedule, and no ad hoc meeting.

In 2021, two members attended all meetings and one member attended four meetings, which corresponds to an attendance rate of 93%.

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 her own remuneration. The CEO is invited to attend discussions on a case-by-case basis, but not to discussions of agenda items that concern his performance or remuneration.

The Remuneration Committee conducted a benchmarking analysis of the remuneration levels of the Corporate Executive Committee in the reporting year. The outcome of the analysis showed that the remuneration levels are below market when comparing with other Swiss listed companies of similar size, but above market when comparing with private companies of the healthcare, retail and logistics sectors. Further information on the benchmarking analysis and its results can be found in the section Benchmarking and external advisors below.

Otherwise, the Remuneration Committee performed its regular duties, 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](#) as well as in the Remuneration Committee Charter, which can be found on the [Galenica website](#).

Benchmarking and external advisors

In order to ensure its continued attractiveness as an employer, Galenica regularly compares its remuneration system and levels with those of relevant peers. In terms of compensation levels, Galenica considers a positioning at market median as being competitive.

In 2021, the Remuneration Committee carried out a benchmarking analysis of the remuneration levels of the Corporate Executive Committee. For this purpose, Klingler Consultants provided benchmarking data based on two different peer groups: a peer group of Swiss listed companies of comparable size and a peer group of private companies in the healthcare, retail and logistic sectors. The companies included in the peer groups are disclosed below. Overall, the benchmark study showed that the remuneration of the Corporate Executive Committee is below market levels when comparing with the Swiss listed peers and above market levels when comparing with the sector-based peers. This result can be explained by the fact that the sector-based peers do not offer a long-term remuneration component, while Swiss listed peers typically do. Further, most Swiss listed peers have an international organization. This is not the case at Galenica and could be a factor driving lower remuneration levels compared to other Swiss listed companies.

Peer groups to benchmark the remuneration levels of the Corporate Executive Committee

Swiss listed peers			Sector-based peers				
Also	Aryzta	Bachem	Retail and logistics:		Medical insurances:		
Belimo	Bell	BKW	Brack	Coop	Assura	Concordia	CSS
Bucher	Datwyler	dormakaba	Digitec	Galliker	Group Mutuel	Helsana	KPT
Emmi	Forbo	Georg Fischer	Kühne+Nagel	Manor	Sanitas	Swica	Sympany
Idorsia	Interroll	Oerlikon	Migros	Planzer	Visana		
SFS	Siegfried	Sulzer	State-owned companies:		Healthcare:		
Tecan	Valora	Zur Rose	SBB	Post	CHUV	Hirslanden	Inselspital
					Swiss Medical Network		USZ

Those companies were selected by the Remuneration Committee as the most relevant for Galenica. Klingler Consultants only used compensation data of those companies for the benchmark analysis but did not have all of them in their database. However, due to confidentiality reasons, the names of the companies included in the database are not disclosed to Galenica.

The remuneration of the Board of Directors was last 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 in line with the market.

The Remuneration Committee may decide to consult external advisors on specific compensation matters. In 2021, Agnès Blust Consulting provided services related to executive compensation and Klingler Consultants provided market data for the benchmarking analysis mentioned above. These companies do 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 Board member 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 2021, i.e. CHF 65.46 per share, net of a 25% discount. The payment was made in January 2022.

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 2021 remained unchanged compared to previous year.

Remuneration amounts of the Board of Directors (net 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.

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, 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 STI is based on the annual results of Galenica and 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 STI (32%) and the full LTI is awarded in shares of Galenica. In addition, after a period of five years, each member of the Corporate Executive Committee is required to hold shares of Galenica equal in value to at least 75% of their fixed annual base salary and target STI.

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 amount of the STI effectively paid out and of the grant value of the LTI is limited to 300% of the base salary for the CEO and to 250% of the base salary for each of the members of the Corporate Executive Committee. (Art. 22 (7) [Articles of Association of Galenica Ltd.](#)).

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 2021](#) and in the [GRI Report](#)).

Overview of the remuneration components for the Corporate Executive Committee

Remuneration component	Vehicle	Purpose	Performance measures
Annual base salary	Monthly cash salary	Attract and retain employees	
Pension & benefits	Pension and insurances Fringe benefits	Protect against risks Attract and retain employees	
Short-term bonus (STI)	Annual bonus in cash & shares blocked for 5 years	Compensate for annual performance	Combination of financial objectives for the Group and individual objectives: GEP (50%) Annual net sales growth (25%) Individual objectives, including ESG (25%)
Long-term incentive (LTI)	PSU with a 3-year performance vesting	Compensate for long-term performance Align with shareholders' interests	GEP and appreciation of share value: Average GEP (50%) Relative total shareholder return (TSR) (50%)

Clawback and malus provisions

For the LTI, clawback and malus provisions 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.

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 STI.

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.

Incentives

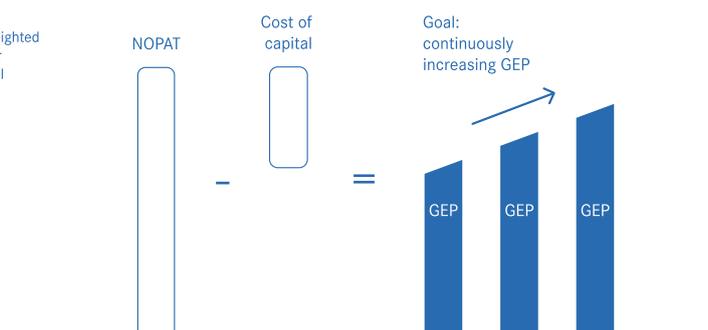
Galenica economic profit as a performance indicator

The STI and the LTI significantly depend on the achievement of the 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 50 % impact on the STI and a 50% impact on the number of shares allocated under the LTI. Therefore, poor performance inevitably has a negative impact on the total remuneration (lower bonus, fewer shares, with each of them potentially having a lower value). Further information on GEP can be found in the Value based management section, under [Alternative performance measures](#) in the Annual Report 2021.

Relevant parameter: Galenica economic profit (GEP)

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



Weight of GEP as performance indicator in the incentive plans



Short-term incentive (STI)

The STI 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 STI, 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 STI is expressed as a percentage of the annual base salary and varies depending on the function in the organisation and on the impact of the function on the overall business result. The target STI 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 Galenica financial objectives is weighted at 75% and individual objectives at 25%. In previous years, the financial objective was fully based on GEP. In 2021, a growth component in the form of Group annual net sales growth was added.

This growth component accounts for one third of the financial performance objective (25 % of the overall STI), so that two-thirds (50% of the overall STI) are still based on GEP.

In 2021, the individual performance category was 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 refers to sustainability, chosen based on the core ESG topics identified in the sustainability strategy of Galenica. For 2021, the ESG objective is based on customer satisfaction.

Summary of changes to STI performance objectives

Summary of changes to STI performance objectives



↑ 1) For 2021, the ESG objective is based on customer satisfaction

For each financial objective, a threshold, a target, a cap and a payout curve are defined annually by the Board of Directors upon recommendation of the Remuneration Committee, against which the results are assessed. The payout curve starts when the threshold is reached, which gives entitlement to 50% of the target STI. Achievement of all objectives results in a STI payment of 100%. The total STI is capped and has an upper limit of 200% of the target STI.

The achievement of GEP, Group annual net sales growth and of the individual objectives of the CEO is assessed by the Remuneration Committee and submitted to the Board of Directors for approval. The attainment of the individual objectives of 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 STI 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 STI 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 2021 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 STI is paid on a pro rata basis.

Long-term incentive (LTI)

The objective of the LTI 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 LTI 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 performance objectives 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 2021, 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.

The vesting of the PSU is conditional upon continuous employment and the fulfilment of performance conditions during the three-year plan period. The performance objectives are defined by the Remuneration Committee and for the LTI 2021-2023, they include GEP (as in previous years) and relative total shareholders return (TSR, new). Those two performance conditions are equally weighted.

The GEP target is measured by averaging the annual GEP results over the three-year performance period. TSR is measured as a percentile ranking against a peer group of relevant companies. The objective is to outperform half of the peer companies (100% payout). The peer group is approved by the Board of Directors and includes SMIM companies excluding financial services, real estate and companies that are active in a very cyclical businesses (e.g. Adecco, Dufry, Kühne+Nagel and OC Oerlikon), as well as selected healthcare and pharma companies from the SMI.

Relative TSR performance peer group for LTI 2021–2023

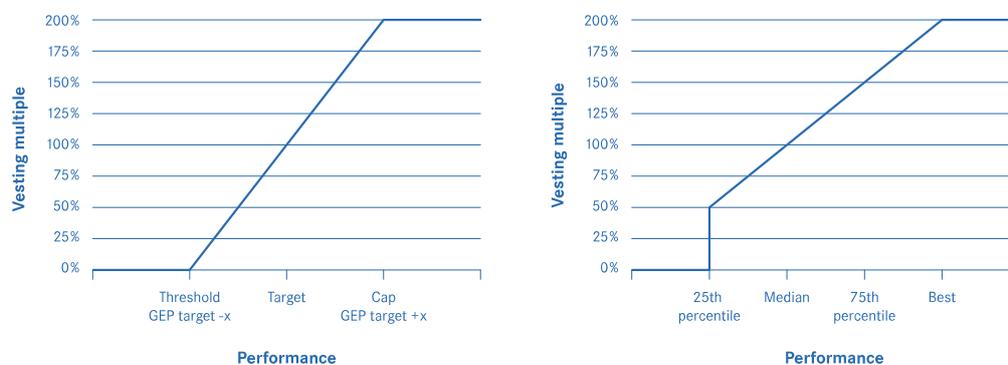
ams	Givaudan	Roche Holding	Tecan Group
Barry Callebaut	Lindt & Sprüngli	Schindler Holding	Temenos
Clariant	Logitech International	SIG Combibloc Group	VAT Group
EMS-CHEMIE HOLDING	Lonza Group	Sonova Holding	Vifor Pharma
Georg Fischer	Novartis	Straumann Holding	

For each performance condition, a threshold level of performance is determined, below which there is no vesting, as well as a target level of performance, corresponding to a 100% vesting and a cap providing for a 200% vesting. A linear interpolation is applied between the threshold and the target, and between the target and the cap. The weighted average of the vesting multiple for each performance objective provides for the overall vesting multiple. The number of PSU initially allocated is multiplied by the vesting multiple at the end of the three-year plan period. More details on the LTI performance objectives are provided in the following table.

Overview of LTI structure for 2021–2023

Performance measure	GEP	Relative total shareholders return (TSR)
Description	GEP is measured for each financial year and then averaged across the 3 years of the performance period. It is measured against a pre-determined target average for the performance period to determine the vesting multiple	TSR combines share price appreciation and dividends paid to reflect the annual total return to shareholders The TSR of Galenica is ranked against the TSR of the peer group companies for each financial year of the performance period, the annual percentile rankings are averaged over the 3-year performance period to determine the vesting multiple
Rationale	Absolute internal measure Demonstrates Galenica's average operating performance over a 3-year period	Relative external measure Demonstrates Galenica's shareholders returns compared to relevant peer companies
Weighting	50% of the PSU grant	50% of the PSU grant
Target level	Pre-determined by the Remuneration Committee 100% vesting	TSR ranking at the median of the peer group 100% vesting
Maximum vesting multiple	200% of target	200% of target
Vesting period	3 years	3 years
Vesting rules and curve	<p>Threshold: GEP target minus X = 0% vesting</p> <p>Target: average GEP target = 100% vesting</p> <p>Maximum: GEP target plus X = 200% vesting</p> <p>Vesting multiple is interpolated linearly between the threshold, target and maximum</p>	<p>Threshold: 25th percentile ranking = 50% vesting</p> <p>Target: median ranking = 100% vesting</p> <p>Stretch: 75th percentile ranking = 150% vesting</p> <p>Maximum: best in the peer group = 200% vesting</p> <p>Vesting multiple is interpolated linearly between the threshold, target and maximum</p>

Vesting curves

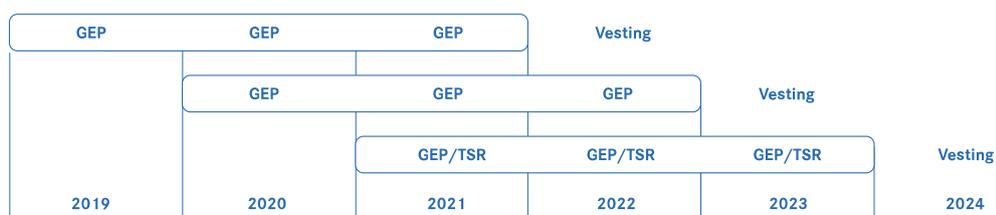


As a rule, the three-year plan period must be completed for employees to be eligible for the conversion of PSU in shares. If the employment is terminated within a plan period, the PSU forfeit without any compensation except in the following cases:

- Retirement, disability or termination by the company not for cause, performance or behaviour: unvested PSU are subject to a pro-rata vesting at regular vesting date
- Death: unvested PSU immediately vest pro-rata, based on a performance estimate by the Board of Directors or at target level (100% vesting)
- Termination following change of control: unvested PSU immediately vest in full, based on a performance estimate by the Board of Directors or at target level (100% vesting).

LTI plan period

LTI plan period
LTI three-year programme



In 2021, clawback and malus provisions were implemented in the LTI plan. They allow the Board of Directors to reduce or cancel the vesting of outstanding PSU and/or to claim back shares already vested 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.

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 on 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 STI 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 2021 and 2020

Remuneration awarded to the Board of Directors for 2021 and 2020

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

In 2021, the Board of Directors consisted of six members. The total remuneration awarded to the Board of Directors (including the Chairwoman) amounts to CHF 1.4 million and is within the amount of CHF 1.9 million approved at the Annual General Meeting in 2020. It corresponds to a decrease of 12.9% compared to the previous year, which is due to the composition of the Board (six members in 2021 compared to seven members in 2020). The compensation system remained unchanged compared to previous year.

Remuneration awarded to the CEO and the members of the Corporate Executive Committee for 2021 and 2020

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

In 2021, Marc Werner, CEO, was the member of the Corporate Executive Committee with the highest remuneration.

The remuneration awarded to the CEO in the year 2021 and the Corporate Executive Committee amounts to CHF 5.6 million and is within the amount of CHF 6.3 million approved at the Annual General Meeting in 2020. It is an increase compared to previous year, for the following reasons:

- The aggregated amount of base salaries was higher compared with the previous year. This is due to the new composition of the Corporate Executive Committee (six members in 2021 compared to five members in 2020). The compensation of the CEO corresponds to a full year in 2021, versus nine months in 2020. The individual base salaries of the members of the Corporate Executive Committee were not increased in the reporting year.
- Given the outstanding performance of Galenica in 2021, the payout under the STI was significantly higher than in 2020, almost reaching the maximum payout of 200% planned under the STI programme. Additional details are provided in the section Performance in 2021 below.
- The LTI grant value increased compared to the previous year. This is due to the different composition of the Corporate Executive Committee and the full-year compensation of the CEO (compared to nine months in previous year). The grant size of the individual Corporate Executive Committee members remained unchanged compared to previous year.
- The variable compensation in the year 2021 amounted to 151% of the annual base salary for the CEO (previous year: 109%) and ranged between 106% and 127% of the annual base salary for the other members of the Corporate Executive Committee (previous year: 61% to 75%).

Performance in 2021

The Galenica Group generated consolidated net sales of CHF 3,834.7 million, representing strong growth of 10.2% compared to the previous year.

The adjusted¹ operating result (EBIT), i.e. excluding the effects of the accounting standards IFRS 16 (leasing) and IAS 19 (employee benefits), grew by 26.4% to CHF 213.1 million. The main drivers were additional sales in connection with COVID-19 with a positive EBIT effect of an estimated CHF 25 million as well as the gain of CHF 9.4 million from the sale of the property at the Galenica headquarters in Berne.

The adjusted¹ return on sales (ROS) also increased year-on-year from 4.8% to 5.6%. Net profit was slightly below the previous year's level at CHF 168.2 million (-2.6%, previous year: CHF 172.7 million) due to an extraordinary IAS 19 book profit in the 2020 business year. Adjusted¹ net profit also showed strong growth and amounted to CHF 174.8 million (+26.7%).

1) See section Alternative performance measures in the Annual report 2021.

Payout factor and vesting multiple 2020 and 2021 (without the one-off gain from the property sale of the headquarters)

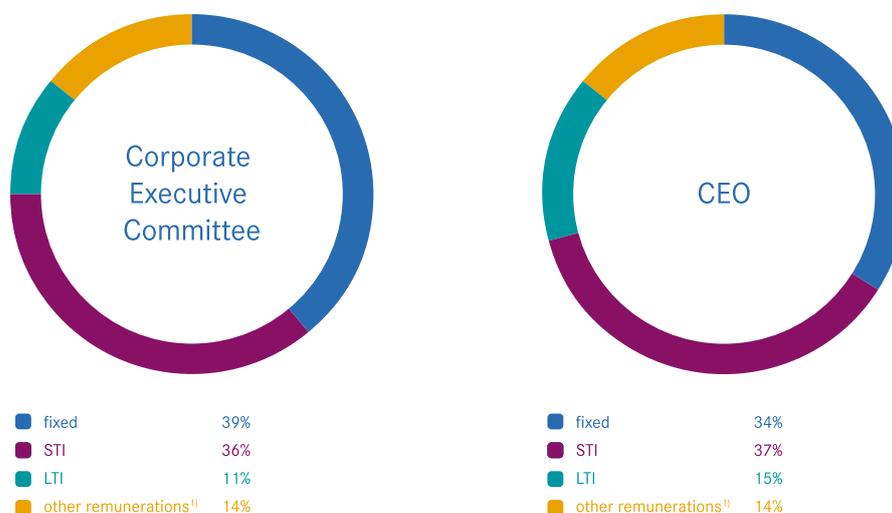
Payout factor for STI (one-year basis)



Vesting multiple for LTI (three-year basis)



Ratio between fixed and variable remuneration 2021 (remuneration awarded)



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

Remuneration of the members of the Board of Directors in 2021

Net payments in thousand CHF	Board fees			Total	Number of shares	
	Fees in cash	Equivalent in shares ¹⁾	Other remuneration ²⁾		Held as at 31.12.2021 ³⁾	Allocated for 2021
Daniela Bosshardt, Chairwomen	175	233	22	431	22,131	3,564
Pascale Bruderer	62	82	8 ⁴⁾	153	1,703	1,260
Michel Burnier	60	80	6	146	8,265	1,222
Bertrand Jungo	–	215	11 ⁵⁾	226	4,964	3,284
Markus R. Neuhaus	82	109	11	202	7,416	1,668
Philippe Nussbaumer (until 12 May 2021)	–	60	3	63	–	916
Andreas Walde	75	100	10	185	11,982	1,527
Remuneration of the members of the Board of Directors ⁶⁾	454	880	72	1,406	56,461	13,441
Maximum amount according to AGM resolution				1,900		

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

²⁾ Other remuneration corresponds to the social security charges due from the member of the Board of Directors but paid by Galenica. Employer's contributions to social security charges for 2021 amounted to CHF 72,000 (not included in the above amount)

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

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

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

⁶⁾ See chapter Board of Directors of the Corporate Governance section for roles and membership of committees

Remuneration of the members of the Board of Directors in 2020

Net payments in thousand CHF	Board fees			Total	Number of shares	
	Fees in cash	Equivalent in shares ¹⁾	Other remuneration ²⁾		Held as at 31.12.2020 ³⁾	Allocated for 2020
Daniela Bosshardt, Chairwomen	–	467	22	489	14,185	7,946
Pascale Bruderer (from 20 May 2020)	–	100	5 ⁴⁾	105	–	1,703
Michel Burnier	60	80	6	146	6,903	1,362
Fritz Hirsbrunner (until 19 May 2020)	–	80	3	83	–	1,362
Bertrand Jungo	88	117	12 ⁵⁾	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
Remuneration of the members of the Board of Directors ⁶⁾	223	1,315	77	1,615	48,411	22,405
Maximum amount according to AGM resolution				1,900		

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

²⁾ Other remuneration corresponds to the social security 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)

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

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

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

⁶⁾ See chapter Board of Directors of the Corporate Governance section for roles and membership of committees

Remuneration of the members of the Corporate Executive Committee in 2021

Gross payments in thousand CHF	Total	of which Marc Werner, CEO
Base salary	2,178	500
Short-term bonus in cash (STI) ¹⁾	1,234	329
Short-term bonus in shares (STI) ²⁾	774	207
Long-term incentive (LTI) ³⁾	621	219
Contributions to pension funds	374	92
Other remuneration ⁴⁾	48	18
Remuneration awarded	5,228	1,365
Social security costs	381	95
Remuneration of the members of the Corporate Executive Committee	5,609	1,460
Maximum amount according to AGM resolution	6,300	

Six members in 2021

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

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

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

⁴⁾ Including private use of company car

Remuneration of the members of the Corporate Executive Committee in 2020

Gross payments 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) ¹⁾	449	106
Short-term bonus in shares (STI) ²⁾	282	67
Long-term incentive (LTI) ³⁾	700	236
Contributions to pension funds	328	69
Other remuneration ⁴⁾	48	16
Remuneration awarded ⁵⁾	3,662	869
Social security costs	276	64
Remuneration of the members of the Corporate Executive Committee ⁵⁾	3,938	933
Maximum amount according to AGM resolution	6,000	

Five members in 2020

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

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

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

⁴⁾ Including private use of company car

⁵⁾ Including remuneration of Jean-Claude Clémenton 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 Clémenton 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

Short term incentive (STI)

In 2021, a GEP of CHF 73.0 million corresponding to an increase of 66.3% compared to the previous year (without the one-off gain from the property sale of the headquarters) was achieved (see [Value based management section](#), under Alternative performance measures in the Annual report 2021). This represents a payout factor of 220% for the financial year 2021 for the portion of the STI payout based on GEP performance.

The Group annual net sales growth achieved was 10.2%, corresponding to a payout factor of 220% for that portion of the STI.

Individual performance is measured using 3 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 111%.

Consequently, the overall STI percentage amounts to 193.6% for the CEO and ranges from 190.0% to 196.5% of the target value for the other members of the Corporate Executive Committee. This compares to a payout of 83.3% for the CEO and of 80.2% to 81.5% of the target value for the other Corporate Executive Committee members in 2020.

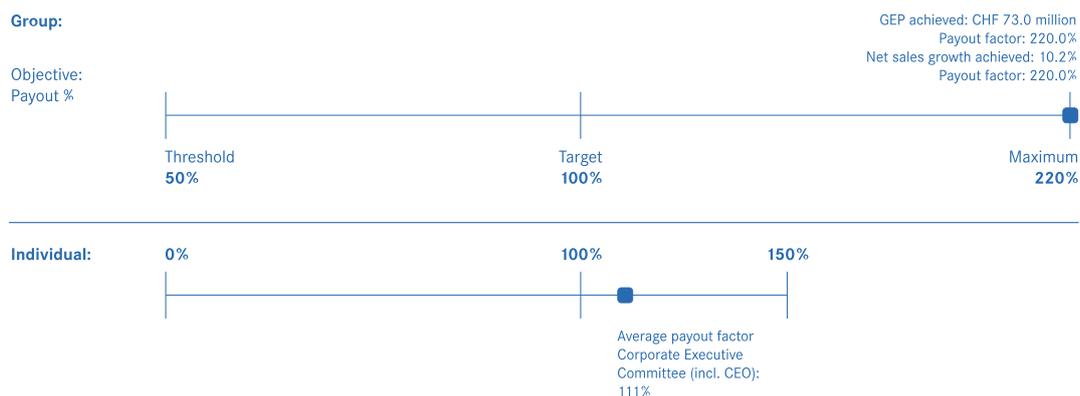
Long-term incentive

For the LTI plan 2019-2021, payable in early 2022, the GEP achievement was CHF 73.0 million (without the one-off gain from the property sale of the headquarters). This represents a vesting multiple of 200%.

Performance / payout factor under STI in 2021

KPIs	2021 objectives	Payout	2021 results
Group financial performance:			
Galenica economic profit (GEP) (50% weighting)	Maximum	220%	GEP achieved: CHF 73.0 million Payout factor: 220%
	Target	100%	
	Threshold	50%	
Group annual net sales growth (25% weighting)	Maximum	220%	Net sales growth achieved: 10.2% Payout factor: 220%
	Target	100%	
	Threshold	50%	
Personal objectives (25% weighting)	3 quantitative and qualitative KPIs	0% – 150%	Average payout factor Corporate Executive Committee (incl. CEO): 111%

Performance / payout factor under STI in 2021



Payout	2021
CEO	193.6%
Corporate Executive Committee (without CEO)	190.0% – 196.5%

Performance / vesting multiple under LTI 2019–2021

Performance / vesting multiple under LTI 2019–2021



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 2021. No loans or credits were outstanding at the end of the year under review.

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 2021.

Shareholdings of the Corporate Executive Committee and the Board of Directors

Equity overhang and dilution as of 31 December 2021

The equity overhang, defined as the total number of PSU outstanding (53,693 unvested PSU) divided by the total number of outstanding shares (49,638,497 shares) is 0.11%. The burn rate, defined as the total number of equities (shares and performance share units) granted in 2021 (120,782 shares and 21,807 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 2021

	Number of shares held as at 31.12.2021 ¹⁾	Number of performance share units (LTI) held as at 31.12.2021 (at target) ²⁾
Marc Werner	1,390	7,634
Felix Burkhard	14,674	7,307
Andreas Koch	2,719	2,872
Daniele Madonna	8,325	4,042
Virginie Pache	1,072	1,300
Thomas Szuran	2,315	4,784

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

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

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

	Number of shares held as at 31.12.2020 ¹⁾	Number of performance share units (LTI) held as at 31.12.2020 (at target) ²⁾
Marc Werner	80	3,442
Felix Burkhard	16,287	7,943
Andreas Koch	1,690	2,121
Daniele Madonna	6,328	4,271
Thomas Szuran	1,375	3,285

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

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



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To the General Meeting of
Galenica Ltd., Berne

Berne, 2 March 2022

Report of the statutory auditor on the remuneration report

We have audited the accompanying remuneration report of Galenica Ltd. for the year ended 31 December 2021. 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 in the chapters Remuneration awarded for 2021 and 2020, Other remuneration and Shareholdings of the Corporate Executive Committee and the Board of Directors of the remuneration report.



Board of Directors' responsibility

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



Auditor's responsibility

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

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

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



Opinion

In our opinion, the remuneration report for the year ended 31 December 2021 of Galenica Ltd. complies with Swiss law and articles 14–16 of the Ordinance.

Ernst & Young Ltd

Daniel Zaugg
Licensed audit expert
(Auditor in charge)

Simone Wittwer
Licensed audit expert

GRI-Report

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General disclosures

GRI report

General disclosures regarding the Galenica Group according to GRI 102 are published here. These include information on the organisational profile, strategy, ethics and integrity, corporate management, stakeholder engagement and reporting procedures.

Organisational profile

GRI 102-1

Name of the organisation

Galenica Ltd.

GRI 102-2

Activities, brands, products and services

Galenica is the leading fully integrated healthcare provider in Switzerland. The business activities of the Galenica Group comprise two segments. The Products & Care segment consists of the Service Units Pharmacies, Healthcare and Products & Marketing. They develop and market health services and products via various channels – in pharmacy stores, online and at home – to private customers and patients as well as to business customers and partners. 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 digital platforms for the entire Galenica Group and for customers and partners in the healthcare industry.

More information on activities, brands, products and services can be found in the [Management Report](#) and on the [Galenica website](#).

GRI 102-3

Location of headquarters

Galenica Ltd.
Untermattweg 8
3027 Bern

GRI 102-4

Location of operations

The Galenica Group operates exclusively in Switzerland.

GRI 102-5

Ownership and legal form

Galenica is a corporation under Swiss law and, as a holding company, owns all the companies in the Galenica Group directly or indirectly.

GRI 102-6

Markets served

Galenica is active in the healthcare industry and offers healthcare services and products throughout Switzerland. Its customers include patients, pharmacies, drugstores, physicians, hospitals, care homes, health insurance funds and pharmaceutical companies.

GRI 102-7

Scale of the organisation

At the end of 2021, Galenica employed 7,239 people and the consolidated net sales of the Galenica Group amounted to CHF 3,834.7 million. Information on the capital and an overview of the operations can be found in the [Financial Report](#).

GRI 102-8

Information on employees and other workers

Employees	Unit	2021
by gender		
- women	number	5,351
- men	number	1,888
by degree of employment		
- full-time	number	4,181
- full-time (women)	%	74
- part-time (<90%)	number	3,058

Galenica discloses further information on its staff and other employees under its [key social figures](#). More precise information on employees by employment contract is not available, as this is not recorded in all HR systems. Most of the business activities are carried out by employees of the Galenica Group. The workforce of the Galenica Group does not undergo significant seasonal fluctuations. The data is exported from the various HR management systems and consolidated

GRI 102-9

Supply chain

The Galenica Group value chain comprises production, packaging, logistics, marketing and information, retail trade and medication use. A description of the value chain and the economic, social and ecological impact of the Galenica Group can be found [here](#).

GRI 102-10

Significant changes to the organisation and its supply chain

Galenica acquired Lifestage Solutions Ltd. in 2021. Lifestage Solutions develops and operates a fully integrated digital trading platform for home care organisations and nursing homes, which simplifies daily workflows for its customers using digitalisation and state-of-the-art technology. Apodoc Hardbrücke Ltd. has also been acquired. Apodoc is an innovative pharmacy with its own medical practice on the same premises near Hardbrücke railway station in Zurich. The subsidiary Verfora also acquired 100% of the share capital of Spagyros Ltd., a successful Swiss company which produces and markets complementary medicines. Galenica has also expanded its bricks and mortar pharmacy network with 8 new pharmacies. At the same time, 6 locations were closed. There were no significant changes in the reporting year with regard to the shareholding structure and locations of suppliers.

More information can be found in the [Financial Report](#) and [Corporate Governance Report](#).

GRI 102-11

Precautionary principle or approach

The precautionary principle is anchored in the sustainability principles of the Galenica Group: “the respectful and efficient use of resources and reduction of negative environmental impacts”.

Galenica aims to minimise greenhouse gas emissions, reduce waste and dispose of it safely. Galenica has defined specific [environmental targets](#) in order to achieve these ambitions.

GRI 102-12

External initiatives

Programmes and initiatives

- CDP: Galenica discloses its greenhouse gas emissions and their impact on the climate as part of the CDP questionnaire. The results are published at www.cdp.net.
- GRI: Galenica is publishing its combined 2021 Annual and Sustainability Report in accordance with the GRI Standards for the first time: “Core” option.

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. More information on the social commitment of the Galenica Group can be found [here](#).

GRI 102-13

Memberships of association

ASSGP, Association of the Swiss Self-Medication Industry

GESKES, Society for Clinical Nutrition in Switzerland

GSASA, Schweizerischer Verband der Amts- und Spitalapotheker

Helvecura Genossenschaft, Swiss Association of Public Health Administration and Hospital Pharmacists

Avenir Suisse

Medswiss.net supporting association, Swiss Umbrella Association of Physician Networks

pharmalog, Swiss Pharma Logistics Association

pharmaSuisse, Swiss Association of Pharmacists

ScienceIndustries, Business Association for Chemistry-Pharma-Biotech

Swiss Medtech, Swiss Medical Technology Association

GFH Healthcare Retailers Association

VIPS, Association of Pharmaceutical Companies in Switzerland

VSVA, Association of Swiss Mail-Order Pharmacies

Association QualiCCare, Association for the Improvement of Quality in Treatment of Chronic Diseases in Switzerland

ASTAG, Swiss Commercial Vehicle Association

Freedom Healthcare Alliance

GIRP, European Healthcare Distribution Association

HIV, Trade and Industry Association of the canton of Bern

eHealth Interest Group

SGGP, Swiss. Society for Health Policy

SMVO, Swiss Medicine Verification Organisation

SVKH, Swiss Association for Therapeutic Products in Complementary Medicine

Swissholdings, Association of Industrial and Service Groups in Switzerland
VNL Schweiz, Verein Netzwerk Logistik e.V., Logistics Network Association

Strategy

GRI 102-14

Statement from senior decision-maker

Sustainability is an integral part of Galenica's corporate management. Galenica is convinced that it can only achieve long-term economic success if it bears social responsibility and uses natural resources in a respectful and efficient manner. The relevance of sustainability for Galenica is explained in the [foreword](#) to the Annual Report by Chairwoman of the Board of Directors Daniela Bosshardt and CEO Marc Werner.

Ethics and integrity

GRI 102-16

Values, principles, standards and norms of behaviour

The [five key values](#) accompany Galenica employees in all their activities and form the basis for a shared understanding of cooperation and how they treat one another.

In addition to the statutory provisions, the Galenica Group [Code of Conduct](#) sets out the ethical rules and standards that all employees must adhere to.

Governance

GRI 102-18

Governance structure

The Executive Committee and the Board of Directors and its committees are presented in the [Corporate Governance Report](#). The Board of Directors has ultimate responsibility for economic, ecological and social topics. Other central bodies are the Governance, Nomination and Sustainability Committee of the Board of Directors, the Executive Committee and the Interdisciplinary Sustainability Committee. You can find more information about the sustainability organisation [here](#).

Stakeholder engagement

GRI 102-40, GRI 102-42

List of stakeholder groups and identifying and selecting stakeholders

The stakeholders of the Galenica Group include interest groups and organisations that directly or indirectly affect – or are affected by – the company's values, actions and performance. Galenica maintains relationships with its direct stakeholders – customers, shareholders, suppliers, scientific institutions, current and potential employees, authorities, non-governmental organisations and others – that are characterised by transparency, honesty and mutual respect. Its customers include patients, pharmacies, drugstores, physicians, hospitals, care homes, health insurance funds and pharmaceutical companies. In order to measure customer satisfaction and potential for improvement, Galenica relies on internal performance indicators as well as the results of independent target group surveys. Based on the insights gained, Galenica wants to continuously improve the customer experience and offer customers added value through new measures and offerings.

Our relations with our various suppliers are characterised by a continuous improvement process as part of quality management in all Service and Business Units. Quality, costs and prices, as well as potential innovations, are regularly discussed with suppliers and business partners. Such interactions create transparency and help to ensure that services are provided as smoothly as possible.

