

# Sustainability Report 2016

of the Galenica Group



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## Introduction

On 7 April 2017, the initial public offering (IPO) of Galenica Santé (now Galenica) and thus the division of the Galenica Group into Vifor Pharma and Galenica took place. The Sustainability Report 2016 is the last consolidated report of both Business units and reflects the situation as of 31 December 2016, which is why the Galenica Group is referred to retrospectively. In 2017, Galenica and Vifor Pharma will publish their sustainability reports independently and separately from one another. The current Sustainability Report was examined by circulation procedure by the Executive Committee of Vifor Pharma and the Corporate Executive Committee of Galenica in June 2017.

In September 2016, the Galenica Group acquired the company Relypsa. The environmental and health data of Relypsa as part of Vifor Pharma is not included in this report. Further information can be found in the section System limits on page 16.

For better comparability, this report contains standard disclosures from the G4 Sustainability Reporting Guidelines of the Global Reporting Initiative (GRI). An overview can be found in the GRI index on page 18.

Bern, July 2017

## Sustainability at the Galenica Group

Sustainability is an integral part of the Galenica Group corporate management, based on the belief that proactive and responsible actions contribute substantially to the company's long-term success and have an impact on the company, internally and externally. The Sustainability Report therefore refers to various other sections of the Annual Report 2016, in particular Corporate Governance (page 62 ff) and Social responsibility (page 98).

Employees and their specialised knowledge play a key role in the development, production, 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 (Annual Report 2016, page 92 ff). Through professional services and the manufacture of excellent products, 8,661 employees at Galenica play their part in ensuring customer satisfaction. The workforce combines individuals from more than 90 countries and of all ages. More than two-thirds of employees are women.

Galenica is committed to the highest quality and focuses on success in the long-term. The strength of the highly diverse Group is its employees, who are responsible for making this commitment a reality through their expertise and high standards. The long-term success of the Galenica Group is dependent on its dedicated commitment to meeting the needs of customers as profitably, efficiently and sustainably as possible. The five key values of the Galenica Group form the basis for the actions and decisions of all employees:

### The five key values of Galenica

We participate with **passion** and act as **entrepreneurs**.

We build **trust** through credibility and competence.

We show **respect** and know that **together, we are stronger**.

## Goals

Galenica firmly believes that shouldering social responsibility and using natural resources efficiently and respectfully are important prerequisites for sustainable commercial success.

At the heart of this commitment are the three key sustainability goals of the Galenica Group, which are supported by the Corporate Executive Committee and 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.

These goals enable Galenica to increase its efficiency and its capacity for innovation, and therefore its competitiveness, by motivating and raising employee awareness. Regular, on-going exchange with various stakeholders also helps maintain the Group's strong reputation. In light of volatile energy prices, breaking the link between company growth and energy consumption represents a very real and considerable challenge.

## Stakeholder groups

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 and non-governmental organisations – that are characterised by transparency, honesty and mutual respect.

As a diversified organisation, Galenica has a broad internal and external customer base, ranging from pharmacies, drugstores and their customers to general practitioners, health insurance companies, hospitals and international pharmaceutical groups, to the pharmaceutical companies of the Galenica Group. To assess customer satisfaction and identify potential improvements, Galenica uses internal performance indicators and the findings of independently managed target group surveys. Each year, specific insights – and the measures taken in consequence – help generate added value for customers.

Collaboration with suppliers is characterised by a continuous process of improvement and is integral to quality management in the different Business sectors. Quality, costs and prices, as well as potential innovations, are regularly discussed with suppliers and business partners. These types of interaction create transparency and ensure that services are provided as smoothly as possible.

The Galenica Group updates stakeholders about its sustainability plans and activities on a yearly basis. This is done by means of the Annual Report as well as the present Sustainability Report. In addition, Galenica updates the CDP questionnaire every October for release on the organisation's website (for the last time as the Galenica Group in 2017; more information about CDP on page 12).

