

# Galenica Sustainability Report 2020

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# Dear readers

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Editorial

Sustainability is an integral part of Galenica's corporate governance. We firmly believe that we can achieve long-term commercial success only if we bear social responsibility and use natural resources efficiently and respectfully.

## Important contribution to overcoming the coronavirus pandemic

The COVID-19 pandemic is posing major challenges for us all. At the same time, it has highlighted the central role held by the Galenica Group in the Swiss healthcare market as the first point of contact for advice on health matters and for supplying the population with medicines. Since November 2020, the first few Galenica pharmacies have been offering coronavirus rapid antigen tests as well as PCR tests, thus making an important contribution to overcoming the coronavirus pandemic. As well as this, coronavirus self-tests have been available at pharmacies since April 2021 and COVID-19 vaccinations are planned. In additional shifts, the Bichsel Group ramped up its own production capacities for infusion and rinsing solutions as well as disinfectants and was classified by the Federal Office for National Economic Supply (FONES) as a systemically important company. At the same time, the logistics companies Alloga, Galexis and Unione Farmaceutica Distribuzione (UFD) have been doing everything in their power to maximise deliveries of medicines and to keep delays at a minimum.

Patient and employee protection has top priority. We have implemented comprehensive COVID-19 protection measures across all Galenica companies. In addition, the pharmacies have installed protective plexiglass shields at their cash registers and are providing disinfectants and regulating the flow of customers.



↑ Marc Werner, CEO, Felix Burkhard, CFO and member of the Sustainability Committee of the Galenica Group

## Employee motivation is satisfactory

The opinion of our employees is important to us. Since 2020, we have been conducting the “Opinio” employee survey on an annual basis rather than in three-yearly intervals as before. The focus of the online questionnaire is on the motivation of our employees. With a group-wide score of 72 out of a possible maximum of 100, employee motivation is satisfactory. High scores were awarded for employees’ satisfaction with their work (76 out of 100 points), confidence in line management (78 out of 100 points) and interest in the company’s future (80 out of 100 points).

## Renovation and modernisation of the Galexis distribution centre

Reducing the carbon footprint and boosting energy efficiency are important goals in renovating and modernising the Galexis distribution centre in Lausanne-Ecublens. The first phase of the conversion work entailing the renovation of all buildings and roofs commenced in 2020. We also plan to put a photovoltaic system into operation. The renovations form part of the targets agreed with the Federal Office for the Environment (FOEN). By complying with the agreements with FOEN we can apply for a refund of the CO<sub>2</sub> levy on fossil fuels or request subsidies for the implementation of the measures.

## New sustainability aspects identified

In 2020, we reviewed the relevance matrix and the sustainability goals, identifying three new key topics: retention of qualified employees, IT security and cybercrime, procurement and supply-chain reliability. Galenica's relevance matrix now encompasses thirteen topics, twelve of which we consider to be material. These topics form the core of our sustainability report for 2020.

## Outlook for 2021

Under the Galenica Group's new organisational and management structure, which came into effect in January 2021, the Sustainability Committee was also given a new composition. The Committee will be developing internal goals and parameters for all relevant aspects of sustainability. In addition, talks are planned with representatives of external stakeholders such as suppliers, customers and partners in 2021 in order to review the relevance of the main aspects. In addition, we will be evaluating the positive and negative impact that Galenica has on the economy, the environment and society for each aspect of sustainability.

Bern, May 2021



Marc Werner  
CEO

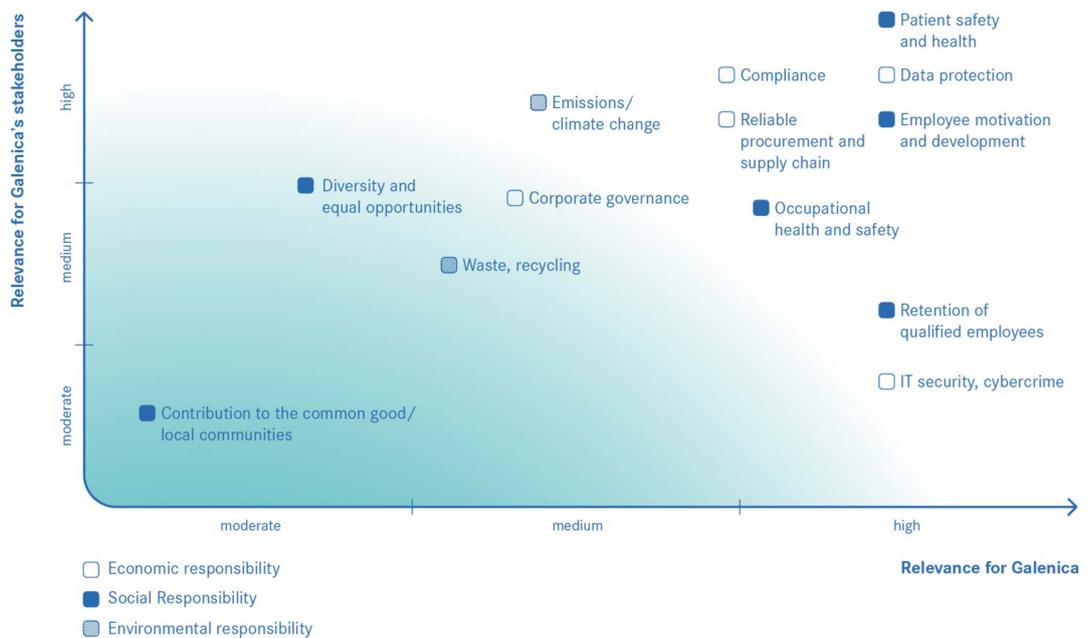


Felix Burkhard  
CFO and member of the  
Sustainability Committee of the  
Galenica Group

# Sustainability organisation and relevance matrix

## Responsibility

We have formalised our commitment in the area of social responsibility with the establishment of the Sustainability Committee. In 2020, the Committee reviewed the relevance matrix and the related goals, identifying three new key topics.



## Sustainability Committee revamped

The Sustainability Committee acts in an advisory and coordinating capacity. In 2020, its composition reflected the organisational structure in force until the end of that year. Accordingly, it was made up of one representative from each of the former Retail, Products & Brands and Services Business sectors, an additional representative from HCI Solutions (Services Business sector), three representatives from Galenica Ltd. (Legal Department, Corporate Communications and Human Resources) and a member of the Corporate Executive Committee (CFO). The head of Pharmacy Services Retail chaired the Committee.

## Relevance matrix and goals reviewed

The Sustainability Committee met four times in the year under review with the aim of further systematising internal sustainability management and external reporting and ensuring the implementation of the internal roadmap. The measures were for the most part implemented according to plan. The Committee reviewed the relevance matrix and the related goals, identifying three new key topics. In addition, the internal target-setting process was initiated for all relevant matters under the Sustainability Committee's guidance.

## New composition of the Committee from 2021

Under the Galenica Group's new organisational and management structure, which was launched at the beginning of 2021, the Sustainability Committee was also given a new composition. All sustainability issues as well as the Business and Service Units are represented on the Committee by a responsible person. The new Sustainability Committee comprises two representatives from Pharmacies, two from Wholesale and Logistics, two from IT & Digital Services, one each from Healthcare and Products & Marketing, two from Human Resources, one each from Legal and Corporate Communications and two from Finance. The Committee is chaired by the Chief Transformation Officer. The new Sustainability Committee held its constituting meeting at the beginning of 2021. The Committee's main task in 2021 is to define internal goals and parameters for all relevant sustainability issues.

## Relevance matrix tightened up

In 2017, Galenica identified the sustainability aspects of relevance for the Group for the first time, assessing these from the point of view of the Galenica Group as well as its main stakeholders. Following discussion on the new Sustainability Committee and the Corporate Executive Committee, three new key topics were identified in the year under review: the retention of qualified employees, procurement and supply-chain reliability and IT security and cybercrime. Accordingly, Galenica's relevance matrix now comprises thirteen topics. The Corporate Executive Committee and the Board of Directors have approved the updated relevance matrix and classified twelve of the thirteen topics as material. These aspects form the core of sustainability reporting.

## Talks with external stakeholders planned

Talks are planned with representatives of the external stakeholders in 2021 to review the relevance of the individual topics. In addition, the impact that Galenica has on its social, ecological and economic environment is to be assessed for each topic of sustainability.

# Impact along the value chain

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## Responsibility

The Galenica Group's business activities have an economic, social and ecological impact along the entire value chain of the healthcare market. For this reason, we constantly endeavour to strengthen the positive impact along the value chain while continuously minimising any negative effects.



## Production

The medications sold by the Galenica Group companies are mostly produced by third parties, although the Group's own pharmacies and the Bichsel Group also manufacture individual medicines and medical devices for patients. In addition, the [Bichsel Group](#) produces high-quality medications for hospitals, physicians, pharmacies and veterinary surgeons. The quality of the medications as well as patient safety and health are crucial.

The production of medicines has an impact on people and the environment. Galenica ensures that its business partners observe their social and ecological responsibilities and has therefore developed a [Supplier Code of Conduct](#) that encompasses aspects related to ethics, labour law, health, safety, quality and the environment. Producers of medicines are also regularly assessed with regard to quality.



## Packaging

Galenica predominantly distributes and sells pre-packaged third-party medications. Exceptions are the packaging for medicines produced by pharmacies and the Bichsel Group and drug blister packaging by [Medifilm](#).

Medifilm is the Swiss pioneer in individual packaging for medicines and nutritional supplements. It produces this packaging under contracts with pharmacies and in accordance with the therapy plans for patients with chronic and long-term illnesses. This work requires a high level of precision and efficient use of resources (materials and energy). Medifilm optimises the response to both requirements as part of its quality and environmental management.



## Logistics

Pre-wholesaler Alloga provides warehousing, logistics and distribution services on behalf of its industrial customers. It primarily serves wholesalers, including the Group's own wholesalers Galexis, Unione Farmaceutica Distribuzione (UFD) and Pharmapool, as well as pharmacies, physicians, hospitals and care homes throughout Switzerland. Alloga works with around 80 pharmaceutical and healthcare companies, many of which are leading multinationals.

Galexis is the leading wholesaler in the Swiss healthcare market, supplying pharmacies, medical practices, drugstores, care homes and hospitals. From its two distribution centres in Niederbipp and Lausanne-Ecublens, the company delivers over 90,000 referenced healthcare products to customers. For its part, Unione Farmaceutica Distribuzione (UFD) is the most important and only full-range healthcare logistics company in Ticino. The physicians' wholesaler Pharmapool supplies and supports medical practices with medicines, consumables, laboratory products and furnishings. Finally, the Bichsel Group supplies its home-care patients and customers via its own fleet of vehicles.