GRI 102-41

Collective bargaining agreements

None of the employees of the Galenica Group are subject to a collective bargaining agreement.

GRI 102-43

Approach to stakeholder engagement

In addition to the stakeholder engagement approaches under GRI 102-40, Galenica held meetings with representatives of external stakeholders for the first time in 2021 to review the relevance of sustainability issues and assess the impact of Galenica's business activities on the social, ecological and economic environment. More information on the materiality process can be found under [Sustainability at Galenica](#).

GRI 102-44

Key topics and concerns raised

The online survey and subsequent discussions with the relevant stakeholder groups confirmed the relevance of previous sustainability issues. Patient safety and health are the key issue for Galenica from the perspective of stakeholders. With regard to employees, the stakeholders emphasised the relevance of topics such as diversity and the promotion of young talent. On the issue of compliance, some interlocutors highlighted the prominent role of Galenica in relation to competition and antitrust law owing to the size of the company. Furthermore, the stakeholders agreed that the topics of IT security and cybercrime are becoming increasingly important and that raising awareness among employees in particular is vital here. In the area of emissions and climate change, some stakeholders stressed the need to address this issue together with partners along the value chain and expressed their expectation that Galenica will set clear targets in this regard. The stakeholders were of the opinion that the circular economy, innovation and digitalisation are other aspects that Galenica should use more specifically to improve sustainability in the future.

The topics and concerns expressed by the stakeholders form a key basis for further advancing the central sustainability topics in the coming years.

Reporting practice

GRI 102-45

Entities included in the consolidated financial statements

The entities included in the consolidated financial statements are listed in the [Financial Report](#).

GRI 102-46

Defining report content and topic boundaries

The Sustainability Committee has identified the ecological, social and economic sustainability issues in relation to the business model of the Galenica Group. In 2021, Galenica reviewed the relevance of the topics as part of a materiality process and defined the social, ecological and economic impact of Galenica's business activities. Internal and external stakeholders evaluated the topics based on an online survey. In addition, interviews were held with representatives of all external stakeholder groups to

discuss the evaluations. This resulted in the updated relevance matrix. The Executive Committee and the Board of Directors have approved the updated relevance matrix and classified all topics as material. These are also at the centre of sustainability reporting.

In determining the content of the sustainability reporting, Galenica has taken into account all four reporting principles: stakeholder engagement, sustainability context, materiality and completeness. For more information, please see [Sustainability at Galenica](#).

GRI 102-47

List of material topics

The [relevance matrix](#) shows all material topics.

GRI 102-48

Restatements of information

In 2021, Galenica is publishing for the first time a combined annual report that includes both financial and sustainability information and data.

GRI 102-49

Changes in reporting

In the 2021 Sustainability Report, there were no significant changes to the list of material topics and delimitations of the topics compared to the previous year.

GRI 102-50

Reporting period

The reporting period covers 1 January 2021 to 31 December 2021.

GRI 102-51

Date of most recent report

The 2020 Annual Report was published on 9 March 2021. The 2020 Sustainability Report was published on 18 May 2021. And the 2021 Half Year Report was published on 3 August 2021.

GRI 102-52

Reporting cycle

The combined Annual and Sustainability Report is published annually.

GRI 102-53

Contact point for questions regarding the report

Investor Relations: Felix Burkhard, CFO

Media Relations: Christina Hertig, Head of Corporate Communications

GRI 102-54**Claims of reporting in accordance with the GRI Standards**

Claims of reporting in accordance with the GRI Standards

GRI 102-55**GRI content index**

The GRI content index, which lists each of the GRI Standards applied and all disclosures contained in the report, can be found [here](#).

GRI 102-56**External assurance**

The Sustainability Report 2021 was not audited externally.

Economic performance and compliance

GRI report

Economic performance forms the basis for the long-term and sustainable business development of the Galenica Group. Galenica attaches great importance to conducting its business activities in an ethical and legal manner.



GRI 201

Economic performance

GRI 103-1

Explanation of the material topic and its boundary

As Switzerland's leading fully integrated healthcare provider, Galenica is a key asset to the Swiss economy, as an employer and taxpayer. Galenica firmly believes that the Group can achieve long-term economic success only if it bears social responsibility and uses natural resources efficiently and respectfully. Economic performance thus forms the basis for long-term and sustainable business development.

GRI 103-2

The management approach and its components

Galenica Strategy

Galenica is the leading fully integrated healthcare provider in Switzerland and plays a key role in the Swiss healthcare market. Galenica intends to expand its market position and services sustainably and successfully and further develop its core areas of expertise. Vision, values and customer promises describe what drives Galenica, how it works and what it offers. The strategic programmes define what the Galenica Group aims to achieve and how. You can find the entire Galenica strategy [here](#).

Sustainability principles

The [sustainability principles](#) reflect Galenica's belief that it can only achieve long-term economic success if it bears responsibility both for society and for the environment.

Corporate Governance

Good, transparent corporate governance is crucial to managing the Galenica Group effectively and efficiently. You can find more information about corporate governance at the Galenica Group in the [Corporate Governance](#) report.

GRI 103-3

Evaluation of the management approach

- Board of Directors: the Board of Directors is responsible for the topic of sustainability. The Board of Directors approves the sustainability targets proposed by the Executive Committee and monitors their implementation.
- Audit and Risk Committee: the Audit and Risk Committee supports the Board of Directors in fulfilling its duties with regard to accounting, financial reporting, risk management, compliance and internal and external auditing.
- Audits: Internal Audit carries out audits of operational and strategic risk management and the internal control system (ICS) in accordance with the audit plan determined by the Audit and Risk Committee. In addition, the external auditor audits the consolidated financial statements of Galenica Ltd. and its subsidiaries on an annual basis.
- Strategy Committee: the Strategy Committee of the Board of Directors monitors the implementation of the Galenica strategy.
- Ratings: the Galenica Group is regularly assessed by external rating agencies for its environmental, social and economic (ESG) performance. Galenica has received a credit rating of BBB (investment grade) from ZKB and CS.

GRI 201-1

Direct economic value generated and distributed

Galenica discloses information on direct economic value generated and distributed in its [Financial Report](#). The economic value is generated in Switzerland and is mainly distributed in Switzerland. Exceptions are employees who are cross-border commuters and certain investors, partners and suppliers abroad.

Targets

Galenica has defined the following objective:

- We train all employees in compliance at least once a year.

You can find an overview of all the sustainability goals [here](#).

GRI 4 19: Socioeconomic Compliance, GRI 205: Anti-corruption, GRI 206: Anti-competitive behaviour Compliance

GRI 103-1

Explanation of the material topic and its boundary

Galenica attaches great importance to conducting its business activities in an ethical and legal manner. All business activities are carried out in accordance with the applicable legislation. Compliance refers to compliance with legislation, standards (such as ISO 14001 or good distribution practice – GDP) as well as in-house and industry codes. For Galenica, this means, for example, compliance with therapeutic products, health insurance, employment, antitrust, tax and criminal law as well as its own Code of Conduct. As Switzerland's leading fully integrated healthcare provider, combating corruption and anti-competitive behaviour are key issues for Galenica.

GRI 103-2

The management approach and its components

Responsibilities

The Legal Department of the Galenica Group supports the Service Units and companies in interpreting and applying the legislation correctly. It also ensures that new statutory provisions are implemented in the company. Current challenges for Galenica relate to the implementation of the new provisions of the revised Therapeutic Products Act (TPA) and the forthcoming amendment to the Swiss Data Protection Act (FADP).

Code of Conduct of the Galenica Group

In addition to the statutory provisions, the Code of Conduct of the Galenica Group sets out the ethical rules and standards that all employees must adhere to. Managers are responsible for addressing and dealing with specific conflict situations in day-to-day business.

The Service Unit Pharmacies also has its own specific Code of Conduct. As a binding internal operating procedure, it serves to ensure that pharmacists have pharmaceutical independence at all times and therefore always give priority to the health and wishes of patients. The Code also sets out how employees must behave towards third parties and which advertising measures are permissible.

Supplier Code of Conduct

Galenica ensures that not only the Group and its companies, but also its business partners comply with international and national laws and norms, industry-specific standards and good practices. The Code of Conduct applies to suppliers, service providers and consultants of the Galenica Group. It covers issues relating to ethics, employment law, health, safety, quality and the environment. Purchasing department employees receive training covering the content of the Code of Conduct. In addition, the Legal Department is always involved in important Group-wide contracts. It also regularly reviews the contract templates of the Galenica Group to check for compliance risks.

Comprehensive quality management

All Galenica Group companies have an extensive quality management system (QMS) in place. Alloga, Medifilm, Mediservice, UFD and all HCI Solutions sites are certified to ISO 9001. Verfora, Bichsel and HCI Solutions are certified to ISO 13485 (design and manufacture of medical devices). The Bichsel Group's QMS is also structured in accordance with the ICH-Q10 standard of the European Medicines Agency. The manufacture of sterile, biological medicinal products filled in an aseptic environment places the highest demands on the implementation and maintenance of a QMS. Due to the critical relevance of the manufactured products, Bichsel carries out a major review of compliance with ISO 13485 and the statutory good manufacturing practice (GMP) and GDP requirements every two years.

The process management systems of Galexis and the companies in the Service Unit Pharmacies also meet the requirements of the ISO 9001 standard. However, they are not currently certified. Alloga, Galexis, G-Pharma, Mediservice and Verfora are periodically inspected by the regional therapeutic products inspectorates as part of GDP reviews.

The Amavita, Sun Store and Coop Vitality pharmacies maintain a QMS that covers all the key processes of a public pharmacy as well as environmental factors. Compliance with internal and external standards is monitored by means of regular quality audits, inspections by cantonal pharmacists and test purchases. The QMS at the specialty pharmacy Mediservice fulfils a broad scope of requirements because of the pharmacy's wide range of tasks.

Anti-Corruption Policy and Whistleblower Reporting Office

The Anti-Corruption Policy sets out the principles and guidelines for combating corruption and regulates their implementation by the employees and business partners of the Galenica Group. Any form of corrupt conduct towards or bribery of public officials and private individuals, whether directly or via third parties, is prohibited. Galenica has a zero-tolerance approach to corruption and bribery on the part of employees, partners, suppliers and representatives of third parties. The policy supplements the Group Code of Conduct and the Supplier Code of Conduct and applies to all employees. The Anti-Corruption Policy came into force at the start of 2021.

In 2021, Galenica also introduced an external Whistleblower Reporting Office. This offers all employees and business partners the opportunity to anonymously report suspected breaches of the rules.

Compliance programme

The Galenica Group compliance programme includes a clear commitment to comply with legislation and guidelines and to behave with integrity. The programme describes the Galenica Group's approach to compliance within the three areas of prevention, discovery and reaction and acts as a framework for all central compliance measures and processes.

Regular training

Galenica employees receive regular training on key compliance topics such as anti-corruption measures and antitrust law. A web-based tool is one of the methods used for this.

GRI 103-3

Evaluation of the management approach

- Reporting: suspected breaches of the rules by employees indicate potential for improvement and possible misconduct. All reports are investigated.
- Audit and Risk Committee: the Audit and Risk Committee of the Board of Directors reviews the company's compliance and risk management process.
- ISO audits: the ISO-certified companies of the Group are regularly audited.

GRI 419-1

Non-compliance with laws and regulations in the social and economic area

All Galenica Group companies continued to operate in compliance with the law in 2021. There were no fines or monetary sanctions resulting from non-compliance with legislation and/or regulations.

GRI 205-3

Confirmed incidents of corruption and actions taken

The Galenica Group was not aware of any incidents of corruption in the reporting year and there were therefore no confirmed incidents of corruption.

GRI 206-1

Legal actions for anti-competitive behaviour; anti-trust and monopoly practices

COMCO fine referred with appeals

On 20 March 2017, the Swiss Competition Commission (COMCO) issued a ruling against HCI Solutions imposing a fine of CHF 4.5 million. This relates to an investigation from 2012 in which the main allegations could not be substantiated and of the six allegations investigated only two subordinate issues remained open. Galenica and HCI Solutions regard the ruling by COMCO in relation to these remaining issues as legally and factually incorrect. HCI Solutions therefore referred the ruling to the Federal Administrative Court on 4 May 2017, where the proceedings were still pending at the end of the financial year. In a decision issued in February 2022, the Federal Administrative Court reduced the fine to just under CHF 3.8 million and granted HCI Solutions reduced party costs. HCI Solutions is referring the case to the Federal Supreme Court.

In 2006, the COMCO opened an investigation against three manufacturers of potency products, including e-mediat AG (today: HCI Solutions Ltd.), Galexis Ltd. and Unione Farmaceutica Distribuzione Ltd. In the first instance, the manufacturers were sanctioned with fines for vertical price agreements based on the price recommendations they issued. Although no sanctions were imposed on the legal entities of the Galenica Group, HCI Solutions Ltd., Galexis Ltd. and Unione Farmaceutica Distribuzione Ltd. appealed the decision to the Federal Administrative Court because they were found to have aided and abetted the unlawful competition agreements without providing any further justification. In its decision of 8 December 2021, the Federal Supreme Court ruled in favour of the Galenica Group companies. The decision of the COMCO was overturned in the final instance insofar as it affected HCI Solutions Ltd., Galexis Ltd. and Unione Farmaceutica Distribuzione Ltd.

Emissions and climate change, waste and recycling

GRI report

The business activities of the Galenica Group have various impacts on the environment and climate. Galenica makes every effort to use natural resources efficiently and respectfully, to reduce negative environmental impacts and to dispose of waste safely.



GRI 302: Energy, GRI 305: Emissions Emissions and climate change

GRI 103-1

Explanation of the material topic and its boundary

In order to provide their services, Galenica Group companies consume renewable as well as non-renewable resources. These processes generate gaseous, liquid and solid waste products as well as greenhouse gases. Electricity and fuels are the main energy sources used by Galenica. Electricity accounts for 41% of total energy consumption. Transport is the main cause of direct and indirect greenhouse gas emissions at Galenica and is responsible for other pollutant emissions. Galenica therefore attempts to use resources as efficiently as possible, on the basis of economically viable measures, and to reduce the resulting environmental impact as much as possible.

Targets

Galenica has defined the following objectives:

- From 2025, we will be sourcing 100% of our electricity from renewable sources at all our locations.
- We will reduce the greenhouse gas emissions produced by all our operations, processes and supply chains by 25% by 2025 and by 50% by 2030 (base year: 2021).
- We will replace 40% of the fossil fuels in our vehicle fleet with renewable alternatives by 2028 (base year: 2021).

Galenica also intends to establish supply chain partnerships to promote circularity with regard to the climate, water and waste.

You can find an overview of all the sustainability goals [here](#).

GRI 103-2

The management approach and its components

Binding targets agreed with the FOEN

In order to reduce CO₂ intensity and increase energy efficiency, the Alloga sites in Burgdorf, Galexis sites in Lausanne-Ecublens and Niederbipp, and the Bichsel Group agreed on binding targets with the Federal Office for the Environment (FOEN). In return for their commitment, the companies can apply for a refund of the CO₂ incentive tax on fossil fuels or a subsidy to implement sustainability measures, provided they comply with the agreements. The targets are agreed individually based on each site's potential. Galenica is working with the Energy Agency for Industry (EnAW) to define an efficiency path with various commercially viable measures. As part of the targets agreed with the FOEN, for example, Alloga put a new groundwater heat pump into operation at the end of 2021.

Reduce fuel consumption

In order to reduce fuel consumption, pre-wholesale and wholesale companies regularly review and implement energy efficiency measures – both internally and with external logistics partners. This includes the use of commercial vehicles that meet the highest emissions standard (currently Euro VI) for all Group companies and the initiation of joint pilot projects for the use of delivery vehicles with alternative drive systems. At the same time, since 2020 Galexis has been converting its own delivery fleet and introducing more efficient vehicles with a higher load capacity to avoid multiple journeys when large loads are being delivered. External contract drivers are contractually obliged to use only vehicles that meet the Euro V standard or higher. All drivers from Galexis, UFD, Pharmapool, Bichsel and Alloga regularly attend mandatory driver safety training, which aims to teach them an environmentally friendly, fuel-efficient driving style, among other things. Galenica also pursues and supports sustainability initiatives for logistics companies through associations (such as GS1) and in cooperation with public authorities (ASTAG).

Environmental Code of Conduct and mobility concept

The Environmental Code of Conduct applies to all employees of the Galenica Group. This provides guidance on saving energy and making efficient use of natural resources in the workplace and in transport.

Galenica encourages its employees to use public transport and electric vehicles and has implemented specific mobility concepts at some locations, such as the headquarters in Bern. Employees who commute to work using public transport receive a financial contribution to their travel costs. From January 2022, a further mobility concept will be introduced in Lausanne-Ecublens as part of the renovation work at the site. Only limited parking spaces are available for employees. Galexis encourages employees to organise carpools or use public transport to get to work and provides employees with financial support for the use of public transport.

Starting to implement renewable energies in distribution

Galenica wants to promote the use of renewable energies in distribution logistics and has adopted a memorandum of understanding to this effect as part of its distribution strategy. The first vehicle powered by biogas has been successfully in use at Galexis since 2021 and a second vehicle was also put into operation at Galexis at the end of 2021 (find more information about this in the [spotlight on gas vehicles](#)). In addition, Galexis carried out initial test drives with an electric vehicle for the local distribution of goods and products in the city of Zurich. Due to the long charging time, however, electric vehicles can currently only be used at 50% capacity and are therefore not yet economically viable for use. However, Galexis will continue to monitor the development of electric vehicles. Galenica sees great potential in hydrogen technology for lorries and is therefore in the process of identifying the specific steps that need to be taken to

implement hydrogen technology in logistics. Discussions have been held with a logistics service provider that already operates several hydrogen-powered lorries with a view to putting them into operation as internal shuttle transport. A major challenge here is the requirement for temperature-controlled transport in accordance with GDP guidelines, because air conditioning consumes a large amount of energy.

Focus on increasing energy efficiency during renovations

When carrying out renovations, Galenica always takes into account measures to improve energy efficiency and looks into the feasibility of installing photovoltaic systems. During the renovation of the Galexis distribution centre in Lausanne-Ecublens, for example, all buildings and roofs were refurbished to improve energy efficiency and a photovoltaic system was installed. A photovoltaic system has also been in operation on the roof of the Alloga building in Burgdorf since 2018 and Galexis is planning to install a photovoltaic system at the Niederbipp site.

In the Service Unit Pharmacies, there is only a very limited choice of energy sources for heating and electricity as almost all the premises are rented. However, electricity consumption can be controlled, which is why Galenica is consistently focusing on energy-saving lighting and the installation of motion detectors when renovating pharmacies.

GRI 103-3

Evaluation of the management approach

- Key figures: key environmental figures relating to greenhouse gas emissions and energy consumption by the Group are collected at least once a year in order to check whether the environmental targets are being achieved.
- Targets agreed with the FOEN: EnAW provides Galenica with annual feedback and recommendations on how to improve energy efficiency and reduce CO₂ intensity.
- Galenica's sustainability goals form part of its collaboration with partners (suppliers, logistics service providers, service providers) throughout the supply chain.
- ESG topics are already part of the contractual agreements in investment planning and the awarding of contracts.
- CDP: Galenica completes the CDP questionnaire once a year. CDP is an international, non-profit organisation that provides the world's largest environmental database for companies and cities. Its aim is to encourage as many companies as possible to disclose their impact on the environment and natural resources. This information is collected on behalf of more than 590 institutional investors, who together represent more than USD 110 trillion in assets. In 2021, as in the previous year, Galenica was ranked C in its level of engagement score. This certifies that the Galenica Group understands how environmental issues affect the business model. The results are published at www.cdp.net.

GRI 302-1

Energy consumption within the organisation

Galenica discloses the total energy consumption within the organisation as well as energy consumption from non-renewable and renewable sources in its [key environmental figures](#).

GRI 302-2

Energy consumption outside the organisation

The declared energy consumption outside the organisation is limited to downstream transport and distribution and is shown in its [key environmental figures](#).

GRI 302-3

Energy intensity

Galenica uses the number of full-time equivalents (FTEs) as the organisation-specific parameter to calculate the energy intensity ratio. The quotient takes into account the energy consumption within the organisation and includes the following types of energy: fuels, electricity and heat consumption. The energy intensity is shown in the [key environmental figures](#).

GRI 305-1

Direct (Scope 1) GHG emissions

Galenica discloses direct (Scope 1) greenhouse gas (GHG) emissions as well as further information on the standards, methods and estimates used in the key environmental figures.

GRI 305-2

Energy indirect (Scope 2) GHG emissions

Energy indirect (Scope 2) GHG emissions as well as information on the standards, methods and assumptions used are disclosed in the [key environmental figures](#).

GRI 305-3

Other indirect (Scope 3) GHG emissions

Other reported indirect (Scope 3) GHG emissions include third-party fuel consumption and are shown in the [key environmental figures](#), where you will also find additional information on standards, methods and estimates.

Targets

Galenica has defined the following objective:

- We will reduce our municipal waste by 50% by 2025 (base year: 2021).

You can find an overview of all the sustainability goals [here](#).

GRI 306: Waste Waste and recycling

GRI 103-1

Explanation of the material topic and its boundary

Alongside conventional municipal waste (mainly packaging materials), the Galenica Group also produces medical and chemical waste. In Switzerland, expired or surplus medication is classified as hazardous waste and may not be disposed of with conventional industrial waste. Hazardous waste involves both disposal costs and environmental risks.

GRI 103-2, GRI 306-1, GRI 306-2

The management approach and its components

Proper disposal of returned medications

The pharmacies and logistics companies in the Galenica Group take back and professionally dispose of expired or unused medications. In pharmacies, this is done in accordance with internal quality management processes. The pharmacists perform an initial triage of the returned medications and sort the products according to specific criteria. They focus particularly on critical ingredients (such as heavy metals, solvents or highly active substances), but also on the special characteristics of the dosage form (such as gas pressure vessels). After this pre-selection process, the drugs are disposed of properly at a conventional incineration plant or in a specially designed high-temperature furnace. The disposal of controlled substances such as narcotics must be documented by pharmacists and reported to Swissmedic. The GDP guidelines, which Alloga, Unione, Pharmapool and Galaxis have signed up to, also provide instructions on how to handle these returns. The actual disposal of expired and unused medications is

carried out by third parties, with the exception of Medifilm, which is the only company in the Galenica Group with an approval for hazardous waste disposal.

For safety reasons, all returned drugs are disposed of without exception, even if they have not yet expired and/or the packaging is still intact. Controlled disposal prevents people or animals from coming into contact with potentially hazardous pharmaceutical waste, such as in torn rubbish bags at the roadside or in the form of contamination. Pharmacies therefore make a valuable contribution to the environmentally friendly and controlled disposal of hazardous waste. In addition, all Galenica Group pharmacies provide only biodegradable plastic bags to their customers.

The Service Unit Wholesale & Logistics is constantly investigating additional ways of reducing waste. The use of recycled packaging is an effective measure; more than 90% of deliveries are already made in reusable, recycled storage containers. The remaining 10% is delivered in recyclable cardboard packaging.

Environmental Code of Conduct

The Environmental Code of Conduct contains guidelines on waste separation for all employees, especially those who work in an office. In addition, new employees receive a leaflet on waste management and recycling when they join the Group.

GRI 103-3

Evaluation of the management approach

- Key figures: key environmental figures relating to Group waste are collected at least once a year in order to check whether the environmental targets are being achieved.
- Quality management: compliance with quality management processes is monitored on an ongoing basis.

GRI 306-3

Waste generated

Galenica discloses the total weight of waste generated and a breakdown by composition of waste in its key environmental figures.

GRI 306-5

Waste directed for disposal

In its key environmental figures, Galenica reports waste disposed of using the following disposal methods: incineration, hazardous waste incineration and recycling.

Employees

GRI report

Employees play a key role in the success of the Galenica Group. Galenica therefore makes every effort to promote employee motivation and development as well as diversity and equal opportunities, to ensure occupational health and safety and to retain qualified employees.



GRI 401: Employment Employee motivation

GRI 103-1

Explanation of the material topic and its boundary

A total of 7,239 employees work at Galenica providing professional services to the satisfaction of a wide range of customers. For Galenica, the topic of employment (GRI 401) includes employment conditions and employee motivation. The latter has a direct impact on employee turnover, efficiency and productivity. Furthermore, the emphasis on the corporate values – five key Galenica values, a contemporary and appreciative management culture and modern working models (life-domain balance) play an important role. Employee motivation is also closely linked to employee training and continuous education. Galenica therefore summarises all issues relating to the

employment of competent and motivated employees in terms of employee motivation and development.

You can find further information on the specific employee topics under Employee development (GRI 404), Diversity and equal opportunity (GRI 405), Occupational health and safety (GRI 403) and Retention of qualified employees (own topic).

Targets

Galenica has defined the following objectives:

- We are increasing the motivation rate of our employee survey to 75 out of 100 points and the participation rate to 75% by 2024 (base year: 2021).

You can find an overview of all the sustainability goals [here](#).

GRI 103-2

The management approach and its components

The **five key values** provide support for employees in all their work and form the basis for the joint understanding of the way in which they cooperate and interact with one another.

- 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**.

Responsibilities

The Service Unit Human Resources (HR) is responsible for HR management and supports the respective companies with their HR Business Partners in managing their employees.

Personnel Policy, Personnel Regulations and Working Time Regulations

The Personnel Policy of the Galenica Group is based on the above-mentioned corporate values and sets out the binding guidelines for human resources management (HRM). These guidelines apply to all companies within the Group. In the Personnel Policy, Galenica discusses how it, as an employer, wishes to treat its employees and what Galenica expects from its employees. The Galenica Group's Personnel Regulations and Working Time Regulations, in turn, are aimed at all employees and contain information and rules regarding working hours, salaries and employee insurance.

Balancing private life and work

Galenica offers flexible working time models to provide a better work-life balance for its employees. According to the guidelines on homeworking, employees also have the option of working from home up to 100%, depending on the scope of their role. Part-time work is also common, particularly in the Service Unit Pharmacies, and co-management teams are also possible in the pharmacies. Furthermore, female employees can extend their maternity leave with unpaid leave and men receive paternity leave of ten days, which is fully paid, in contrast to the statutory obligation.

Opinio employee survey

The Opinio employee survey has a long tradition at Galenica. It has been carried out annually since 2020 and enables Galenica to react more quickly and in a more targeted manner to changes in employee satisfaction and motivation. A total of 4,258 employees took part in the survey in the reporting year. This corresponds to a response rate of 58%, which is at a lower rate compared to from the previous survey conducted in 2020. With a Group-wide score of 71 out of 100 possible points, employee motivation is satisfactory.

Promote interaction and commitment among employees

The staff committees are important points of contact for the concerns of all employees that are of general interest and are to be discussed with the Executive Committee. Conversely, the Executive Committee consults the staff committee or works committee on relevant personnel matters that concern all or most employees, such as conditions of employment. The works committee is made up of the chairs of all the local staff committees. Twice a year, a meeting takes place between the works committee, the Group-wide employee representatives, a representative of the Executive Committee and HR management. It addresses topics that go beyond the local concerns of the staff committees in the individual business areas. The staff committees generally meet several times per year and are also informed about the topics and resolutions of the works committee meetings.

In 2021, a team of «Change Ninjas» was created. They are actively shaping the transformation of the Galenica Group and supporting the Service Units in their transformation plans.

Various communication platforms

Direct, personal interaction between employees from all language regions of Switzerland and a total of 82 countries lies at the heart of Galenica's communication efforts with the aim of actively promoting knowledge sharing and cooperation. The various in-person and digital information events and management meetings within the business sectors and companies are a good way of ensuring that this happens. Information on current topics from all areas of the company is provided at events and via the intranet, G-Net.

Twice a year, all employees and retired employees also receive the printed employee magazine Spot, which is delivered to their homes. This enables their partners and family members to gain an insight into developments in the Galenica world too.

Employee profit-sharing programme

Galenica shares the success of the company with all employees. 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 2021, 19.7% of employees participated in the programme (previous year: 18.5%). These shares are blocked for three years after the date of purchase.

For members of Senior Management (SMT) and Management (MT), the profit share is included proportionately in the annual bonus. This is dependent on attaining quantitative and qualitative targets. The share-based remuneration programme LTI (see Remuneration report) for members of the Executive Committee and certain members of the SMT is geared towards long-term performance, whereby remuneration is withheld for a period of three years.

Employee benefit plans

The Galenica Pension Fund covers the risks and economic consequences of old age, disability and death according to the specifications of the Swiss Federal Act on Occupational Old Age, Survivors' and Invalidity Pension Provision (BVG). Like the previous foundations, it is legally, organisationally and financially independent of Galenica. The pension fund is managed according to the defined contribution principle. This is usually financed by contributions from the employee and the employer. The contributions made by employer and employee are accrued into individual savings capital for each employee. The savings capital is usually paid out as a lump sum or converted into an annuity on reaching statutory retirement age. In cases of termination of employment, the savings are transferred as vested benefits. 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 Old Age,

Survivors' and Invalidation Pension Provision (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.

Due to increasing life expectancy and a drop in the interest received, the conversion and contribution rates were adjusted as of 1 January 2022.

GRI 103-3

Evaluation of the management approach

- Key figures: key personnel figures, such as employee turnover, are collected from across the Group and analysed every six months.
- Employee satisfaction and motivation: the satisfaction and motivation of employees is evaluated as part of the annual employee survey. The Executive Committee examines the results, particularly the critical points, and defines effective measures based on their findings.

GRI 401-1

New employee hires and employee turnover

Aspect	Unit	2021
New employee hires	number	873
by gender		
- women	number	674
- men	number	199
by age		
- under 30	number	545
- 30-50	number	275
- over 50	number	53
Employee turnover	%	14.5

Galenica does not provide a breakdown of newly hired employees by region. In addition, there is no breakdown of staff turnover by age group, gender and region due to the different HR systems.

Targets

Galenica has defined the following objectives:

- We will reduce the absence rate for occupational and non-occupational accidents by 10% by 2024 (base year: 2021).
- We will reduce the absence rate for mental illness by 5% by 2024 (base year: 2021).

You can find an overview of all the sustainability goals [here](#).

GRI 403: Occupational health and safety

Health and safety in the workplace

GRI 103-1**Explanation of the material topic and its boundary**

It goes without saying that Galenica attaches great importance to the physical and mental health of its employees. The topic covers the effects of business activities on the physical and mental well-being of all employees. Galenica has a duty to prevent any violation of the physical or psychological integrity of its employees in the workplace. This keeps both personal suffering and costs to a minimum.

There is an increased risk of accidents, particularly in the Service Units Wholesale & Logistics and Pharmacies, which is why occupational health and safety play such a key role in these areas.

GRI 103-2, GRI 403-1 – 403-7**The management approach and its components****Health and safety precautions for employees**

Galenica puts in place measures to protect employee health and maintain safety in the workplace in accordance with the directives of the Federal Coordination Commission for Occupational Safety (FCOS). In addition, all companies have an occupational health management (OHM) system. Galenica also uses a preventive case management system in order to identify potential health risks for employees at an early stage and take appropriate measures. This tool is deployed within the first 30 days of absence. The top priority is to ensure that the employee can return to work quickly following an illness or accident. Galenica is working with the organisations Movis and Carelink to improve health protection within the Group. Carelink offers emergency psychological support in crisis situations, for example following a robbery at a pharmacy. Movis provides support for employees concerning the protection of their personal integrity. In addition, the Galenica Group offers all employees a flu vaccination every year.

Due to the increased risk of accidents, the companies Alloga and Galexis also have a systematic absence management system, which is part of the OHM system. Discussions are held with employees in the event of prolonged or frequent absences, and contact is maintained in the case of a return to work after a long absence. Alloga and Galexis also organise training sessions together with Suva to avoid operational accidents.

The Service Units Pharmacies, Healthcare and Wholesale & Logistics have appointed occupational safety officers. Each Galenica Group site also has fire protection officers who are responsible for fire safety and evacuations, as well as a first aid team that organises first aid.

The Code of Conduct for Suppliers of the Galenica Group states that suppliers must ensure a safe and healthy working environment and guarantee the protection of their employees in accordance with all applicable health and safety regulations.

GRI 103-3

Evaluation of the management approach

- Key figures: employee absences are regularly analysed by the Service Unit HR and appropriate measures are taken.
- Safety audit: external safety consultants regularly carry out safety audits in the Service Unit Wholesale & Logistics.
- Since 2021, internal safety audits (inspections) have also been carried out at Galenix on a monthly basis with the corresponding department heads, and measures to improve occupational safety have been identified and documented.

GRI 403-9

Work-related injuries

Galenica discloses the number of occupational and non-occupational accidents and the rate of work-related injuries in the [key social figures](#). There were no work-related fatalities in the reporting year.

GRI 403-10

Work-related injuries

Galenica discloses the number of cases of illness, hours of absence due to illness and the absence rate in the [key social figures](#). The number of deaths caused by work-related illnesses is not recorded.

GRI 404: Training and education

Employee development

GRI 103-1

Explanation of the material topic and its boundary

When it comes to logistics and the sale of pharmaceuticals, the employees and their specialist knowledge play a crucial role. As a successful company, Galenica aims to grow with the market and to set new trends. The adaptability of the Galenica Group is based on the commitment and team spirit of its entire workforce. In order to maintain this commitment and team spirit, Galenica provides continuous support for employee development. The topic of training and education encompasses the retention and development of existing employees by means of training and education as well as the training of apprentices.

GRI 103-2

The management approach and its components

Promote knowledge and interaction among employees

Continuous personnel development and the management work of the future are at the heart of the Group-wide personnel development programme Move. Move represents agility and flexibility and therefore reflects the range of employee development options available. This comprises modules in the field of professional training as well as leadership and personal development for on various levels. In 2021, Galenica conducted 27 modules with 302 employees. New employees are invited to an induction day (Move 1) where the history, culture and strategy of the Galenica Group and its companies are explained. The aim of the two-year Talent Mentoring Programme is to develop high-performing employees in their current role or to introduce them to a higher-level position in order to strengthen internal succession planning in the medium to long term. Participants (mentees) are given a platform where they can exchange views and experience across the business sectors. At the same time, the knowledge

and skills of experienced managers are used to further develop the next generation of talented employees. Each mentee is assigned a personal mentor. In 2021, 26 employees took part in the Talent Mentoring Programme.