## Sustainability Committee

The Galenica Group has formalised its commitment in the area of environmental and social responsibility with the creation of its Sustainability Committee. This is composed of a representative from the Services Business sector, a representative from the Retail Business sector, three representatives from Vifor Pharma production sites and three representatives from Galenica Ltd. The committee is chaired by Felix Burkhard, member of the Corporate Executive Committee and Head Strategic Projects (today CFO).

Over the past few years, the Committee has established itself as a Group-wide platform for exchange. It facilitates discussion and implementation of specific measures as well as exchange on the overarching goals of the Business units.

The Committee met twice in the year under review. During these meetings, the new process and structure of sustainability reporting was discussed. A further item on the agenda was CDP reporting and the developments in climate policy in Switzerland, including their impact on Galenica. The committee also discussed the key topics of the coverages for the Annual Report and revised its three-year plan accordingly. The Annual Report 2016 featured two coverages on the topics of protection against counterfeiting and patient safety (pages 36 and 58).

## Quality systems

The Vifor Pharma Business unit operates in a highly regulated international environment which requires the company to adhere to strict quality and safety requirements with regard to production processes. In Switzerland, Swissmedic monitors compliance with applicable laws and standards. In the USA, this is the responsibility of the Food & Drug Administration (FDA), and in the EU, of the European Medicines Agency (EMA). Production sites are therefore regularly inspected by the authorities. The frequency of such audits depends on the product range. The Geneva and Lisbon sites are certified according to ISO 14001:2004 and the Ettingen and St. Gallen sites to ISO 14001:2015. The Villars-sur-Glâne site is certified according to ISO 9001.

In the Services Business sector, all companies have comprehensive quality management systems at their disposal. Alloga, Unione Farmaceutica Distribuzione (UFD), Medifilm and the head office of HCl Solutions are ISO 9001 certified. The process management systems at Galexis and G-Pharma are also fully compliant with ISO 9001, but are not currently certified. Galexis is periodically assessed by the regional agencies for therapeutic products as part of checks for compliance with Good Distribution Practice (GDP) guidelines. The management systems of all companies also include safety and environmental management procedures that apply to all sites and employees.

In the Retail Business sector, all Amavita, Sun Store and Coop Vitality pharmacies have established a quality management system (QMS) which covers all essential processes in retail pharmacies as well as environmental issues. Compliance with internal and external standards is monitored with regular quality audits and mystery shopper programmes.

Data protection guidelines and IT system security are also covered by quality systems. The role of data protection officer at Group level is assigned to an external legal consultant.

## Code of Conduct and prevention of corruption

The Code of Conduct of the Galenica Group defines the rules and standards that must be followed by all employees. It is integrated into the employee handbook and is signed by all employees on joining the company. The Code makes explicit reference to bribery, insider trading and discrimination, and gives guidance on how to address these issues, thereby helping to break down taboos about discussing these topics. As a result, employees confronted with these issues are encouraged to quickly seek advice in case of uncertainty from Galenica Group Legal Services or the Legal and Compliance department of Vifor Pharma.

Conflictual situations in daily business are examined and reviewed as part of the management process. Key findings from these reviews are discussed at senior management meetings within the Business sectors, and processes or directives adapted, as necessary. As well as signing the Code of Conduct, employees who may be exposed to such issues, in particular those in the Vifor Pharma Business unit, are given regular training. A web-based tool developed to this end is used by all employees, who must complete up to four courses per year. New employees are invited to attend these courses every four weeks, until they have completed the full number of courses available.

In 2016, web-based training and on-site courses were held on various topics related to the Code of Conduct. These included the reporting of payments to specialist medical groups, the responsible use of social media, IT security, data protection and anti-corruption measures. In total, 2,750 employees were invited to take part in online training in the year under review,

with 95% on average successfully passing the associated tests. At the end of 2016, a new directive aimed at countering corruption and bribery was drafted at Vifor Pharma, which entered into force on 1 January 2017. An accompanying training course was prepared on the topic and introduced in the same month.