All five companies ensure that medications and healthcare products reach pharmacies, physicians, drugstores and other medical institutions quickly and reliably. Patient safety is also ensured thanks to an uninterrupted cold chain for temperature-sensitive medications. However, distribution requires a large amount of fuel and emits greenhouse gases, pollutants and noise. In addition, customer returns cause waste (see "Use of medicines"). Moreover, inventory management and motorised logistics are exposed to a heightened risk of accidents. The companies mentioned above therefore not only comply with the Good Distribution Practice (GDP) guidelines but also adopt a systematic approach to safety and environmental management.



## Marketing and information

The Galenica Group markets and distributes its own and partner brands via [Verfora](#) and G-Pharma. The range includes brands such as Perskindol<sup>®</sup>, Anti-Brumm<sup>®</sup>, Algifor<sup>®</sup> and Merfen<sup>®</sup>. Verfora also distributes in-licensed products from international partner companies, sometimes on an exclusive basis, such as Procter & Gamble's Vicks<sup>®</sup> products. The main priority at this stage of the value chain is to guarantee patient safety and product advertising in line with statutory requirements. To this end, the aforementioned companies continuously monitor the impact and any side effects of their own medications on the market (pharmacovigilance) as well as the accuracy of product characteristic summaries in advertising.

[HCI Solutions](#) offers master data for the Swiss healthcare market and develops integrated management solutions for pharmacies as well as tools for the secure management, transmission and distribution of sensitive health data. Its databases hold information on more than 200,000 articles. The INDEX databases network the various participants in the healthcare market to optimum effect. With these innovative digital solutions, Galenica is making a crucial contribution to promoting a safe and efficient healthcare sector in Switzerland. Here, too, patient safety and the protection of sensitive data are critical. HCI Solutions therefore conforms to the highest security standards in software development as well as the Swiss Data Protection Act.



## Pharmacies

Galenica operates Switzerland's largest pharmacy network, with over 500 own, joint venture and partner pharmacies. These include the Amavita and Sun Store pharmacies as well as the Coop Vitality pharmacies, which are operated under a joint venture. In addition, Winconcept supports independent pharmacies operating under the Feelgood's brand. Together they serve around 100,000 customers daily, offering them a wide range of medications, toiletries and beauty products as well as various on-site healthcare services and tests.

Pharmacy business is supplemented by the Mediservice specialty pharmacy, which specifically caters to patients suffering from chronic and rare ailments, and the Bichsel Group, which offers home-care services encompassing clinical nutrition in the patient's own home, out-patient infusion therapies, tracheostomy and home dialysis and operates its own pharmacy. The range also includes the services provided by Curarex Swiss, which addresses patients suffering from advanced Parkinson's disease, and Careproduct, a company distributing mobility aids such as wheelchairs as well as incontinence products for the elderly and disabled in particular. Together, the Bichsel Group, Mediservice and Curarex Swiss supply more than 12,000 patients in their own homes.

Pharmacy employees receive ongoing further education with a particular focus on patient safety. Pharmacies also require energy and produce waste, e.g. from returns of old and unused medicines (see "Use of medicines"), which are disposed of as hazardous waste in accordance with the applicable rules.



## Use of medicines

Galenica has only limited scope for ensuring that patients use the medications correctly. However, all Galenica Group companies see to it that patients receive flawless products and accurate patient information, whether through advice in pharmacies or through package leaflets.

Expired or unused medicines pose an environmental and safety risk and thus cannot be disposed of with conventional industrial waste. For this reason, wholesale companies, pharmacies and Medifilm take back unused medications and raise customer awareness of this special form of disposal of medications. Actual disposal is carried out by third parties. Medifilm, which has a licence for hazardous waste disposal, is an exception to this.

# Our sustainability goals

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## Responsibility

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

This conviction is reflected in the three key sustainability goals of the Galenica Group. Supported by the Corporate Executive Committee, they form an essential part of the Group's corporate culture:

- Continual increase of stakeholder value through sustainable practices;
- Encouragement of staff to act in a responsible, entrepreneurial way;
- Increase of efficiency of resource management, particularly in energy use.

With these principles, we raise our employees' sensitivity and motivate them to continuously work on improving our efficiency and innovativeness and, hence, ultimately also our competitiveness. Regular, ongoing exchange with the various stakeholders also helps to maintain the Group's strong reputation.



# Our stakeholder groups

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## Responsibility

Our stakeholder groups include interest groups and organisations that directly or indirectly affect – or are affected by – our values, actions and performance.

### Customer proximity

We maintain relationships characterised by transparency, honesty and mutual respect with our direct stakeholders, i.e. customers, shareholders, suppliers, scientific institutions, current and potential employees, authorities, non-governmental organisations and others.

Our customers include patients, pharmacies, drugstores, physicians, hospitals, care homes, health insurers and pharmaceutical companies. To assess customer satisfaction and identify potential improvements, we use internal performance indicators and the findings of independent target group surveys. We want to use these findings as a basis for continuously improving the customer experience and offering customers added value through the measures taken.

### Collaboration with suppliers

Collaboration with our various suppliers is 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. Interaction of this kind promotes transparency and helps to ensure that services can be provided as efficiently as possible.

### Reporting to stakeholder groups

We update our stakeholder groups annually on our sustainability plans and activities in the Sustainability Report. In addition, the CDP questionnaire on climate change and greenhouse emissions completed by Galenica is published each autumn on [www.cdp.net](http://www.cdp.net).



# Economic responsibility

# Economic performance

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## Economic

The Galenica Group generated consolidated net sales of CHF 3,479.8 million in 2020, representing a strong increase of 5.4%. The adjusted operating result (EBIT) amounted to a solid CHF 168.6 million and at +1.0% was up on the previous year (CHF 166.9 million).

Due to an accounting profit related to IAS 19 of CHF 43.0 million, mainly attributable to the adjustment of conversion rates in the Galenica Pension Fund, reported EBIT increased by 25.9% to CHF 213.3 million (previous year: CHF 169.5 million). Adjusted return on sales (ROS) declined slightly to 4.8% in the reporting year (previous year: 5.1%). This development was influenced by the strong sales growth with lower margins in the Services Business sector and COVID-19 effects.

Net profit increased by 37.8% year-on-year to CHF 172.7 million, heavily influenced by the IAS 19 effect mentioned above. On a comparable basis, adjusted net profit amounted to CHF 138.0 million (+2.8%). The Swiss pharmacy market grew by 2.9% (IQVIA, Pharmaceutical Market Switzerland 2020) in 2020, despite government-mandated price reductions. Given slightly declining volumes (-1.8%, IQVIA, Pharmaceutical Market Switzerland 2020), this is a clear indication that market growth was driven by increasing sales of high-priced medications.



# Corporate Governance

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## Economic

Good, transparent corporate governance is crucial for managing the Galenica Group effectively and efficiently. To this end, we follow the recommendations of the Swiss Code of Best Practice for Corporate Governance of Economiesuisse.

As a listed Swiss company, Galenica is also required to publish information on its corporate governance, including aspects such as shareholders' and employees' rights of participation, remuneration and profit-sharing for top management, and the information and monitoring tools of the Board of Directors towards the Corporate Executive Committee. Galenica meets the requirements of Swiss law and the SIX Swiss Exchange guidelines. Detailed information on corporate governance can be found in the [annual report 2020 \(from page 50\)](#).



# Compliance

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## Economic

We attach key importance to performing our business activities ethically and in compliance with the law. All our activities conform to the applicable laws.

### Our approach to this matter

The Galenica Group's Legal Department supports the Service and Business Units in interpreting and applying all legal requirements correctly. It also ensures that new statutory requirements are duly observed across the Group. The challenges currently facing Galenica concern the implementation of the new provisions under the revised Therapeutic Products Act and the forthcoming amendment of the Swiss Data Protection Act.

### Galenica Group's Code of Conduct

The Galenica Group's Code of Conduct defines the ethical rules and standards that must be followed by all employees on top of the legal requirements. Managers are responsible for addressing and responding to specific conflict situations in day-to-day business.

The Retail Business sector has adopted a separate Code of Conduct of its own. As a binding internal operating procedure, it aims to ensure that pharmacists have full pharmaceutical independence at all times and thus always give priority to the health and wishes of the patient. The Code also defines the standards by which employees must act towards third parties as well as the advertising activities that are permitted.

### Supplier Code of Conduct

Galenica seeks to ensure that not only the Group and its companies but also its business partners comply with international and national laws and standards, industry-specific standards and good practices. The Supplier Code of Conduct applies to suppliers, service providers and advisors of the Galenica Group. It covers aspects relating to ethical behaviour and labour law as well as health, safety, quality and the environment. Employees in the Purchasing departments undergo training that familiarises them with the content of the Code. In addition, the Legal Department is always involved in important Group-wide contracts. It also regularly reviews the Galenica Group's contract templates to identify any compliance risks.

## Comprehensive quality management

All Galenica Group companies have comprehensive quality management systems (QMS). Alloga, Medifilm, Mediservice, UFD and all HCI Solutions locations are certified according to ISO 9001. Verfora, Bichsel and HCI Solutions are certified according to ISO 13485 (design and production of medical products). In addition, the Bichsel Group's QMS is structured in accordance with the European Medicines Agency's ICH Q10 standard. The production of sterile, aseptically filled and biological medications places the highest possible demands on the implementation and maintenance of a QMS. Reflecting the critical relevance of its products, Bichsel undergoes an intensive broad-based audit every two years to ensure conformity to ISO 13485 and the statutory requirements set out in GMP and GDP.

The process management systems at Galexis and the former Retail Business sector companies also meet the ISO 9001 requirements but are currently not certified. Alloga, Galexis, G-Pharma, Mediservice and Verfora are periodically inspected by the Regional Medicines Inspectorates as part of Good Distribution Practice (GDP) audits.

In the Retail Business sector, the Amavita, Sun Store and Coop Vitality pharmacies have established a QMS covering all essential processes in retail pharmacies as well as environmental issues. Compliance with internal and external standards is monitored with regular quality audits, inspections by cantonal pharmacists and mystery shopper programmes. The QMS of the Mediservice specialty pharmacy fulfils stringent requirements due to its wide range of activities.



## Facts and figures

### Group-wide anti-corruption policy developed

In the year under review, the Legal Department drafted an anti-corruption policy for all Galenica Group companies. This policy defines the principles and rules for the prevention of corruption and governs the implementation of these by employees and business partners of the Galenica Group. All direct and indirect forms of corruption or bribery towards officials or private individuals are prohibited. The policy supplements the Group's Code of Conduct as well as the Supplier Code of Conduct and is binding on all employees. The anti-corruption policy came into effect at the beginning of 2021.

### Full compliance with the law achieved again in 2020

All Galenica Group companies once again operated in compliance with the law in 2020: no fines were imposed for any failure to comply with statutory requirements.

### COMCO fine referred to the Federal Administrative Court

In a ruling dated 20 March 2017, the Swiss Competition Commission (COMCO) imposed a fine of CHF 4.5 million on HCI Solutions. This relates to an investigation from 2012 in which COMCO's main allegations could not be substantiated. Of the six allegations investigated, two subordinate issues remained open. Galenica and HCI Solutions regard the ruling issued by COMCO in relation to these remaining issues as incorrect in fact and in law. Galenica and HCI Solutions therefore referred the decision to the Federal Administrative Court on 4 May 2017, where it is still pending.