As part of the Junior Talent Management Programme of the Service Unit Pharmacies, pharmacy assistants can develop their own project for a year. They are supported by mentors and trained in project management.

Education in pharmacies

Galenica also supports employees with external training by giving them financial aid and/or allowing them the time, provided that the training is related to their current role and offers added value for the company and the employees. The Service Unit Pharmacies, for example, offers the CAS course "Management for Pharmacists" in cooperation with the University of Basle. In 2021, 16 employees took the CAS course.

The Service Unit Pharmacies also covers the costs of further training to become a "Specialist Pharmacist in Retail Pharmacy" (FPH certification in Retail Pharmacy). Based on the revision of the Medical Profession Act (MedBG), qualified pharmacists are required to obtain this federal qualification if they want to work as a responsible person in a pharmacy. Galenica is committed to ensuring that as many pharmacists as possible are able to complete this training. At the end of 2021, there were 162 employees in the programme, which they will finish in 2022.

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 increases the skills of pharmacists in basic health care, enabling them to diagnose minor illnesses and dispense an appropriate prescription drug. In 2021, 234 pharmacists already had the qualification and 156 were undergoing training.

Additional training opportunities in the pharmacies include the FPH certificate of proficiency in vaccination, specific training courses on rapid antigen tests and an e-learning module on the use of algorithms and software in the field of primary care.

Training apprentices

Galenica is making a strong commitment to the next generation of qualified employees. In 2021, the Group trained 823 apprentices – 738 young women and 85 young men – at its companies. Of these, 244 completed their apprenticeships, many with flying colours. Having qualified, 110 apprentices have since become Group employees.

GRI 103-3

Evaluation of the management approach

- Performance reviews: the performance of employees is evaluated and discussed at annual performance reviews. Education also plays a key role in this.

GRI 404-3

Percentage of employees receiving regular performance and career development reviews

All employees with a permanent contract receive a regular review of their performance and professional development as part of the annual performance reviews. The number of employees with an employment contract is shown in [GRI 102-8](#).

Targets

Galenica has defined the following objectives:

- We will improve diversity, in particular gender equality, in all Service Units by 2024 (base year: 2021).
- We will maintain the proportion of women in management at 50%.

You can find an overview of all the sustainability goals [here](#).

GRI 405: Diversity and equal opportunity

Diversity and equal opportunity

GRI 103-1

Explanation of the material topic and its boundary

The theme of diversity and equal opportunity involves issues of equality and equal treatment with regard to age, origin, gender and other diversity indicators. In addition to equal pay for men and women, diversity also includes the integration of people with disabilities into the work process. Ultimately, the diversity of employees benefits the innovative capacity of the company as an employer as well as adding to its success and attractiveness.

The Galenica Group is committed to diversity and brings together people from 82 countries and all age groups. Three quarters of employees are women. Other figures concerning diversity and equal opportunity are included in the [key social figures](#).

GRI 103-2

The management approach and its components

Code of Conduct

All employees of the Galenica Group have the right to be treated fairly, politely and respectfully by line managers, employees, colleagues, customer representatives and business partners. No one may be harassed, discriminated against or disadvantaged on the grounds of race, skin colour, religion, ideology, political opinion, nationality, descent, disability, gender, age or any other relevant criterion. These principles are set out in the [Code of Conduct](#) of the Galenica Group.

Equal pay

To ensure equal pay for men and women, the Galenica Group uses benchmarks when reviewing salaries.

Protection of personal integrity in the workplace

Bullying, discrimination and sexual harassment are three examples of problematic behaviour that can lead to violations of personal integrity. A violation of personal integrity in the workplace affects the well-being of the person concerned and puts their health and ability to work well with others within the company at risk. As an employer, Galenica is legally obliged to protect the privacy of its employees (Art. 328 CO, Art. 6(1) ArG). The Galenica Group does not tolerate any violations of personal integrity; it prohibits all forms of bullying, sexual harassment, discrimination, violence and threats, and is committed to non-violent and harassment-free treatment at all levels of the hierarchy. Every year, however, employees report isolated cases that are subsequently investigated. In order to improve the protection of the personal integrity of employees, they also have the option of contacting an external advisory centre if necessary.

GRI 103-3**Evaluation of the management approach**

- Review of equal pay: Galenica regularly checks the status of equal pay for men and women and takes measures if necessary.

GRI 405-1**Diversity of governance bodies and employees**

Aspect	Unit	2021
Board of directors		
by gender		
- women	%	33.3
- men	%	66.7
by age		
- under 30	%	-
- 30-50	%	33.3
- over 50	%	66.7
Executive Committee		
by gender		
- women	%	16.7
- men	%	83.3
by age		
- under 30	%	-
- 30-50	%	50
- over 50	%	50
Management		
by gender		
- women		52.1
- men		47.9
by age		
- under 30	%	2.3
- 30-50	%	62.9
- over 50	%	34.8
Function level of senior management		
by gender		
- women	%	35.1
- men	%	64.9
by age		
- under 30	%	-
- 30-50	%	55.7
- over 50	%	44.3
Function level of management / pharmacy management		
by gender		
- women	%	56.3
- men	%	43.7
by age		
- under 30	%	2.8
- 30-50	%	64.7
- over 50	%	32.5
Function level of employees		
by gender		
- women	%	80.3
- men	%	19.7
by age		
- under 30	%	37.6
- 30-50	%	42.2
- over 50	%	20.2

Management includes the functional levels of senior management and management/management of pharmacies.

Targets

Galenica has defined the following objective:

- We will reduce the time-to-hire for IT and pharmacy positions by 10% by 2024 (base year: 2021).

You can find an overview of all the sustainability goals [here](#).

Own material topic Retention of qualified employees

GRI 103-1

Explanation of the material topic and its boundary

In Switzerland, the retention of qualified employees represents a major challenge, particularly in the healthcare professions and in IT. In addition to the scarcity of employees, the requirements in terms of training and skills are constantly increasing. For Galenica, retaining specialist staff plays a key role, particularly in the Service Unit Pharmacies, because the operation of pharmacies requires good, qualified staff. As the Swiss healthcare system becomes increasingly digitalised, Galenica will be more dependent on IT and e-commerce professionals in the future. Retaining qualified employees includes recruiting them and keeping them within the company and supporting them outside the company.

GRI 103-2

The management approach and its components

Recruitment strategy to retain qualified employees

Galenica reviews its recruitment activities on an ongoing basis and adapts to the constantly changing conditions in the labour market. Galenica's recruitment strategy includes measures relating to the company's image as an employer, its positioning and university marketing for students. Galenica aims to make contact with students while they are still at university and encourage them to pursue a career within the Galenica Group.

GRI 103-3

Evaluation of the management approach

- Key figures: Key personnel figures (such as time-to-hire) relating to recruitment are collected on a regular basis in order to monitor the implementation of the recruitment strategy and the achievement of targets.

Own indicator

Time-to-hire

The time-to-hire for vacant IT and pharmacy positions was 53 days on average in the reporting year. The number of days is already 41% below the benchmark of around 90 days.

Patient safety and health

GRI report

Patient safety and health is a top priority for Galenica. Galenica is committed to ensuring the quality of medicinal products along the entire value chain.



Own material topic Patient safety and health

GRI 103-1

Explanation of the material topic and its boundary

Medication errors or reductions in the quality of medications can have serious consequences for a patient's health. They also pose a risk to the reputation of the companies involved. Digitalisation opens up new opportunities for innovative solutions to improve patient safety. Galenica is committed to ensuring the quality of medicinal products along its entire value chain and takes the appropriate measures in terms of infrastructure, processes, and the training and education of its employees.

Targets

Galenica has defined the following objectives:

- We will expand the use of the e-mediplan in Galenica pharmacies by 10% a year until 2023 (base year: 2021).
- We will make patient information on all Algifor® products available online in five other languages that are relevant for Switzerland by 2022.

Galenica has also defined internal targets in the area of patient safety and health.

You can find an overview of all the sustainability goals [here](#).

GRI 103-2

The management approach and its components

GDP Guidelines

Alloga, Galexis, UFD, Pharmapool, Verfora and the Bichsel Group adhere closely to every aspect of the GDP Guidelines for human medicinal products. On the one hand, these legal requirements are intended to prevent counterfeit drugs from entering legal supply chains. On the other hand, control measures within the distribution chain ensure the quality and integrity of medicinal products. Drug temperature is recorded and analysed in real time throughout the entire life cycle, from production through to delivery to the customer. If there are deviations in temperature, the causes are investigated and suitable measures are taken in accordance with GDP guidelines. In addition to these guidelines, the aforementioned companies apply their own standards and processes in their day-to-day work to ensure the safety of patients at all times.

Galexis, UFD, Pharmapool and the Bichsel Group each operate their own fleet comprising 168 delivery vans (up to 3.5 tonnes) and 5 lorries (14 to 22 tonnes). All vehicles are GDP-compliant and are fitted with an air conditioning system in the loading space, which is mandatory for the transport of pharmaceutical products.

Quality systems

HCI Solutions provides master data for the Swiss healthcare market. The company is also active in the field of e-health with the aim of increasing patient and medication safety in the Swiss healthcare system. With innovative digital solutions such as Documedis®, HCI Solutions makes a significant contribution to safe and efficient healthcare in Switzerland. To guarantee the quality of medication data, HCI Solutions carries out process-integrated checks. The company checks the acquisition of drug data according to the four-eyes principle, while the six-eyes principle applies to sensitive active substances (such as blood thinners). HCI Solutions carries out random quality checks on a daily basis and a more comprehensive inspection every two weeks. Any error discovered is documented and its cause investigated. HCI Solutions is certified to ISO 9001:2015 and ISO 13485:2016.

The QMS of the Service Unit Pharmacies has standard operating procedures (SOPs) for all relevant pharmacy processes. These include the manufacture and dispensing of drugs, data protection, confidentiality, hygiene and the disposal of medications. Galenicare regularly carries out audits to ensure compliance with the SOPs in the individual pharmacies. In addition to these announced audits, anonymous test purchases and phone calls and inspections by cantonal pharmacists take place in all pharmacies. Several times a year, Galenica conducts QMS and legal requirements courses for pharmacy employees. For specific services such as heart checks, allergy checks, diabetes checks and vaccinations, employees complete certified courses and obtain certificates of competence.

As a company specialising in pharmaceutical manufacturing and home care with its own certified general pharmacist, the Bichsel Group places great importance on the quality of its products and services. The company carries out numerous chemical and microbiological analyses on a daily basis to check end products, raw materials and packaging materials and holds manufacturing licenses, EU GMP certificates for medicinal products and EC certificates for medical devices in accordance with Directive 93/42/EEC of the European Council.

The specialty pharmacy Mediservice supports patients with chronic and rare illnesses by providing additional services such as home care and patient events. Mediservice also has a licence to operate as a public pharmacy and a wholesale licence. Accordingly, Mediservice's QMS meets a wide range of requirements.

You can find further information about certifications and quality systems under [Compliance \(GRI 419\)](#).

Continuous monitoring of all products

Product safety is checked and safeguarded at Verfora using a variety of approaches. Verfora checks that contract manufacturers qualify for the necessary processes by carrying out initial and regularly recurring audits. These evaluate compliance with the GMP guidelines and ensure that they are adhered to so that safe products can be manufactured for patients at all times. The audits also take into account environmental, health and safety factors within the partner companies. The products are then carefully examined before being placed on the market to ensure that they have been manufactured and tested in accordance with the GMP guidelines and that they meet all applicable specifications. As with all medications, Verfora products undergo a preclinical and a clinical trial to ensure their safety and efficacy. Once the products are on the market, pharmacovigilance is at the heart of Verfora's safety efforts, i.e. the continuous monitoring of all products. All new Verfora employees are trained in pharmacovigilance and receive a checklist of steps to be taken in the event of side effects. In addition, pharmacovigilance training is held for all employees every year. The company also systematically checks advertisements and advertising posters for products to ensure they are correct. In parallel to pharmacovigilance, the products are regularly analysed in the laboratory until the end of their life so that any deviations in quality can be identified and remedied at an early stage.

Promote the technical competence of employees

In 2021, around 85 pharmacists attended quality management courses. Quality management and patient safety are also key issues in the basic training of pharmacy assistants working towards their Federal Proficiency Certificate.

Where required, Verfora offers training sessions for pharmacies when new medications are launched in order to promote employees' skills and ensure patient safety and health. In 2021, Verfora conducted 328 training sessions for a total of 3,050 pharmacy assistants and pharmacists.

Increased patient safety using e-medication solution

Digitalisation is leading to new, innovative ways to improve patient safety. Documedis[®] is the process-integrated solution for increased medication and patient safety in the healthcare system. Documedis[®] offers specific e-health applications and services relating to the medication process based on INDEX data. HCI Solutions works with various reference communities to make Documedis[®] available in the electronic patient record. This will allow more functions to be made available to the various service providers in the future, such as merging several e-mediplans, which will result in an increase in patient safety. Documedis[®] is already being implemented in pharmacy, medical and hospital software.

The Documedis[®] module Primary Care Algorithms (PCA.CE) provides the option of offering precise identification of health disorders and illnesses using algorithms. In 2021, HCI Solutions implemented 22 additional algorithms, including for diseases such as acne, eczema and shingles. There are now 33 algorithms in total. HCI Solutions is constantly expanding the functionality of Documedis[®].

Uninterrupted cold chain for medications

All Wholesale & Logistics companies, as well as Medifilm, Mediservice and Bichsel, provide an uninterrupted cold chain for the storage and transport of temperature-sensitive drugs. At Alloga, this also applies to so-called ultra-deep-freeze logistics, in other words, storage and dispatch at -80°C, the required temperature for a new generation of cancer drugs. In preparation for the delivery of COVID-19 vaccines, Alloga further expanded its ultra-deep-freeze logistics in the reporting year. Temperature control is ensured by using dry ice in special containers. Alloga and Galexis also use paraffin-filled cooling elements, which, in contrast to water-based cooling elements, ensure the medicines remain at a more stable temperature. The

proportion of transported refrigerated products in the reporting year was 6% for Galenix' own vehicle fleet and around 31% for third-party transport.

Important contribution to combating the coronavirus

Galenica pharmacies are making an important contribution to combating the coronavirus. From mid-November 2020, the first of them offered both rapid antigen tests and PCR tests for coronavirus, and pharmacies have also been offering COVID-19 vaccinations since 2021. In 2021, the Galenica pharmacies carried out a total of more than 230,000 antigen, PCR and antibody tests and administered around 90,000 COVID-19 vaccinations.

GRI 103-3

Evaluation of the management approach

- Quality management: the QMSs of the companies of the Galenica Group are regularly and systematically audited.
- GDP guidelines: the regional therapeutic products institutes periodically check compliance with the GDP guidelines.
- Pharmacovigilance: at Verfora, all employees are obliged to forward reports of side effects from specialists and patients to the responsible internal office promptly and in full. Information on the duration, progression and impact of the side effect and on the dosage and duration of product use plays a key role in this. Verfora documents and investigates each report, taking appropriate measures where necessary.

Own indicator

Pharmacovigilance: Forwarding reports

In 2021, Verfora employees met the deadline for forwarding reports of side effects in 92% of cases (target: >90%). The authorities or contractual partners were notified within the required period in 100% of cases (target: >90%). The completeness of information on the reported side effects was exemplary at 98% (target: >80%).

Own indicator

QMS training in pharmacies

In the reporting year, 85 pharmacists completed QMS training.

Data protection, IT security and cybercrime

GRI report

As a healthcare provider, protecting patient data is a top priority for Galenica. Galenica ensures that this information is protected against unauthorised access and unauthorised changes or loss.



GRI 418: Customer data protection Data protection

GRI 103-1

Explanation of the material topic and its boundary

As the Swiss healthcare system becomes increasingly digitalised, the importance of data protection grows and the legal requirements for data processing become more comprehensive. Data protection involves the handling of patient and customer data with the aim of protecting the privacy of patients when their data is processed. Health data is sensitive information that must be protected by law against misuse. Data protection plays a key role in the Service Unit Pharmacies and HCI Solutions in particular. Galenica ensures that patient data is protected against unauthorised access and unauthorised changes or loss.

Targets

Galenica has defined the following objectives:

- We carry out measures to raise employee awareness in the area of data protection twice a year.

You can find an overview of all the sustainability goals [here](#).

GRI 103-2**The management approach and its components****Data Protection Policy and employee training**

Galenica is being assisted in this important area by an independent external data protection officer. The Data Protection Policy forms the overarching framework and is supplemented by specific rules and directives for the Group companies. All employment contracts of employees who have access to personal data also contain a data protection clause. All employees are regularly trained and made aware of data protection issues.

Focus on data protection revision

At the end of September 2020, the Swiss parliament passed a complete revision of the Federal Act on Data Protection (nFADP). The revision will bring the Data Protection Act into line with technological and social conditions, which have changed since the act was last revised. In particular, the transparency of data processing will be improved and the autonomy of data subjects will be strengthened. The revised Data Protection Act has been aligned in many areas with the EU General Data Protection Regulation (GDPR). Galenica is following current developments and examining the need for adjustments. In 2021, Galenica launched an internal project to prepare the Galenica Group for the requirements of the nFADP and the new Ordinance to the Federal Act on Data Protection (nOFADP).

The consultation process for the revision of the Ordinance to the Federal Act on Data Protection (OFADP) began in 2021. The Legal Department is assessing where Galenica currently stands with regard to the Data Protection Act and is implementing the statutory provisions. In addition, the Group's Legal Department continues to follow the EU GDPR practices.

Data Protection Circle

The Data Protection Circle is a committee that offers employees in the Legal Department, IT and operational business sectors a platform for managing and coordinating data protection issues and questions across the Group and implementing preventive measures at an early stage. The committee therefore makes a major contribution to compliance with data protection legislation. The Data Protection Circle is headed by the Secretary General. The committee is part of the Legal Department.

GRI 103-3**Evaluation of the management approach**

- Reviews: Galenica keeps up to date with the ongoing amendments to data protection legislation and conducts regular audits, thus ensuring that legal regulations are observed and a high standard is maintained in relation to the handling of personal data.

GRI 418-1**Substantiated complaints concerning breaches of customer privacy and losses of customer data**

In the reporting year, there were no substantiated complaints relating to a breach of customer data protection, and there were no identified cases of data theft or loss.

Own material topic

IT security and cybercrime

GRI 103-1

Explanation of the material topic and its boundary

With the increasing digitalisation of the healthcare system, the risk of cyber attacks is growing. This is why IT security is highly important at Galenica. As a healthcare provider, Galenica processes sensitive information and data. Galenica ensures that these are protected against unauthorised access and unauthorised changes or loss. Protecting IT systems is crucial for logistics companies and pharmacies in order to ultimately ensure the security of supply to the population. People are one of the greatest risk factors in connection with cyber attacks, as many cyber attacks target employees, for example by means of fraudulent e-mails (phishing).

Targets

Galenica has also defined the following objective:

- We make our employees aware of IT security and cybercrime.

Galenica has also defined internal objectives in the area of IT security and cybercrime.

You can find an overview of all the sustainability goals [here](#).

GRI 103-2

The management approach and its components

Responsibilities

At Group level, the topic of IT security is coordinated by the chief information security officer (CISO). Together with the team, the CISO heads the "IT Security Circle" committee, to which the IT security managers of the Galenica Group belong. The committee meets quarterly to provide advice and coordinate information and IT security measures. These are implemented by the members in their respective companies. As part of efforts to pool the IT expertise of all Galenica companies in the Service Unit IT & Digital Services, the IT security strategy was also centralised in 2021. The aim is to achieve reliable and efficient IT security across the Group.

Clear guidelines to govern operations

The IT Security Policy defines the objectives relating to information and IT security, the competencies and responsibilities as well as the IT security principles of the Galenica Group. The Policy applies to all companies of the Galenica Group and forms the basis for all written IT security instructions. In addition, the IT Usage Regulations set out the security-related rules of conduct for using IT work equipment, such as the use of private devices, working on the move and working from home. Finally, the IT Security Manual is aimed at employees in the IT departments and lays down the regulations for secure IT operations.

Raising employee awareness

The cooperation of all employees is required to ensure information and IT security. In addition to technical measures, Galenica also promotes awareness of security among employees by means of specific e-learning modules and intranet news. New employees are made aware of the key elements of the IT user regulations on their induction day. In 2021, Galenica implemented and rolled out a range of e-learning modules for all employees concerning data security and how to handle phishing and cyber attacks. In addition, information on cybercrime was regularly published on the intranet for employees.

GRI 103-3

Participation in e-learning

- Security audit: the IT Security Policy and its implementation are regularly reviewed by internal departments or external specialists to ensure they are up to date and effective.
- Monitoring: the security monitoring system monitors all the IT systems and triggers an alarm in the event of anomalies. This is managed by an external Security Operation Centre (SOC).
- E-learning: the participation rate for the e-learning modules on data security and cybersecurity is regularly recorded and evaluated.

Own indicator

Participation in e-learning

In the reporting year, two e-learning courses on the subject of IT security and cybercrime were offered. The average participation rate was 88%.

Reliable procurement and supply chain

GRI report

Supply bottlenecks in the pharmaceutical supply chain are becoming more and more frequent worldwide, including in Switzerland. Galenica makes every effort to ensure the greatest possible availability of medicines in order to guarantee the reliability of supplies to the population.



Own material topic

Reliable procurement and supply chain

GRI 103-1

Explanation of the material topic and its boundary

Causes of the increasing supply bottlenecks include centralised manufacturing at just a few locations in the world as well as outages and quality problems in the value chain. As a leading fully integrated healthcare provider, Galenica depends on the ability of manufacturers to deliver. As a result, the reliable procurement and supply of medicines to the population are becoming increasingly important for Galenica. The challenges posed by the current COVID-19 pandemic have further reinforced the relevance of reliable procurement and a reliable supply chain.

Targets

Galenica has defined the following objective:

- We will review the compliance of our top ten suppliers with the Supplier Code of Conduct every three years from 2025.

Galenica has also defined internal objectives in the area of reliable procurement and supply chain.

You can find an overview of all the sustainability goals [here](#).

GRI 103-2**The management approach and its components****Scheduling system and cooperation**

Galenica works closely with suppliers to ensure the greatest possible availability of medicines. As a result of coordinated processes, the suppliers provide information about possible supply bottlenecks at an early stage. An IT-based scheduling system helps Galenica optimise its procurement and logistics processes.

Responding to critical bottlenecks in good time

The logistics companies of the Galenica Group review the inventory range in the pharmaceutical sector on a daily basis, enabling them to respond in good time to bottlenecks and increased demand. If critical bottlenecks occur or there is an increased demand for specific products, as was repeatedly the case in 2020 and 2021 due to COVID-19, logistics companies quickly change the way they work. The delivery of non-essential products, such as cosmetics or perfumes, is temporarily discontinued in order to guarantee the supply of essential products. In addition, the amount that each customer can order is reduced to prevent panic buying.

GRI 103-3**Evaluation of the management approach**

- Key figures: key figures relating to the availability of medicines are collected on a daily basis to allow the Galenica companies to respond in good time to bottlenecks and increased demand.

Own indicator**Availability of medicinal products**

Ensuring the availability of medicinal products represents a major global challenge and, of course, also affects the Swiss market. Over the last two years, COVID-19 has clearly shown how interruptions to the global supply chains have a negative impact on local availability. This makes it all the more important for the medicines that are or become available to be delivered to the service providers as quickly as possible. The Galenica logistics companies can make 99% of these medicines available throughout Switzerland within 24 hours and maintain the supply.

GRI-Index

GRI Indicator	Description	Reference
GRI 102 General Disclosures		
Organisation profile		
102-1	Name of the organisation	General Disclosures
102-2	Activities, brands, products and services	General Disclosures Galenica Website
102-3	Location of headquarters	General Disclosures
102-4	Location of operations	General Disclosures
102-5	Ownership and legal form	General Disclosures
102-6	Markets served	General Disclosures
102-7	Scale of the organisation	General Disclosures
102-8	Information on employees and other workers	General Disclosures Social figures
102-9	Supply chain	General Disclosures Value Chain
102-10	Significant changes to the organisation and its supply chain	General Disclosures Financial Reporting Corporate Governance
102-11	Precautionary Principle or approach	General Disclosures
102-12	External initiatives	General Disclosures Social commitment
102-13	Membership of association	General Disclosures
Strategy		
102-14	Statement from senior decision-maker	General Disclosures Foreword
Ethics and integrity		
102-16	Values, principles, standards, and norms of behavior	General Disclosures Code of Conduct
Governance		
102-18	Governance structure	General Disclosures Corporate Governance Sustainability at Galenica
Stakeholder engagement		
102-40	List of stakeholder groups	General Disclosures
102-41	Collective bargaining agreements	General Disclosures
102-42	Identifying and selecting stakeholders	General Disclosures
102-43	Approach to stakeholder engagement	General Disclosures Sustainability at Galenica
102-44	Key topics and concerns raised	General Disclosures
Reporting practice		
102-45	Entities included in the consolidated financial statements	Financial Reporting
102-46	Defining report content and topic Boundaries	General Disclosures Sustainability at Galenica
102-47	List of material topics	General Disclosures Sustainability at Galenica

102-48	Restatements of information	General Disclosures
102-49	Changes in reporting	General Disclosures
102-50	Reporting period	General Disclosures
102-51	Date of most recent report	General Disclosures
102-52	Reporting cycle	General Disclosures
102-53	Contact point for questions regarding the report	General Disclosures
102-54	Claims of reporting in accordance with the GRI Standards	General Disclosures
102-55	GRI content index	GRI Content Index
102-56	External assurance	General Disclosures

GRI Indicator	Description	Reference
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GRI 200 Economic

GRI 201 Economic Performance

103-1	Explanation of the material topic and its Boundary	Economic Performance and Compliance
103-2	The management approach and its components	Economic Performance and Compliance
103-3	Evaluation of the management approach	Economic Performance and Compliance
201-1	Direct economic value generated and distributed	Economic Performance and Compliance Financial Reporting

GRI 205 Anti-Corruption

103-1	Explanation of the material topic and its Boundary	Economic Performance and Compliance
103-2	The management approach and its components	Economic Performance and Compliance
103-3	Evaluation of the management approach	Economic Performance and Compliance
205-3	Confirmed incidents of corruption and actions taken	Economic Performance and Compliance

GRI 206 Anti-Competitive Behaviour

103-1	Explanation of the material topic and its Boundary	Economic Performance and Compliance
103-2	The management approach and its components	Economic Performance and Compliance
103-3	Evaluation of the management approach	Economic Performance and Compliance
206-1	Legal actions for anti-competitive behaviour; anti-trust, and monopoly practices	Economic Performance and Compliance

GRI Indicator	Description	Reference
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GRI 300 Environmental

GRI 302 Energy

103-1	Explanation of the material topic and its Boundary	Emissions and Climate Change, Waste and Recycling
103-2	The management approach and its components	Emissions and Climate Change, Waste and Recycling
103-3	Evaluation of the management approach	Emissions and Climate Change, Waste and Recycling
302-1	Energy consumption within organization	Emissions and Climate Change, Waste and Recycling Environmental figures
302-2	Energy consumption outside of the organisation	Emissions and Climate Change, Waste and Recycling Environmental figures
302-3	Energy intensity	Emissions and Climate Change, Waste and Recycling Environmental figures

GRI 305 Emissions

103-1	Explanation of the material topic and its Boundary	Emissions and Climate Change, Waste and Recycling
103-2	The management approach and its components	Emissions and Climate Change, Waste and Recycling
103-3	Evaluation of the management approach	Emissions and Climate Change, Waste and Recycling
305-1	Direct (Scope 1) GHG emissions	Emissions and Climate Change, Waste and Recycling Environmental figures
305-2	Energy indirect (Scope 2) GHG emissions	Emissions and Climate Change, Waste and Recycling Environmental figures
305-3	Other indirect (Scope 3) GHG emissions	Emissions and Climate Change, Waste and Recycling Environmental figures
GRI 306 Waste (2020)		
103-1	Explanation of the material topic and its Boundary	Emissions and Climate Change, Waste and Recycling
103-2	The management approach and its components	Emissions and Climate Change, Waste and Recycling
103-3	Evaluation of the management approach	Emissions and Climate Change, Waste and Recycling
306-1	Waste generation and significant waste-related impacts	Emissions and Climate Change, Waste and Recycling
306-2	Management of significant waste-related impacts	Emissions and Climate Change, Waste and Recycling
306-3	Waste generated	Emissions and Climate Change, Waste and Recycling Environmental figures
306-5	Waste directed to disposal	Emissions and Climate Change, Waste and Recycling Environmental figures

GRI Indicator	Description	Reference
GRI 400 Social		
GRI 401 Employment		
103-1	Explanation of the material topic and its Boundary	Employees
103-2	The management approach and its components	Employees
103-3	Evaluation of the management approach	Employees
401-1	New employee hires and employee turnover	Employees Social figures
GRI 403 Occupational Health and Safety (2018)		
103-1	Explanation of the material topic and its Boundary	Employees
103-2	The management approach and its components	Employees
103-3	Evaluation of the management approach	Employees
403-1	Occupational health and safety management system	Employees
403-2	Hazard identification, risk assessment, and incident investigation	Employees
403-3	Occupational health services	Employees
403-4	Worker participation, consultation, and communication on occupational health and safety	Employees
403-5	Worker training on occupational health and safety	Employees
403-6	Promotion of worker health	Employees
403-7	Prevention and mitigation of occupational health and safety impact directly linked by business relationships	Employees
403-9	Work-related injuries	Employees Social figures
403-10	Work-related ill health	Employees Social figures
GRI 404 Training and Education		
103-1	Explanation of the material topic and its Boundary	Employees
103-2	The management approach and its components	Employees
103-3	Evaluation of the management approach	Employees
404-3	Percentage of employees receiving regular performance and career development reviews	Employees General Disclosures (GRI 102-8)
GRI 405 Diversity and Equal Opportunity		
103-1	Explanation of the material topic and its Boundary	Employees
103-2	The management approach and its components	Employees
103-3	Evaluation of the management approach	Employees
405-1	Diversity of governance bodies and employees	Employees Social figures
GRI 418 Customer Privacy		
103-1	Explanation of the material topic and its Boundary	Data Protection, IT Security and Cybercrime
103-2	The management approach and its components	Data Protection, IT Security and Cybercrime
103-3	Evaluation of the management approach	Data Protection, IT Security and Cybercrime
418-1	Substantiated complaints concerning breaches of customer privacy and losses of customer data	Data Protection, IT Security and Cybercrime

**GRI 4 19 Socioeconomic
Compliance**

103-1	Explanation of the material topic and its Boundary	Economic Performance and Compliance
103-2	The management approach and its components	Economic Performance and Compliance
103-3	Evaluation of the management approach	Economic Performance and Compliance
419-1	Non-compliance with laws and regulations in the social and economic area	Economic Performance and Compliance

**Retention of Qualified
Employees (own
material topic)**

103-1	Explanation of the material topic and its Boundary	Employees
103-2	The management approach and its components	Employees
103-3	Evaluation of the management approach	Employees
Own indicator	Time to hire	Employees Social figures

**Patient Safety and
Health (own material
topic)**

103-1	Explanation of the material topic and its Boundary	Patient Safety and Health
103-2	The management approach and its components	Patient Safety and Health
103-3	Evaluation of the management approach	Patient Safety and Health
Own indicator	Pharmacovigilance: forwarding of reports	Patient Safety and Health
Own indicator	Training in pharmacies	Patient Safety and Health

**Reliable Procurement
and Supply Chain (own
material topic)**

103-1	Explanation of the material topic and its Boundary	Reliable Procurement and Supply Chain
103-2	The management approach and its components	Reliable Procurement and Supply Chain
103-3	Evaluation of the management approach	Reliable Procurement and Supply Chain
Own indicator	Availability of medicines	Reliable Procurement and Supply Chain

**IT Security and
Cybercrime (own
material topic)**

103-1	Explanation of the material topic and its Boundary	Data Protection, IT Security and Cybercrime
103-2	The management approach and its components	Data Protection, IT Security and Cybercrime
103-3	Evaluation of the management approach	Data Protection, IT Security and Cybercrime
Own indicator	Training	Data Protection, IT Security and Cybercrime

Financial Reporting

Alternative performance measures 2021 of the Galenica Group

168	Definitions of alternative performance measures
169	Organic growth of net sales
172	Adjusted consolidated statement of income
174	Free cash flow
175	Capital management
177	Value based management

Definitions of alternative performance measures

The annual report, the half year report and other communication to investors contain certain financial performance measures, which are not defined by IFRS. In addition to information based on IFRS, management uses these alternative performance measures to assess the financial and operational performance of the Group. Management believes that these non-IFRS financial performance measures provide useful information regarding Galenica's financial and operational performance. Alternative performance measures are used in Galenica's value-based management as the basis for management's incentive and remuneration schemes. Such measures may not be comparable to similar measures presented by other companies. The main alternative performance measures used by Galenica are explained and/or reconciled with the IFRS measures in this section.

The alternative performance measures are unaudited.

IAS 19 – Employee benefits

The pension plans of Galenica are organised in legally independent pension funds and are based purely on the defined contribution principle as stated in the Swiss “BVG” law. Nevertheless, Galenica's pension plans are classified as defined benefit pension plans under IAS 19.

Galenica's results are influenced by external parameters that cannot be managed by the Group and the management is of the opinion that such an impact should be excluded when it comes to assess the performance of the Galenica Group. For this reason, Galenica also evaluates its performance by adjusting personnel costs as if those plans were defined contribution plans (adjustments for the effects of IAS 19). For these adjustments, the costs of defined benefit plans and long-service awards determined in accordance with IAS 19 are replaced by an expense based on the employer's contribution and long-service awards for the period of service.

IFRS 16 – Leases

Lessees have to account for most leases on balance sheet by recognising lease liabilities and corresponding right-of-use assets. The right-of-use assets are depreciated over the lease term and the lease liabilities generate interest expense in the statement of income. Variable lease payments, not dependent on an index or rate, such as sales-based rental expenses are accounted for as operating expenses when they are incurred. With its large network of retail pharmacies, IFRS 16 has a significant impact on Galenica's balance sheet and the presentation of lease related expenses in the consolidated statement of income.