Galenica ensures that not only the Group but also its subsidiaries and its business partners comply with international and national laws and standards, industry-specific standards and good practices in relation to social and environmental responsibility. Since 2014, all suppliers of Galenica have therefore been required to comply with a Supplier Code of Conduct. Vifor Pharma conducts random sampling to assess new suppliers' and partners' compliance with this Code. A new risk-based due diligence process has also been defined that classifies business partners according to the service they provide and the national corruption index from Transparency International, as well as providing for additional due diligence where required. Galenica does not accept responsibility for the failure of suppliers and other business partners to comply with these principles unless it is covered by a contractually defined cooperative arrangement.

## Social responsibility

### Employees

Unless otherwise mentioned, the following section refers to all employees of the Galenica Group.

### Diversity

The Galenica Group brings together employees from over 90 countries under one roof. At the end of 2016, the Galenica Group had 8,661 employees, 6,143 (71%) of whom were women and 2,518 (29%) were men. Over the past five years, this gender distribution has remained relatively constant. Since 2012, the total number of employees has risen by 19%.

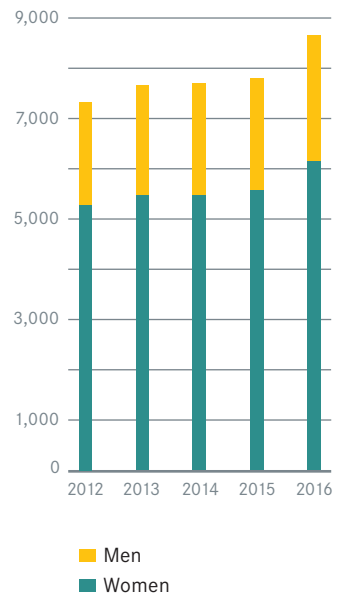
The number of managers (15% of all employees in 2016) has grown by 33% over the same period. From 2012 to 2016, the proportion of female managers fell from 47% to 45%.

Galenica offers flexible working hours in order to enable a better balance between family and career. In the Retail Business sector, for example, 45% of employees work part-time. At Galenica Santé and Vifor Pharma, there is the option to extend maternity leave with unpaid vacation. Work-time regulations at Vifor Pharma and at GaleniCare also include the possibility of home office working, while in certain pharmacies, managers share their role. The proportion of employees returning to work following maternity leave at the Galenica Group varied according to location in the year under review, between 25% and 100%.

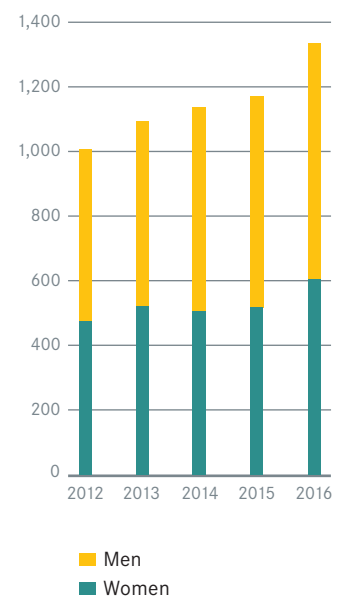
### Employee motivation

The Galenica Group carries out its Opinio employee survey every three years, most recently in May 2014. On the basis of this survey (response rate: 61%), employees are satisfied with their working conditions (72 out of 100 index points, + 2 compared with the previous survey). The average score for employee motivation was 73 index points. The survey results were discussed with line managers in the respective units. This exchange, the response to positive and negative experiences in day-to-day work, and the feedback of managers provided valuable input for interpreting the survey. Where necessary, specific measures were then implemented for the units in question.