In September 2019, COMCO launched inquiries into Markant Handels- und Industriewaren-Vermittlungs Ltd. and its customers including Galexis Ltd. The company does not expect the proceedings to result in the imposition of any sanctions on Galexis Ltd., although the possibility of a fine cannot be entirely ruled out.

## Outlook for 2021

Galenica is introducing an external whistleblower system in 2021. This will give all employees and business partners a channel for reporting any suspected compliance breaches anonymously.

# Data protection and IT security

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## Economic

As a healthcare provider, Galenica attaches prime importance to protecting patient data. We ensure that this information and data is protected from unauthorised access and modifications or loss.

### Data protection

As the Swiss healthcare system becomes increasingly digitised, the importance of data protection and the legal requirements for data processing are also growing. Data protection entails the handling of patient data and aims to protect patients' privacy whenever their data is processed. Health data is sensitive and must be particularly protected from the risk of unauthorised use. Data protection plays a central role in the former Retail Business sector and at HCI Solutions in particular.

### Our approach to this matter

Galenica is being assisted in this important area by an external independent data protection officer. The data protection policy provides the overall framework and is supplemented by specific rules and directives for the Group companies. Furthermore, all employment contracts for staff who have access to personal data include a data protection clause. Galenica keeps up to date with the ongoing amendments to data protection legislation and conducts regular reviews, thus ensuring that legal regulations are observed and a high standard is maintained in relation to the handling of personal data.

### Facts and figures

#### Group-wide policy in force

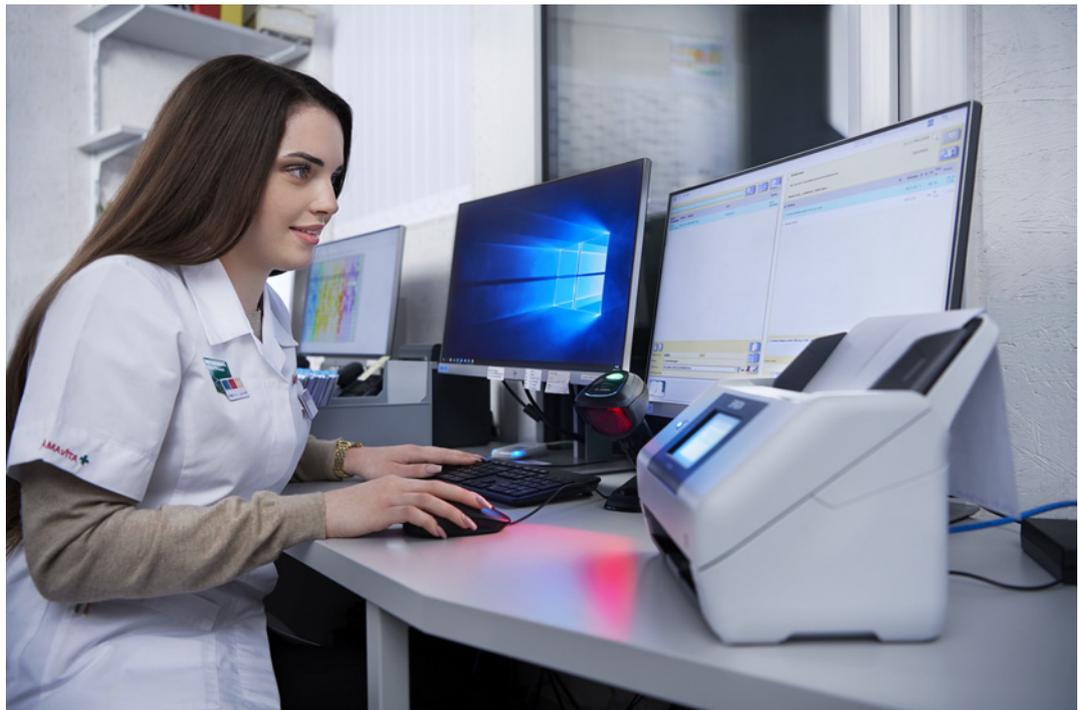
The data protection policy entered into force on 1 January 2020. It contains general rules on the organisation and responsibilities with regard to data protection.

### Focus on revised data protection legislation

At the end of September 2020, parliament adopted a totally revised version of the Federal Data Protection Act (nDSG). The revised legislation reflects the changed technological and social environment and particularly improves the transparency of data processing and data subjects' rights of self-determination with respect to their personal data. The revised data protection legislation includes numerous amendments to bring it into line with the European General Data Protection Regulation (EU GDPR). Galenica is observing these ongoing developments and determining the extent to which adjustments are necessary.

### Outlook for 2021

Consultations on the amendment of the Data Protection Ordinance will be commencing in 2021. The Legal Department is assessing the current situation at Galenica for the purposes of data protection legislation and implementing the statutory requirements. In addition, it is continuing to observe practices in connection with the EU GDPR.



### IT security and cybercrime

As the digital transformation of the healthcare system progresses, there is also a mounting risk of cyberattacks. For this reason, IT security is highly relevant for Galenica. As a healthcare service provider, Galenica processes sensitive information and data. It ensures that this information and data is protected from unauthorised access and modifications or loss. In the case of the logistics companies and pharmacies, protection of the IT systems plays a decisive role in ultimately ensuring reliable supplies for the general population. People are one of

the greatest risk factors in connection with cybercrime as many cyberattacks are targeted at employees, e.g. in the form of fake e-mail messages.

## Our approach to this matter

The IT security staff in the IT departments of the Galenica Group companies are responsible for the security of their own IT systems. At the Group level, IT security is coordinated by an IT security officer, who in particular chairs the IT Security Circle, which is composed of the IT security staff of the IT departments of all the Galenica Group companies. The Circle meets on a quarterly basis and advises on and coordinates information and IT security precautionary measures, which the members then put into practice at their own companies.

### Clear guidelines regulate operations

The IT security policy defines the information and IT security objectives, the powers and responsibilities and the principles of IT security for the Galenica Group. It applies to all Galenica Group companies and forms the basis for all written IT security instructions. In addition, the IT utilisation rules set out the rules of conduct for the use of IT resources, such as the use of private devices, mobile working or working from home. Finally, the IT security manual is targeted at employees in the IT departments and sets out the requirements for secure IT operations.

### Heightened employee awareness

All employees must contribute to ensuring information and IT security. In addition to taking technical precautions, Galenica promotes security awareness on the part of all employees by means of specific e-learning modules and Intranet news. Right from their very first day, new employees are familiarised with the main elements of the IT utilisation rules.

## Facts and figures

### Security monitoring system rolled out

Galenica conducted a comprehensive IT security audit in 2019. In the year under review, the IT departments adopted a large number of measures in response to the findings from the audit. Among other things, a security monitoring system that oversees all systems and sounds an alarm in the event of any irregularities was rolled out. In addition, personnel resources for IT security were increased.

### Employees kept regularly informed on IT security

In the year under review, Galenica stepped up internal communications on IT security and cybercrime. The newly assembled IT communications team regularly published news on IT and security matters on the Intranet, organising an interactive competition on this subject. The purpose of these two activities was to draw employees' attention to possible risks and to heighten their awareness of the need for greater IT security. As well as this, the second training module on information security was held in 2020. Of the 1,563 employees asked to attend, 85% completed the training.

## Outlook for 2021

With the introduction of the new organisational and management structure, the IT departments of the individual companies were combined under the new IT & Digital Services Service Unit in 2021. Accordingly, IT security will be handled centrally in the future. In addition, the e-learning modules of information security for employees were revised.

# Social responsibility

# Patient safety and health

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## Social

The safety and health of patients is our top priority. We are committed to ensuring the quality of medications along the entire value chain

### Our approach to this matter

Errors in medications or inferior quality may have serious consequences for patient health. At the same time, they pose a risk to Galenica's reputation. The digital transformation offers new opportunities for innovative solutions to increase patient safety. Galenica is committed to the quality of drugs along its entire value chain and takes the appropriate measures in terms of infrastructure, processes, and employee training and development.

### GDP guidelines for good distribution practice

Alloga, Galexis, UFD, Pharmapool and the Bichsel Group adhere to the GDP (Good Distribution Practice) guidelines of medicinal products for human use. On the one hand, these statutory requirements aim to prevent counterfeit medications from entering legal supply chains. On the other hand, the quality and integrity of medications are safeguarded by means of checks along the distribution chain. Drug temperature is recorded and analysed in real time throughout the entire life cycle, from production through to delivery to the customer. If temperature deviations are detected, the causes are clarified and the correct measures taken according to GDP guidelines. Regional agencies for therapeutic products periodically perform audits to determine GDP compliance. Alongside these guidelines, the aforementioned companies also rely on their own standards and processes to ensure patient safety.

### Systematic quality

HCI Solutions carries out process-integrated checks to ensure the quality of medication data. It applies the 4-eye principle when checking that medication data has been correctly entered, going as far as to adopt a 6-eye principle in the case of sensitive active ingredients (such as blood thinners). The company performs random-sample quality checks on a daily basis and a more comprehensive review every two weeks. Any error discovered is documented and its cause investigated.

The quality management system (QMS) of the former Retail Business sector encompasses standard operating procedures (SOP) for all relevant pharmacy processes, including the production and dispensing of drugs, data protection, confidentiality requirements, hygiene and the disposal of medications. Galenicare regularly reviews compliance with the SOPs in the individual pharmacies. In addition to these announced audits, mystery shopper programmes and calls, as well as inspections by cantonal pharmacists are organised three to four times a year. Galenica holds courses on the QMS and statutory basis for pharmacy

employees several times a year. Employees complete certified courses and obtain certificates of competence for specific services such as the Cardio Test® (Herz Check®), Allergy Check, Diabetes Check and vaccinations.

The Bichsel Group attaches great importance to the quality of its products and services. The company carries out a large number of daily chemical and microbiological analyses to check finished products, raw materials and packaging and holds manufacturing licences, good manufacturing practice (GMP) certificates for medicines and EC certificates for medical devices in accordance with Directive 93/42/EEC of the European Council.

The Mediservice specialty pharmacy offers support for patients with chronic and rare illnesses, with complementary services such as home care services or patient events. In addition, it has a licence as a public pharmacy and a wholesale trade licence. Accordingly, Mediservice's QMS fulfils a broad range of requirements.

#### To Compliance/Quality Management

### Continuous monitoring of all products

At Verfora, safety efforts are centred around pharmacovigilance, meaning the continual monitoring of the safety of all Verfora products on the market. All new Verfora employees are trained in pharmacovigilance and receive a checklist of steps to be taken in the event of side effects. All employees undergo annual pharmacovigilance training. Advertisements and posters for products are also examined systematically for accuracy. The specialist unit for the approval and handling of medications is responsible for generally monitoring their safety. Quality checks are performed on new products placed on the market as well as on an ongoing basis for existing products on the market.