Galenica has lease agreements with fixed and variable lease payments and these payments affect various line items in the statement of income making comparisons across individual pharmacies and points-of-sale difficult. For this reason management also monitors results by adjusting the statement of income and balance sheet as if lease agreements were still accounted for as operating leases, e.g. all lease expense is presented in other operating costs on a straight-line basis and the depreciation of the right-of-use assets and the interest expense on the lease liabilities are removed. Income taxes are also adjusted accordingly.

IFRS 16 adjusted measures are important for Galenica's value-based management and therefore for management's incentive and remuneration schemes. As the type and duration of rental agreements under IFRS 16 have a significant influence on the invested capital and accordingly on the return on invested capital (ROIC) and on the Galenica economic profit (GEP), the invested capital is stated after removing lease liabilities. This minimises the risk that management makes decisions that are not in the interest of Galenica due to potential incentives when concluding leases.

Organic growth of net sales

Organic growth of net sales shows the development of net sales for the operating segments Products & Care and Logistics & IT excluding the effects of acquisitions, new license agreements, openings and closures of pharmacies (effect of net expansion). It provides a “like-for-like” comparison with previous periods. In the business area Retail (B2C), organic growth of net sales is calculated only including points of sales with a full year period comparison. In the business area Professionals (B2B), organic growth of net sales is calculated only including existing business activities with a full year period comparison. In order to show the impact of mandatory price reductions of medications reimbursed by health insurers on net sales transparently, organic growth of net sales is also disclosed without the effect of mandatory price reductions.

The reporting of net sales has been adjusted to the changed organisational and management structure of Galenica as at 1 January 2021. For comparability, net sales for the previous period has been adjusted.

Organic growth of net sales 2021

in thousand CHF	Retail (B2C)	Professionals (B2B)	Products & Care ¹⁾	Wholesale	Logistics & IT Services	Logistics & IT ¹⁾
Net sales	1,719,987	193,972	1,908,130	2,728,437	111,865	2,831,358
Change to previous period	13.3%	11.9%	13.4%	7.8%	13.7%	7.9%
Effect of net expansion	26,013 ²⁾	29,287 ³⁾	55,300	–	–	–
In % of net sales of previous period	1.7%	16.9%	3.3%	0.0%	0.0%	0.0%
Net sales excluding effect of net expansion	1,693,974	164,685	1,852,830	2,728,437	111,865	2,831,358
Organic growth of net sales	11.6%	–5.0%	10.1%	7.8%	13.7%	7.9%
Mandatory price reductions ⁴⁾	20,275			33,137		
In % of net sales of previous period	1.3%			1.3%		
Net sales excluding effect of net expansion and mandatory price reductions	1,714,249			2,761,574		
Organic growth of net sales excluding price reductions	12.9%			9.1%		

¹⁾ Including eliminations of intercompany net sales

²⁾ The effect of net expansion is calculated only including point of sales without a full year period comparison (acquisitions, openings and closure of pharmacies)

³⁾ The effect of net expansion is calculated only including business activities without a full year period comparison (acquisitions and new license agreements)

⁴⁾ Mandatory price reductions of medications reimbursed by health insurers of the specialities list (SL/LS) released by the Federal Office of Public Health (FOPH), calculated based on volumes of previous period

Organic growth of net sales 2021 Products & Care

in thousand CHF	Local Pharmacies	Pharmacies at Home	Retail (B2C) ¹⁾	Products & Brands	Services for Professionals	Professionals (B2B) ¹⁾
Net sales	1,261,521	458,844	1,719,987	131,581	62,392	193,972
Change to previous period	8.5%	29.2%	13.3%	17.8%	1.4%	11.9%
Effect of net expansion	25,078 ²⁾	935 ²⁾	26,013 ²⁾	24,579 ³⁾	4,708 ³⁾	29,287 ³⁾
In % of net sales of previous period	2.2%	0.3%	1.7%	22.0%	7.6%	16.9%
Net sales excluding effect of net expansion	1,236,443	457,908	1,693,974	107,002	57,683	164,685
Organic growth of net sales	6.3%	28.9%	11.6%	-4.2%	-6.2%	-5.0%
Mandatory price reductions ⁴⁾	11,338	8,937	20,275			
In % of net sales of previous period	1.0%	2.5%	1.3%			
Net sales excluding effect of net expansion and mandatory price reductions	1,247,781	466,846	1,714,249			
Organic growth of net sales excluding price reductions	7.3%	31.4%	12.9%			

¹⁾ Including eliminations of intercompany net sales

²⁾ The effect of net expansion is calculated only including point of sales without a full year period comparison (acquisitions, openings and closure of pharmacies)

³⁾ The effect of net expansion is calculated only including business activities without a full year period comparison (acquisitions and new license agreements)

⁴⁾ Mandatory price reductions of medications reimbursed by health insurers of the specialities list (SL/LS) released by the Federal Office of Public Health (FOPH), calculated based on volumes of previous period

Organic growth of net sales 2020 (restated)

in thousand CHF	Retail (B2C)	Professionals (B2B)	Products & Care ¹⁾	Wholesale	Logistics & IT Services	Logistics & IT ¹⁾
Net sales	1,517,517	173,284	1,683,136	2,530,238	98,380	2,625,117
Change to previous period	2.0%	14.2%	2.9%	7.9%	5.1%	7.8%
Effect of net expansion	37,566 ²⁾	27,985 ³⁾	65,551	-	-	-
In % of net sales of previous period	2.5%	18.4%	4.0%	0.0%	0.0%	0.0%
Net sales excluding effect of net expansion	1,479,951	145,299	1,617,585	2,530,238	98,380	2,625,117
Organic growth of net sales ⁵⁾	-0.5%	-4.2%	-1.1%	7.9%	5.1%	7.8%
Mandatory price reductions ⁴⁾	24,670			42,794		
In % of net sales of previous period	1.7%			1.8%		
Net sales excluding effect of net expansion and mandatory price reductions	1,504,621			2,573,032		
Organic growth of net sales excluding price reductions	1.2%			9.7%		

¹⁾ Including eliminations of intercompany net sales

²⁾ The effect of net expansion is calculated only including point of sales without a full year period comparison (acquisitions, openings and closure of pharmacies)

³⁾ The effect of net expansion is calculated only including business activities without a full year period comparison (acquisitions and new license agreements)

⁴⁾ Mandatory price reductions of medications reimbursed by health insurers of the specialities list (SL/LS) released by the Federal Office of Public Health (FOPH), calculated based on volumes of previous period

⁵⁾ Including one-time effect due to change in intra-Group transactions: reduction of net sales by 1.2 % in Retail (B2C), increase of net sales by 2.4 % in Wholesale

Organic growth of net sales 2020 Products & Care (restated)

in thousand CHF	Local Pharmacies	Pharmacies at Home	Retail (B2C) ¹⁾	Products & Brands	Services for Professionals	Professionals (B2B) ¹⁾
Net sales	1,162,511	355,217	1,517,517	111,735	61,549	173,284
Change to previous period	-0.2%	9.8%	2.0%	9.4%	24.8%	14.2%
Effect of net expansion	24,585 ²⁾	12,981 ²⁾	37,566 ²⁾	17,698 ³⁾	10,287 ³⁾	27,985 ³⁾
In % of net sales of previous period	2.1%	4.0%	2.5%	17.3%	20.9%	18.4%
Net sales excluding effect of net expansion	1,137,926	342,236	1,479,951	94,036	51,262	145,299
Organic growth of net sales ⁵⁾	-2.3%	5.8%	-0.5%	-7.9%	3.9%	-4.2%
Mandatory price reductions ⁴⁾	15,787	8,883	24,670			
In % of net sales of previous period	1.4%	2.7%	1.7%			
Net sales excluding effect of net expansion and mandatory price reductions	1,153,713	351,119	1,504,621			
Organic growth of net sales excluding price reductions	-0.9%	8.5%	1.2%			

¹⁾ Including eliminations of intercompany net sales

²⁾ The effect of net expansion is calculated only including point of sales without a full year period comparison (acquisitions, openings and closure of pharmacies)

³⁾ The effect of net expansion is calculated only including business activities without a full year period comparison (acquisitions and new license agreements)

⁴⁾ Mandatory price reductions of medications reimbursed by health insurers of the specialities list (SL/LS) released by the Federal Office of Public Health (FOPH), calculated based on volumes of previous period

⁵⁾ Including one-time effect due to change in intra-Group transactions: reduction of net sales by 1.5 % in Local Pharmacies

Adjusted consolidated statement of income

Galenica's consolidated statement of income adjusted by IAS 19 effects related to employee benefits (defined benefit plans and long-service awards) and IFRS 16 lease effects allowing financial results to be assessed on a comparable basis.

Adjusted consolidated statement of income 2021

in thousand CHF	As reported	Adjustments IAS 19	Adjustments IFRS 16	Adjusted
Net sales	3,834,679	–	–	3,834,679
Products & Care ¹⁾	1,908,130	–	–	1,908,130
Logistics & IT ¹⁾	2,831,358	–	–	2,831,358
Other income	21,082	–	593	21,675
Operating income	3,855,761	–	593	3,856,354
Cost of goods	-2,873,589	–	–	-2,873,589
Personnel costs	-518,859	7,331	–	-511,528
Other operating costs	-164,240	–	-51,775	-216,014
Share of profit from associates and joint ventures	6,765	288	61	7,114
Earnings before interest, taxes, depreciation and amortisation (EBITDA)	305,838	7,620	-51,121	262,337
Products & Care ¹⁾	225,106	–	-49,212	175,895
Logistics & IT ¹⁾	90,959	–	-1,909	89,050
Depreciation and amortisation	-98,430	–	49,224	-49,205
Earnings before interest and taxes (EBIT)	207,408	7,620	-1,896	213,131
Return on sales (ROS) ²⁾	5.4%	0.2%	0.0%	5.6%
Products & Care ¹⁾	156,943	–	-2,469	154,474
Return on sales (ROS) ²⁾	8.2%	0.0%	-0.1%	8.1%
Logistics & IT ¹⁾	60,489	–	538	61,028
Return on sales (ROS) ²⁾	2.1%	0.0%	0.0%	2.2%
Net financial expenses	-4,375	18	2,298	-2,059
Earnings before taxes (EBT)	203,033	7,638	402	211,073
Income taxes	-34,850	-1,302	-106	-36,258
Net profit	168,183	6,336	296	174,814
Attributable to:				
– Shareholders of Galenica Ltd.	167,680	6,277	284	174,241
– Non-controlling interests	503	59	12	574

¹⁾ Reported for each operating segment not taking into account Group Services and Eliminations

²⁾ Calculated as EBIT divided by net sales

in CHF	As reported	Adjustments IAS 19	Adjustments IFRS 16	Adjusted
Earnings per share	3.38	0.13	0.01	3.52
Diluted earnings per share	3.38	0.13	0.01	3.51

Adjusted consolidated statement of income 2020

in thousand CHF	As reported	Adjustments IAS 19	Adjustments IFRS 16	Adjusted
Net sales	3,479,753	-	-	3,479,753
Products & Care ¹⁾	1,683,136	-	-	1,683,136
Logistics & IT ¹⁾	2,625,117	-	-	2,625,117
Other income	15,053	-	-	15,053
Operating income	3,494,806	-	-	3,494,806
Cost of goods	-2,599,093	-	-	-2,599,093
Personnel costs	-442,910	-41,621	-	-484,531
Other operating costs	-147,804	-	-52,886	-200,690
Share of profit from associates and joint ventures	4,486	-1,363	-7	3,115
Earnings before interest, taxes, depreciation and amortisation (EBITDA)	309,484	-42,985	-52,893	213,606
Products & Care ¹⁾	198,216	-	-50,720	147,497
Logistics & IT ¹⁾	69,304	-	-2,174	67,131
Depreciation and amortisation	-96,157	-	51,107	-45,051
Earnings before interest and taxes (EBIT)	213,327	-42,985	-1,787	168,556
Return on sales (ROS) ²⁾	6.1%	-1.2%	-0.1%	4.8%
Products & Care ¹⁾	125,927	-	-1,743	124,184
Return on sales (ROS) ²⁾	7.5%	0.0%	-0.1%	7.4%
Logistics & IT ¹⁾	45,193	-	-43	45,150
Return on sales (ROS) ²⁾	1.7%	0.0%	0.0%	1.7%
Net financial expenses	-4,734	49	2,321	-2,364
Earnings before taxes (EBT)	208,593	-42,936	534	166,191
Income taxes	-35,875	7,670	-37	-28,241
Net profit	172,718	-35,266	497	137,950
Attributable to:				
- Shareholders of Galenica Ltd.	172,245	-35,272	498	137,471
- Non-controlling interests	474	6	-	480

¹⁾ Reported for each operating segment not taking into account Group Services and Eliminations

²⁾ Calculated as EBIT divided by net sales

in CHF	As reported	Adjustments IAS 19	Adjustments IFRS 16	Adjusted
Earnings per share	3.48	-0.71	0.01	2.78
Diluted earnings per share	3.48	-0.71	0.01	2.78

Free cash flow

The free cash flow shows Galenica's capacity to pay dividends and repay debt and repay equity. It provides information on the remaining cash and cash equivalents from the operating cash flow, reduced by all lease payments and after consideration of investment activities.

Free cash flow

in thousand CHF	2021	2020
Cash flow from operating activities before working capital changes	281,397	238,763
Payment of lease liabilities	-49,939	-49,065
Cash flow from operating activities before working capital changes adjusted	231,458	189,698
Working capital changes	51,698	-14,403
Cash flow from operating activities adjusted	283,156	175,295
Cash flow from investing activities without M&A ¹⁾	-18,742	-57,280
Free cash flow before M&A	264,414	118,015
Cash flow from M&A ²⁾	-69,494	-58,369
Free cash flow	194,920	59,646

¹⁾ Cash flow from investing activities without net cash flow from business combinations

²⁾ Net cash flow from business combinations

CAPEX

in thousand CHF	2021	2020
Investments in property, plant and equipment	42,189	36,484
Investments in intangible assets	18,250	20,495
CAPEX	60,439	56,978

Cash conversion

	2021	2020
Cash conversion ¹⁾	77.0%	73.3%

¹⁾ Calculated as EBITDA adjusted less CAPEX divided by EBITDA adjusted

Capital management

Galenica's capital is managed and monitored at Group level. The objective of capital management at Galenica is to ensure the continuity of operations, increase enterprise value on a sustainable basis, provide an adequate return to investors, provide the financial resources to enable investments in areas that deliver future benefits for patients and customers and further returns to investors.

Galenica defines the capital that it manages as invested interest-bearing liabilities and equity. Galenica uses a system of financial control based on various key performance indicators. Capital is monitored based on the gearing, for example, which expresses net debt as a percentage of shareholders' equity including non-controlling interests and is communicated regularly to management as part of internal reporting. The debt coverage expresses net debt as a multiple of earnings before interest, taxes, depreciation and amortisation (EBITDA). Debt coverage ratio provide information about the creditworthiness of the Group. Galenica has no covenants requiring a minimum level of debt coverage.

Total assets and shareholders' equity are adjusted for the cumulative effects of the IAS 19 and IFRS 16 adjustments and net debt is adjusted for lease liabilities.

Total assets

in thousand CHF	2021	2020
Total assets	2,565,938	2,258,938
Cumulative effects of IAS 19 adjustments	-70,769	-5,522
Cumulative effects of IFRS 16 adjustments	-214,928	-209,818
Total assets adjusted	2,280,242	2,043,599

Net debt

in thousand CHF	2021	2020
Current financial liabilities ¹⁾	43,019	40,933
Current lease liabilities	49,717	47,209
Non-current financial liabilities ¹⁾	381,697	380,667
Non-current lease liabilities	173,334	170,792
Cash and cash equivalents	-164,982	-59,781
Interest-bearing receivables	-1,527	-8,078
Net debt	481,257	571,743
Lease liabilities (current and non-current)	-223,051	-218,001
Net debt adjusted	258,206	353,741

¹⁾ Excluding non-interest-bearing financial liabilities

Shareholders' equity

in thousand CHF	2021	2020
Shareholders' equity	1,233,677	1,053,355
Cumulative effects of IAS 19 adjustments	-33,014	51,475
Cumulative effects of IFRS 16 adjustments	5,547	5,251
Shareholders' equity adjusted	1,206,210	1,110,081

Equity ratio

	2021	2020
Equity ratio ¹⁾	48.1%	46.6%
Equity ratio adjusted ²⁾	52.9%	54.3%

¹⁾ Calculated as shareholders' equity divided by total assets

²⁾ Calculated as shareholders' equity adjusted divided by total assets adjusted

Gearing

	2021	2020
Gearing ¹⁾	39.0%	54.3%
Gearing adjusted ²⁾	21.4%	31.9%

¹⁾ Calculated as net debt divided by shareholders' equity

²⁾ Calculated as net debt adjusted divided by shareholders' equity adjusted

Debt coverage

	2021	2020
Debt coverage ¹⁾	1.6 x	1.8 x
Debt coverage adjusted ²⁾	1.0 x	1.7 x

¹⁾ Calculated as net debt divided by EBITDA

²⁾ Calculated as net debt adjusted divided by EBITDA adjusted

Value based management

Galenica has an integrated value-based management concept in place that derived from an economic value added (EVA) approach. It is based on the understanding that in the interest of shareholders and other important groups of stakeholders, Galenica will strive to achieve a long-term investment return which exceeds the weighted average cost of capital (WACC). Targets, plans, performance measurement and management compensation are aligned to increase the enterprise value.

Invested capital

Invested capital corresponds to current and fixed operating assets less cash and cash equivalents and non-interest-bearing current liabilities. In the following, invested capital is calculated indirectly via equity and net debt.

Invested capital

in thousand CHF	2021	2020
Shareholders' equity adjusted	1,206,210	1,110,081
Net debt adjusted	258,206	353,741
Deferred tax assets ¹⁾	-73	-518
Deferred tax liabilities ¹⁾	49,483	49,638
Invested capital	1,513,826	1,512,942
Average invested capital	1,513,384	1,465,070

¹⁾ Without deferred taxes due to IAS 19 and IFRS 16 as already taken into account in shareholders' equity adjusted

Net operating profit after tax (NOPAT) and return on invested capital (ROIC)

Net operating profit after tax (NOPAT) is the profit before interest and after depreciation, amortisation and taxes. It is calculated from the operating result (EBIT adjusted) less calculatory income taxes.

Return on invested capital (ROIC) is calculated as NOPAT divided by the average of invested capital. This measure of performance integrates both measures of profitability and measures of capital efficiency.

Net operating profit after tax (NOPAT) and return on invested capital (ROIC)

in thousand CHF	2021	2020
EBIT adjusted	213,131	168,556
Net financial income from financial assets	633	724
Net operating profit before taxes	213,764	169,280
Calculatory tax rate (2021: 18% / 2020: 20%)	-38,478	-33,856
Net operating profit after taxes (NOPAT)	175,286	135,424
Return on invested capital (ROIC) ¹⁾	11.6%	9.2%

¹⁾ Calculated as NOPAT in % of average invested capital

Galenica economic profit (GEP)

The most important key figure in Galenica's value-based management concept is the Galenica economic profit (GEP). The GEP illustrates the result of the Galenica Group after consideration of the cost of capital. GEP is a measure designed to reflect the principles of value-based management derived from an economic value added (EVA) approach. GEP is calculated as the NOPAT less the WACC over the average invested capital.

Galenica economic profit (GEP)

in thousand CHF	2021	2020
Net operating profit after taxes (NOPAT)	175,286	135,424
Cost of capital ¹⁾	-94,587	-91,567
Galenica economic profit (GEP)	80,700	43,857

¹⁾ Calculated as average invested capital multiplied with WACC (weighted average cost of capital) of 6.25 %

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Consolidated statement of income

in thousand CHF	Note	2021	2020
Net sales	5	3,834,679	3,479,753
Other income	6	21,082	15,053
Operating income		3,855,761	3,494,806
Cost of goods		-2,873,589	-2,599,093
Personnel costs	7, 23	-518,859	-442,910
Other operating costs	8	-164,240	-147,804
Share of profit from associates and joint ventures	17	6,765	4,486
Earnings before interest, taxes, depreciation and amortisation (EBITDA)		305,838	309,484
Depreciation and amortisation	14, 15, 16	-98,430	-96,157
Earnings before interest and taxes (EBIT)		207,408	213,327
Financial income	9	1,301	789
Financial expenses	9	-5,677	-5,523
Earnings before taxes (EBT)		203,033	208,593
Income taxes	11	-34,850	-35,875
Net profit		168,183	172,718
Attributable to:			
- Shareholders of Galenica Ltd.		167,680	172,245
- Non-controlling interests		503	474
in CHF	Note	2021	2020
Earnings per share	10	3.38	3.48
Diluted earnings per share	10	3.38	3.48

Consolidated statement of comprehensive income

in thousand CHF	Note	2021	2020
Net profit		168,183	172,718
Translation differences		-123	22
Items that may be reclassified subsequently to profit or loss		-123	22
Remeasurement of net defined benefit liability	23	107,003	-45,018
Income taxes from remeasurement of net defined benefit liability	11	-19,261	7,710
Share of other comprehensive income from joint ventures	17	3,529	-1,187
Items that will not be reclassified to profit or loss		91,272	-38,495
Other comprehensive income		91,148	-38,474
Comprehensive income		259,331	134,245
Attributable to:			
- Shareholders of Galenica Ltd.		258,737	133,818
- Non-controlling interests		594	427

Consolidated statement of financial position

in thousand CHF	Note	2021		2020	
Cash and cash equivalents		164,982		59,781	
Trade and other receivables	13	461,108		406,360	
Inventories	12	295,070		306,682	
Prepaid expenses and accrued income		42,336		39,241	
Current assets		37.5%	963,496	35.9%	812,064
Property, plant and equipment	14	245,233		268,055	
Right-of-use assets	15	215,496		210,325	
Intangible assets	16	1,020,118		916,222	
Investments in associates and joint ventures	17	30,696		22,949	
Financial assets	18	19,152		18,471	
Deferred tax assets	11	4,747		10,852	
Employee benefit assets	23	67,000		-	
Non-current assets		62.5%	1,602,442	64.1%	1,446,874
Assets		100.0%	2,565,938	100.0%	2,258,938
Financial liabilities	19	43,052		41,117	
Lease liabilities	15	49,717		47,209	
Trade and other payables	20	364,043		314,458	
Tax payables		29,442		11,829	
Accrued expenses and deferred income		176,147		128,588	
Provisions	21	2,498		3,580	
Current liabilities		25.9%	664,899	24.2%	546,780
Financial liabilities	19	406,544		381,514	
Lease liabilities	15	173,334		170,792	
Deferred tax liabilities	11	60,207		48,267	
Employee benefit liabilities	23	25,967		57,411	
Provisions	21	1,310		819	
Non-current liabilities		26.0%	667,362	29.2%	658,803
Liabilities		51.9%	1,332,261	53.4%	1,205,583
Share capital	24	5,000		5,000	
Reserves		1,222,538		1,042,282	
Equity attributable to shareholders of Galenica Ltd.		1,227,538		1,047,282	
Non-controlling interests		6,140		6,073	
Shareholders' equity	24	48.1%	1,233,677	46.6%	1,053,355
Liabilities and shareholders' equity		100.0%	2,565,938	100.0%	2,258,938

Consolidated statement of cash flows

in thousand CHF	Note	2021	2020
Net profit		168,183	172,718
Income taxes	11	34,850	35,875
Depreciation and amortisation	14,15,16	98,430	96,157
(Gain)/loss on disposal of non-current assets	6,8	-9,387	-213
Increase/(decrease) in provisions and employee benefit assets and liabilities		5,272	-43,722
Net financial result	9	4,375	4,734
Share of profit from associates and joint ventures	17	-6,765	-4,486
Share-based payments	28	6,719	4,704
Interest received		542	358
Interest paid		-4,695	-4,934
Other financial receipts/(payments)		29	-226
Dividends received	17	2,548	3,087
Income taxes paid		-18,704	-25,288
Cash flow from operating activities before working capital changes		281,397	238,763
Change in trade and other receivables		-57,900	23,715
Change in inventories		18,482	-21,704
Change in trade and other payables		47,409	-16,053
Change in other net current assets		43,707	-362
Working capital changes		51,698	-14,403
Cash flow from operating activities		333,095	224,360
Investments in property, plant and equipment		-41,937	-36,492
Investments in intangible assets		-18,136	-19,195
Investments in associates and joint ventures		-	-1,256
Investments in financial assets		-9,999	-6,544
Proceeds from property, plant and equipment and intangible assets		40,258	539
Proceeds from financial assets		11,071	5,668
Net cash flow from business combinations	4	-69,494	-58,369
Cash flow from investing activities		-88,236	-115,649
Dividends paid		-89,509	-89,216
Purchase of treasury shares		-373	-183
Proceeds from sale of treasury shares		4,232	3,961
Proceeds from financial liabilities	19	112,698	125,973
Repayment of financial liabilities	19	-116,634	-130,771
Payment of lease liabilities		-49,939	-49,065
Purchase of non-controlling interests		-109	-189
Cash flow from financing activities		-139,634	-139,490
Effects of exchange rate changes on cash and cash equivalents		-24	27
Increase in cash and cash equivalents		105,201	-30,752
Cash and cash equivalents as at 1 January ¹⁾		59,781	90,532
Cash and cash equivalents as at 31 December ¹⁾		164,982	59,781

¹⁾ 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
Balance as at 31 December 2019	5,000	-25,964	1,014,461	993,497	6,043	999,540
Net profit			172,245	172,245	474	172,718
Other comprehensive income			-38,427	-38,427	-47	-38,474
Comprehensive income			133,818	133,818	427	134,245
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
Balance as at 31 December 2020	5,000	-19,817	1,062,099	1,047,282	6,073	1,053,355
Net profit			167,680	167,680	503	168,183
Other comprehensive income			91,057	91,057	91	91,148
Comprehensive income			258,737	258,737	594	259,331
Dividends			-89,204	-89,204	-305	-89,509
Transactions on treasury shares		5,306	-1,604	3,702	-	3,702
Share-based payments			6,907	6,907	-	6,907
Change in non-controlling interests			113	113	-223	-109
Balance as at 31 December 2021	5,000	-14,511	1,237,049	1,227,538	6,140	1,233,677

Notes to the consolidated financial statements of the Galenica Group

1. Group organisation

General information

Galenica is a fully-integrated healthcare service provider in Switzerland. Galenica operates a network of pharmacies, develops and offers own brands and products, exclusive brands and products from business partners as well as a variety of on-site health services and tests for customers. Galenica is also a provider of pre-wholesale and wholesale distribution and database services in the Swiss healthcare market.

The parent company is Galenica Ltd., a Swiss company limited by shares with its headquarters in Bern. The registered office is at Untermattweg 8, 3027 Bern, Switzerland. Shares in Galenica Ltd. are traded on the SIX Swiss Exchange under securities no. 36067446 (ISIN CH0360674466).

The Board of Directors released the consolidated financial statements 2021 for publication on 2 March 2022. The 2021 consolidated financial statements will be submitted for approval to the Annual General Meeting on 11 May 2022.

2. Accounting principles

Basis of preparation

The consolidated financial statements of Galenica have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standard Board (IASB), as well as the interpretations of the IFRS Interpretations Committee (IFRIC) and the provisions of Swiss law.

The consolidated financial statements are based on the financial statements of the individual companies of Galenica, prepared in accordance with uniform accounting principles. The reporting period comprises twelve months to 31 December.

The consolidated financial statements have been presented on a historical cost basis. Non-monetary assets are measured at the lower of cost and net realisable value or recoverable amount. Certain financial assets and financial liabilities are measured at fair value in the statement of financial position. Detailed disclosures on measurement are provided in the summary of significant accounting policies.

Galenica's consolidated financial statements are prepared in Swiss francs (CHF) and, unless otherwise indicated, figures are rounded to the nearest CHF 1,000.

Due to rounding, numbers presented throughout this report may not add up precisely to the totals provided. Totals are calculated using the underlying amount rather than the presented rounded number.

Foreign currencies are not of relevance for the consolidated financial statements.

Classification as current or non-current

Assets which are realised or consumed within one year or in the normal course of business are classified as current assets. All other assets are classified as non-current assets.

All liabilities which Galenica expects to settle in the normal course of business or which fall due within one year after the reporting date are classified as current liabilities. All other liabilities are classified as non-current liabilities.

Estimation uncertainty, assumptions and judgments

The preparation of the Group's consolidated financial statements requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, income and expense, and the disclosure of contingent liabilities as at the reporting date. Although these estimates and assumptions are made on the basis of all available information and with the greatest of care, the actual results may differ. This applies primarily to estimates and assumptions made with regard to the items set out below.

Leases (note 15)

IFRS 16 defines the lease term as the non-cancellable period of a lease together with the options to extend or terminate a lease, if the lessee is reasonably certain to exercise that option. Where a lease includes the option for the Group to extend the lease term, Galenica applies judgment in assessing whether it is reasonably certain that the option will be exercised. This will take into account the length of the time remaining before the option is exercisable, current trading, future trading forecasts as to the ongoing profitability of the point of sale and the level and type of planned future capital investment. A reassessment of the remaining life of the lease could result in a recalculation of the lease liability and a material adjustment to the associated balances.

Goodwill and intangible assets (note 16)

Goodwill and other intangible assets with an indefinite useful life are tested for impairment at least once a year. This involves estimating the value in use of the cash-generating unit (CGU) or group of CGUs to which the goodwill is allocated. It also requires a forecast of expected future cash flows as well as the application of an appropriate discount rate to calculate the present value of these cash flows.

Employee benefit plans and other non-current employee benefits (note 23)

The costs of the employee benefit plans and other long-term employee benefits are determined using actuarial valuations. These valuations involve making assumptions about the discount rate, future salary and pension developments, mortality and the employee turnover rate. Galenica considers the discount rate, the selection of mortality tables and the development of salaries to be key assumptions.

Scope of consolidation

The consolidated financial statements of Galenica comprise those of Galenica Ltd. and all its subsidiaries, including associate companies and joint ventures.

Subsidiaries, associates and joint ventures acquired during the reporting period are included in the financial statements as at the date when control, significant influence or joint control was obtained. Companies sold during the reporting period are included up to the date when control, significant influence or joint control was lost.

Details of changes in the scope of consolidation in the reporting period are included in [note 4, Business combinations](#).

Companies which Galenica controls have been fully consolidated. This is the case when Galenica has the ability to direct the relevant activities of a company, has rights to variable returns from its involvement with the investee and has the ability to affect those returns.

When Galenica holds less than 50% of the voting rights in a company, Galenica considers all the relevant facts and circumstances in assessing whether it has control over that company. This includes contractual arrangements with the vote holders of the investee, rights arising from other contractual arrangements and the number of voting rights and potential voting rights.

Assets and liabilities as well as income and expenses of subsidiaries are consolidated from the acquisition date, i.e. the date on which Galenica obtains control.

All intercompany receivables and payables, income and expenses, investments and dividends as well as unrealised gains and losses on transactions within Galenica are fully eliminated.

Amendments to IFRS

As at 1 January 2021 Galenica adopted the following amended International Financial Reporting Standards:

- Amendments to IFRS 7, IFRS 9, IAS 39 and IFRS 16 – Interest Rate Benchmark Reform – phase 2 (1 January 2021)
- Amendments to IFRS 16 – Covid-19-Related rent concessions beyond 30 June 2021 (1 April 2021, early adopted in 2021)

These changes have no or no material impact on the financial position, financial performance and cash flows of Galenica nor on disclosures in these consolidated financial statements. Galenica has not early adopted any other standard or interpretation that has been issued but is not yet effective.

Future amendments to IFRS

The IASB has issued various new and amended standards and interpretations with effective dates in the financial year 2022 or later. Galenica has not early adopted any of the following amendments to standards or interpretations that are potentially relevant for Galenica. Galenica intends to apply the new or amended standards for the first time in the financial year beginning on or after the date shown below:

- Amendments to IFRS 3 – Reference to the conceptual framework (1 January 2022)
- Amendments to IAS 16 – Proceeds before intended use (1 January 2022)
- Amendments to IAS 37 – Onerous Contracts – cost of fulfilling a contract (1 January 2022)
- Annual Improvements 2018-2020 Cycle (1 January 2022)
- Amendments to IAS 1 – Classification of liabilities as current or non-current (1 January 2023, may be deferred)
- Amendments to IAS 1 and IFRS Practice Statement 2 – Disclosure of accounting policies (1 January 2023)
- Amendments to IAS 8 – Definition of accounting estimates (1 January 2023)
- Amendments to IAS 12 – Deferred tax related to assets and liabilities arising from a single transaction (1 January 2023)

Galenica is currently assessing the impact of these amendments. Based on a preliminary analysis, Galenica does not expect a material impact on the consolidated financial statements.

3. Operating segment information

The management approach is used to determine the reportable operating segments. Accordingly, external segment reporting is based on the internal organisational and management structures of Galenica and the internal financial reporting to the chief operating decision maker (CODM). The CODM of Galenica is the CEO.

Based on the changed organisational and management structure of Galenica valid as at 1 January 2021, Galenica has redefined and renamed its segments. Galenica operates now within the two operating segments Products & Care (largely corresponds to the former operating segment Health & Beauty) and Logistics & IT (largely corresponds to the former operating segment Services).

The operating result (EBIT) comprises all operating income generated and expenses incurred in the corresponding segments. Financial income and expenses as well as income taxes are reported at Group level only and not allocated to the segments. The assets and liabilities include all items of the statement of financial position that can be directly or reasonably allocated to a segment.

Products & Care

The Products & Care segment comprises the «Retail» business area with offerings for patients and end customers (B2C) and the «Professionals» business area with offerings for business customers and partners in the healthcare sector (B2B).

The «Retail» business area comprises the two sectors «Local Pharmacies» (POS) and «Pharmacies at Home» (mail-order and home care). Retail operates at 520 locations Galenica's pharmacy network, the largest in Switzerland. With 368 pharmacies of its own and 152 partner pharmacies, Retail has attractive outlets throughout the country. Galenica's own pharmacies comprise the Amavita brand with 181 branches and the Sun Store brand with 92 branches. Galenica also operates a chain of 88 pharmacies in partnership with Coop under the Coop Vitality brand. Galenica's pharmacy network also covers the speciality pharmacy Mediservice, which is focused on medication for treatment of patients at home, 6 majority interests in pharmacies and 150 Winconcept partner pharmacies and 2 Amavita partner pharmacies.

The «Professionals» business area comprises the «Products & Brands» and «Services for Professionals» sectors. These activities focus on the development and marketing of healthcare services and products via the various sales channels: in-store at pharmacies (POS), shipments via mail-order pharmacies and e-shops or at home (home care), as well as business customers. Professionals launches and distributes a complete portfolio of consumer health products which is sold to Swiss pharmacies and drugstores. The companies of Professionals launches and distributes pharmaceutical and parapharmaceutical products and offer marketing and sales services to all partners in the healthcare market.

Logistics & IT

The Logistics & IT segment comprises the two sectors «Wholesale» and «Logistics & IT Services». These provide services for all those involved in the healthcare sector – pharmacies, drugstores, doctors, hospitals and care homes, partners and suppliers. Their activities focus on optimising and further developing the logistics services and service offering as well as providing innovative solutions that promote digitalisation in the healthcare market.

Wholesale plays an important role in the pharmaceutical supply chain. As a pharmaceutical wholesaler, Wholesale ensures on-schedule delivery within short deadlines to pharmacies, drugstores, doctors, hospitals and care homes throughout Switzerland.

Logistics & IT Services offers pharmaceutical and healthcare companies a broad range of specialised pre-wholesale services, from storage and distribution of products in Switzerland to debt collection. The companies of the Logistics & IT Services also offers solutions for the healthcare market. They operates comprehensive databases that provide additional knowledge for all service providers in the Swiss healthcare market and develop management solutions tailored specifically to the needs of the healthcare market. Logistics & IT Services is the leading provider of master data systems for Switzerland's entire healthcare market and publishes printed and electronic technical information on pharmaceutical products as well as complete management solutions for pharmacies.

Group Services

The activities included within Group Services mainly comprise Galenica's central operations, which include Group Management and centralised Corporate functions such as Accounting, Controlling, Tax, Treasury, Corporate Finance, Investor Relations, Insurance, Indirect procurement, Human Resources, Legal & Board Services, Communications and Transformation.

Corporate charges management fees to the group companies for the organisational and financial management services that it provides.

Eliminations

Operating activities involve the sale of goods and services between the operating segments.

Sale of goods and services between the operating segments and resulting unrealised gains are eliminated in the Eliminations column. In addition, Eliminations include adjustments recorded on Group level which mainly consist of costs for IAS 19 from defined benefit plans and long-service awards.

Segment assets and liabilities include loans and current accounts held with respect to other segments. These positions are eliminated in the Eliminations column.

Operating segment information 2021

Operating segment information 2021

in thousand CHF	Products & Care	Logistics & IT	Group Services	Eliminations	Galenica Group
Net sales	1,908,130	2,831,358	31,844	-936,652	3,834,679
Intersegmental net sales	-76,323	-829,775	-30,554	936,652	-
Net sales to third parties	1,831,807	2,001,582	1,290	-	3,834,679
Other income	6,158	16,939	673	-2,689	21,082
Share of profit from associates and joint ventures	7,092	17	-	-343	6,765
Earnings before interest, taxes, depreciation and amortisation (EBITDA)	225,106	90,959	-1,504	-8,724¹⁾	305,838
Depreciation and amortisation	-68,164	-30,470	-95	299	-98,430
Earnings before interest and taxes (EBIT)	156,943	60,489	-1,600	-8,425¹⁾	207,408
Interest income					738
Interest expense					-5,018
Other net financial result					-95
Earnings before taxes (EBT)					203,033
Income taxes					-34,850
Net profit					168,183
Assets	1,687,865	864,050	404,017	-389,994²⁾	2,565,938
Investments in associates and joint ventures	31,015	66	-	-385	30,696
Liabilities	585,594	515,479	641,402	-410,215³⁾	1,332,261
Investments in property, plant and equipment	19,205	23,022	116	-155	42,189 ⁴⁾
Investments in intangible assets	4,267	13,989	-	-7	18,250 ⁵⁾
Employees as at 31 December (FTE)	3,927	1,395	211	-	5,533

¹⁾ Including the effects of IAS 19 from defined benefit plans and long-service awards of CHF -7.6 million

²⁾ Of which elimination of intercompany positions of CHF -441.1 million and other unallocated amounts of CHF 51.1 million

³⁾ Of which elimination of intercompany positions of CHF -441.1 million and other unallocated amounts of CHF 30.9 million

⁴⁾ Of which non-cash investments of CHF 0.9 million

⁵⁾ Of which non-cash investments of CHF 0.8 million

Geographic information 2021

in thousand CHF	Switzerland	Other countries	Galenica Group
Net sales to third parties	3,804,076	30,603	3,834,679
Non-current assets ¹⁾	1,511,458	85	1,511,543

¹⁾ Without employee benefit assets, financial assets and deferred tax assets

The CEO of Galenica acting as CODM allocates resources and monitors performance of the Group's operating segments Products & Care and Logistics & IT on the basis of information prepared in accordance with IFRS with exception of defined benefit plans and long-service awards, which are recognised at Group level.

In the operating segment Products & Care with its large network of pharmacies the accounting for leases is of particular importance. The Group continues to prepare information as if its leases were accounted for as operating leases (e.g. in line with Galenica's accounting policies prior to the adoption of IFRS 16). Those figures are relevant for management incentive and remuneration plans. However, Galenica has determined that the figures including the effects of IFRS 16 are used by the CODM for monitoring and resource allocation decisions and therefore presents its segment reporting as above.

Operating segment information 2020

The operating segment information 2020 has been restated to the changed organisational and management structure and the internal financial reporting to the CODM.

Operating segment information 2020 (restated)

in thousand CHF	Products & Care ⁷⁾	Logistics & IT ⁷⁾	Group Services	Eliminations	Galenica Group
Net sales	1,683,136	2,625,117	17,581	-846,081	3,479,753
Intersegmental net sales	-67,219	-762,571	-16,291	846,081	-
Net sales to third parties	1,615,917	1,862,546	1,290	-	3,479,753
Other income	6,646	8,365	856	-815	15,053
Share of profit from associates and joint ventures	3,135	-	-	1,350	4,486
Earnings before interest, taxes, depreciation and amortisation (EBITDA)	198,216	69,304	-221	42,184¹⁾	309,484
Depreciation and amortisation	-72,289 ²⁾	-24,111	-34	277	-96,157
Earnings before interest and taxes (EBIT)	125,927	45,193	-255	42,461¹⁾	213,327
Interest income					764
Interest expense					-5,237
Other net financial result					-261
Earnings before taxes (EBT)					208,593
Income taxes					-35,875
Net profit					172,718
Assets	1,617,936	836,658	963,767	-1,159,423³⁾	2,258,938
Investments in associates and joint ventures	26,471	49	-	-3,571	22,949
Liabilities	1,115,060	556,834	629,531	-1,095,842⁴⁾	1,205,583
Investments in property, plant and equipment	19,418	17,372	-	-306	36,484 ⁵⁾
Investments in intangible assets	6,617	14,034	-	-157	20,495 ⁶⁾
Employees as at 31 December (FTE)	4,069	1,433	36	-	5,538

¹⁾ Including the effects of IAS 19 from defined benefit plans and long-service awards of CHF 43.0 million

²⁾ Including net impairment on right-of-use assets of CHF -2.7 million (refer to note 15)

³⁾ Of which elimination of intercompany positions of CHF -1,150.6 million and other unallocated amounts of CHF -8.8 million

⁴⁾ Of which elimination of intercompany positions of CHF -1,150.6 million and other unallocated amounts of CHF 54.8 million

⁵⁾ Of which non-cash investments of CHF 0.6 million

⁶⁾ Of which non-cash investments of CHF 2.0 million

⁷⁾ The organisational and management structure has changed as at 1 January 2021. As a result, Medifilm Ltd. moved from the operating segment Logistics & IT (formerly Services) to the operating segment Products & Care. Net sales for the year 2020 has been restated.

Geographic information 2020

in thousand CHF	Switzerland	Other countries	Galenica Group
Net sales to third parties	3,452,571	27,182	3,479,753
Non-current assets ¹⁾	1,417,505	46	1,417,551

¹⁾ Without financial assets and deferred tax assets

4. Business combinations

Business combinations 2021

Acquisition of pharmacies. Galenica acquired 100% of the interests in pharmacies in various locations in Switzerland. Upon acquisition, the pharmacies were merged with Galenicare Ltd.

The purchase consideration amounted to CHF 10.2 million and was fully settled in cash. The fair value of the net identifiable assets amounts to CHF 0.6 million at the acquisition date. The goodwill of CHF 9.6 million was allocated to the operating segment Products & Care and corresponds to the added value of the pharmacies based on their locations. Transaction costs were insignificant.

Acquisition of the pharma business of Dr. Wild & Co. AG. On 27 May 2021, Galenica acquired the range of pharmaceutical products of the Swiss company Dr. Wild & Co. AG, including the well-known brands Vitamin D3 Wild Oil® and VI-DE 3®. In addition, the experienced physician field service of Dr. Wild & Co. AG was transferred to Verfora.

The purchase consideration amounted to CHF 34.6 million and was fully settled in cash. The fair value of the net identifiable assets amounted to CHF 26.7 million at the acquisition date. The goodwill of CHF 7.9 million was allocated to the operating segment Products & Care and corresponds to the added value based on the acquirer-specific synergies expected to arise from the acquisition in strengthening its leading position in the Swiss consumer healthcare (CHC) market and the know-how of the employees gained. Acquired intangible assets include trademarks with an indefinite useful life of CHF 22.8 million. Transaction costs were insignificant.

Acquisition of Lifestage Solutions Ltd. On 26 July 2021, Galenica acquired 100% of the shares in the Swiss company Lifestage Solutions Ltd. Lifestage Solutions develops and operates a fully integrated digital trading platform for home care organisations and nursing homes, which simplifies daily workflows for its customers using digitalisation and state-of-the-art technology.

The purchase consideration amounted to CHF 49.3 million, of which CHF 24.8 million was settled in cash and CHF 0.5 million was offset against loans. The contingent consideration in the amount of CHF 24.0 million is due in 2025 if certain sales targets are achieved. The fair value of the net identifiable assets amounted to CHF 3.9 million at the acquisition date. The goodwill of CHF 45.4 million was allocated to the operating segment Products & Care and corresponds to the added value based on the acquirer-specific synergies expected to arise from the acquisition in strengthening its position as a leading integrated healthcare service provider in the growth markets of home care and nursing homes in Switzerland and the know-how of the employees gained. The disclosed amounts were determined provisionally. Transaction costs were insignificant.

Acquisition of Spagyros Ltd. On 31 August 2021, Galenica acquired the remaining 92.1% shares of the Swiss company Spagyros Ltd. The remeasuring gain to fair value of the existing 7.9% amounted to CHF 0.2 million and was recorded in the financial income. The main activity of Spagyros is the production and marketing of homoeopathy, spagyric, gemmo- and phytotherapeutic medicines.

The purchase consideration amounted to CHF 6.4 million, of which CHF 2.0 million was settled in cash and CHF 4.3 million was offset against loans. The fair value of the pre-existing investment of 7.9% amounted to CHF 0.2 million. The fair value of the net identifiable assets amounted to CHF 4.8 million at the acquisition date. The goodwill of CHF 1.6 million was allocated to the operating segment Products & Care and corresponds to the added value based on the acquirer-specific synergies expected to arise from the acquisition in strengthening Verfora's leading position in the Swiss consumer healthcare (CHC) market and the know-how of the employees gained. Galenica will also be able to strengthen pharmacies and drugstores with the addition of a range of products in the growing area of complementary medicine. Acquired intangible assets include trademarks with an indefinite useful life of CHF 2.9 million. The disclosed amounts were determined provisionally. Transaction costs were insignificant.

Pro forma figures for acquisitions made in 2021 for the full 2021 financial year

Since their inclusion in Galenica's scope of consolidation, the businesses acquired contributed net sales of CHF 20.8 million and an operating result (EBIT) of CHF 3.0 million to the Group's results. If these acquisitions had occurred on 1 January 2021, they would have contributed additional net sales of CHF 23.6 million and increased EBIT by CHF 1.3 million.

Business combinations

in thousand CHF	Pharma business of Dr. Wild	Lifestage Solutions	Spagyros	Pharmacies	2021 Total	2020 Total
Cash and cash equivalents	-	559	89	1,498	2,146	12,516
Trade receivables	-	1,199	384	1,002	2,584	9,119
Inventories	2,141	1,159	2,594	999	6,893	7,157
Property, plant and equipment	-	153	2,386	2,024	4,563	1,493
Right-of-use assets	-	374	2,391	3,257	6,021	10,325
Intangible assets	24,634	3,632	2,872	-	31,138	21,255
Other current and non-current assets	-	96	87	439	622	2,923
Trade payables	-	-781	-297	-560	-1,638	-5,331
Financial liabilities	-	-56	-1,757	-5,193	-7,005	-1,041
Lease liabilities	-	-374	-2,391	-3,257	-6,021	-10,325
Net deferred tax assets/(liabilities)	12	-193	-371	841	289	-3,043
Employee benefit liabilities	-66	-1,107	-1,107	-	-2,279	-
Other current and non-current liabilities	-	-813	-60	-473	-1,346	-7,806
Fair value of net assets	26,721	3,849	4,821	577	35,968	37,242
Goodwill	7,929	45,404	1,585	9,607	64,525	36,143
Purchase consideration	34,650	49,253	6,406	10,183	100,493	73,386
Cash acquired	-	-559	-89	-1,498	-2,146	-12,516
Fair value of pre-existing relationships	-	-	-170	-	-170	-
Offset against loans / trade receivables	-	-501	-4,251	-	-4,752	-2,500
Contingent consideration	-	-24,000	-	-	-24,000	-
Net cash flow from current business combinations	34,650	24,193	1,895	8,685	69,424	58,369
Payment of consideration due to previous business combinations	-	-	-	-	70	-
Net cash flow from business combinations					69,494	58,369

Business combinations 2020

Acquisition of pharmacies. Galenica acquired 100% of the interests in pharmacies in various locations in Switzerland. Upon acquisition, the pharmacies were merged with Galenicare Ltd.

The purchase consideration amounted to CHF 42.6 million, of which CHF 40.1 million was settled in cash and CHF 2.5 million was offset against trade receivables. The fair value of the net identifiable assets amounted to CHF 13.5 million at the acquisition date. The goodwill of CHF 29.1 million was allocated to the operating segments Products & Care and corresponded to the added value of the pharmacies based on their locations. Transaction costs were insignificant.

Acquisition of Hedoga AG. On 1 July 2020, Galenica acquired 100% of the shares in the Swiss company Hedoga AG. Hedoga AG is the parent company of the Hedoga Group with its two operating companies Iromedica AG (Swiss based) and Dr. A.&L.Schmidgall GmbH & Co KG (Austria based). The main activity of the Hedoga Group is to market over-the-counter (OTC) medicines, medical devices, food supplements and cosmetics.

The purchase consideration amounted to EUR 28.7 million (CHF 30.7 million) and was fully settled in cash. The fair value of the net identifiable assets amounted to CHF 23.7 million at the acquisition date. The goodwill of CHF 7.0 million was allocated to the operating segment Products & Care and corresponds to the added value based on the acquirer-specific synergies expected to arise from the acquisition in strengthening its leading position in the Swiss consumer healthcare (CHC) market and the know-how of the employees gained. The acquisition also strengthens Verfora's export business in selected markets, particularly in Europe. Acquired intangible assets included trademarks with an indefinite useful life of CHF 20.5 million. Transaction costs of CHF 0.5 million were recognised in other operating costs.

Accounting principles business combinations

Business combinations are accounted for using the acquisition method. Consideration transferred comprises payments in cash as well as the fair value of the assets transferred, the obligations entered into or assumed and the equity instruments transferred. Transaction costs are recognised directly in profit or loss.

Goodwill is recognised at cost at the acquisition date and corresponds to the difference between the consideration transferred and the fair value of assets, liabilities and contingent liabilities identified in the purchase price allocation. Goodwill is capitalised and included in intangible assets, while negative goodwill is recognised immediately in profit or loss. After initial recognition goodwill is recognised at cost less any accumulated impairment.

Contingent consideration is measured at fair value at the acquisition date and not remeasured subsequently for equity instruments. If the contingent consideration qualifies as a financial instrument, it is remeasured to fair value and any difference is recognised in other operating income or other operating costs.

The difference arising from the acquisition of additional non-controlling interests in fully consolidated companies (purchase consideration less proportionate carrying amount of non-controlling interests) is considered to be an equity transaction and is thus taken directly to retained earnings in shareholders' equity. Gains and losses resulting from the disposal of interests in consolidated companies without loss of control are also recognised in retained earnings.

If a cash-generating unit (CGU) or group of CGUs is sold, goodwill is taken into account when calculating the profit or loss on disposal. The profit or loss on deconsolidation is recognised in operating income or other operating costs.

5. Net sales

Net sales 2021

Based on the changed organisational and management structure of Galenica valid as at 1 January 2021, the internal reporting and disaggregation of net sales has been adjusted accordingly. Net sales information for the previous period has been restated to conform to the new presentation

Net sales 2021

in thousand CHF	Sale of goods	Sale of services	Total net sales	Intersegmental net sales	Total net sales to third parties	of which sale of goods to third parties	of which sale of services to third parties
Local Pharmacies	1,185,084	76,437	1,261,521	-45	1,261,476	1,185,039	76,437
Pharmacies at Home	450,444	8,400	458,844	-503	458,341	449,941	8,400
Retail (B2C) ¹⁾	1,635,149	84,837	1,719,987	-170	1,719,816	1,634,979	84,837
Products & Brands	129,401	2,179	131,581	-61,880	69,701	67,522	2,179
Services for Professionals	49,083	13,308	62,392	-20,102	42,290	38,739	3,551
Professionals (B2B) ¹⁾	178,513	15,459	193,972	-81,982	111,990	106,261	5,729
Products & Care ¹⁾	1,810,182	97,948	1,908,130	-76,323	1,831,807	1,741,240	90,567
Wholesale	2,703,030	25,407	2,728,437	-793,742	1,934,695	1,927,201	7,494
Logistics & IT Services	1,485	110,380	111,865	-44,978	66,887	525	66,362
Logistics & IT ¹⁾	2,704,490	126,867	2,831,358	-829,775	2,001,582	1,927,726	73,857
Group Services	-	31,844	31,844	-30,554	1,290	-	1,290
Eliminations ²⁾	-845,707	-90,946	-936,652	936,652	-	-	-
Galenica Group	3,668,966	165,713	3,834,679	-	3,834,679	3,668,966	165,713

¹⁾ Including eliminations of intercompany net sales

²⁾ Eliminations of intersegmental net sales

Net sales 2020

Net sales 2020 (restated)

in thousand CHF	Sale of goods	Sale of services	Total net sales	Intersegmental net sales	Total net sales to third parties	of which sale of goods to third parties	of which sale of services to third parties
Local Pharmacies	1,103,326	59,185	1,162,511	-49	1,162,462	1,103,277	59,185
Pharmacies at Home	347,514	7,703	355,217	-314	354,903	347,200	7,703
Retail (B2C) ¹⁾	1,450,629	66,888	1,517,517	-152	1,517,365	1,450,476	66,888
Products & Brands	110,335	1,400	111,735	-54,384	57,351	55,951	1,400
Services for Professionals	46,788	14,761	61,549	-20,348	41,202	36,838	4,364
Professionals (B2B) ¹⁾	157,152	16,132	173,284	-74,732	98,552	92,789	5,763
Products & Care ¹⁾	1,603,079	80,058	1,683,136	-67,219	1,615,917	1,543,265	72,651
Wholesale	2,500,300	29,938	2,530,238	-732,687	1,797,551	1,788,084	9,467
Logistics & IT Services	2,015	96,365	98,380	-33,385	64,995	305	64,691
Logistics & IT ¹⁾	2,502,244	122,874	2,625,117	-762,571	1,862,546	1,788,389	74,158
Group Services	-	17,581	17,581	-16,291	1,290	-	1,290
Eliminations ²⁾	-773,668	-72,413	-846,081	846,081	-	-	-
Galenica Group	3,331,654	148,099	3,479,753	-	3,479,753	3,331,654	148,099

¹⁾ Including eliminations of intercompany net sales

²⁾ Eliminations of intersegmental net sales

Accounting principles net sales

Net sales represent revenue from contracts with customers from the sale of goods or rendering of services. Revenue is recognised in the amount that reflects the consideration to which Galenica expects to be entitled when the promised goods or services are transferred to customers. Revenue is stated net of any price, volume, cash or other types of discounts (e.g. slotting fees that do not represent a distinct performance obligation) and exclusive of VAT.

Where invoices are issued, payment terms in Switzerland usually range between 10 and 30 days, for both goods and services.

Sale of goods

Revenue from sale of goods is recognised at the point in time the Group satisfies a performance obligation by transferring control over the products to its customers. For retail pharmacy sales, this is when the customer takes possession of the products at the point-of-sale and for wholesale transactions control transfers upon shipment of the products to the customer.

Galenica has determined that its customer loyalty programs represent separate performance obligations to which revenue is allocated based on relative stand-alone selling prices, which considers historical redemption patterns. Revenue is deferred and recognised when the award credits are redeemed, which is typically 2 to 4 months after the sale of the initial products. At the end of each period, unredeemed credits are reflected as contract liabilities and included in trade and other payables in the consolidated statement of financial position.

Refund liabilities from contracts with customers are estimated based on actual sales volumes for the financial year and refund percentages as agreed with customers. These liabilities are usually settled in the subsequent financial year. Revenue from gift cards purchased by customers is deferred as contract liabilities until goods or services are transferred, which is typically within 12 months after the sale of the gift card. Any amounts not expected to be redeemed are recognised based on historical redemption patterns.

Customer returns are not material.

Sale of services

Revenue from services includes logistics services, the processing and sale of information and IT services as well as other contractually agreed services. The performance obligations are either satisfied over time or at a point in time (i.e. when volumes are handled) depending on the type of services rendered. Revenue is recognised using a pattern of transfer that depicts Galenica's performance.

6. Other income

Other income

in thousand CHF	2021	2020
Income from own work capitalised	6,726	5,084
Rental income from operating leases	1,818	2,289
Gain on disposal of property, plant and equipment	9,406	357
Other operating income	3,131	7,322
Other income	21,082	15,053

In 2021, Galenica sold the property at its headquarters to a real estate fund for the selling price of CHF 40.0 million. This results in a gain on disposal of property, plant and equipment of CHF 8.9 million.

7. Personnel costs

Personnel costs

in thousand CHF	2021	2020
Salaries and wages	423,315	400,770
Social security costs and pension expenses	64,648	13,299
Other personnel costs	30,896	28,841
Personnel costs	518,859	442,910
Average number of employees (FTE)	5,488	5,468

Personnel costs contain expenses for defined benefit plans of CHF 31.1 million (previous year: income of CHF 17.2 million). In 2020, the adjustment of the pension fund regulations led to a past service gain of CHF 48.3 million which resulted in a significant decrease of pension expenses (refer to [note 23](#)). Salaries and wages includes expenses for share-based payments of CHF 6.7 million (previous year: CHF 4.7 million) (refer to [note 28](#)).

8. Other operating costs

Other operating costs

in thousand CHF	2021	2020
Maintenance and repairs	21,015	18,615
Operating and production costs	58,024	53,786
Rental and other lease expenses ¹⁾	9,009	9,253
Administration costs	43,350	36,502
Marketing and sales costs	31,443	27,772
Non-income taxes	1,379	1,733
Loss on disposal of property, plant and equipment	19	144
Other operating costs	164,240	147,804

¹⁾ Of which other lease expenses (incidental expenses) of CHF 4.0 million (previous year: CHF 4.2 million)

Research and development

During the reporting period, expenses for research and development totalling CHF 15.2 million were recognised directly in other operating costs (previous year: CHF 15.7 million).

9. Financial result

Financial result

in thousand CHF	2021	2020
Interest income	738	764
Other financial income	533	25
Net gain on foreign exchange	30	-
Financial income	1,301	789
Interest expense	2,701	2,867
Net interest expense from employee benefit plans	18	49
Interest expense on lease liabilities	2,298	2,321
Other financial costs	659	65
Net loss on foreign exchange	-	221
Financial expenses	5,677	5,523
Net financial expenses	4,375	4,734

10. Earnings per share

When calculating diluted earnings per share, the weighted average number of outstanding shares during the reporting period is adjusted assuming conversion of all potentially dilutive effects.

Number of outstanding shares

	2021	2020
Total number of shares	50,000,000	50,000,000
Average number of treasury shares	-430,309	-572,925
Average number of outstanding shares	49,569,691	49,427,075
Effect from share-based payments	61,834	57,832
Theoretical average number of outstanding shares (diluted)	49,631,525	49,484,907

Earnings per share

	2021	2020
Net profit – attributable to shareholders of Galenica Ltd. (in thousand CHF)	167,680	172,245
Earnings per share (in CHF)	3.38	3.48
Diluted earnings per share (in CHF)	3.38	3.48

11. Income taxes

Income taxes

in thousand CHF	2021	2020
Current income taxes	36,138	20,940
Income taxes of prior periods	-547	-203
Deferred income taxes	-740	15,137
Income taxes	34,850	35,875

Tax reconciliation

in thousand CHF	2021	2020
Earnings before taxes (EBT)	203,033	208,593
Weighted income tax rate in % of EBT	17.3%	17.6%
Expected income taxes	35,048	36,782
Effects of changes in tax rates	70	-880
Effects of unrecognised losses in the current year	28	262
Realisation of unrecognised tax losses of prior periods	-361	-
Items from prior periods and other items	64	-289
Effective income taxes	34,850	35,875
Effective income tax rate in % of EBT	17.2%	17.2%

The weighted income tax rate reflects the weighted average of the tax rates across the Swiss cantons in which Galenica is active. The composition of Galenica's taxable income and changes in local tax rates cause the tax rate to vary from year to year.

Deferred taxes

in thousand CHF	2021			2020		
	Deferred tax assets	Deferred tax liabilities	Net carrying amount	Deferred tax assets	Deferred tax liabilities	Net carrying amount
Current assets	2,776	-22,788	-20,012	2,521	-22,343	-19,822
Property, plant and equipment	54	-3,344	-3,290	20	-5,680	-5,660
Right-of-use assets	-	-37,037	-37,037	-	-36,096	-36,096
Intangible assets	7,383	-19,831	-12,448	9,796	-17,681	-7,885
Investments	-	-7,201	-7,201	-	-10,162	-10,162
Financial assets	19	-5,387	-5,368	-	-7,411	-7,411
Lease liabilities	38,354	-	38,354	37,390	-	37,390
Provisions	78	-1,316	-1,238	235	-1,379	-1,144
Employee benefit plans	4,674	-12,060	-7,386	10,334	-	10,334
Other temporary differences	370	-1,017	-647	164	-1,149	-986
Shareholders' equity	814	-	814	531	-	531
Deferred taxes due to temporary differences	54,522	-109,981	-55,460	60,992	-101,902	-40,910
Tax loss carryforwards	-	-	-	3,495	-	3,495
Gross deferred taxes	54,522	-109,981	-55,460	64,487	-101,902	-37,415
Netting of assets and liabilities	-49,774	49,774	-	-53,635	53,635	-
Net deferred taxes	4,747	-60,207	-	10,852	-48,267	-

Analysis of net deferred taxes

in thousand CHF	2021	2020
1 January	-37,415	-26,943
Recognised as income taxes in profit or loss	-	-
- Change in temporary differences	5,080	-7,926
- Fiscal realisation of recognised tax loss carryforwards	-4,269	-8,614
- Tax loss carryforwards taken into account for the first time	-	550
- Tax loss carryforwards no longer taken into account	-	-27
- Effects of changes in tax rates	-70	880
Recognised in other comprehensive income	-19,261	7,710
Recognised in shareholders' equity (related to share-based payments)	188	-4
Addition to scope of consolidation	289	-3,043
Translation differences	-1	1
31 December	-55,460	-37,415

Temporary differences on which no deferred taxes have been recognised

in thousand CHF	2021	2020
Investments in subsidiaries	145,257	434,946

The decrease of temporary differences in 2021 is mainly due to a merger of group companies

Tax loss carryforwards and tax credits

in thousand CHF	2021		2020	
	Tax loss carryforwards / tax credits	Tax effect	Tax loss carryforwards / tax credits	Tax effect
Tax loss carryforwards and tax credits	9,779	2,175	23,542	4,013
- of which capitalised as deferred tax assets	-	-	-1,372	-290
- of which netted with deferred tax liabilities	-	-	-19,012	-3,205
Unrecognised tax loss carryforwards and tax credits	9,779	2,175	3,157	518
Of which expire:				
- within 1 year	-	-	2	1
- in 2 to 5 years	2,012	397	18	7
- in more than 5 years	7,767	1,777	3,137	510

Accounting principles income taxes

The expected current income tax charge is calculated and accrued on the basis of taxable profit for the current year and is recognised in profit or loss unless the underlying transaction is recognised outside profit or loss.

Deferred taxes are taxes on temporary differences between the value of assets and liabilities in the tax accounts and the carrying amounts included in Galenica's consolidated financial statements. Deferred taxes are calculated using the liability method on the basis of enacted or substantively enacted tax rates expected to apply when the asset is realised or the liability is settled. Tax effects from losses carried forward and other deductible temporary differences are only capitalised when it is probable that they will be realised in the future. Changes in deferred tax assets and deferred tax liabilities are recognised in profit or loss except for deferred taxes on transactions that are recognised directly in comprehensive income or equity.

Deferred tax liabilities are recorded for all taxable temporary differences associated with investments in subsidiaries, except Galenica is able to control the timing of the distribution and no dividend distribution is planned or likely to occur in the foreseeable future.

Deferred tax assets, including tax loss carryforwards and expected tax credits, are only taken into account if it is probable that future profits will be available against which the underlying assets can be applied for tax purposes.

12. Inventories

Inventories

in thousand CHF	2021	2020
Gross carrying amount as at 1 January	324,743	294,029
Addition to scope of consolidation	6,893	7,157
Change in inventories	-13,289	23,538
Translation differences	-32	19
Gross carrying amount as at 31 December	318,315	324,743
Allowance as at 1 January	-18,061	-16,225
Addition	-8,386	-2,252
Use	3,194	418
Translation differences	9	-2
Allowance as at 31 December	-23,245	-18,061
Net carrying amount as at 31 December	295,070	306,682

Accounting principles inventories

Inventories contains purchased merchandise carried at the lower of cost or net realisable value. The weighted average method is primarily used to determine cost.

Inventory allowances are recognised on inventories for slow moving items and excess stock.

Cost of goods mainly include costs of goods and merchandise from the operating segments Products & Care and Logistics & IT. Price discounts, rebates or supplier discounts and other payments received from suppliers that are not payment for distinct goods or services provided by Galenica and thus on the purchase of goods are directly deducted from cost of goods.

13. Trade and other receivables

Trade and other receivables

in thousand CHF	2021	2020
Trade receivables	447,588	397,252
Bad debt allowances	-8,609	-7,983
Other receivables	22,129	17,091
Trade and other receivables	461,108	406,360

Change in bad debt allowances for trade receivables

in thousand CHF	2021	2020
1 January	-7,983	-8,595
Addition	-1,533	-1,112
Use	243	1,176
Reversal	656	553
Translation differences	8	-4
31 December	-8,609	-7,983

Maturity profile of trade receivables

in thousand CHF	2021			2020		
	Gross trade receivables	Bad debt allowances	Net trade receivables	Gross trade receivables	Bad debt allowances	Net trade receivables
Not past due	398,993	-3,598	395,395	354,886	-2,718	352,168
Past due:						
- 1 to 30 days	28,972	-722	28,249	25,522	-617	24,905
- 31 to 60 days	7,430	-416	7,014	6,104	-193	5,911
- 61 to 90 days	3,794	-346	3,449	3,883	-616	3,267
- more than 90 days	8,399	-3,527	4,872	6,856	-3,838	3,018
Total	447,588	-8,609	438,979	397,252	-7,983	389,269

Accounting principles trade and other receivables

Trade receivables are initially measured at the transaction price determined in accordance with IFRS 15. Other receivables are carried at original invoice value. Allowances for uncollectable amounts are estimated based on expected credit losses, using life-time expected credit losses for trade receivables (simplified approach). These bad debt allowances are based on historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment for individual allowances or for groups with comparable credit risk profiles.

Any impairment losses are recognised in profit or loss in other operating costs.

14. Property, plant and equipment

Property, plant and equipment

in thousand CHF	Real estate	Assets under construction	Other property, plant and equipment	Total property, plant and equipment
Net carrying amount as at 31.12.2019	172,509	13,574	81,475	267,558
Addition	9,921	8,270	18,293	36,484
Disposal	-	-	-326	-326
Reclassification	617	-1,633	1,021	4
Depreciation	-15,511	-	-21,647	-37,158
Addition to scope of consolidation	446	-	1,046	1,493
Net carrying amount as at 31.12.2020	167,982	20,211	79,862	268,055
Addition	10,424	10,781	20,984	42,189
Disposal	-29,621 ¹⁾	-	-764	-30,385
Reclassification	7,488	-9,528	2,110	70
Depreciation	-17,468	-	-21,791	-39,259
Addition to scope of consolidation	4,073	-	491	4,563
Net carrying amount as at 31.12.2021	142,878	21,464	80,891	245,233
Overview as of 31.12.2020				
Cost	334,329	20,211	276,168	630,708
Accumulated depreciation and impairment	-166,347	-	-196,306	-362,653
Net carrying amount as at 31.12.2020	167,982	20,211	79,862	268,055
Overview as of 31.12.2021				
Cost	298,770	21,464	277,534	597,769
Accumulated depreciation and impairment	-155,893	-	-196,643	-352,535
Net carrying amount as at 31.12.2021	142,878	21,464	80,891	245,233

¹⁾ Including CHF 28.8 million from the sale of the headquarters building

Accounting principles property, plant and equipment

Property, plant and equipment are measured at cost less accumulated depreciation and impairment. Depreciation is charged on a straight-line basis over the assets' useful lives as follows:

	Years
Land	unlimited
Buildings	10 – 50
Warehouse equipment	5 – 15
Furniture, fittings	5 – 10
IT equipment	3 – 10
Vehicles	3 – 10

Other property, plant and equipment consists of warehouse equipment, furniture, fittings, IT equipment and vehicles.