## Facts and figures

### Furthering employees' professional skills

Around 106 pharmacists attended quality management courses in 2020. Quality management and patient safety are also key components of basic training for pharmacy assistants working towards their Federal Proficiency Certificate. In the year under review, 254 apprentices successfully completed their training as pharmacy assistants, with or without a Federal Proficiency Certificate. Annual further training is obligatory for pharmacists with the title FPH (Foederatio Pharmaceutica Helvetiae) in retail pharmacy. Currently, 153 pharmacists are undergoing training in retail pharmacy.

Where required, Verfora offers training sessions in pharmacies when new medications are launched in order to promote staff skills and ensure patient safety and health. In 2020, Verfora completed a total of 328 training sessions for 3,050 pharmacy assistants and pharmacists. Face-to-face training was scaled back compared with the previous year due to the COVID restrictions.

### Above-average quality at pharmacies

Together with health insurer CSS, Galenica operates a quality label that recognises pharmacies offering particularly good patient service and professional advice. The label is aimed at noticeably improving quality for customers. 96.5% of all Galenica pharmacies delivered above-average performance in the year under review, meaning they achieved an audit result of more than 70%, and were thus able to obtain or renew the quality label. This is equivalent to an increase of 2.5 percentage points over the prior year.

### All vehicles GDP-compliant

Galexis, Alloga, UFD, Pharmapool and the Bichsel Group each operate their own fleets, which together comprise 168 delivery vans (up to 3.5 tonnes) and 5 heavy-duty trucks. 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.

### Employees adhering to pharmacovigilance

At Verfora, all employees have a duty to submit to the responsible internal department any reports of side effects received from specialists and patients promptly and in full. Relevant information in this regard includes the duration, progression and outcome of the side effect, as well as the dosage and duration of product use. Verfora documents and investigates each report, taking appropriate measures where necessary. In 2020, employees submitted 97% (target: >90%) of reports on side effects within the requisite period. The authorities or contractual partners were notified within the required period in 100% of cases (target: >90%). Completeness of information was exemplary, reaching 98% (target: >80%) of all cases.

### Documedis® integrated in electronic patient record

HCI Solutions is making a key contribution to the electronic patient record (EPR) with the digitalisation of the medication plan. Cantonal and interregional healthcare networks in Switzerland are setting up so-called reference communities in connection with the electronic patient record (EPR). These are certified by the

Federation and can then offer an electronic patient record under federal legislation. The first reference community was certified in 2020. HCI Solutions' Documedis® medication solution offers various modules for the electronic patient record.

### Improved access to medication

Since the start of 2019, pharmacies have been able to dispense certain prescription medications over the counter without a doctor's prescription, subject to certain conditions being met. For many patients, this is a fast, safe and straightforward solution when they have acute symptoms. In this way, the Galenica pharmacies are making a significant contribution to the safety and health of patients. Over the last few years, Galenica has been offering training and further education to help pharmacies and support them in their new role. Pharmacists can also obtain the Certificate of Competence in Medical History in Basic Healthcare Provision to strengthen their new skills. In 2019 and 2020, 160 Galenica pharmacists completed the training. Further information can be found in the coverage in the [annual report 2020 \(from page 34\)](#).

### Enhanced patient safety thanks to algorithms

The new Documedis® Primary Care Algorithms module guides pharmacists through the consultation using targeted questions and gives recommendations based on the defined algorithms and patient information entered. HCI Solutions implemented a total of 11 algorithms in 2020, including for conditions such as allergic rhinitis, reflux disorders and urinary tract infections. It is planning further algorithms – including for acne, shingles and burns – for 2021. Further information can be found in the coverage in the [annual report 2020 \(from page 34\)](#).

### Uninterrupted cold chain for medications

Alloga and Galexis ensure an uninterrupted cold chain for the storage and transportation of temperature-sensitive medications. 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 of the deliveries of COVID-19 vaccinations, Alloga expanded its deep-freeze and ultra-deep-freeze logistics in the year under review. The temperature is ensured by means of dry ice in special containers. Alloga and Galexis also use new paraffin cooling elements, which unlike the previous water ones provide a more stable temperature for drugs. The share of refrigerated products transported stood at 5% in the case of Galexis' own fleet and around 30% in the case of third-party carriers in the year under review.

### Pharmacies offering COVID-19 tests

The Galenica pharmacies are making an important contribution to overcoming the coronavirus pandemic. In mid-November 2020, the first few Galenica pharmacies started offering coronavirus antigen rapid tests as well as PCR tests. By the end of 2020, this number had risen to 38, with 72 Galenica pharmacies throughout Switzerland currently offering coronavirus tests. By the end of 2020, the pharmacies had performed 8,010 COVID-19 tests. Pharmacists must undergo special training in order to perform coronavirus tests. On top of this, the pharmacies require the appropriate infrastructure allowing the statutory distancing and hygiene rules to be observed. The physical separation of testing and special protective material ensures that the persons to be tested, the other customers and the employees are protected from COVID-19. Amavita, Sun Store and Coop Vitality have installed Plexiglass protective shields at all counters and are providing disinfectants and regulating the flow of customers. In addition, the pharmacies

have expanded their services such as home deliveries of medicines and online “click & collect” ordering. In this way, customers can conveniently order medications at home and collect them at the pharmacy of their choice.

### Survey by medical specialists of skin problems arising in pharmacies

In 2020, Amavita launched a pilot project in conjunction with the online-based dermatology network onlinedoctor.ch. Patients with skin problems receive competent first-line treatment at pharmacies. In more complex cases, the pharmacist receives professional support from dermatologists at the onlinedoctor network. For this purpose, the pharmacist photographs the skin problem and transmits the photograph together with a description of the symptoms to onlinedoctor.ch via a secure app. Within 48 hours – indeed usually even after a few hours – the pharmacist receives a specialist report, concrete recommendations and, if necessary, a prescription for the patient. This partnership ensures that patients are given an uncomplicated and competent assessment of their skin problem directly at the pharmacy.

### Outlook for 2021

Pharmacies will be offering COVID-19 vaccinations in 2021. HCI Solutions is additionally expanding the functionality of Documedis®. Against the backdrop of the revised Therapeutic Products Act (TPA), additional algorithms, e.g. for burns and warts, are being planned for 2021. In addition, the training courses for pharmacists to obtain the Certificate of Competence in Medical History in Basic Healthcare Provision will be continued.

# Reliable procurement and supply chain

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## Social

Delivery shortfalls in the pharmaceutical supply chain are increasing all over the world including in Switzerland. As a leading fully integrated healthcare service provider, we are increasingly attaching importance to reliable procurement and supplies of medications for the general population.

### Our approach to this matter

The reasons for the shortfalls along the supply chain include centralised production at only a small number of sites around the world as well as outages or quality problems in the value chain. As a leading fully integrated healthcare service provider, Galenica is dependent on manufacturers' delivery capabilities. It works closely with suppliers to ensure the highest possible availability of medications. Thanks to harmonised processes, suppliers provide information of any possible delivery delays in good time. In addition, an IT-based materials management system helps Galenica to optimise its procurement and logistics processes. The current COVID-19 pandemic has additionally heightened the relevance of reliable procurement and supplies.

### Facts and figures

#### Early response to critical shortfalls

The Galenica Group's logistics companies check warehouse supplies of pharmaceuticals on a daily basis and, in this way, are able to respond in good time to any shortfalls and peaks in demand. The average availability of medications stands at 99.6%. In the event of any critical shortfalls of the type that repeatedly occurred in 2020 on account of the COVID-19 pandemic, the logistics companies adjust their operations swiftly. In this case, deliveries of non-essential products such as cosmetics or perfume products are temporarily suspended and order quantities per customer reduced to prevent hoarding. During the first phase of the pandemic, trained administration staff were additionally assigned to the warehouse as crisis assistants to cope with the large volumes.

### Non-pharmaceuticals strengthened

The coronavirus pandemic triggered increased demand for articles such as disinfectants, face coverings and disposable gloves. As a result, the distribution service providers expanded their non-pharmaceutical activities significantly in 2020. Employees were required to assess the quality of products sourced from new suppliers within a short space of time. Our companies rolled out efficient and reliable quality assessment processes and broadened employees' knowledge by means of specific training. The authorities indicated that doctors and pharmacies must also maintain compulsory pandemic inventories of products, including gloves, disinfectant and face coverings. As of 2020, Galexis has offered to manage these inventories, resulting in synergy gains and economies of scale for customers.

### Outlook for 2021

To continue ensuring the highest possible availability of medications in the future, Galenica will be expanding its order management system as well as the warehouse capacity at its Niederbipp site in 2021. Initial planning was completed in 2020. Working with an external service provider, Galexis developed a plan for the order management system to ensure that shortfalls can be identified even more effectively in the future in conjunction with the suppliers.



# Employees

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## Social

Employees play a key role in our success. For this reason, we endeavour to promote employee motivation and development, encourage diversity and equal opportunities, ensure workplace safety and health and retain qualified employees.

Employees and their specialised knowledge play a key role in the distribution and sale of pharmaceuticals. A sign of a successful company is its continuing development in line with the market while also setting trends. The adaptability of the Galenica Group is founded on the commitment and team spirit of its entire workforce. In order to maintain this, Galenica constantly promotes the development of its employees. Galenica has 7,205 employees to satisfy its numerous customers with professional services. People from 81 nations and in all age groups work for the Galenica Group. Three-quarters of employees are women. Further information about human resources can be found in the [annual report 2020 \(from page 40\)](#).

## Our approach to this matter

The five key values of the Galenica Group form the basis for the actions and decisions of all employees:

- We work with **passion** and act as **entrepreneurs**.
- We build **trust** through credibility and competence.
- We show **respect** and know that **together** we are stronger.

## Health and safety precautions for employees

Galenica puts in place measures to protect employee health and maintain safety in the workplace in line with the directives of the Federal Coordination Commission for Occupational Safety (FCOS). Furthermore, all Business sectors have their own occupational health management (OHM) systems in place. Galenica also uses preventive case management to identify potential risks to employees' health at an early stage and initiate appropriate measures. This tool is deployed within the first 30 days of absence.

Given the risk of accidents in the former Services Business sector (warehousing and logistics) in particular, health and safety in the workplace play a central role. For this reason, Alloga and Galaxis additionally have systematic absence management, which forms part of the OHM. 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. In addition, Alloga and Galaxis

organise accident-prevention training in conjunction with Suva. As well as this, external health and safety advisors conduct regular audits.

The former Services and Retail Business sectors appoint health and safety officers. In addition, all Galenica Group locations have fire protection officers in charge of fire protection and evacuation, as well as a first aid team.

## Promoting knowledge-sharing among employees

Galenica has a Group-wide staff development programme called MOVE in place to promote knowledge-sharing among employees and members of the Corporate Executive Committee and management. The programme encompasses continuous staff development and includes onboarding modules for new employees, professional development, personality and leadership training and personal development. In addition, the Group-wide talent mentoring programme aims to develop high-performing employees in their current role or move them up to a more senior role, thereby strengthening internal succession planning in the medium to long term.

The “Opinio” employee survey is a permanent fixture at Galenica. Since 2020, it has been performed annually. In this way, Galenica is able to respond more quickly and more specifically to any changes in employee satisfaction and motivation.

Twice a year, an exchange also takes place between the works committee, the Group-wide employee representatives, a representative from the Corporate Executive Committee and HR management. The works committee is made up of the chairs of all local staff committees.

## Work/family balance

Galenica offers flexible working hours in the interest of a better work/family balance. According to the Home Office Guidelines, all employees have the possibility of working from home, depending on their activity. Part-time work is also common, particularly in the former Retail Business sector. In addition, female employees have the option of extending their maternity leave with unpaid vacation and male employees are entitled to ten days of paternity leave. In this case, they continue to receive their salaries contrary to the statutory requirements. The Galenica Group uses benchmarks to review salaries and ensure pay parity between men and women.

## Retaining qualified employees

In Switzerland, retaining qualified employees in the healthcare and IT sectors poses a major challenge. In addition to the shortage of trained staff, the requirements with respect to training and skills are rising all the time. Galenica attaches particular importance to retaining qualified employees as pharmacies are dependent on good and well-trained specialists. With the ongoing digital transformation of the Swiss healthcare sector, Galenica will be increasingly dependent on IT and e-commerce specialists in the future.

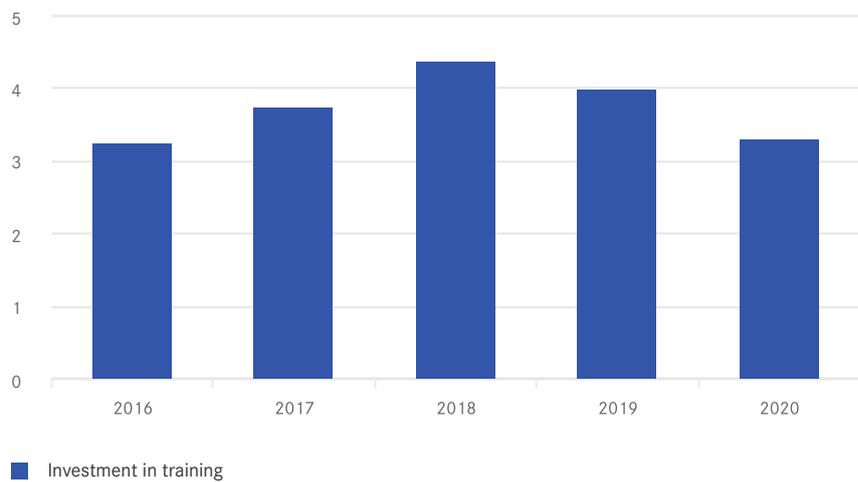
Galenica continuously reviews its recruiting practices and adjusts them in the light of the constantly changing conditions in the employment market. Under its recruiting strategy, it is attaching greater importance to arousing the interest of pharmacy undergraduates at Swiss universities.

## Facts and figures

### Ongoing investment in employee development

176 people took part in the MOVE seminars in 2020. Ten people joined the Talent Management Programme in 2020. In total, Galenica invested some CHF 3.3 million in employee training in the year under review. Galenica also supports external training for employees financially and/or via a time allowance, as long as the training is related to the employee's current role and offers added value to both the company and the individual. For example, the former Retail Business sector offers the CAS course "Company Management for Pharmacists" and covers the costs of the "Specialist Pharmacist in Retail Pharmacy" (FPH in Retail Pharmacy) further training for pharmacists.

Investment in training in CHF million 2016–2020

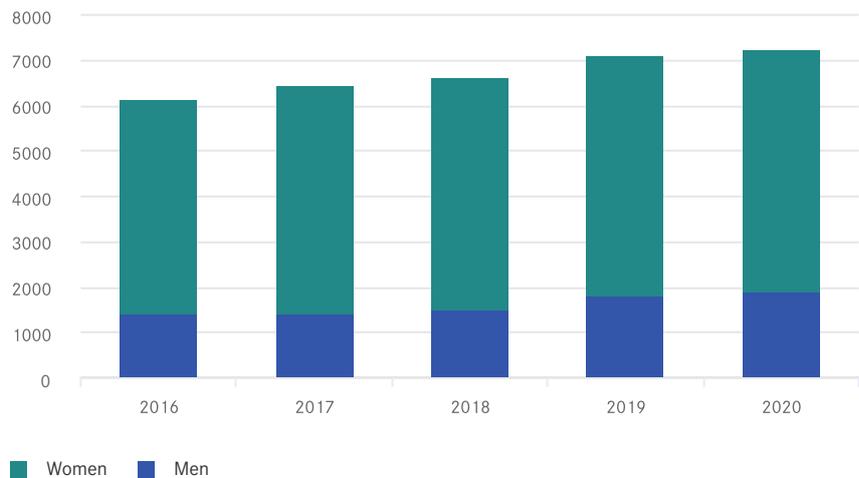


Does not include data from the Bichsel Group.

### Galenica continuing to grow

Galenica continued to grow in 2020. At the end of 2020, the Galenica Group had 7,205 employees, equivalent to an increase of 2% over the previous year. Among other things, this reflected the strong expansion of the pharmacy network. The proportion of women is 74% and has remained relatively constant over the past five years. Around 40% of employees work part time, i.e. with a workload below 90%. This figure is also more or less unchanged since 2015.

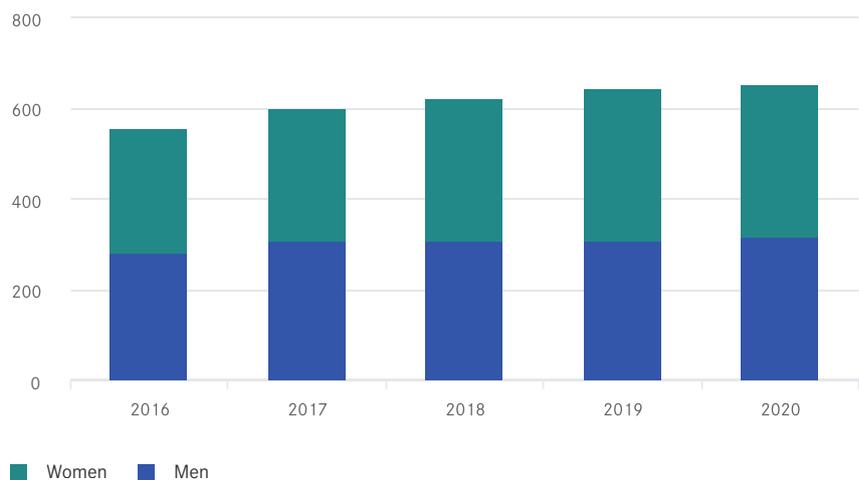
Number of Galenica Group employees 2016–2020



### More than half of managers are women

The ratio of managers to total staff has remained unchanged since 2015 at 9%. From 2016 to 2020, the proportion of female managers rose from 49% to 52%.

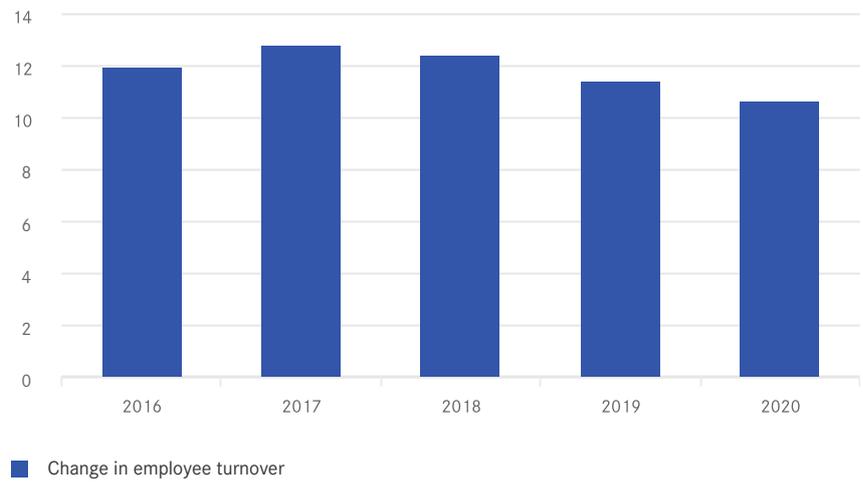
Number of Galenica Group managers 2016–2020



## Decline in employee turnover

Employee turnover at Galenica was 10.6% in 2020, 7% down on the previous year.

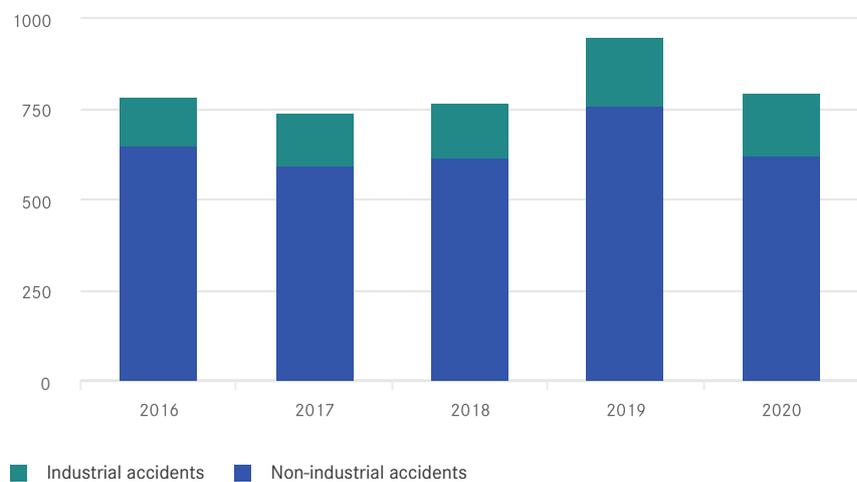
Employee turnover 2016–2020



### Year-on-year decline in industrial accidents

The number of industrial accidents dropped by 10% and the number of non-industrial accidents by 18% compared to the previous year. This decline is due in part to the awareness-raising campaigns of the past few years. In 2020, Galenica reported a total of 172 industrial and 621 non-industrial accidents. These figures also include minor accidents which did not result in an absence of more than three working days. The proportion of all industrial and non-industrial accidents that were minor in 2020 was 57%. Over the last five years, industrial and non-industrial accidents have increased by 2%. Given that the number of employees has increased by 18% over the same period, the frequency of accidents in relation to employee numbers has thus fallen substantially.

Number of industrial and non-industrial accidents 2016–2020



Does not include data from the Bichsel Group.