Subsequent expenditure is only capitalised if it results in extending the useful life, expanding capacity or contributing to a marked reduction in operating costs. Maintenance or repair costs are recognised directly in profit or loss.

When items of property, plant and equipment are sold or derecognised, gains are recognised in other income and losses in other operating costs.

Assets are tested for impairment whenever there are indications that they could be impaired. Any impairment is recognised in profit or loss under depreciation and amortisation and disclosed separately as an impairment. Reversal of impairments on property, plant and equipment and investment properties are recognised immediately in profit or loss.

15. Leases

Right-of-use assets

in thousand CHF	Real estate	Vehicles	Total right-of-use assets
Net carrying amount as at 1.1.2020	224,573	361	224,934
Addition	13,751	21	13,772
Reassessment of existing lease contracts	12,397	3	12,400
Depreciation	-48,186	-184	-48,370
Impairment	-2,822	-	-2,822
Reversal of impairment	86	-	86
Addition to scope of consolidation	10,276	49	10,325
Net carrying amount as at 31.12.2020	210,074	251	210,325
Addition	27,954	83	28,037
Reassessment of existing lease contracts	20,341	-	20,341
Depreciation	-49,012	-190	-49,202
Impairment	-22	-	-22
Addition to scope of consolidation	5,904	117	6,021
Translation differences	-	-4	-4
Net carrying amount as at 31.12.2021	215,239	257	215,496

Lease liabilities

in thousand CHF	2021	2020
Net carrying amount as at 1 January	218,001	230,568
Addition	28,630	13,772
Reassessment of existing lease contracts	20,341	12,400
Interest expense on lease liabilities	2,298	2,321
Repayment of lease liabilities (including interest)	-52,237	-51,386
Addition to scope of consolidation	6,021	10,325
Translation differences	-4	-
Net carrying amount as at 31 December	223,051	218,001
- of which current lease liabilities	49,717	47,209
- of which non-current lease liabilities	173,334	170,792

Leases recognised in profit or loss

in thousand CHF	2021	2020
Rental income from operating leases (included in other income)	1,818	2,289
Short-term lease expense (included in other operating costs)	-1,325	-1,460
Low-value lease expense (included in other operating costs)	-36	-19
Variable lease expense (included in other operating costs)	-3,685	-3,590
Depreciation of right-of-use assets	-49,202	-48,370
Impairment of right-of-use assets	-22	-2,822
Reversal of impairment of right-of-use assets	-	86
Interest expense on lease liabilities	-2,298	-2,321

For one of the leased real estate Galenica acts also as lessor. The related amount is insignificant.

The total cash outflow for leases including short-term leases, leases of low-value-assets and variable lease expenses was CHF 57.3 million (previous year: CHF 56.5 million).

Maturity profile of undiscounted lease liabilities

in thousand CHF	2021	2020
Up to 3 months	13,279	13,009
In 3 to 12 months	38,441	36,261
In 2 years	45,327	42,951
In 3 years	36,024	35,974
In 4 to 5 years	49,171	49,108
In 6 to 10 years	43,103	41,843
In more than 10 years	5,782	7,171
Total future cash flows from undiscounted lease liabilities	231,127	226,317

Possible future cash outflows related to extension options in an amount of CHF 163.2 million (previous year: CHF 124.9 million) are not included in lease liabilities because it is not reasonably certain that these options would be exercised.

The cash outflows for variable lease expenses in 2022 is expected to be similar to the amount recognised in 2021.

Galenica has entered into various lease contracts that have not yet commenced as at 31 December 2021. The future lease payments for these non-cancellable lease contracts amount to CHF 39.6 million (previous year: CHF 16.5 million). This amount includes CHF 27.4 million (previous year: none) for the long-term lease contract of the headquarters beginning in 2027.

Accounting principles leases

A lease is a contract in which the right to use an asset (the underlying asset) is granted for an agreed-upon period in return for consideration. Galenica has lease contracts for vehicles and a large number of contracts for real estate, mainly store locations, which include fixed rental payments and variable sales-based components. The significant majority of these lease contracts concerns locations of the pharmacies in the operating segment Products & Care.

Galenica determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain at inception of the contract to be exercised. Galenica has the option, under some of its leases, to lease the assets for additional terms of several (three, five or more) years. Galenica applies judgement in evaluating whether it is reasonably certain to exercise the option to renew. In doing so, Galenica considers all relevant factors including economic incentives. Galenica reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise, or not to exercise, the option to renew (e.g. a change in business strategy of the underlying asset).

At the commencement date right-of-use assets are capitalised at a value equivalent to the lease liability, plus initial direct costs and lease payments made before the commencement date, less any lease incentives received.

Galenica uses the recognition exemptions for lease contracts that have a lease term of 12 months or less and do not contain a purchase option (short-term leases), and lease contracts for which the underlying asset is of low value (low-value assets).

The lease liability represents the net present value of fixed or in substance fixed lease payments over the lease term. Lease liabilities are discounted using the incremental borrowing rate if the rate implicit in the lease is not readily determinable. Non-lease components are not included in the lease liabilities and are accounted for in accordance with applicable standards. The interest charge is presented as interest expense on lease liabilities.

Right-of-use assets are depreciated over the shorter of the useful life of the right-of-use asset or the lease term.

Right-of-use assets are tested for impairment whenever there are indications that they could be impaired. Any impairment is recognised in profit or loss under depreciation and amortisation and disclosed separately as an impairment. Reversal of impairments on right-of-use assets are recognised immediately in profit or loss.

16. Intangible assets

Intangible assets

in thousand CHF	Intangible assets with finite useful lives ¹⁾	Trademarks with indefinite useful lives	Software	Goodwill	Total intangible assets
Net carrying amount as at 31.12.2019	4,656	36,528	49,597	755,445	846,226
Addition	1,512	–	18,982	–	20,495
Reclassification	–	–	–4	–	–4
Amortisation	–1,189	–	–6,703	–	–7,893
Addition to scope of consolidation	761	20,495	–	36,143	57,399
Net carrying amount as at 31.12.2020	5,739	57,022	61,872	791,588	916,222
Addition	151	–	18,098	–	18,250
Reclassification	–9	–	–61	–	–70
Amortisation	–1,653	–	–8,293	–	–9,946
Addition to scope of consolidation	3,440	25,698	2,000	64,525	95,663
Net carrying amount as at 31.12.2021	7,668	82,720	73,616	856,113	1,020,118
Overview as of 31.12.2020					
Cost	14,463	57,022	126,352	791,588	989,426
Accumulated amortisation and impairment	–8,724	–	–64,480	–	–73,204
Net carrying amount as at 31.12.2020	5,739	57,022	61,872	791,588	916,222
Overview as of 31.12.2021					
Cost	17,690	82,720	119,000	856,113	1,075,524
Accumulated amortisation and impairment	–10,023	–	–45,384	–	–55,407
Net carrying amount as at 31.12.2021	7,668	82,720	73,616	856,113	1,020,118

¹⁾ Including trademarks, patents, licences and customer relationships

Trademarks with indefinite useful lives

This position includes trademarks that are well known nationally and internationally and actively advertised. These acquired trademarks are regarded as having indefinite useful lives for the following reasons: they were created many years ago, they do not expire, and the products sold under the trademarks have a history of strong revenue and cash flow performance. Galenica intends and has the ability to support the trademarks to maintain their values for the foreseeable future.

For impairment testing purposes the trademarks have been allocated to the cash-generating units Verfora and Spagyros in the operating segment Products & Care. The recoverable amount (higher of fair value less costs of disposal and value in use) is determined on the basis of future discounted cash flows. Cash flows beyond the three-year planning period are based on the growth rates and discount rates before tax set out below, as approved in medium-term planning by management:

Trademarks with indefinite useful lives

in thousand CHF	2021	2020
Carrying amount	82,720	57,022
Growth rate	1.0%	1.0%
Discount rate	6.2%	6.2%

According to the results of impairment testing for 2021 and 2020 using value in use calculations, no impairment was necessary. Galenica performed a sensitivity analysis taking into account reasonable changes in the assumptions used to calculate the discounted cash flows, such as higher discount rates, lower EBITDA, lower gross margins or lower perpetual growth rates. The sensitivity analysis for 2021 and 2020 did not reveal that a reasonable possible change in assumption would lead to an impairment.

Goodwill

Goodwill

in thousand CHF	2021			2020		
	Carrying amount	Growth rate	Discount rate	Carrying amount	Growth rate	Discount rate
Products & Care ¹⁾	767,747	1.0%	6.5%	703,222	1.0%	6.6%
Logistics & IT ¹⁾	88,366	1.0%	6.5%	88,366	1.0%	6.6%
Total	856,113			791,588		

¹⁾ Based on the changed organisational and management structure of Galenica valid as at 1 January 2021, goodwill of CHF 6.2 million has been re-allocated from the operating segment Logistics & IT to the operating segment Products & Care on 1 January 2021. No impairment was recognised as a result of the re-allocation.

According to the results of impairment testing for 2021 and 2020 using value in use calculations, no impairment was necessary. Galenica performed a sensitivity analysis taking into account reasonable changes in the assumptions used to calculate the discounted cash flows, such as higher discount rates, lower EBITDA, lower gross margins or lower perpetual growth rates. The sensitivity analysis for 2021 and 2020 did not reveal that a reasonable possible change in assumption would lead to an impairment.

Accounting principles intangible assets

Intangible assets include acquired trademarks, patents, licences, customer relationships, purchased or internally developed software and other assets without physical substance. These items are measured at cost less accumulated amortisation and impairment. The cost of an intangible asset acquired in a business combination corresponds to its fair value determined at acquisition date.

Expenditure on internally developed software is capitalised when the capitalisation criteria are met and future economic benefits from use or sale of the software are expected. Software that is not yet available for use is tested for impairment annually or more frequently if there are indications of impairment.

Amortisation is charged on a straight-line basis over the estimated economic or legal useful life, whichever is shorter as follows:

	Years
Trademarks, patents, licences, customer relationships	5 - 20
Software	2 - 15

The amortisation period and the amortisation method are reviewed at least at each financial year-end.

With the exception of trademarks in the business area Products & Brands, all intangible assets are assessed as having a finite useful life. Intangible assets with indefinite useful lives are not amortised but tested for impairment annually or more frequently if there are indications of impairment. Intangible assets with finite useful lives are tested for impairment whenever there are indications that they could be impaired. Any Impairment is recognised in profit or loss in depreciation and amortisation and disclosed separately as an impairment.

Goodwill is allocated to the cash-generating unit (CGU) or group of CGUs that are expected to benefit from a business combination. Management monitors goodwill at operating segment level.

Goodwill is tested for impairment annually, or more frequently if there are indications of impairment. The impairment test is based on the discounted cash flow method. The WACC is used to determine the applicable pre-tax discount rate. The recoverable amount (higher of fair value less costs of disposal and value in use) of each CGU is determined on the basis of the medium-term plans for the next three years approved by management. Cash flows beyond the three-year planning period are extrapolated using a perpetual growth rate. If the recoverable amount is lower than the carrying amount, the carrying amount is reduced to the recoverable amount by recording an impairment charge.

Any impairment on goodwill is recognised in profit or loss and disclosed separately. An impairment loss for goodwill is not reversed.

17. Investments in associates and joint ventures

Coop Vitality is the only significant joint venture of Galenica. Coop Vitality is registered in Bern, Switzerland. Galenica owns 49% of the share capital and voting rights, Coop Cooperative owns 51% of the share capital and voting rights.

Investments in associates and joint ventures

in thousand CHF	2021	2020
Net carrying amount as at 1 January	22,949	21,482
Share of profit from associates and joint ventures	6,765	4,486
Remeasurement of net defined benefit liability from joint ventures	3,529	-1,187
Investments	-	1,256
Dividends received	-2,548	-3,087
Net carrying amount as at 31 December	30,696	22,949
- of which joint ventures	30,696	22,540

In case Coop Vitality was overindebted, Galenica has an unlimited obligation, in proportion to its equity interest, to restructure the company. At the reporting date, this joint venture is not overindebted.

Condensed financial information of Coop Vitality

in thousand CHF	2021	2020
Current assets	40,121	38,468
Non-current assets	107,022	110,921
- of which right-of-use assets	48,358	53,146
Current liabilities	40,237	46,469
- of which current lease liabilities	10,391	10,164
Non-current liabilities	42,830	55,566
- of which non-current lease liabilities	39,480	44,477
Equity before appropriation of earnings	64,076	47,354
Operating income	260,835	232,507
EBIT	18,734	12,142
Net profit	14,720	9,399
Remeasurement of net defined benefit liability recognised in other comprehensive income	7,202	-2,423
Cash flow from operating activities	30,755	20,219

The net carrying amount of the investment in Coop Vitality is CHF 31.4 million as at 31 December 2021 (previous year: CHF 23.2 million). Unrealised profits are not considered in these amounts.

Accounting principles investments in associates and joint ventures

Investments in associates where Galenica holds between 20% and 50% of the voting rights and investments in joint ventures are initially recognised at cost and subsequently accounted for using the equity method. In the accounting periods following the acquisition, the carrying amount of the investment is increased by the share in profit or reduced by the share in loss and the dividends paid from the associates and joint ventures. The corresponding amounts are recognised in profit or loss.

Transactions that are recognised in comprehensive income from associates and joint ventures are recognised proportionately in comprehensive income.

18. Financial assets

Financial assets

in thousand CHF	2021	2020
Loans	8,176	10,803
Rental deposits	4,669	3,847
Other financial assets	874	606
Loans and other financial assets	13,719	15,256
Securities	5,433	3,215
Financial assets	19,152	18,471

Accounting principles financial assets

Non-current financial assets comprise loans, time deposits with a term to maturity of more than twelve months, rental deposits, securities and derivative financial instruments with a positive fair value and a residual term to maturity of more than twelve months. Other than the derivatives measured at fair value through profit or loss, the financial assets are held to collect contractual cash flows comprising solely principal and interest payments and are therefore measured at amortised cost subsequent to initial recognition. Any credit losses on financial assets recognised represent 12 month expected losses and are estimated based on the credit risk of the counterparty. Any impairment is recognised in financial expenses.

19. Financial liabilities

Financial liabilities

in thousand CHF	2021	2020
Loans	5,654	4,643
Mortgages	1,253	-
Liabilities to pension funds	37,503	36,540
Bonds	380,306	380,417
Contingent consideration liabilities	24,000	70
Other financial liabilities	880	960
Financial liabilities	449,596	422,631
- of which current financial liabilities	43,052	41,117
- of which non-current financial liabilities	406,544	381,514

Galenica issued two fixed-interest rate bonds for a nominal amount totalling CHF 380.0 million for the purpose of long-term financing in June 2017. One bond of CHF 200.0 million was issued with an annual coupon of 0.50% and a term of 6 years, falling due on 15 June 2023 and the other bond of CHF 180.0 million with an annual coupon of 1.00% and a term of 9½ years, falling due on 15 December 2026. The bonds are traded on the SIX Swiss Exchange under securities no. 36720669 (ISIN CH0367206692) and 36720670 (ISIN CH0367206700) respectively. The bonds closed at 101.17% and 103.85% respectively as at 31 December 2021 (previous year: 101.60% and 105.20% respectively).

Cash flow from financial liabilities and lease liabilities 2021

in thousand CHF	1 January 2021	Proceeds from financial liabilities	Repayment of financial liabilities	Addition to scope of consolidation	Other changes	31 December 2021
Bank loans	-	110,000	-110,000	-	-	-
Loans	4,643	1,795	-6,550	5,693	72	5,654
Mortgages	-	-	-4	1,257	-	1,253
Liabilities to pension funds	36,540	902	-	56	5	37,503
Bonds	380,417	-	-	-	-111	380,306
Contingent consideration liabilities	70	-	-	-	23,930	24,000
Other financial liabilities	960	-	-80	-	-	880
Financial liabilities	422,631	112,698	-116,634	7,005	23,896	449,596
Lease liabilities	218,001	-	-49,939	6,021	48,968	223,051
Financial liabilities and lease liabilities	640,632	112,698	-166,573	13,027	72,863	672,647

Cash flow from financial liabilities and lease liabilities 2020

in thousand CHF	1 January 2020	Proceeds from financial liabilities	Repayment of financial liabilities	Addition to scope of consolidation	Other changes	31 December 2020
Bank loans	-	125,000	-125,448	448	-	-
Loans	8,404	849	-5,263	594	60	4,643
Liabilities to pension funds	36,498	124	-60	-	-22	36,540
Bonds	380,528	-	-	-	-111	380,417
Contingent consideration liabilities	70	-	-	-	-	70
Other financial liabilities	-	-	-	-	960	960
Financial liabilities	425,500	125,973	-130,771	1,041	887	422,631
Lease liabilities	230,568	-	-49,065	10,325	26,173	218,001
Financial liabilities and lease liabilities	656,068	125,973	-179,836	11,366	27,060	640,632

20. Trade and other payables

Trade and other payables

in thousand CHF	2021	2020
Trade payables	336,201	289,609
Contract liabilities	7,975	7,045
Other payables	19,867	17,804
Trade and other payables	364,043	314,458

Contract liabilities are generally recognised in revenue within 12 months.

21. Provisions

Provisions

in thousand CHF	2021	2020
1 January	4,398	6,667
Addition	1,456	875
Use	-1,380	-2,300
Reversal	-1,066	-1,610
Addition to scope of consolidation	400	767
31 December	3,808	4,398
- of which current provisions	2,498	3,580
- of which non-current provisions	1,310	819

Provisions are recognised for the estimated cost on damage, contractual liabilities, customer complaints, litigation risk and ongoing legal proceedings.

The cash outflow from the non-current provisions is expected within the next 2 to 3 years.

Accounting principles provisions

Provisions are recorded when Galenica has a present legal or constructive obligation towards a third party as a result of a past event, when the amount of the obligation can be reliably estimated and an outflow of economic resources is probable.

Provisions are recognised for the estimated cost of liabilities related to sureties, customer complaints, litigation risks and ongoing legal proceedings.

22. Contingent liabilities and commitments

Galenica is subject to a variety of risks. These risks include, but are not limited to, risks regarding product liability, patent law, tax law, competition laws and anti-trust laws. A number of Group companies are currently involved in administrative proceedings, legal disputes and investigations relating to their business activities. The results of ongoing proceedings cannot be predicted with certainty. Management has established appropriate provisions for any expenses likely to be incurred. These projections, however, are also subject to uncertainty. Galenica does not expect the results of these proceedings to have a significant impact on the financial statements.

In March 2017, the Swiss Competition Commission (COMCO) issued a ruling, which imposed a fine of up to CHF 4.5 million on Galenica. The ruling relates to an investigation from 2012. Galenica regards the ruling issued by COMCO as incorrect in fact and in law. Galenica has taken the ruling to the Federal Administrative Court. With a decision delivered in February 2022, the Federal Administrative Court reduced the fine to around CHF 3.8 million. Galenica will take this case to the Swiss Federal Supreme Court.

In September 2020, the Swiss Competition Commission (COMCO) opened an investigation against Markant Handels- und Industriewaren-Vermittlungs AG and its customers, inter alia Galexis Ltd. Galenica does not expect the proceedings to result in a sanction against Galexis Ltd., however, a fine cannot be ruled out entirely.

Galenica entered into various obligations regarding the purchase of services, goods, and equipment as part of its ordinary business operations.

Galenica signed purchase agreements to acquire pharmacies and other business in the next few years. The purchase prices will be fixed at the time of transfer of ownership on the basis of net asset value and discounted cash flow. The unrecognised commitments are expected to involve payments of CHF 0.8 million (previous year: CHF 7.8 million) at the most. The purchase rights have an estimated volume of CHF 3.0 million (previous year: CHF 10.4 million). These purchase rights or obligations fall due between 2022 and 2023.

Galenica signed purchase agreements to acquire property, plant and equipment totalling CHF 16.7 million (previous year: CHF 37.6 million). The payments under these purchase commitments become due in 2022.

There are no unusual pending transactions or risks to be disclosed.

Accounting principles contingent liabilities and commitments

A contingent liability is disclosed for an obligation where it is not probable that an outflow of resources will be required or where the amount of the obligation cannot be estimated with sufficient reliability.

23. Employee benefit plans

The vast majority of the Galenica employees work in Switzerland and participate in the Galenica Pension Fund, which is financed by the employers and the employees. This plan is legally separate from Galenica and qualifies as a defined benefit plan. The pension plan covers the risks of the economic consequences of old age, disability and death in accordance with the Swiss Federal Occupational Retirement, Survivors and Disability Pension Plans Act (BVG/LPP). The pension plan is structured in the legal form of a foundation. All actuarial risks are borne by the foundation and regularly assessed by the Board of Trustees based on an annual actuarial appraisal prepared in accordance with BVG/LPP. The company's liabilities are limited to contributions that are based on a percentage of the insured salary under the Swiss law. Only in cases of a funded status that is significantly below a funded status of 100% as per the BVG/LPP law can Galenica be required to pay additional contributions. The calculations made in these appraisals do not apply the projected unit credit method required by IFRS. If the calculations made in accordance with the provisions of BVG/LPP reveal a funded status of less than 100%, suitable restructuring measures need to be introduced. The Board of Trustees consists of employee and employer representatives.

The defined benefit plan is funded. Plan assets are managed separately from Galenica's assets by the independent pension fund.

The most recent actuarial valuation was prepared as at 31 December 2021. The pension fund assets are invested in accordance with local investment guidelines. Galenica pays its contributions to the pension fund in accordance with the regulations defined by the fund.

The final funded status pursuant to BVG/LPP is not available until the first quarter of the subsequent year. The projected funded status as at 31 December 2021 for Galenica Pension Fund is 125.1% unaudited) and as at 31 December 2020 117.2% (final).

Defined benefit plans and long-service awards

in thousand CHF	2021			2020		
	Defined benefit plans	Long-service awards ¹⁾	Total	Defined benefit plans	Long-service awards ¹⁾	Total
Plan assets measured at fair value	1,143,224	–	1,143,224	1,018,461	–	1,018,461
Present value of defined benefit obligation	-1,085,962	-16,229	-1,102,191	-1,060,947	-14,924	-1,075,871
Net carrying amount recognised in employee benefit liabilities	57,262	-16,229	41,033	-42,486	-14,924	-57,411
of which recognised in assets	67,000	–	67,000	–	–	–
of which recognised in liabilities	-9,738	-16,229	-25,967	-42,486	-14,924	-57,411

¹⁾ Long-service awards relate to provisions for jubilee payments

Change in present value of defined benefit obligation

in thousand CHF	2021			2020		
	Defined benefit plans	Long-service awards	Total	Defined benefit plans	Long-service awards	Total
1 January	-1,060,947	-14,924	-1,075,871	-1,016,989	-13,715	-1,030,704
Current service cost	-30,995	-1,519	-32,514	-30,050	-1,364	-31,414
Past service cost	968	–	968	48,256	-1,003	47,253
Interest on defined benefit obligation	-519	-8	-527	-1,488	-20	-1,507
Actuarial gain/(loss)	1,107	-1,152	-45	-65,354	-275	-65,629
Employee contributions	-16,938	–	-16,938	-16,387	–	-16,387
Benefits/awards paid	30,627	1,374	32,001	21,063	1,452	22,515
Change in scope of consolidation	-9,265	–	-9,265	–	–	–
31 December	-1,085,962	-16,229	-1,102,191	-1,060,947	-14,924	-1,075,871

Change in fair value of plan assets

in thousand CHF	2021	2020
1 January	1,018,461	977,673
Interest on plan assets	509	1,458
Remeasurement gain/(loss)	105,896	20,336
Employee contributions	16,938	16,387
Employer contributions	26,115	24,710
Benefits paid	-30,627	-21,063
Administration cost	-1,053	-1,040
Change in scope of consolidation	6,986	-
31 December	1,143,224	1,018,461

Net defined benefit cost

in thousand CHF	2021	2020
Current service cost	30,995	30,050
Past service cost	-968	-48,256
Net interest on net defined benefit liability	10	29
Administration cost	1,053	1,040
Net defined benefit cost	31,090	-17,138

In 2020, the trustees of the Galenica Pension Fund passed resolutions to make forward-looking modifications with a view to safeguarding the settlement of obligations towards insured members by reducing the conversion rate starting from 1 January 2022. These modifications lead to a decrease in the present value of the defined benefit obligation. The resulting negative past service cost led to a non-recurring decrease in personnel costs of CHF 48.3 million on the date the resolution was passed.

Remeasurement of net defined benefit liability

in thousand CHF	2021	2020
Actuarial gain/(loss) due to:		
- Changes in demographic assumptions	-10,108	-16
- Changes in financial assumptions	49,946	-16,726
- Experience adjustments	-38,732	-48,612
Remeasurement of plan assets	105,896	20,336
Remeasurement of net defined benefit liability recognised in other comprehensive income	107,003	-45,018

Change in assumption and in estimate

The experience adjustments of CHF -38.7 million (previous year: CHF -48.6 million) were the result of various elements not expected in the prior year mainly a higher interest credited to the member's accounts, an overall increase of the population and other items as determined by the external actuary.

During 2021, Galenica conducted a review of actuarial valuation parameters, including employee turnover rates and mortality tables.

Considering actual historical patterns with turnover rates at approximate 100% of BVG 2020 tables in the retail business (previous year: 125% BVG 2015) and 60% of BVG 2020 tables in the non-retail business (previous year: 125% BVG 2015), Galenica used these increased rates for its 2021 valuation. Furthermore the mortality table was changed from BVG 2015 GT (CMI), 1.5% to BVG 2020 GT (CMI), 1.5%. This resulted in an increase of the defined benefit obligation of CHF 10.1 million, which was recognised in other comprehensive income.

The increase of the discount rate from 0.05% to 0.35% resulted in a decrease of the defined benefit obligation of CHF 49.9 million.

Investment structure of plan assets

in thousand CHF	2021		2020	
Cash and cash equivalents	8,503	0.7%	6,860	0.7%
Debt instruments	191,285	16.7%	175,843	17.3%
Equity instruments	517,892	45.3%	448,563	44.0%
Real estate	256,809	22.5%	238,632	23.4%
Other investments	168,735	14.8%	148,563	14.6%
Fair value of plan assets	1,143,224	100.0%	1,018,461	100.0%
Current return on plan assets		10.4%		2.2%

The Board of Trustees is responsible for investing the plan assets. It defines the investment strategy and determines the long-term target asset structure (investment policy), taking into account the legal requirements, objectives set, the benefit obligations and the foundations' risk capacity. The Board of Trustees delegates implementation of the investment policy in accordance with the investment strategy to an investment committee, which also comprises trustees from the Board of Trustees and a general manager. Plan assets are managed by external asset managers in line with the investment strategy.

Cash and cash equivalents are deposited with financial institutions with a credit rating of A or above.

Debt instruments (e.g. bonds) have a credit rating of at least BBB and quoted prices in active markets (level 1 of the fair value hierarchy). They can be investments in funds and direct investments.

Equity instruments are investments in equity funds. These generally have quoted prices in active markets (level 1 of the fair value hierarchy). Since the change in investment strategy in 2021, there are no more direct investments in equity instruments. Therefore all shares of Galenica Ltd. were sold in 2021 (previous year: fair value of CHF 10.7 million).

Real estate relates to both residential property and offices. These can be investments in quoted real estate funds (level 1 of the fair value hierarchy) or direct investments (level 3 of the fair value hierarchy). If real estate is held directly, it is valued by an independent expert.

Other investments consist of hedge funds, insurance linked securities (ILS), infrastructures, senior loans, private equity and receivables. There are receivables from Group companies amounted to CHF 34.2 million (previous year: CHF 33.5 million). Investments in hedge funds are classified as alternative investments. They are primarily used for risk management purposes. In most cases, quoted prices in an active market are not available for hedge funds investments (level 2 or level 3 of the fair value hierarchy).

The use of derivative financial instruments is only permitted if sufficient liquidity or underlying investments are available. Leverage and short selling are not permitted.

The pension funds manage the assets of 5,377 active members (previous year: 5,315) and 896 pensioners (previous year: 860).

Galenica does not use any pension fund assets.

Basis for measurement

	2021	2020
Discount rate	0.35%	0.05%
Salary development	1.00%	1.00%
Pension development	0.00%	0.00%
Mortality (mortality tables)	BVG 2020 GT (CMI), 1.5%	BVG 2015 GT (CMI), 1.5%
Turnover	BVG 2020 (60% - 100%)	BVG 2015 (100% - 125%)

Sensitivity analysis

The discount rate, future salary development and mortality were identified as key actuarial assumptions. Changes in these assumptions would affect the defined benefit obligation (DBO) as follows:

Sensitivity analysis

in thousand CHF	2021		2020	
	Variations in assumptions	Impact on DBO	Variations in assumptions	Impact on DBO
Discount rate	+0.25%	-39,043	+0.25%	-37,336
	-0.25%	41,236	-0.25%	40,519
Salary development	+0.25%	3,260	+0.25%	3,251
	-0.25%	-3,260	-0.25%	-2,230
Mortality	+1 year	32,388	+1 year	31,640
	-1 year	-32,423	-1 year	-32,688

The sensitivity analysis assumes potential changes in the above parameters as at year-end. Every change in a key actuarial assumption is analysed separately. Interdependencies were not taken into account.

The pension obligations have an average duration of 16.5 years (previous year: 15.9 years).

Cash outflows for pension payments and other obligations can be budgeted reliably. The benefit plans collect regular contribution payments. Furthermore, the investment strategies safeguard liquidity at all times.

The employer contributions to the pension fund are estimated at CHF 29.2 million for 2022.

Accounting principles employee benefit plans

Galenica's defined benefit obligation (DBO) is assessed annually by independent pension actuaries using the projected unit credit method. This method considers employees' service in the periods prior to the reporting date and their future expected salary development. In addition, actuaries make use of statistical data such as employee turnover and mortality to calculate the defined benefit obligation.

Any deficit or surplus in funded defined benefit plans (when the fair value of plan assets falls short of or exceeds the present value of the defined benefit obligation) is recorded as a net defined benefit liability or asset. Galenica only recognises a net defined benefit asset if it has the ability to use the surplus to generate future economic benefits that will be available to Galenica in the form of a reduction in future contributions. If Galenica does not have the ability to use the surplus or it will not generate any future economic benefit, Galenica does not recognise an asset, but instead discloses the effect of this asset ceiling in the notes.

The components of defined benefit cost are service cost, net interest on the net defined benefit asset or liability and remeasurements of the net defined benefit asset or liability.

Service cost is a component of personnel costs and comprises current service cost, past service cost (including gains and losses from plan amendments) and gains and losses from plan settlements.

Net interest is determined by multiplying the net defined benefit liability or asset by a discount rate at the beginning of the reporting period. Net interest is included in the financial result.

Actuarial gains and losses result from changes in actuarial assumptions and differences between actuarial assumptions and actual outcomes. Actuarial gains and losses resulting from remeasuring the defined benefit plans are recognised immediately in comprehensive income as remeasurements of the net defined benefit liability or asset. This includes any differences in the return on plan assets (excluding interest, based on the discount rate). Remeasurements of the net defined benefit liability or asset are not reclassified through profit or loss at any point in time.

Galenica rewards employees for long service with jubilee benefits. These long-term benefits to employees are also measured using the projected unit credit method and included in employee benefit liabilities. These obligations are unfunded. Changes in obligations are recognised in profit or loss in personnel costs and interest expense as part of the financial expense, in line with the defined benefit plans.

24. Shareholders' equity

24.1 Share capital and number of shares

Galenica has fully paid-up share capital of CHF 5,000,000, divided into 50,000,000 publicly listed shares with a par value of CHF 0.10 each, as at the reporting date. All shares have the same capital rights with the exception of the treasury shares which do not generate any dividends. Voting rights and restrictions on voting rights are described in detail in Galenica's Annual report 2021 in the chapter Corporate Governance (unaudited).

As at 31 December 2021, Galenica Ltd. has no authorised capital according to Article 3a) of the Articles of Association. The Board of Directors has been 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 not more than 5,000,000 fully paid shares.

Number of shares

	Total shares		Outstanding shares
	Galenica Ltd.	Treasury shares	
Balance as at 31.12.2019	50,000,000	-660,850	49,339,150
Transactions with treasury shares	-	159,410	159,410
Balance as at 31.12.2020	50,000,000	-501,440	49,498,560
Transactions with treasury shares	-	139,937	139,937
Balance as at 31.12.2021	50,000,000	-361,503	49,638,497

The treasury shares are reserved for share-based payments to employees.

Accounting principles shareholders' equity

When treasury shares in Galenica Ltd. are acquired, they are deducted from shareholders' equity. Gains and losses from buying and selling treasury shares in Galenica Ltd. are recognised directly in shareholders' equity.

24.2 Changes in consolidated shareholder's equity

On 12 May 2021, the Annual General Meeting approved a dividend payment of CHF 89.2 million for the financial year 2020 (previous year: CHF 89.0 million), corresponding to CHF 1.80 per registered share (previous year: CHF 1.80). For this purpose, CHF 0.90 was taken from the reserves from capital contributions (previous year: CHF 0.90) and CHF 0.90 from retained earnings (previous year: CHF 0.90) of Galenica Ltd. The dividend was paid out to the shareholders on 19 May 2021.

In the reporting period, 5,682 treasury shares (previous year: 2,884 treasury shares) were bought at an average price of CHF 65.59 (previous year: CHF 63.46) and 145,619 treasury shares (previous year: 162,294 treasury shares) were issued as share-based payments.

The expense for share-based payment transactions, allocated over the vesting period, has been recognised in personnel costs and accrued in consolidated shareholders' equity.

The acquisition of non-controlling interests in Unione Farmaceutica Distribuzione SA reduced consolidated shareholders' equity by CHF 0.1 million (previous year: CHF 0.2 million).

The Board of Directors will submit a proposal to the Annual General Meeting on 11 May 2022 to pay a dividend of CHF 2.10 per share entitled to receive dividend for the financial year 2021. For this purpose, CHF 1.05 is to be taken from the reserves from capital contributions and CHF 1.05 from the retained earnings. However, no dividend will be paid on treasury shares. Based on the number of treasury shares as at 31 December 2021, the total dividend would amount to CHF 104.2 million.