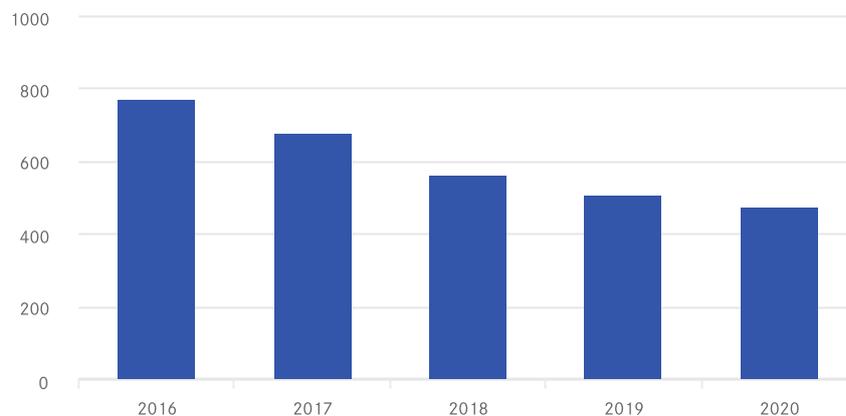
### Decline in cases of illness since 2016

Galenica recorded 471 cases of illness at the end of the year under review. This includes all long-term absences of more than 30 days giving rise to entitlement to sick pay. However, the number for the year under review is not final as some cases may only be reported at a later date in the following year. Cases of illness dropped by 34% between 2016 and 2019.

Galenica recorded the absences of all employees in 2020 for the first time. At the end of 2020, the Galenica Group registered a total of 519,883 hours of absence on the part of 7,205 employees. Roughly 16% of the absences were due to coronavirus-related illnesses. Compared to the target hours, this translates into a rate of around 4.1% for absences not related to the coronavirus and around 4.9% for coronavirus-related absences.

In 2020, Galenica Case Management provided assistance to 104 employees at risk of illness or who had already fallen ill, thus helping to prevent or reduce absences where possible. Of the 44 cases closed in 2020, 23 employees were able to return to work thanks to Case Management, corresponding to a proportion of around 52%.

Number of cases of illness 2016–2020



■ Cases of illness (long-term, relevant for daily sickness benefit (KTG))

### Promoting young talents' self-initiative at pharmacies

Under the Junior Talent Management programme in the former Retail Business sector, pharmacy assistants are able to develop their own projects during a one-year period. To this end, they are assisted by mentors and receive project management training. The six participants who embarked on the programme in 2019 will probably not be able to complete it until 2021 on account of the COVID-19 pandemic. A further ten pharmacy assistants commenced the programme in 2020. Work currently focuses on leadership training, intensified digitalisation activities and improved service quality for customers.

### Preserving jobs thanks to absence management

Long-term absences at Alloga and Galexis have been reduced thanks to the introduction of an absence management system. Based on this experience, the former Retail Business sector developed a draft concept in 2019. Preliminary reintegration talks were held over the phone due to the coronavirus pandemic in 2020. Galenica has been recording employee absences since 2020.

### New online personnel management programme launched

As a result of the COVID-19 pandemic, the pilot events under the new personnel management programme were scaled back. The seminars were modified in such a way that it was possible for them to be held online. The first virtual seminars were held at the end of 2020. While the previous offer was geared primarily towards new managers, the new personnel management programme entails broad-based continuous professional development to a broader audience.



### Promotion of equal opportunities

The Galenica Group's Home Office Guidelines were harmonised in 2019 and introduced on 1 January 2020 with the aim of further promoting flexible working hours for employees. In addition, 42% of employees take advantage of the option of working part time. Three-quarters of Galenica Group employees are women. While the proportion of women in management is 52%, women are still poorly represented on the executive committees. With the introduction of the new organisational and management structure effective 1 January 2021, a woman - Virginie Pache Jeschka - has joined the Galenica Group's Corporate Executive Committee. The proportion of women on the new extended Corporate Executive Committee now stands at 36%.

### Recruiting strategy for hiring qualified employees developed

In response to the growing importance of retaining qualified employees, Galenica expanded its recruiting team in 2020, adjusting its processes and developing a recruiting strategy. This entails employer branding measures, positioning and university marketing for pharmacy undergraduates. Galenica wants to reach out to undergraduates during their studies and interest them in a career at the Galenica Group. It was necessary to postpone the implementation of these measures until 2021 due to the coronavirus pandemic.

### Employee motivation is satisfactory

As of 2020, the "Opinio" employee survey is no longer conducted once every three years but annually and with a reduced set of questions. Going forward the survey will also only be conducted digitally. The online survey focuses on employee motivation. A total of 4,379 employees took part in the survey. This corresponds to a response rate of 63%, virtually unchanged from the previous survey in 2017. Employee motivation is good, with a group-wide score of 72 out of a possible 100

points. Particularly high scores were awarded for satisfaction with work (76 out of 100 points), confidence in line management (78 out of 100 points) and interest in the company's future (80 out of 100 points). Employees were critical of matters such as execution, commitment and appreciation. In an ensuing step, the Corporate Executive Committee will be discussing these less favourably rated areas in depth and taking measures to further boost employee satisfaction and motivation for the Group as a whole.

## Outlook for 2021

As part of the strategic transformation of the organisational and management structure, a particular focus will be placed in 2021 on entrenching the Galenica values. On the basis of the results of the Opinion surveys, the Corporate Executive Committee will be defining specific measures for improving employee satisfaction and motivation across the entire Group. In addition, the Junior Talent Management programme in the Retail Business sector is to be extended to include the entire Group. In 2021, Galenica additionally performs the statutory salary equality analysis for the first time.

# Contribution to the common good

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## Social

As a leading player in the Swiss healthcare market, Galenica is committed at all levels to patient welfare. In addition to this, we engage in various social projects and support non-profit organisations.

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

In addition to this main commitment, Galenica also selectively supports other projects in the healthcare sector. Galenica Group companies also support social projects. Further information on the topic of social commitment can be found in the [annual report 2020 \(from page 48\)](#).



# Environmental responsibility

# Emissions and climate change

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## Environmental

Our business activities impact the environment and the climate in various ways. We therefore endeavour to take economically appropriate measures to use resources as efficiently as possible and reduce our environmental footprint as far as possible.

### Our approach to this matter

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.

### Binding agreement with FOEN on targets

To reduce the carbon footprint and increase energy efficiency, binding targets have been agreed with the Federal Office for the Environment (FOEN) for the Alloga site in Burgdorf and the Galexis sites in Lausanne-Ecublens and Niederbipp as well as the Bichsel Group. In return for this commitment and if the agreed targets are met, an application can be submitted for a refund of the CO<sub>2</sub> levy on fossil fuels or a subsidy for implementing the related measures. The targets are agreed individually based on each site's potential. With the Energy Agency for Industry (EnAW), Galenica defines an efficiency path with various commercially viable measures.

### Lowering fuel consumption

The pre-wholesale and wholesale companies regularly review and implement measures for boosting energy efficiency in order to lower fuel consumption. Mandatory driver safety training is regularly organised for Galexis, UFD, Pharmapool and Alloga drivers aiming, among other things, to ensure drivers have an environmentally friendly, fuel-efficient driving style. All Alloga, Bichsel, Galexis, Pharmapool and UFD vehicles comply with Euro emission standards. When purchasing new vehicles, only those with the latest emission control technologies are considered. In addition, externally contracted drivers are required to use only vehicles that meet at least the Euro 5 standard.

### Environmental Code of Conduct

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

## Facts and figures

### Growth-driven increase in energy consumption

The Galenica Group’s total energy consumption came to 60,132 MWh in 2020. The increase of 16% over the previous year is due to the broader reporting scope. In 2020, the environmental data for the Bichsel Group was included for the first time. Adjusted for the figures reported by the Bichsel Group, energy consumption would have been 1% lower than in the previous year. Energy consumption (in MWh) per full-time equivalent and energy consumption per CHF 1 million value added (EBITDA + personnel costs) rose by 14% and 12%, respectively. Adjusted for the Bichsel Group, however, it fell by 3% and 5%, respectively. Absolute energy consumption at the Galenica Group has risen by 33% since 2015 as a result of growth.

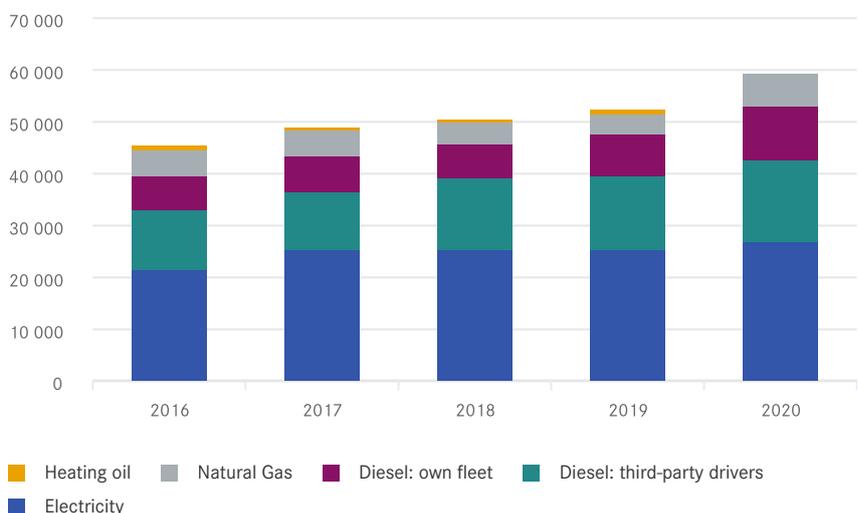
### Electricity and fuels the most important sources of energy

Electricity and fuels are the most important sources of energy for Galenica. Electricity accounts for 45% of total energy consumption. In 2020, total electricity consumption came to 26,905 MWh. With the exception of the pharmacies, all locations use solely electricity from hydropower and photovoltaics.

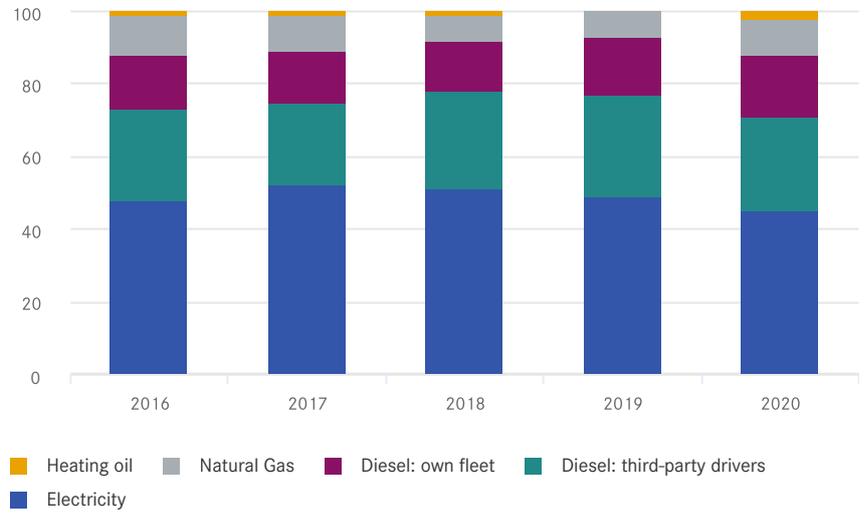
44% of the energy consumed in 2020 came from fuels that were primarily utilised in the former Services Business sector and the Bichsel Group for their own fleets or by contracted drivers. Consumption by the Group’s own fleet rose by 29% in 2020. 27% of this increase is attributable to the first-time inclusion of the Bichsel Group’s fleet in 2020. The fuel consumption of third-party vehicles increased by 9% over 2019.

Galenica covers approximately 12% of its energy needs with fossil fuels, i.e. heating oil and natural gas. The absolute consumption of heating oil rose from 258 MWh in the previous year to 948 MWh, while consumption of natural gas increased from 3,809 MWh to 6,062 MWh. Adjusted for the Bichsel Group, the consumption of heating oil and natural gas would have declined by 19% and 36%, respectively.

Energy consumption 2016–2020  
Mwh



Energy mix 2016-2020  
in %

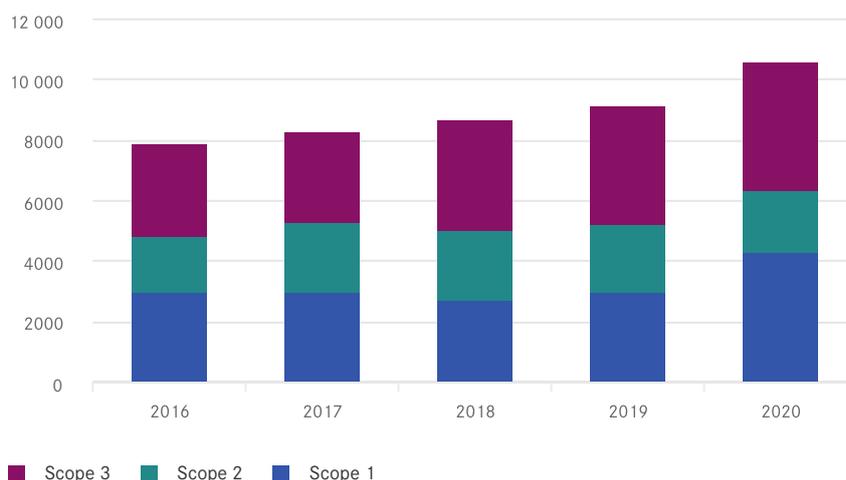


The Bichsel Group has been included in the figures for energy consumption since 2020.

### Slightly higher CO<sub>2</sub> emissions

CO<sub>2</sub> emissions from the use of energy are calculated using scientifically based emission parameters (Swiss greenhouse gas inventory of the Federal Office for the Environment). In 2020, the Galenica Group's CO<sub>2</sub> emissions amounted to 10,576 tonnes CO<sub>2</sub> equivalents (tCO<sub>2</sub>e), a 16% increase over the prior year. Adjusted for the Bichsel Group, CO<sub>2</sub> emissions would have been flat. Emissions per full-time equivalent and per CHF 1 million value added (EBITDA + personnel costs) rose by 14% and 11%, respectively, compared with 2019. Emissions have risen by 35% since 2015 due to the Galenica Group's growth. Transportation of goods is the main cause of direct and indirect CO<sub>2</sub> emissions at Galenica (including contracted drivers). 7,020 tCO<sub>2</sub>e were released as a result in 2020, equivalent to around 66% of Galenica's total CO<sub>2</sub> emissions. The 16% increase in emissions from diesel compared with the previous year is primarily due to the inclusion of the Bichsel Group's own fleet.

CO<sub>2</sub> emissions based on scopes 2016–2020  
tCO<sub>2</sub>e



Scope 1 and Scope 3 include diesel CO<sub>2</sub> emissions for Galaxis, Alloga, UFD and Pharmapool (only from 2018 onwards). The Bichsel Group's CO<sub>2</sub> emissions are included from 2020.

### Collaboration with the EnAW paying off

Under their binding target agreement with the Swiss government, the Bichsel Group and the Alloga and Galaxis sites in Burgdorf, Lausanne-Ecublens and Niederbipp are continuously striving to improve their energy efficiency. At the Niederbipp site, a groundwater heat pump went into operation and energy-saving LED lighting was installed in 2020. The measures implemented at the Bichsel Group in 2020 and at the Niederbipp and Lausanne-Ecublens sites jointly resulted in a potential reduction in annual energy consumption of more than 514 MWh and roughly 74 tons of CO<sub>2</sub>.

### Potential savings, particularly in electricity consumption

The former Retail Business sector, which leases nearly all of its premises, has very limited influence on the choice of energy source for heating and electricity. However, electricity consumption can be influenced, which is why Galenica is focusing on consistently installing energy-saving lighting and motion sensors when refurbishing pharmacies. In addition, the pharmacies are seeking to raise employee awareness of specifically selected sustainability issues by means of flyers. In 2020, Galenica completed renovation measures at around 7% of the Sun Store and Amavita pharmacies in order to improve energy efficiency. This is equivalent to 20 pharmacies that were refurbished. Around 80% of all pharmacies have now been renovated.

### CDP assessment stable

Galenica completed the CDP questionnaire again in 2020. CDP is an international, non-profit organisation providing the largest and sole global environmental database for companies and cities. The aim of CDP is to encourage as many companies as possible to publish data on their impact on the environment and natural resources. This information is collected in the name of 590 institutional investors, together representing more than USD 110 trillion in assets. In 2020, as in the previous year, Galenica 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](http://www.cdp.net). The next questionnaire will be submitted in mid-2021 and is expected to be published in autumn 2021.

### Work on renovating the Lausanne-Ecublens site commenced

In 2020, work commenced on renovating Galexis' site in Lausanne-Ecublens. In the first phase, the exterior of the administration building is being renovated. These activities form part of the targets agreed with FOEN and entail the renovation of all buildings and roofs in order to improve energy efficiency. The Bichsel Group also started work on renovating its production hall in the year under review. The company is investing in state-of-the-art and energy-efficient installations and clean rooms and replacing the existing lighting with LED systems.

### Preliminary steps towards the use of renewable energy in distribution

Transportation of goods is the main cause of direct and indirect CO<sub>2</sub> emissions at Galenica. Against this backdrop, Galenica included in its distribution strategy a declaration of intent to make greater use of renewable energy in its distribution activities in 2020. In the year under review, Galexis ordered a new biogas-fuelled vehicle, which will be going into operation at the beginning of 2021. In addition, Galexis completed preliminary test drives of an electric vehicle for the local distribution of goods and products in the city of Zurich. The long charging times mean that electric vehicles achieve only 50% capacity utilisation at the moment and are therefore not yet economically viable. However, Galexis will continue to observe developments in the area of electromobility. Galenica sees great potential in hydrogen technology for trucks. Specific steps in this regard are to be defined in 2021.

## Outlook for 2021

Galenica intends to define specific steps towards the adoption of hydrogen technology in its distribution activities. In addition, further pilot projects involving the use of electric delivery vehicles are being prepared. Under the target agreements with FOEN, Alloga will be placing the ground water heat pump in operation at the end of 2021. In addition, Galexis is planning to install a photovoltaic system at its site in Lausanne-Ecublens. In connection with the renovation of its production facilities, Bichsel is placing a new bottling line in operation in 2021. This new installation will be able to fill infusion and rinsing solutions more efficiently and with lower energy requirements.



# Waste and recycling

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## Environmental

Medical and chemical waste arises in addition to conventional domestic waste. We dispose of old and unused medications expertly.

### Our approach to this matter

Besides traditional domestic waste (mainly packaging materials), the Galenica Group also produces medical and chemical waste. Expired or excess medicines are classified as hazardous waste in Switzerland and cannot be disposed of as conventional industrial waste. Hazardous waste entails disposal costs and ecological risks.

### Professional disposal of returned medicines

Pharmacies and the Galenica logistics companies take back old and unused medicines from customers and dispose of them professionally. In pharmacies, the medicines are disposed of according to internal quality management processes. Pharmacists perform an initial inspection of the returned medications and sort them according to specific criteria. They particularly focus on critical ingredients (such as heavy metals, solvents and highly active ingredients) as well as dosage form, particularly in the case of pressurised gas containers. Based on this preselection, the drugs are then dispatched for proper disposal, whether at a regular incineration plant or in a specially designed high-temperature furnace. The disposal of controlled substances such as narcotics must be documented by the pharmacists and reported to Swissmedic. The GDP guidelines followed by Alloga and Galaxis also provide instructions on dealing with returns. The final disposal of old and unused medicines is carried out by third parties. Medifilm is an exception to this. It is the only company in the Galenica Group that holds a special waste disposal permit.

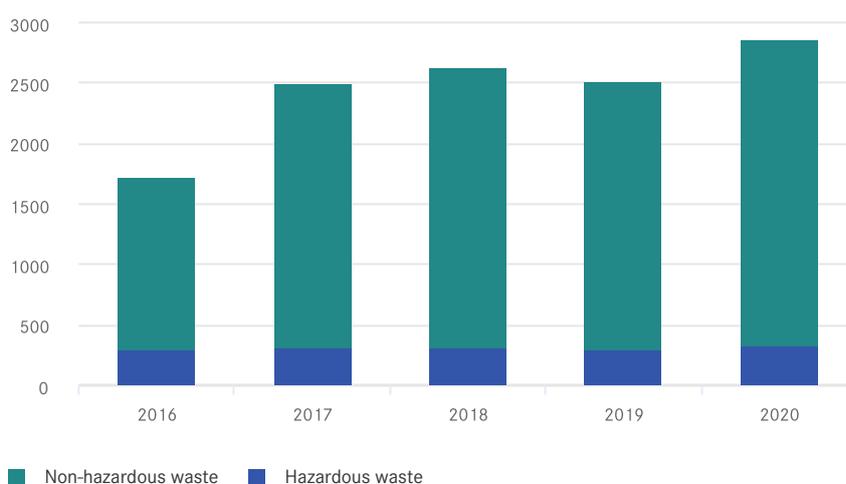
For safety reasons, all returned drugs are disposed of – without exception – even if they have not yet expired and/or the packaging is still intact. Controlled disposal prevents people or animals from coming into contact with potentially hazardous pharmaceutical waste, e.g. in the case of torn rubbish bags at the roadside, as well as eliminating any risk to collection companies' employees. The process also ensures that household litter, and wastewater in particular, are not polluted. Medication should never be poured down sinks or lavatories because sewage plants are unable to filter out certain substances in medicinal products during wastewater treatment. As a result, if these substances are discharged into the aquatic environment, they cause harm to the animals and plants that inhabit it. All Galenica Group pharmacies also provide biodegradable plastic bags for customers. Pharmacies therefore make a valuable contribution towards environmentally compatible and controlled disposal of hazardous waste.