25. Financial instruments

25.1 Categories of financial instruments

Carrying amounts of financial instruments 2021

in thousand CHF	Financial assets at amortised costs	Financial liabilities at fair value through profit or loss	Financial liabilities at amortised costs	Total
Cash and cash equivalents	164,982	-	-	164,982
Trade and other receivables	461,108	-	-	461,108
Financial assets	19,152	-	-	19,152
Current financial liabilities	-	-	43,052	43,052
Current lease liabilities	-	-	49,717	49,717
Trade and other payables	-	-	356,067	356,067
Non-current financial liabilities	-	24,000	382,544	406,544
Non-current lease liabilities	-	-	173,334	173,334
Total	645,242	24,000	1,004,714	

Carrying amounts of financial instruments 2020

in thousand CHF	Financial assets at amortised costs	Financial liabilities at fair value through profit or loss	Financial liabilities at amortised costs	Total
Cash and cash equivalents	59,781	-	-	59,781
Trade and other receivables	406,360	-	-	406,360
Financial assets	18,471	-	-	18,471
Current financial liabilities	-	70	41,047	41,117
Current lease liabilities	-	-	47,209	47,209
Trade and other payables	-	-	307,413	307,413
Non-current financial liabilities	-	-	381,514	381,514
Non-current lease liabilities	-	-	170,792	170,792
Total	484,612	70	947,975	

Net gain/(loss) on financial instruments 2021

in thousand CHF	Financial assets at amortised costs	Financial liabilities at amortised costs	Total
Net gain/(loss) on foreign exchange	304	-274	30
Other financial result	-36	-89	-125
Interest income	492	-	492
Interest expense	-	-2,701	-2,701
Interest expense on lease liabilities	-	-2,298	-2,298
Interest income on impaired trade receivables	245	-	245
Expected credit losses	-1,023	-	-1,023
Net gain/(loss) recognised in profit or loss	-17	-5,362	-5,380

Net gain/(loss) on financial instruments 2020

in thousand CHF	Financial assets at amortised costs	Financial liabilities at amortised costs	Total
Net gain/(loss) on foreign exchange	-100	-121	-221
Other financial result	15	-54	-40
Interest income	629	-	629
Interest expense	-	-2,867	-2,867
Interest expense on lease liabilities	-	-2,321	-2,321
Interest income on impaired trade receivables	136	-	136
Expected credit losses	-511	-	-511
Net gain/(loss) recognised in profit or loss	168	-5,364	-5,196

Accounting principles financial instruments (measurement and categories)

Galenica classifies its financial assets and financial liabilities at initial recognition. Subsequent measurement is at amortised cost or fair value through profit or loss.

Measurement of financial assets and financial liabilities

With the exception of trade receivables, financial assets and financial liabilities are initially measured at fair value plus or minus directly attributable transaction costs, if those financial instruments are not subsequently measured at fair value through profit or loss. Trade receivables are initially measured at the transaction price resulting from the revenue transaction. All purchases and sales of financial instruments are recognised using trade date accounting.

Financial assets are generally derecognised when the contractual rights to the cash flows expire. Financial liabilities are derecognised when they have been settled.

For subsequent measurement Galenica distinguishes between the following types of financial assets and financial liabilities:

Financial assets at amortised cost

This category includes trade and other receivables as well as loans and other financial assets such as rental deposits and securities. These financial assets are subsequently measured at amortised cost using the effective interest rate method less expected credit losses. Expected credit losses are based on historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment. Changes in expected credit losses due to changes in estimated credit risk are determined at each reporting date and charged to profit or loss. Galenica uses the simplified approach to determine its bad debt allowances for trade receivables using lifetime expected credit losses. Expenses for expected credit losses comprise the change in bad debt allowance and receivables directly written off.

Uncollectible loans and receivables are only derecognised if a certificate of loss has been issued.

Financial liabilities at fair value through profit or loss

Financial liabilities classified as at fair value through profit or loss correspond to contingent consideration liabilities from business combinations.

Financial liabilities at amortised costs

Financial liabilities mainly comprise trade and other payables as well as financial liabilities and bonds and are measured at amortised cost using the effective interest rate method.

25.2 Fair value measurement

Fair value

in thousand CHF	2021		2020	
	Carrying amount	Fair value	Carrying amount	Fair value
Non-current financial liabilities	26,238	26,238	1,097	1,097
Bonds (fair value level 1)	380,306	389,270	380,417	392,560
Non-current financial liabilities	406,544	415,508	381,514	393,657

With the exception of non-current financial liabilities the carrying amounts of all financial instruments approximate to the fair value or fair value disclosure is not required (lease liabilities).

Fair value of contingent consideration liabilities from business combinations (level 3 of the fair value hierarchy)

Fair value of contingent consideration liabilities from business combinations (level 3 of the fair value hierarchy)

in thousand CHF	2021	2020
1 January	70	70
Arising from business combinations	24,000	-
Payments (cash out)	-70	-
31 December	24,000	70

Sensitivity analysis of contingent consideration liabilities from business combinations

Determining the contingent consideration liability from business combinations net sales was identified as key assumption. Galenica has recorded the maximum amount as contingent consideration liability, an increase in the forecasted net sales of the acquired company would hence have no impact on the contingent consideration liability. In return, a decrease of the forecasted net sales 2024 by 5% would reduce the contingent consideration liability by CHF 2.2 million.

Accounting principles financial instruments (fair value measurement)

Fair value

Non-current financial liabilities contain contingent consideration liabilities from business combinations which are measured at fair value. The fair value of these financial instruments is measured based on the expected cash flows in due consideration of the probability of occurrence and the current market interest rates (level 3 of the fair value hierarchy).

The fair values of the fixed-rate bonds derived from quoted prices (level 1 of the fair value hierarchy).

Fair value hierarchy

Galenica measures financial instruments at fair value using the following hierarchies for determining the fair value:

- **Level 1:** Quoted prices (unadjusted) in active markets for identical assets or liabilities.
- **Level 2:** Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices).
- **Level 3:** Unobservable inputs for the asset or liability. These inputs reflect the best estimates of Galenica based on criteria that market participants would use to determine prices for assets or liabilities at the reporting date.

26. Financial risk management

Galenica is exposed to various financial risks and liquidity requirements. Galenica's financing and financial risk management activities are centralised into Group Treasury, which manages financial exposures of Galenica on account of changes in interest rates, currency risks, credit risks and liquidity in a manner that is consistent with underlying business risks and in line with the treasury policy approved by the Board of Directors as well as internal guidelines on cash and liability management. In addition, capital management of Galenica is also mainly exercised and monitored at Group level.

It is Galenica's policy not to enter into any speculative financial arrangements and to ensure matching maturities. Together, the risk management and monitoring measures described below are designed to limit negative impact on the financial statements.

26.1 Liquidity risk

Liquidity risk management

The aim of liquidity risk management is to provide sufficient cash to meet Galenica's financial liabilities on time while maintaining the flexibility to take advantage of market opportunities and optimum investment conditions. Group Treasury is responsible for raising current and non-current loans as well as for decisions on investments. Apart from financing operations, Galenica's credit standing enables it to borrow funds at an advantageous rate. To ensure that Galenica can meet its payment obligations in good time, liquidity is monitored centrally. Group Treasury monitors the cash flows using rolling liquidity planning. This takes into account the maturities of the financial instruments as well as the cash flows from operating activities.

Maturity profile of financial liabilities 2021

in thousand CHF	Carrying amount	Total undiscounted cash flows	up to 3 months	3 to 12 months	1 to 5 years	Maturities more than 5 years
Trade and other payables	356,067	356,282	353,850	2,432	-	-
Current financial liabilities	43,052	43,052	42,500	552	-	-
Current lease liabilities	49,717	51,720	13,279	38,441	-	-
Non-current financial liabilities	26,238	26,238	-	-	26,088	150
Bonds	380,306	391,000	-	2,800	388,200	-
Non-current lease liabilities	173,334	179,407	-	-	130,522	48,885
Total	1,028,714	1,047,699	409,629	44,225	544,810	49,035

Maturity profile of financial liabilities 2020

in thousand CHF	Carrying amount	Total undiscounted cash flows	up to 3 months	3 to 12 months	1 to 5 years	Maturities more than 5 years
Trade and other payables	307,413	308,534	307,916	618	-	-
Current financial liabilities	41,117	41,117	40,569	548	-	-
Current lease liabilities	47,209	49,270	13,009	36,261	-	-
Non-current financial liabilities	1,097	1,097	-	-	847	250
Bonds	380,417	393,800	-	2,800	209,200	181,800
Non-current lease liabilities	170,792	177,048	-	-	128,034	49,014
Total	948,045	970,865	361,494	40,227	338,081	231,064

The values presented above are contractually agreed undiscounted cash flows including interest. Wherever the contractually agreed payment amount is liable to change before maturity as a result of variable interest rates, the payment amounts based on the interest rates at the reporting date are disclosed.

26.2 Credit risk

Credit risk management

Credit risk arise when a customer or a third party fails to meet its contractual obligations and causes Galenica a financial loss. Credit risk are minimised and monitored by restricting business relations to known, reliable partners.

Corporate policy ensures that credit checks are performed for customers who are supplied on credit. Trade receivables are subject to active risk management procedures. They are continually monitored and credit risk is reviewed in the process of reporting to management. Allowances for expected credit losses are made in accordance with uniform guidelines on the measurement of outstanding receivables.

In addition, credit risk arise in relation to financial assets, comprising cash and cash equivalents, securities, loans and certain derivative financial instruments. The creditworthiness of the counterparties is regularly monitored and reported to management.

Financial assets subject to credit risk

in thousand CHF	2021	2020
Cash and cash equivalents (without cash on hand)	163,336	58,288
Trade and other receivables	461,108	406,360
Loans and other financial assets	13,719	15,256
Financial assets subject to credit risk	638,164	479,904

The financial assets subject to credit risk are primarily receivables.

Galenica applies internal risk management guidelines to identify concentrations of credit risk.

Galenica's financial assets are not exposed to a concentration of credit risk.

No past due financial assets have been renegotiated. Based on past experience, Galenica considers the creditworthiness of non-past due trade receivables to be good. Trade receivables past due are analysed on an ongoing basis. These receivables are accounted for using individual bad debt allowances, adjusted for forward-looking factors specific to the debtors and the economic environment.

27. Capital management

The capital of Galenica is managed and monitored at Group level. The objective of capital management at Galenica is to ensure the continuity of operations, increase enterprise value on a sustainable basis, provide an adequate return to investors, provide the financial resources to enable investments in areas that deliver future benefits for patients and customers and further returns to investors.

Galenica defines the capital that it manages as invested interest-bearing liabilities and equity. Galenica uses a system of financial control based on various key performance indicators. Capital is monitored based on the gearing, for example, which expresses net debt as a percentage of shareholders' equity including non-controlling interests and is communicated regularly to management as part of internal reporting.

Net debt, shareholders' equity and gearing are shown in the table below.

Net debt, shareholder's equity and gearing

in thousand CHF	2021	2020
Current financial liabilities ¹⁾	43,019	40,933
Current lease liabilities	49,717	47,209
Non-current financial liabilities ¹⁾	381,697	380,667
Non-current lease liabilities	173,334	170,792
Cash and cash equivalents	-164,982	-59,781
Interest-bearing receivables	-1,527	-8,078
Net debt	481,257	571,743
Equity attributable to shareholders of Galenica Ltd.	1,227,538	1,047,282
Non-controlling interests	6,140	6,073
Shareholders' equity	1,233,677	1,053,355
Gearing	39.0%	54.3%

¹⁾ Excluding non-interest-bearing financial liabilities

Galenica has no covenants requiring a minimum level of equity, nor is Galenica subject to any externally regulated capital requirements as seen in the financial services sector.

28. Share-based payments

Remuneration for members of the Board of Directors

The members of the Board of Directors receive fixed annual remuneration and can choose whether to receive it in full or in part (50%) in shares of Galenica Ltd. The amount settled in shares is paid out with a discount of 25%. The shares may not be traded for the first five years.

The fair value of the shares granted is equivalent to the amount to be paid out in shares plus the discount of 25%.

Share plan for members of senior management

According to the participation plan, members of senior management receive their performance-related bonus partly in cash and partly in shares of Galenica Ltd. The proportion of cash to shares is set out in the regulations and is based on the salary grade of the recipient. In addition, all members of senior management are obliged to hold a number of shares of Galenica. The amount to be settled in shares is paid out in the form of shares of Galenica Ltd. with a discount of 25%. The shares may not be traded for the first five years.

The fair value of the shares granted is equivalent to the amount to be paid out in shares plus the discount of 25%.

Long-term incentive plan (LTI)

Members of the Corporate Executive Committee of Galenica and certain members of senior management participate in a LTI plan for the allocation of performance share units. The number of these performance share units is based on the extent to which defined long-term performance targets such as the Galenica Economic Profit and the relative total shareholders return (TSR) are attained. TSR is measured as a percentile ranking against a peer group of relevant companies. A LTI plan always runs for a vesting period of three years. At the beginning of each financial year a new LTI plan with a new vesting period of three years is issued. At the start of the vesting period a defined number of performance share units are individually allocated. The number of performance share units allocated is dependent on the defined percentage of the annual salary incorporated into the LTI plan as well as the effective share price at the time of the allocation. At the end of the vesting period performance share units are paid out to eligible beneficiaries in the form of shares of Galenica Ltd.

21,916 performance share units (previous year: 16,802 performance share units) were granted to beneficiaries at a fair value of CHF 52.75 (previous year: CHF 55.03) at the beginning of the reporting period for the 2021 LTI plan.

Employee share plan

Employees of Galenica are entitled to buy a fixed number of shares of Galenica Ltd. at a preferential price. All employees who, at the time of the purchase offer, are not under notice and have an employment contract of unlimited duration are entitled to acquire shares.

The purchase price for the shares is calculated at the time of the purchase offer based on the average price for the previous month less a 30% discount. The price discount is borne by the employer. The shares may not be traded for the first three years.

In the reporting period, employees purchased 76,461 shares of Galenica Ltd. (previous year: 66,386 shares) at a price of CHF 46.80 (previous year: CHF 48.40). This includes a discount of CHF 20.06 (previous year: CHF 20.76) per share.

Share-based payment expense

in thousand CHF	2021	2020
Remuneration for members of the Board of Directors	880	1,316
Share plan for members of senior management	3,126	1,443
Long-term incentive plan (LTI)	1,180	566
Employee share plan	1,534	1,378
Total	6,719	4,704

Accounting principles share-based payments

The employees of Galenica participate in share-based payment plans. These plans qualify as equity-settled share-based payment plans and are settled in shares of Galenica Ltd.

The share-based payments are measured at fair value at grant date.

Galenica estimates the number of Galenica shares which are expected to vest. The expense is recognised over the vesting period as part of personnel costs and an increase in shareholders' equity for the best estimate of the number of shares Galenica expects to vest. Expense adjustments due to changes in expectations regarding the number of Galenica shares expected to vest are recognised in personnel costs for the relevant reporting period.

If the arrangements are modified during the life of an equity-settled share-based payment plan, any incremental fair value is recognised over the remaining vesting period. If the plan is cancelled, the rights are assumed to be exercised at the date of cancellation and the expense is recognised immediately in profit or loss. If the cancelled plan is replaced by a new share-based payment plan identified as a replacement award, the expense is recognised in the same way as for modifications.

29. Related party transactions

Related parties include all companies of the Galenica Group as well as associates, joint ventures, pension funds, members of the Board of Directors and members of the Corporate Executive Committee.

Related party transactions

As at the reporting date, trade receivables and loans to associates and joint ventures amounted to CHF 12.2 million (previous year: CHF 13.5 million). The trade receivables and loans primarily relate to Coop Vitality. The trade payables and loans from associates and joint ventures amounted to CHF 3.8 million (previous year: CHF 2.5 million) and the financial liabilities to pension funds amounted to CHF 37.5 million (previous year: CHF 36.5 million).

The transactions with associates and joint ventures shown in the table below largely concern transactions with Coop Vitality.

Related party transactions

in thousand CHF	2021		2020	
	Associates and joint ventures	Other related parties	Associates and joint ventures	Other related parties
Sale of goods	156,535	2,363	142,721	5,532
Income from services	7,367	-	7,077	-
Other income	17	-	22	-
Purchase of goods	2,353	-	493	3
Other operating costs	67	-	22	-
Financial income	128	-	136	-
Financial expenses	7	-	4	-

Remuneration of the Board of Directors and the Corporate Executive Committee

Remuneration of the Board of Directors and the Corporate Executive Committee

in thousand CHF	2021	2020
Remuneration	3,890	2,564
Social security costs and pension expenses	899	758
Share-based payments	2,198	1,933
Total	6,986	5,254

30. Subsequent events

The following transactions occurred between 31 December 2021 and 2 March 2022, the date on which the consolidated financial statements 2021 were released for publication.

Acquisition of pharmacies. Galenica acquired 100 % of the interests in pharmacies at various locations in Switzerland.

The purchase consideration was CHF 10.2 million, the fair value of the provisional net assets resulting from these additions was estimated at CHF 2.2 million at the acquisition date. Since the transactions were concluded shortly before the consolidated financial statements were issued, it was not possible to disclose the additional information required by IFRS.

There were no further significant events after the reporting date.

31. Group companies

Group companies

	Registered office	Equity interest	Method of consolidation	Currency	Share capital in thousand
Products & Care					
Amavita Health Care Ltd.	CH-Niederbipp	100%	full	CHF	100
Bahnhof Apotheken Thun AG	CH-Thun	50%	full	CHF	200
Bichsel Interlaken Holding AG ¹⁾	CH-Interlaken	95%	full	CHF	100
Careproduct AG	CH-Oberwil-Lieli	100%	full	CHF	100
Coop Vitality AG	CH-Bern	49%	at equity	CHF	5,000
Coop Vitality Health Care GmbH ¹⁾	CH-Niederbipp	49%	at equity	CHF	20
Coop Vitality Management AG	CH-Bern	49%	at equity	CHF	100
Curarex Swiss AG	CH-Zuchwil	100%	full	CHF	100
Dr. A.&L. Schmidgall GmbH & Co KG ¹⁾	AT-Vienna	100%	full	EUR	145
Dr. U. Reinhard AG	CH-Winterthur	100%	full	CHF	100
Galenica Investment AG	CH-Bern	100%	full	CHF	1,000
Galenicare Ltd.	CH-Bern	100%	full	CHF	700
Galenicare Management Ltd.	CH-Bern	100%	full	CHF	500
G-Pharma AG	CH-Niederbipp	100%	full	CHF	100
Grosse Apotheke Dr. G. Bichsel AG ¹⁾	CH-Interlaken	95%	full	CHF	200
Hedoga AG	CH-Bern	100%	full	CHF	100
Laboratorium Dr. G. Bichsel AG ¹⁾	CH-Unterseen	95%	full	CHF	200
Lifestage Solutions Ltd.	CH-Otelfingen	100%	full	CHF	152
Medifilm Ltd. ¹⁾	CH-Oensingen	100%	full	CHF	1,300
MediService Ltd.	CH-Zuchwil	100%	full	CHF	363
Puresense AG	CH-Gaiserwald	40%	at equity	CHF	100
Schmidgall GmbH ¹⁾	AT-Vienna	100%	full	EUR	36
Spagyros Ltd.	CH-Worb	100%	full	CHF	860
Sun Store Health Care Ltd.	CH-Niederbipp	100%	full	CHF	100
Swiss Pharma GmbH	DE-Rülzheim	100%	full	EUR	51
Verfora Ltd.	CH-Villars-sur-Glâne	100%	full	CHF	100
Winconcept Ltd.	CH-Bern	100%	full	CHF	100
Logistics & IT					
1L Logistics AG	CH-Burgdorf	100%	full	CHF	100
Alloga Ltd.	CH-Burgdorf	100%	full	CHF	8,332
Dauf SA ¹⁾	CH-Barbengo-Lugano	91.60%	full	CHF	100
Galexis Ltd.	CH-Niederbipp	100%	full	CHF	25,000
HCI Solutions Ltd.	CH-Bern	100%	full	CHF	100
Pharma-Info AG ¹⁾	CH-Biel	49%	at equity	CHF	100
PharmaBlist Ltd. ¹⁾	CH-Widnau	100%	full	CHF	100
Pharmapool Ltd. ¹⁾	CH-Widnau	100%	full	CHF	962
Pharmapool Zentralapotheke AG ¹⁾	CH-Widnau	100%	full	CHF	100
Unione Farmaceutica Distribuzione SA	CH-Barbengo-Lugano	91.60%	full	CHF	2,000
Group Services					
Galenica Finanz Ltd.	CH-Bern	100%	full	CHF	100

¹⁾ Not directly held by Galenica Ltd.



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To the General Meeting of
Galenica Ltd., Berne

Berne, 2 March 2022

Statutory auditor's report on the audit of the consolidated financial statements



Opinion

We have audited the consolidated financial statements of Galenica Ltd., and its subsidiaries (the Group), which comprise the consolidated statement of financial position as at 31 December 2021 and the consolidated statement of income, consolidated statement of comprehensive income, consolidated statement of cash flows and consolidated statement of changes in equity for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2021, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS) and comply with Swiss law.



Basis for opinion

We conducted our audit in accordance with Swiss law, International Standards on Auditing (ISAs) and Swiss Auditing Standards. Our responsibilities under those provisions and standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report.

We are independent of the Group in accordance with the provisions of Swiss law and the requirements of the Swiss audit profession, as well as the International Code of Ethics for Professional Accountants (including International Independence Standards) of the International Ethics Standards Board for Accountants (IESBA Code) and we have fulfilled our other ethical responsibilities in accordance with these requirements.

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



Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the Auditor's responsibilities for the audit of the consolidated financial statements section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to



our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the consolidated financial statements.

Impairment risk of goodwill and other intangibles

Risk	<p>As disclosed in note 16, goodwill amounts to CHF 856.1 million as at 31 December 2021 and represents a major asset of Galenica. In addition, Galenica recorded intangible assets with indefinite useful lives with a carrying amount of CHF 82.7 million. Both goodwill and intangible assets with indefinite useful lives are tested for impairment at least annually.</p> <p>Auditing management's annual impairment test is considered important to our audit as it depends on various estimates made by management and therefore includes judgmental elements. In particular, the assessment is sensitive to significant assumptions made about future market and economic conditions, such as economic growth, expected market share, revenue and margin development. Moreover, the terminal growth and the discount rate used have an impact on the net present value of the underlying cash generating unit.</p>
Our audit response	<p>We performed audit procedures that included, among others, assessing the methodology and testing the assumptions discussed above, the weighted average cost of capital (WACC), and technical input parameters used by Galenica. We involved our internal valuation specialists to assist us with these audit procedures. In addition, we assessed the cash flow projections for all cash generating units (CGUs) including the terminal growth. These procedures included an assessment of the historical accuracy of management's estimates and evaluation of business plans. In particular, we considered the available headroom of CGUs and performed sensitivity analyses of assumptions to evaluate whether changes in assumptions as described in note 16 could cause the carrying amount to exceed its recoverable amount. Our audit procedures did not lead to any reservations regarding the impairment tests of goodwill and other intangibles.</p>

Impairment risk of right-of-use assets and change in lease liabilities

Risk	<p>As outlined in note 15, right-of-use assets amounts to CHF 215.5 million and current and non-current lease liabilities to CHF 223.1 million. The assessment to record right-of-use assets and lease liabilities involves judgment and estimates made by management. In particular, the assessment and calculation include estimating the expected lease term based on contractual rights including extension and termination options, excluding certain payments such as variable lease payments and non-lease components, and discounting the expected payments with a discount rate, generally the incremental borrowing rate.</p>
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Additionally, right-of-use assets are depreciated over the shorter of the useful life or the end of the lease term, provided ownership is not transferred to the Group at the end of the lease term. Right-of-use assets are tested for impairment if indicators are present that these assets may not be recoverable.

IFRS 16 Leases is considered important to our audit due to the large number of lease contracts, particularly in the retail business area, the overall amount recorded for right-of-use assets and lease liabilities and the significant judgment involved to calculate and record such assets and liabilities.

Our audit response

We obtained an understanding of the process in the retail business area for the initiation and processing of changes or new contracts, the reporting of journal entries and the valuation of the right-of-use assets. We tested a sample of contracts and performed procedures to verify the completeness and accuracy of the data in the lease tool. We analyzed the underlying useful life and discussed impairment indicators for right-of-use assets of retail stores with generally lower margins. Finally, we assessed the incremental borrowing rate used to discount lease liabilities and compared the right-of-use assets with the related lease liabilities. Our audit procedures did not lead to any reservations regarding the application of IFRS 16 Leases.



Other information in the annual report

The Board of Directors is responsible for the other information in the annual report. The other information comprises all information included in the annual report, but does not include the consolidated financial statements, the stand-alone financial statements and the remuneration report and our auditor's reports thereon.

Our opinion on the consolidated financial statements does not cover the other information in the annual report and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information in the annual report and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.



Responsibility of the Board of Directors for the consolidated financial statements

The Board of Directors is responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with IFRS and the provisions of Swiss law, and for such internal control as the Board of Directors determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the Board of Directors is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Board of Directors either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.



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**Auditor's responsibilities for the audit of the consolidated financial statements**

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Swiss law, ISAs and Swiss Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

A further description of our responsibilities for the audit of the consolidated financial statements is located at the website of EXPERTsuisse: <http://www.expertsuisse.ch/en/audit-report-for-public-companies>. This description forms part of our auditor's report.

**Report on other legal and regulatory requirements**

In accordance with article 728a para. 1 item 3 CO and the Swiss Auditing Standard 890, we confirm that an internal control system exists, which has been designed for the preparation of consolidated financial statements according to the instructions of the Board of Directors.

We recommend that the consolidated financial statements submitted to you be approved.

Ernst & Young Ltd

Daniel Zaugg
Licensed audit expert
(Auditor in charge)

Simone Wittwer
Licensed audit expert

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Statement of income of Galenica Ltd.

in thousand CHF	2021	2020
Investment income	87,273	54,400
Financial income	142,694	22,843
Other income	71,391	23,851
Income	301,358	101,094
Personnel costs	-41,004	-13,660
Financial expenses	-4,333	-3,104
Depreciation and amortisation	-6,355	-12
Other expenses	-14,973	-5,511
Expenses	-66,665	-22,287
Profit for the year before taxes	234,693	78,807
Direct taxes	-6,017	-2,599
Profit for the year	228,676	76,208

Statement of financial position of Galenica Ltd.

in thousand CHF		2021		2020	
Cash and cash equivalents		49,816		30,712	
Receivables					
– Third parties		3,546		106	
– Group companies		62		327,078	
Prepaid expenses and accrued income					
– Third parties		4,023		1,127	
– Group companies		1,430		–	
Current assets		5.1%	58,877	38.2%	359,023
Financial assets		81,614		269,500	
Investments		949,967		311,657	
Property, plant and equipment		12,019		–	
Intangible assets		43,396		–	
Non-current assets		94.9%	1,086,996	61.8%	581,157
Assets		100.0%	1,145,873	100.0%	940,180
Other liabilities					
– Third parties		16,468		5,233	
– Group companies		21,834		2	
Accrued expenses and deferred income					
– Third parties		13,817		6,093	
– Group companies		1,430		–	
Current liabilities		4.7%	53,549	1.2%	11,328
Interest-bearing liabilities		380,000		380,000	
Other non-current liabilities		24,000		–	
Non-current liabilities		35.3%	404,000	40.4%	380,000
Liabilities		39.9%	457,549	41.6%	391,328
Share capital		5,000		5,000	
Legal capital reserves					
– Reserves from capital contributions		307,010		351,612	
Legal retained earnings					
– General legal retained earnings		1,000		1,000	
– Reserves for treasury shares		3,000		11,600	
Voluntary retained earnings					
– Free reserve		143,000		102,400	
– Profit brought forward from the previous year		638		1,032	
– Profit for the year		228,676		76,208	
Shareholders' equity		60.1%	688,324	58.4%	548,852
Liabilities and shareholders' equity		100.0%	1,145,873	100.0%	940,180

Notes to the financial statements of Galenica Ltd.

Galenica Ltd.

Galenica Ltd., a Swiss company limited by shares with registered office at Untermattweg 8, 3027 Bern, Switzerland. Shares in Galenica are traded on the SIX Swiss Exchange under securities no. 36067446 (ISIN CH0360674466). Galenica Ltd. is the parent company of the Galenica Group with the main activity of managing its investments.

With the changed organisational and management structure of Galenica valid as at 1 January 2021, Galenica centralised its Corporate functions such as Finance, Human Resources, Legal & Board Services, Communications and Transformation as well as the internal IT Services on 1 July 2021. The transfer of these business activities from other Group companies to Galenica Ltd. also resulted in a transfer of employees as well as related assets and liabilities.

The financial statements 2020 have not been restated to the changed organisational and management structure. A «like-for-like» comparison with the previous year's period is therefore not possible.

Principles

The financial statements of Galenica Ltd. have been prepared in accordance with Article 957 et seqq. of Title 32 of the Accounting law based on the Swiss Code of Obligations (CO). Where not prescribed by law, the significant accounting and valuation principles applied are described below.

Financial income

Financial income includes a non-taxable gain of CHF 109.5 million due to the merger with GaleniCare Holding Ltd. and the reversal of a bad debt allowance on non-current intercompany loans of CHF 30.0 million (previous year: CHF 15.0 million).

Other income

Other income includes group-internal management fees of CHF 34.6 million (previous year: CHF 18.3 million) and IT services of CHF 28.4 million (previous year: none). Revenue is recognised when the service is provided.

Property, plant and equipment

Property, plant and equipment are measured at cost less accumulated depreciation and impairment. Depreciation is charged on a straight-line basis over the assets' useful lives.

Property, plant and equipment

in thousand CHF	2021	2020
Furniture, fittings	35	-
IT equipment	11,305	-
Vehicles	679	-
Total net carrying amount	12,019	-

Intangible assets

Intangible assets include purchased or internally developed software. These items are measured at cost less accumulated amortisation and impairment. Amortisation is charged on a straight-line basis over the estimated economic useful life.

Financial assets

Financial assets include non-current loans to Group companies of CHF 74.7 million (previous year: CHF 268.4 million) and joint ventures of CHF 4.9 million (previous year: none).

Investments

An overview of the investments that are directly or indirectly controlled by Galenica Ltd. is provided in [note 31](#) to the consolidated financial statements 2021 of the Galenica Group.

Non-current interest-bearing liabilities

The non-current interest-bearing liabilities are recognised at nominal value.

Non-current interest-bearing liabilities

in thousand CHF	2021	2020
Bond 0.5 % (15 June 2017 – 15 June 2023) ISIN CH0367206692	200,000	200,000
Bond 1.0 % (15 June 2017 – 15 December 2026) ISIN CH0367206700	180,000	180,000
Non-current interest-bearing liabilities	380,000	380,000

Lease obligations

The lease obligations, which do not expire or cannot be terminated within 12 months, have the following maturity structure. These amounts include the payments owed from rental and leasing agreements up to the end of the contract or the expiry of the notice period.

Lease obligations

in thousand CHF	2021	2020
Within 1 year	1,200	-
In 2 to 5 years	1,200	-
In more than 5 years	27,428	-
Total	29,828	-

Share capital

As at 31 December 2021, the share capital of Galenica amounted to CHF 5,000,000, divided into 50,000,000 fully paid-up and publicly listed shares with nominal value of CHF 0.10 each.

Authorised capital

As at 31 December 2021, Galenica Ltd. has no authorised capital according to Article 3a) of the Articles of Association. The Board of Directors has been 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 not more than 5,000,000 fully paid shares.

Reserves from capital contributions

The reserves from capital contributions have been reduced to CHF 307.0 million (previous year: CHF 351.6 million) due to the dividend paid out to the shareholders on 19 May 2021 taken from the reserves from capital contributions in the amount of CHF 44.6 million (previous year: CHF 44.5 million).

Release of hidden reserves

In 2021, hidden reserves of CHF 30.0 million were released (previous year: CHF 17.5 million).

Contingent liabilities

As at 31 December 2021, total contingent liabilities amounted to CHF 325.8 million (previous year: CHF 788.5 million), including issued guarantees to Group companies of CHF 195.6 million (previous year: CHF 658.5 million) as well as CHF 130.0 million (previous year: CHF 130.0 million) for guarantees to secure intraday transactions for Group companies in connection with the zero balance cash pooling.

Full-time equivalents

The average number of full-time equivalents for the reporting period amounted to 218 (previous year: 36).

Treasury shares

Galenica shares owned by subsidiaries:

Treasury shares

	2021		2020	
	Number	in CHF	Number	in CHF
1 January	501,440		660,850	
1st quarter				
– Bought	392	23,223	396	24,927
– Sold	-41,676	-2,436,140	-57,734	-3,617,429
2nd quarter				
– Bought	1,584	100,175	500	34,238
– Sold	-18,087	-1,061,888	-28,090	-1,687,366
3rd quarter				
– Bought	1,415	98,068	780	52,283
– Sold	-85,856	-5,740,332	-76,470	-5,288,665
4th quarter				
– Bought	2,291	151,210	1,208	71,573
– Sold	-	-	-	-
31 December	361,503		501,440	

The treasury shares are reserved for share-based payments to employees.

Major shareholders

According to the Galenica Share Register, shareholders who owned 3% or more of the Company's capital shown in the table below. No other shareholder has announced a crossing of the 3% threshold of shares.

Major shareholders

	31.12.2021		31.12.2020	
	Number of shares	% of share capital	Number of shares	% of share capital
UBS Fund Management (Switzerland) AG, Switzerland	2,671,158	5.3	2,671,158	5.3
Alecta Pensionsförsäkring, Sweden	2,000,000	4.0	2,000,000	4.0
Credit Suisse Funds AG, Switzerland	1,626,752	3.3	1,626,752	3.3
Swisscanto Fondsleitung AG, Switzerland	1,533,324	3.1	-	-
BlackRock, Inc., USA	-	-	1,408,808 ¹⁾	3.1
Norges Bank (Central Bank of Norway), Norway	-	-	1,515,199	3.0
Rudolf Maag, Switzerland	-	-	1,500,000	3.0

¹⁾ Options not considered

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

Shareholdings of the members of the Board of Directors

Shareholdings of the members of the Board of Directors

Number of shares	Held as at 31.12.2021	Shares allocated for 2021	Held as at 31.12.2020	Shares allocated for 2020
Daniela Bosshardt	22,131	3,564	14,185	7,946
Pascale Bruderer	1,703	1,260	–	1,703
Michel Burnier	8,265	1,222	6,903	1,362
Fritz Hirsbrunner	–	–	–	1,362
Bertrand Jungo	4,964	3,284	2,963	2,001
Markus R. Neuhaus	7,416	1,668	3,812	3,604
Philippe Nussbaumer	–	916	10,269	2,724
Andreas Walde	11,982	1,527	10,279	1,703
Shares of the members of the Board of Directors	56,461	13,441	48,411	22,405

Shares held by related parties to members of the Board of Directors are included in the declaration of the number of shares they hold.