## Facts and figures

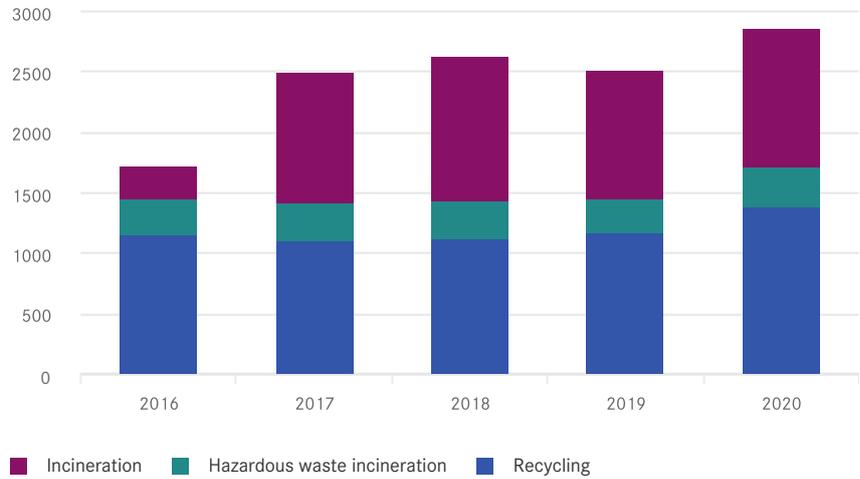
### Almost half of all waste is recycled

The total weight of waste produced in 2020 was 2,850 tonnes, equivalent to an increase of 14% compared to the previous year. The inclusion of the Bichsel Group's waste data is responsible for 10% of this increase in 2020. The weight of waste per full-time equivalent increased by 13% compared to 2019. Estimates of waste data at pharmacies have been available only since 2017. The volume of waste produced by pharmacies accounts for around 29% of total waste generated. 88% of total waste was harmless (largely general waste, cardboard, paper and plastics), with the remaining 12% classified as hazardous waste (mainly medicines). 48% of waste was recycled, 40% was incinerated and 12% destroyed at a specialist facility for hazardous waste.

Waste by type 2016–2020  
Tonnes



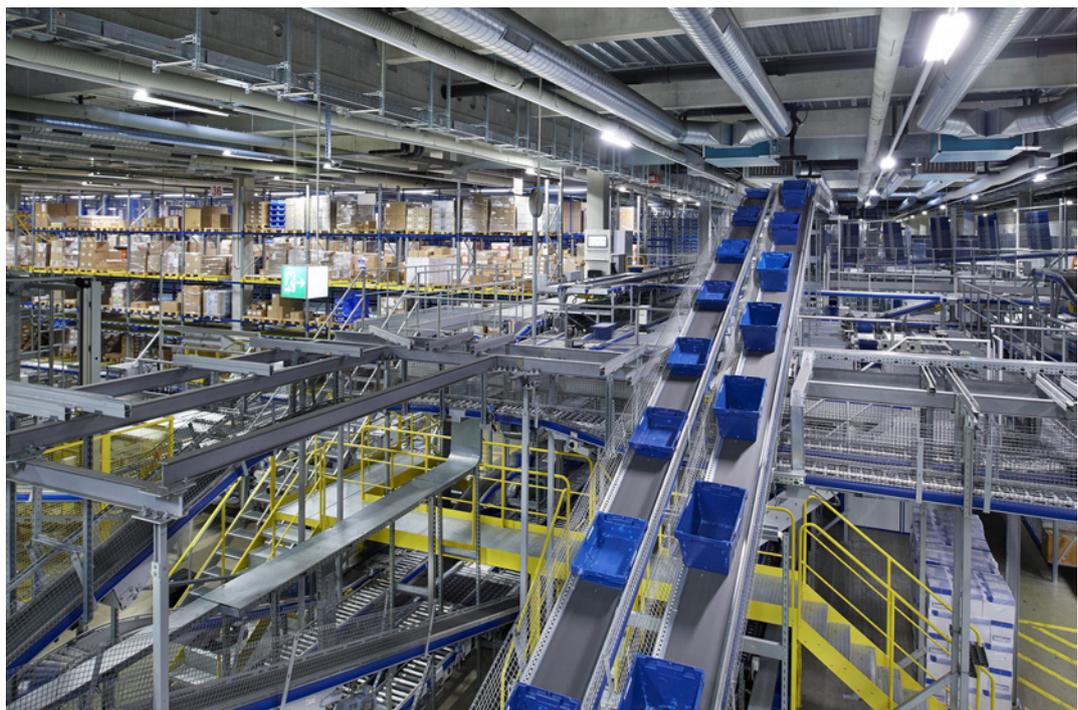
Waste by disposal method 2016–2020  
Tonnes



For 2015–2016, only data for Galexis, Alloga, UFD, Galenicare and Medifilm are available. As of 2017, estimates of waste data are available for the pharmacies. Figures on the Bichsel Group’s waste are included from 2020.

### Outlook for 2021

The Services Business sector is constantly investigating additional measures to reduce waste. One effective measure is the use of recyclable packaging, which already accounts for over 90% of deliveries.



# Employee and environmental data

This report informs you about the Galenica Group's sustainability activities in 2020. It deals with the twelve main fields of interest in our relevance matrix, which we reviewed and updated in an internal process in 2020.

Due to the IPO of the former Business Unit Galenica Santé on 7 April 2017, employee and environmental data was recalculated with retroactive effect from 2016 on the basis of Galenica Santé data.

## Data on our employees

The data on our employees and managers refers to all Galenica Group companies. The figures for continuing education, the talent management programmes, training, illness-related absences and accidents do not yet include the Bichsel Group's data. Bichsel's HR is being integrated with effect from 1 January 2021. The diagrams in the Employees section show the 2020 financial year and the four preceding years for comparison.

## Data on our environmental impact

The "Environmental responsibility" section contains key figures for the two former Business sectors Retail and Services. For the former Products & Brands Business sector, only environmental data for G-Pharma is provided. This is included in the calculation for Galexis, as the offices of G-Pharma are located at the Galexis site in Niederbipp. The offices of Verfora are leased, which is why no information or estimates are currently available.

In general, the diagrams in the "Environmental responsibility" section refer to the 2020 financial year and the four preceding years for comparison. As we are constantly optimising the environmental indicator system and broadening the scope of the system step by step (due to the primarily inorganic growth of the company), the data has only limited comparability from year to year. In 2018, we had the CO<sub>2</sub> conversion factors checked by Myclimate and expanded them to include CO<sub>2</sub> equivalents (CO<sub>2</sub>e). Since then, we have been using solely the CO<sub>2</sub>e unit and have adjusted the previous years accordingly.

Consumption data for the former Services Business sector includes the energy consumption data from all companies, comprising the Burgdorf, Niederbipp, Lausanne-Ecublens and Barbengo-Lugano sites. In addition, we include the diesel consumption of our own vehicles and of contracted drivers (estimated or measured in tCO<sub>2</sub>e) as the main indirect source of consumption. In addition, the electricity consumption of Pharmapool has been included since 2017 and its diesel consumption since 2018.

We estimate the consumption data (electricity, heating and waste) for HCl Solutions (former Services Business sector). For this purpose, the energy consumption measured at the Bern site (one of four HCl sites) is extrapolated for the entire company based on the number of employees. This approach is

appropriate given that HCl Solutions is a services company that operates in leased offices only and has no significant fluctuations in consumption. Energy consumption at HCl Solutions accounts for less than 1% of Galenica's total energy consumption.

Only data on electricity consumption and domestic waste is available for the former Retail Business sector. These are estimates based on a representative sample of 20 Amavita, Sun Store and Coop Vitality 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 (ElCom). Estimates for Coop Vitality pharmacies have only been available as of 2017. The heating energy consumption in pharmacy locations cannot currently be estimated based on the available data from running cost statements. It is therefore not included in the record. As of 2020, the Bichsel Group's environmental data, which covers energy consumption (including the fuel consumption of its own fleet) is also included.

The calculated CO<sub>2</sub> emissions include both direct and indirect energy-related sources of 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).



# GRI Index

In the interests of greater convenience and comparability, this report contains standard disclosures under the GRI sustainability reporting standards.

	Indicator	Unit	2020	2019 <sup>1)</sup>
<b>General GRI standard disclosures</b>				
Employees	GRI 102-8	Quantity	7,205	7,071
– of which women		Quantity	5,308	5,268
– of which part-time employees (<90%)		Quantity	3,039	2,897
<b>Specific standard disclosures</b>				
<b>Society</b>				
<b>Employment</b>				
Employee turnover	GRI 401-1	%	10.6	11.4
Anti-corruption	GRI 205-2			
Employees who received anti-corruption training		Quantity	0 <sup>2)</sup>	78
<b>Environment</b>				
<b>Energy</b>				
Energy consumption within the organisation	GRI 302-1	GJ	159,421	134,312
– Non-renewable sources (heating oil, natural gas, diesel)		GJ	75,012	56,504
– Renewable sources (hydropower, solar energy)		GJ	84,409	77,807
Energy consumption outside of the organisation	GRI 302-2			
– Upstream and downstream transport and distribution		GJ	57,054	52,527
Reduction of energy consumption	GRI 302-4	GJ	1,851	1,418
<b>Emissions</b>				
Direct greenhouse gas emissions (Scope 1)	GRI 305-1			
– Fuels and combustibles		tCO <sub>2</sub> e	4,261	2,997
Indirect energy greenhouse gas emissions (Scope 2)				
– Purchased electricity		tCO <sub>2</sub> e	2,072	2,191
Other indirect energy greenhouse gas emissions (Scope 3)	GRI 305-3			
– Upstream and downstream transport and distribution		tCO <sub>2</sub> e	4,244	3,907
Greenhouse gas emissions intensity	GRI 305-4			
– Total greenhouse gas emissions per CHF net sales		gCO <sub>2</sub> e/CHF	3.0	2.8
Reduction of greenhouse gas emissions	GRI 305-5	tCO <sub>2</sub> e	74	51

**Waste**

Total weight of waste	GRI 306-2	t	2,850	2,507
By type:				
- Non-hazardous waste		t	2,515	2,218
- Hazardous waste		t	335	289
By disposal method:				
- Incineration		t	1,133	1,050
- Hazardous waste incineration		t	335	289
- Recycling		t	1,382	1,168
Total number and volume of significant spills	GRI 306-3	Quantity	0	0
			0	0

**Compliance**

Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with environmental laws and regulations	GRI 307-1	CHF	0	0
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<sup>1)</sup> Given the continuous optimisation of the environmental indicator system and gradual expansion of system limits (due to the primarily inorganic growth of the company), data have only limited comparability from year to year and may deviate from previously published data.

<sup>2)</sup> No anti-corruption training was held in 2020.

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