Shareholdings of the members of the Corporate Executive Committee

Shareholdings of the members of the Corporate Executive Committee

Number of shares	Held as at 31.12.2021	Held as at 31.12.2020
Marc Werner	1,390	80
Felix Burkhard	14,674	16,287
Andreas Koch	2,719	1,690
Daniele Madonna	8,325	6,328
Virginie Pache Jeschka	1,072	–
Thomas Szuran	2,315	1,375

Shares held by related parties to members of the Corporate Executive Committee are included in the disclosed numbers.

Information relating to the number and value of participations rights of the members of the Board of Directors and the members of the Corporate Executive Committee are disclosed in the Remuneration Report.

In 2021, 11,880 performance share units (previous year: 10,201 performance share units) with fair value at grant date of CHF 621,300 (previous year: CHF 699,768) have been allocated to the members of the Corporate Executive Committee. In 2021, 5,188 performance share units (previous year: 1,807 performance share units) with fair value at grant date of CHF 271,327 (previous year: CHF 123,988) have been allocated to other employees of Galenica Ltd.

Shareholders' equity

Shareholders' equity developed as follows:

Shareholders' equity

in thousand CHF	Share capital	Reserves from capital contributions	General legal retained earnings	Reserves for treasury shares ¹⁾	Free reserve	Available earnings	Shareholders' equity
Balance as at 31 December 2019	5,000	396,094	1,000	22,000	76,000	61,514	561,608
Allocation to free reserve					16,000	-16,000	-
Adjustment to the reserves for treasury shares				-10,400	10,400		-
Dividends		-44,482				-44,482	-88,964
Profit for the year						76,208	76,208
Balance as at 31 December 2020	5,000	351,612	1,000	11,600	102,400	77,240	548,852
Allocation to free reserve					32,000	-32,000	-
Adjustment to the reserves for treasury shares				-8,600	8,600		-
Dividends		-44,602				-44,602	-89,204
Profit for the year						228,676	228,676
Balance as at 31 December 2021	5,000	307,010	1,000	3,000	143,000	229,314	688,324

¹⁾ Owned by subsidiaries

Proposal of the Board of Directors for the appropriation of available earnings and reserves from capital contributions

At the Annual General Meeting as at 11 May 2022, the Board of Directors will propose the following allocation of available earnings and reserves from capital contributions:

in CHF	2021	2020
Appropriation of available earnings		
Balance brought forward	638,387	1,032,257
Profit for the year	228,676,151	76,207,951
Available earnings at the disposal of the Annual General Meeting	229,314,538	77,240,208
Dividend per share CHF 1.05 (2020: CHF 0.90)	-52,500,000 ¹⁾	-44,601,821
Allocation to free reserve	-176,000,000	-32,000,000
Balance to be carried forward	814,538	638,387
Appropriation of reserves from capital contributions		
Reserves from capital contributions	307,010,206	351,612,027
Dividend per share CHF 1.05 (2020: CHF 0.90) paid out of reserves from capital contributions	-52,500,000 ¹⁾	-44,601,821
Balance to be carried forward	254,510,206	307,010,206

¹⁾ The proposed dividend payment and appropriation of reserves from capital contributions covers all issued shares. However, no dividend will be paid on treasury shares. As a result, the total dividend amount payable depends on the number of treasury shares held on the distribution date. Based on the number of treasury shares held as at 31 December 2021, the total dividend would amount to CHF 104.2 million

The Board of Directors proposes to issue a dividend for fiscal year 2021 of CHF 2.10 per registered share. For this purpose, CHF 1.05 is to be taken from the reserves from capital contributions and CHF 1.05 from retained earnings. On the part taken from the reserves from capital contributions, the dividend can be distributed without deduction of Swiss withholding tax of 35%. Natural persons living in Switzerland are not liable for income tax on the dividend paid from the reserves from capital contributions.

Assuming the Annual General Meeting approves the dividend, payments will be made on 17 May 2022.



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To the General Meeting of
Galenica Ltd., Berne

Berne, 2 March 2022

Report of the statutory auditor on the financial statements

As statutory auditor, we have audited the financial statements of Galenica Ltd., which comprise the statement of income, statement of financial position and notes, for the year ended 31 December 2021.



Board of Directors' responsibility

The Board of Directors is responsible for the preparation of the financial statements in accordance with the requirements of Swiss law and the company's articles of incorporation. This responsibility includes designing, implementing and maintaining an internal control system relevant to the preparation of financial statements that are free from material misstatement, whether due to fraud or error. The Board of Directors is further responsible for selecting and applying appropriate accounting policies and making accounting estimates that are reasonable in the circumstances.



Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Swiss law and Swiss Auditing Standards. Those standards require that we plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers the internal control system relevant to the entity's preparation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control system. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.



Opinion

In our opinion, the financial statements for the year ended 31 December 2021 comply with Swiss law and the company's articles of incorporation.



Report on key audit matters based on the circular 1/2015 of the Federal Audit Oversight Authority

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. We have determined that there are no key audit matters to communicate in our report.



2

**Report on other legal requirements**

We confirm that we meet the legal requirements on licensing according to the Auditor Oversight Act (AOA) and independence (article 728 CO and article 11 AOA) and that there are no circumstances incompatible with our independence.

In accordance with article 728a para. 1 item 3 CO and Swiss Auditing Standard 890, we confirm that an internal control system exists, which has been designed for the preparation of financial statements according to the instructions of the Board of Directors.

We further confirm that the proposed appropriation of available earnings complies with Swiss law and the company's articles of incorporation. We recommend that the financial statements submitted to you be approved.

Ernst & Young Ltd

Daniel Zaugg
Licensed audit expert
(Auditor in charge)

Simone Wittwer
Licensed audit expert

Spotlights

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Primary Care: The pharmacy as the first point of contact for health problems

In 2021, pharmacies further established themselves as the first point of contact for health issues. Primary Care offerings and services have contributed to this. The major advantage for patients is that they do not have to make an appointment in advance, but can go directly to the pharmacy for simple medical examinations and treatment recommendations, six to seven days a week.

Patients with conditions such as urinary tract infections often go straight to their family doctor or to the emergency department of a hospital. In many cases, however, the disease illness can be treated quickly, competently and cheaply in a pharmacy. Thanks to Primary Care, customers who have acute symptoms receive the necessary advice at their first point of contact, the pharmacy, and, if necessary, appropriate medication based on the pharmacy's diagnosis. This may also include certain prescription drugs that the pharmacist is able to dispense without a doctor's prescription. For our customers, Primary Care means saving time and greater flexibility in the event of health problems, since an initial assessment does not require a visit to the doctor. Demand confirms that we are meeting a genuine customer need with our range of services as demand for Primary Care has almost tripled in the past year.

Vaccinations in Galenica pharmacies

After a consultation, customers can get vaccinated with us. In addition to flu and tick-borne encephalitis vaccines, the range of services offered by our pharmacies also includes vaccinations against COVID-19. To this end, we have given additional employees special training in our Amavita, Sun Store and Coop Vitality pharmacy formats and adapted the premises accordingly.

By the end of 2021, Primary Care already included 28 indications, including for conditions such as eye redness, urinary tract infections and eczema. The algorithms developed by HCI Solutions support our pharmacists in making and documenting diagnoses. In other words, they offer support in providing customers with immediate and straightforward advice so that their symptoms subside as quickly as possible thanks to the right treatment. The algorithms also allow the pharmacy's services, i.e. medical history, triage and documentation, to be recorded in a structured manner and to be remunerated and invoiced accordingly.

Increasing customer satisfaction with Primary Care

Primary Care means more convenience for customers, and in turn more frequency for the pharmacy and more satisfied customers who think of the pharmacy first in the event of acute symptoms. In this way, Primary Care makes an important contribution to fully utilising the expertise of pharmacists and positioning the pharmacy as the first point of contact.

In order to strengthen pharmacies as the first point of contact for health problems and basic medical care, we support the incorporation of Primary Care services into health insurance models. CSS is taking the lead and has been providing its patients with MyFlex outpatient supplementary insurance since beginning of 2022.



Primary Care is one of the key topics in the strategic «Care» programme: we want to provide our customers with the best possible care and support – throughout their lives. We aim to improve the quality of life of our customers with needs-based health and therapy services and provide them with support as the first point of contact in pharmacies when it comes to health problems. To do this, we are constantly expanding our range of healthcare services.

More time for customers: new shop design at Sun Store

Sun Store pharmacies are constantly developing in line with new customer needs and expanding their product ranges and services. In the future, Sun Store customers will enjoy a more attractive customer experience than previously. Thanks to the new shop design, employees can devote more time to their most important task: advising customers.

Fresh, spacious and bright: that's how Sun Store pharmacies will look in the future. Thanks to optimised customer guidance, customers have more space to experience our product ranges. Another aspect of the attractive shopping experience is the fact that our employees have more time and space thanks to the new concept, allowing them to concentrate on their most important task: providing personal advice to our customers.

As the first point of contact for health-related questions, the new Sun Store pharmacy offers more options for advice and services. At a specially set-up counter, customers can obtain advice on health services in the pharmacy, such as vaccinations, an allergy or polymedication check, make an appointment directly or collect their Click & Collect orders. The way to the cash desk is also new: customers have a direct route to checkout and are then filtered to several checkout stations, which significantly reduces waiting times. Thanks to specially designed furniture, the new store concept also takes into account the needs of people with reduced mobility.

Investing in the pharmacy of tomorrow

We invest in a strong pharmacy network and in the further development of the pharmacy itself. The new store design is another step towards the pharmacy of the future. Tomorrow's pharmacy will offer even more services than today, supporting our customers in their treatment and making it easier for them to access all our products and services.

We are planning to adapt at least three to four pharmacies per year based on the new concept. The new Sun Store shop design is part of the strategic «Omni-channel» programme whereby Galenica offers customers the best experience through all channels, anytime and anywhere.



Home care: growing demand for patient care at home

Home care makes a significant contribution to improving patients' quality of life. At the same time, these models are more cost-effective than, for example, inpatient solutions and ease the burden on care homes and hospitals. Mediservice and Bichsel are two Galenica Group companies that specialise in meeting the growing demand for home care for patients, both in in-person and digital care.



As the Galenica Group, we want to serve our customers wherever they are. This means not only at the pharmacy and online, but also at home. As trend analyses predict, home care will increase sharply in the future, in particular due to the demographic change in society. We are responding to this development primarily with our companies Mediservice and Bichsel.

Mediservice caters to customers who require special medication or care at home. For example, Mediservice nursing staff visit their patients at home and provide them with the necessary infusions on site, for example. The team works in over 50 specialisms – from immunology and neurology to rare diseases. Here, too, the use of digital possibilities is increasing.

In 2021, for example, Mediservice expanded its range of support for highly complex therapies by incorporating therapy advice via video link. Launched in 2019, this tool has become firmly established over the course of the coronavirus pandemic. A key factor in the development of video therapy support was the need for additional flexible and fast contact with patients. Digital nursing – systematic digital support and advice for patients in dealing with their illness, diagnosis or medication – is unique in Switzerland. It offers the possibility of contacting patients quickly and flexibly. This innovative digital way to approach patient care in the area of e-health is fully underpinned by the strategic «Care» and «Professionals» programmes and offers clients significant added value.

Bichsel also offers additional services that complement Mediservice. The company specialises in clinical nutrition and is now a leader in the field. As with Mediservice, convenience is paramount at Bichsel. This allows patients to lead a more or less normal life at home, which translates to a good quality of life.

Bichsel home care specialises in nutritional therapies in particular. This is because there are situations in which a complete, normal diet changes due to an illness or patients can no longer eat on their own. Artificial nutrition poses a major challenge for both patients and carers. Andrea Rohrbach, Head of Home Care at Bichsel, however, feels that this does not have to be the reason for a hospital stay: «If a patient is dependent on special nutritional therapy, this does not mean they have to stay in hospital.» There are also mobile artificial nutrition systems that make it easy to take a walk or do housework. If the patient is in an acute situation, the artificial nutrition can be administered via a tube. In 2021, Bichsel home care was able to look back on 30 years of experience in tube care.

Directly at the pharmacy or digitally – the customer has the choice

With our mail-order pharmacy, we have taken a major step forward in networking the physical points of sale and digital ordering and shopping options in the webshops. Our customers can also order prescription drugs and medical devices online via the mail-order pharmacy and receive them by post – even on repeat prescription.



Our customers can conveniently order prescription medications online from the Amavita, Sun Store and Coop Vitality mail-order pharmacies and have them delivered to their homes. This represents an important step towards connecting the physical points of sale with the webshops.

The mail-order pharmacy is located in 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. Initially, the service was only offered to patients with a repeat prescription. It has now been expanded to include single-prescription orders. Customers order the product via the Amavita, Sun Store or Coop Vitality webshop and send 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.

Our customers are at the heart of all our activities. The combination of bricks-and-mortar pharmacies with the convenience of ordering online gives customers the opportunity to decide how they would like to contact us on a case-by-case basis. The expansion and linking of our online and offline offerings takes place within the framework of the strategic «Omni-channel» programme. The aim of the programme is to offer customers the best possible customer experience through a wide range of channels by linking offerings.

E-Mediplan: increasing patient safety with digital innovations

A medication plan protects patients against side effects or overdose caused by drug interactions. This is because a medication plan provides a simple overview of prescribed medications and helps patients to take them and pharmacists and doctors to prescribe them. Thanks to the e-Mediplan, the e-health solution from HCI Solutions, the plan is now even easier to use and patient safety has been increased.



Drug interactions may occur if a patient takes two or more medications. These are usually undesirable and can lead to a loss of efficacy, dangerous side effects or an overdose. Around 10% of the Swiss population consume five or more medications per day. It is often difficult for patients to keep track of things and take the medication correctly. The medication plan helps patients to take their medication and it simplifies interdisciplinary care, as it provides a quick overview of the prescribed therapies for each treating doctor or pharmacist.



Doris Graber
 23.03.1950 (W)
 Musterstrasse 2, 3000 Bern / +41 79 123 45 67
 Körpergröße / Gewicht: 165cm / 71 kg
 Fahrer: ja
 Allergie(n): Penicillin-Allergie

erstellt von:
 Dr. Alex Fortuna
 Effingerstrasse 11
 3011 Bern



Letzter Stand: 11.08.2021 16:23

Medikament	Morgen	Mittag	Abend	zur Nacht	Einheit	Art der Medikation	Von bis u. mit	Anleitung	Grund	Verordnet durch
METFIN Filmtabl 1000 mg Metforminhydrochlorid	 1	-	-	-	Stück	täglich	11.08.2021		Bauchspeicheldrüse	Dr. Alex Fortuna
ASPIRIN CARDIO Filmtabl 100 mg Acetylsalicylsäure	 1	-	-	-	Stück	täglich	11.08.2021		Blutverdünnung	Dr. Alex Fortuna
EXFORGE Filmtabl 5mg/80mg Amlodipin, Valsartan	 1	-	-	-	Stück	täglich	11.08.2021		Bluthochdruck	Dr. Alex Fortuna
PANTOPRAZOL Sandoz Filmtabl 20 mg Rantoprazol	-	1	-	-	Stück	täglich	11.08.2021	1h vor dem Essen einnehmen	Sodbrennen	Dr. Mario Weibel

↑ Example of an e-Mediplan

With the e-Mediplan, HCI Solutions has developed an e-health solution that allows patients to access an up-to-date overview of their medication digitally at any time – also in a practical app. The e-Mediplan increases the efficiency and effectiveness of treatments and makes an important contribution to patient safety and digitalisation in healthcare. This is because, with the e-Mediplan, not only patients, but also their relatives and healthcare professionals can keep an eye on the entire medication list and schedule at all times. The e-Mediplan includes, for example, the trade name and a picture of the corresponding tablet, as both are central to everyday life. The 2D barcode allows pharmacists and doctors to scan information from the e-Mediplan and

transfer it to their own information system without any additional effort. The use of the e-Mediplan is a milestone on the way to further digitalisation steps such as e-prescriptions.

Promoting the e-Mediplan

Galexis and HCI Solutions have made it their joint task to further promote the patient benefits of the e-Mediplan. To this end, they pooled their resources and created an explanatory video that can be shown in doctors' offices, for example. The aim of the information is to show patients the great benefit of medication and patient safety, and, in this way, also to raise their general awareness of digital solutions in the healthcare sector.

As part of the «Efficiency» strategic programme, we as a Group have set ourselves the goal of making Galenica easier – for our customers and partners and for our employees. In our activities, we therefore make use of synergies and consistently design processes and systems simply and, where possible, digitally.

We are strengthening our offering for home care organisations and care homes

People are living longer. This trend significantly increases the importance of nursing homes as well as home care organisations. We want to support these customers with a comprehensive and professional range of services. The acquisition of Lifestage Solutions underscores this commitment.



The shape of the age pyramid is changing – people are living longer. As a result, home care organisations and care homes are becoming more relevant. Digitalisation plays an important role for these institutions, which are also our business customers. Not least to become more efficient and absorb cost pressure.

Our most recent acquisition, Lifestage Solutions, is an example of how we are supporting our business customers in this area. Lifestage Solutions offers a comprehensive digital solution that makes the tasks of care homes and home care organisations much easier. First and foremost, this involves solutions that simplify internal processes. This not only allows institutions to reduce costs, but also enables their nursing staff to devote more time to their actual task: caring for residents and patients.

With the acquisition of Lifestage Solutions, we further expanded our offering for home care organisations and care homes in 2021. The Lifestage Solutions platform will be expanded in the future with the existing range of products and services, thus offering attractive added value. We are also expanding our services for home care patients thanks to potential synergies. Through Lifestage Solutions, Galenica is taking another opportunity to position itself as a leading integrated healthcare provider in the growth markets of home-care organisations, care homes and home care.

www.lifestage-solutions.ch

Pharmacist and doctor together under one roof

On 1 July 2021, we acquired Apodoc Hardbrücke Ltd., where both a pharmacy and a medical practice are available to customers on the same premises. With this innovative model, we want to gain valuable experience in the field of integrated care and cooperation between pharmacists and doctors.

The multidisciplinary approach between different service providers is becoming increasingly important. With Apodoc, we can also build our expertise and gain experience in this area. Apodoc is an innovative pharmacy that has integrated a medical practice into its premises and is thus considered a pioneer in integrated healthcare. The collaboration between the pharmacy and the medical practice is an excellent example of how interprofessional collaboration is practiced and lived, thereby improving health outcomes.

The acquisition of Apodoc is centred around the strategic «Care» programme, which aims to improve the quality of life of customers with needs-based health and therapy services. In particular, this will be achieved through cooperation and partnerships with other players in the healthcare system. With Apodoc, we can test and expand the collaboration between pharmacists and doctors for new business models and thus develop concepts that offer customers the greatest possible added value. For example, there are plans to start to gain experience in e-prescriptions (electronic prescriptions) in a pilot project at Apodoc.



Own complementary medicine range expanded

Verfora acquired Spagyros Ltd. on 1 September 2021. Thanks to this expansion step, we are not only able to meet the growing demand for herbal and complementary medicinal products with our own products, but also strengthen pharmacies and drugstores with our own range of products that require intensive consultation.



↑ Michael Severus, Head of Marketing and Sales for Complementary Medicine, Verfora Ltd.

With the takeover of Spagyros Ltd., we have taken a significant step in the expansion of our complementary medicine portfolio in the fields of phytotherapy, gemmotherapy, spagyric medicine and homeopathy while also investing in strengthening production and specialist retail in Switzerland. Spagyros is characterised by the high quality of its products, independent cultivation of medicinal plants and the manufacture of its medicinal products by hand in Switzerland.

Since the start of September 2021, Spagyros has been part of Verfora, where it is managed as an independent company and centre of competence for complementary medicine. With Spagyros, Verfora has expanded its portfolio with well-known brands such as Spagyrom® (lozenges and cold drops) and Spagyros Ribes nigrum® gemmospray (oral spray for colds and hay fever). In addition, Spagyros offers comprehensive training and further education programmes in the fields of spagyric medicine, homeopathy and gemmotherapy, which are recognised by the FPH and the Swiss Drug Association.

Thanks to the acquisition of Spagyros, Verfora is able to boost the growing demand for herbal and complementary medicinal products with its own range of products for pharmacies and drugstores that require intensive consultation. This step is part of the strategic «Omni-channel» programme, with which we aim to continuously develop and expand our product range to meet customer needs.

Which people do Spagyros products help and in what situation?

«The plant-based products can support patients in any situation. Spagyric medicine, gemmotherapy and homeopathy make it possible to prepare an individual remedy for each customer. For customers who need to dive quickly in and out of the pharmacy, we have our ready-made mixtures and medicines. In my opinion, this is the best way to ensure customer loyalty in the healthcare sector.»



↑ Most popular product: Spagyros Ribes nigrum® mouth spray

Spagyric medicine, gemmotherapy and phytotherapy

Spagyric medicine is a holistic naturopathic treatment method in which the active substances from plants are separated, processed and then combined again in a special way.

In **gemmotherapy**, buds, shoot tips and young shoots are harnessed to promote regeneration and healing in humans.

Phytotherapy is traditional herbal medicine. Modern phytotherapy uses complex extracts from whole plants or parts of plants. Spagyros Ltd. specialises in a wide variety of fresh plant tinctures, which are produced according to the specifications of the Homeopathic Pharmacopoeia.

Our contribution to the security of medical supplies

As a specialist partner, we actively support our customers in establishing group practices and medical centres, thus contributing to the security of medical supplies in Switzerland. This is particularly true in regions where there is already a shortage of family doctors, or will be in the near future. In 2021, we gained further market shares in the physicians segment, proving that our offerings are convincing.



There are fewer and fewer traditional family doctors in Switzerland. Having a family doctor in the village, who is the first point of contact for all medical matters almost around the clock, is becoming increasingly rare. The reason for this is that many of these doctors are coming up to or have already passed retirement age and there are no successors. This has a significant impact on basic healthcare, particularly in rural areas.

Individual practices are disappearing and, in return, group practices and medical centres are being set up which, in addition to attractive working models for employees, also generates prospects for doctors. This means registered doctors will work part-time more than they do today – without having to bear the full entrepreneurial risk of their own practice alone. As the Galenica Group, we want to actively support and shape this change by working to help our customers in establishing group practices and medical centres.

We have set ourselves the goal of supporting efforts to restructure the physicians segment in the interests of doctors, pharmacies and patients, while at the same time contributing to the maintenance of basic healthcare. After all, our role extends beyond the wholesale business: we are also a close partner for the medical centres. We support them as a reliable partner along their entire value chain. We advise them on setting up a medical practice. When working with us, customers who are currently setting up one or more medical centres will benefit from access to the internal network as well as to a large external partner network that facilitates further cooperation.

Galexis introduces innovative cooling technology

Demand for refrigerated medicines is ever increasing. To increase capacity and ensure competitiveness, Galexis has been using shock freezers since 2021. Galexis is the first pharmaceutical wholesaler to apply this innovative cooling process, setting new standards in pharmaceutical logistics.

Galexis is continuously optimising and developing its services. «We expect demand for refrigerated products to increase significantly over the next five years,» says Sergej Cadjenovic, project manager for supply chain management at Galexis. Chilled products, which include insulin, vaccines or cancer medicines, already account for a significant proportion of Galexis' orders.

The refrigerated products are transported in cool boxes, the conditioning of which is time-consuming and uses up a large storage area. In order to reduce the time needed to prepare the cool boxes and thus increase capacity in the long term, Galexis was looking for a suitable solution – and found it in the catering industry with the shock freezer. Galexis is the first pharmaceutical wholesaler to use this innovative cooling process, setting new standards in pharmaceutical logistics.



↑ Shock freezer at Galexis

The shock freezer reduces the time required to condition the cool boxes from 14 to 4 hours. This increases Galexis' agility and allows it to react more flexibly to the market. In addition, the cooling tunnel, where the boxes were previously conditioned, has been freed up and converted to expand the refrigerated warehouse. The introduction of the new cooling technology, with all its advantages for customers, is an example of the objective of the «Professional» strategic programme: to be the first choice in the provision of logistics services and to offer customers clear added value as a strong partner.

We promote talent

The development of our employees is very important to us and is part of our social responsibility. That is why we at the Galenica Group support and encourage employees to develop their skills and realise their full potential – also with the aim of being an attractive employer and attracting and retaining valuable specialists. Employee development is a focus point of the strategic transformation programme: Wherever possible, employees should be encouraged to take professional development steps. Buket Tagli and Dania Stoll are two examples of employees who, thanks to their commitment, are supported by Galenica.



Buket Tagli

Buket Tagli has been Deputy Manager of the Coop Vitality pharmacy in Wallisellen since 1 January 2021 – as a pharmacy assistant of just 27 years. She has been working as a pharmacy assistant at the Coop Vitality pharmacy since 2016, has supported several renovations and openings, and completed a vocational trainer course so she can supervise apprentices. She is training to become a sales clerk while working.

Due to an unforeseen lengthy absence of the Manager, Buket Tagli immediately took over her business management duties. She prepared work plans, managed inventories, planned product promotions, handled invoices and completed reports – initially on an interim basis, and now as Deputy Manager since January 2021. «I am grateful for the fantastic team at the Coop Vitality pharmacy in Wallisellen, for the many further training opportunities provided by Galenica and for the chance to prove myself and develop myself in my new role,» says Buket Tagli.



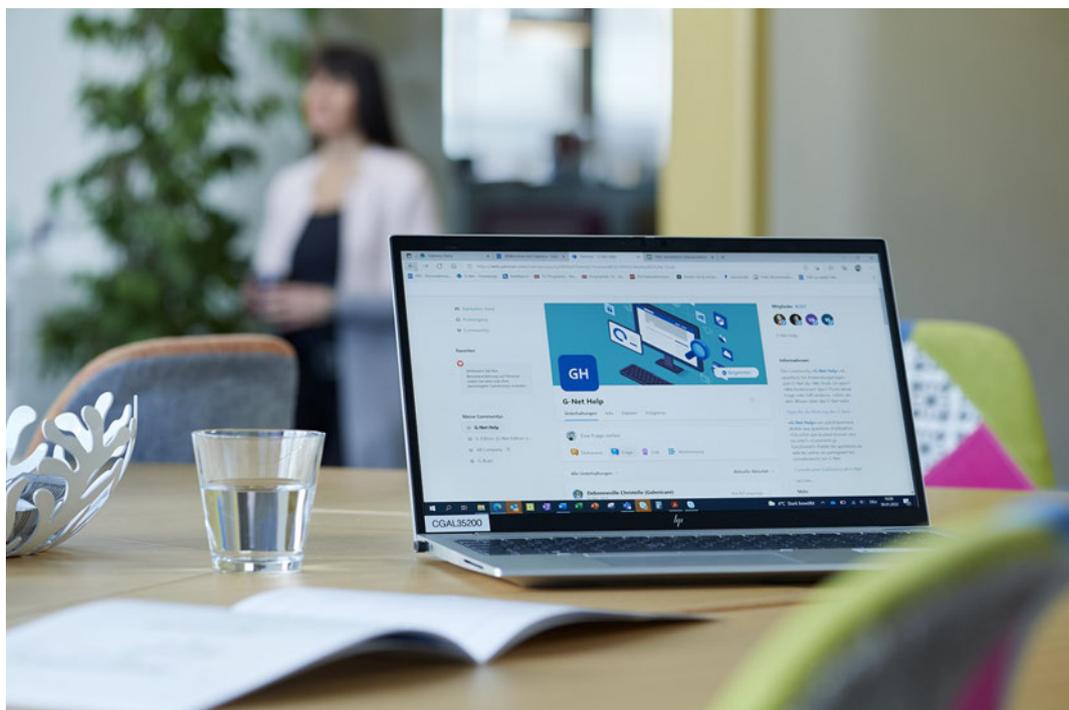
Dania Stoll

Dania Stoll photographs items for internal and external customers in the HCI Solutions photo studio. Over the past ten years, the one-woman and one-camera operation has grown into a team with a professionally equipped studio. The importance of the photo studio has increased even more with the expansion of the Amavita, Sun Store and Coop Vitality pharmacy online shops.

Dania Stoll is a trained pharmacy assistant. Around 16 years ago, she made the move from the pharmacy to an office and finally ended up in the HCI Solutions photo studio in 2011. «At the time, the studio consisted of a table on which I photographed tablets,» says Dania Stoll. Formerly a one-woman team, there are now four employees who are responsible for photographing the items. These days, product images are no longer just important for databases, but also for the webshops of the pharmacy formats. The studio now consists of two large stations for photographing item packaging, a small station for photographing individual tablets and blisters, a 360 degree recording system and two image processing stations. «It's a lot of fun working with the latest technology and being able to continuously develop within the Galenica Group,» adds Dania Stoll.

Connecting employees digitally

Ensuring the transfer of knowledge within the Galenica Group and the personal, direct interchange between all employees from all language regions of Switzerland are at the heart of our communication efforts. These goals are an important prerequisite for successfully developing Galenica further together. The new Group-wide intranet G-Net offers the opportunity to do this.



↑ The G-Net connects employees.

For two years now, we as a Group have had to carry out many activities digitally due to the epidemiological situation. 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, logistics and warehouses – in order to foster a communal dialogue, provide information and improve knowledge sharing. The fact that we planned and set up a new intranet even before the pandemic helped us in this new situation.

In addition to improving efficiency, digitalisation creates new possibilities for communication and interaction among employees. With the new internal digital communication platform G-Net, which went live at the beginning of 2021, we now have a solution that connects all employees with one another. All Galenica Group employees can access the new intranet from a desktop computer, laptop or directly from a mobile device such as a smartphone. G-Net provides news about business activities, internal regulations and organisational charts, and offers the opportunity to exchange ideas with colleagues in forums and thus share expertise with one another. This means «office» and «non-office» workers are networked with each other.

Formats, such as the regular Q&A sessions with the Executive Committee, are readily accessible to all Group employees via G-Net. As part of our strategic programmes and our servant leadership philosophy, G-Net therefore contributes to the reduction of silos and to the self-determined actions of employees.

Driving into the future in an eco-friendly way

The first gas-powered vehicle has been in operation at Galenix since March 2021. Fuelled entirely by biogas, the transport of goods is environmentally friendly. This is a key step towards sustainable logistics for the Galenica Group.

Biogas is produced by the fermentation of organic waste products and is both renewable and climate-neutral. This means that the same amount of CO₂ would be released if the organic waste materials decomposed naturally and unused. Therefore, there are no additional CO₂ emissions generated, as is the case with fossil fuels. Biogas-powered vehicles not only emit less CO₂ than vehicles with diesel or petrol engines, but they also produce fewer pollutants that are harmful to the environment and health, such as particulate matter.

The biogas-powered vehicle transports non-pharmaceutical products, such as consumables, in a climate-neutral manner between the distribution centre in Niederbipp and the external warehouse in Oensingen. It covers between 250 and 300 kilometres in a week. A positive economic side effect are the low operating costs, which are around 30% lower for a gas-powered vehicle than for a diesel- or petrol-powered vehicle. The feedback from the drivers is also very positive: «The vehicle is pleasant to drive, quiet and comfortable,» says Stefan D’Onofrio, driver at Galenix. Based on the positive experience, Galenix procured and put into operation another gas-powered delivery vehicle at the end of 2021.



↑ The biogas vehicle at Galenix

Throughout the Galenica Group, goods transport is the principal source of direct and indirect CO₂ emissions. In order to reduce greenhouse gas emissions, the use of renewable energies in logistics is therefore of key importance. We have set ourselves the goal of replacing 40% of the fossil fuels in our own vehicle fleet with renewable propulsion by 2028. In doing so, we are contributing to the Swiss climate targets, which are aiming to halve greenhouse gas emissions compared between 1990 and 2030.

«Enabling people of all ages to enjoy good health and well-being is key to sustainable development»

Jürg Pauli, Chief Transformation Officer and Head of the Sustainability Committee, explains in an interview what sustainability means for Galenica, the company's contribution to sustainable development and his personal highlights in 2021.



↑ Jürg Pauli, Chief Transformation Officer and Head of the Sustainability Committee

Our vision:

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

What does sustainability mean for Galenica and how does Galenica live up to this responsibility?

To us, sustainability means ensuring the highest level of safety and quality in all our offerings for people's benefit. To guarantee our employees a safe, fair and supportive working environment. To use natural resources sparingly and efficiently and to act ethically and in accordance with the law. In short, we have a comprehensive understanding of the economic, social and ecological responsibility of our company. We are convinced that forward-looking and responsible action is the basis for the long-term success of the Galenica Group. This is why sustainability is an integral part of our corporate governance and Galenica's strategy.

Galenica has committed itself to its Sustainable Development Goals (SDGs). What role do healthcare providers like Galenica play in achieving these goals?

SDG 3 calls for healthy living for everyone. Compared to other countries, Switzerland has a high life expectancy and very good healthcare system. However, the demands placed on the Swiss healthcare system are constantly changing. Reasons for this include an ageing population, ongoing cost pressure and digital revolution. Healthcare providers such as Galenica face challenges and play a key role in maintaining and improving the state of health of the population and quality of life in Switzerland. With our vision and our customer promise, we support people with our products and services at every stage of their lives on their journey toward health and well-being and can thus make a significant contribution to the SDGs.

Galenica strengthened its commitment to sustainability in 2021. What were the most important milestones and personal highlights?

A personal highlight for me was the cooperation and dedication of my colleagues on the Sustainability Committee. Thanks to their commitment, we reached an important milestone in 2021 and for the first time communicated specific sustainability goals for Galenica in the Annual Report, which we intend to be measured against. These goals illustrate our ambitions in the area of sustainability and give us a clear direction for the coming years. The discussions with our suppliers, customers and partners, with which we systematically discussed our sustainability topics for the first time, were also very exciting. Their concerns and expectations of us will help us to drive the topic forward and improve in the coming years.

Our customer promise:

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

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