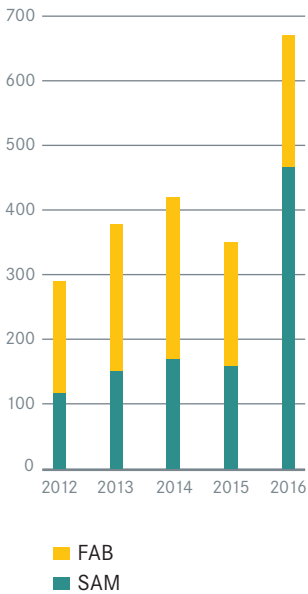
Number of Galenica Group employees



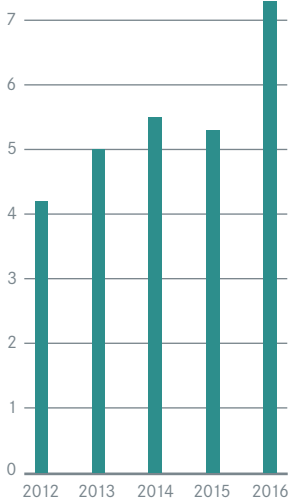
Number of Galenica Group managers



**Number of participants in FAB and SAM courses**



**Investment in training in CHF million**



**Training and development**

The employees of Galenica, particularly members of Senior Management and Management, are supported with a range of tools. One such tool is Corporate Management Development (UME), which comprises events (EVE), special staff training (SAM) and management training (FAB).

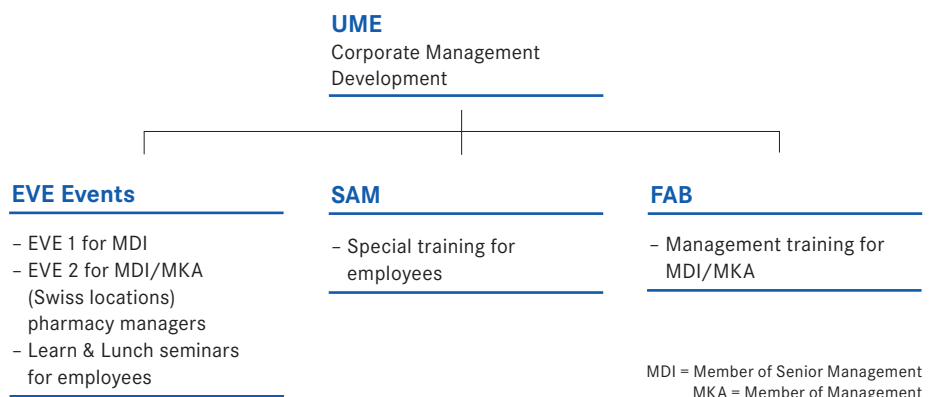
Events are used to communicate the strategic objectives of the Galenica Group and the Business units. Special staff training comprises several components, including an induction day for new employees (SAM 1) and other seminars on topics such as presentation techniques and project management. Employees at all hierarchical levels may attend the seminars. For pharmacy employees, there is a separate programme called Progress, which comprises training in management skills, professional expertise and sales skills. In addition, regular training for Galenica Group employees is offered in the form of e-learning modules.

Management training is aimed at members of Senior Management and Management. FAB 1 focuses on self-management and management tools, managing people and communication skills, as well as leading and developing teams. FAB 2 reinforces the topics of performance and health, and FAB 3 covers corporate management and change management.

In 2016, 467 people took part in SAM courses, and 204 in FAB courses. In total, Galenica invested CHF 7.3 million in employee training in the year under review, corresponding to an increase of 38% (+ CHF 2 million) from the previous year. External training can also be sponsored by the company on an individual basis through training agreements. In this case, training is supported 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.

A Group-wide Talent Management Programme is designed to identify key positions and strengthen internal succession planning in the medium to long term, as well as boost internal recruitment. The programme encompasses the annual Talent Review at Galenica Group level, the Talent Mentoring Programme (see Annual Report 2016, page 94) and the Retail Talent Man-

**Corporate Management Development**



UME includes all activities offered throughout the Galenica Group for the further development of staff and management.



agement Programme. As part of the annual Talent Review process, based on the Korn Ferry model, employees with management roles in the Galenica Santé Business unit and all Vifor Pharma employees are graded according to their performance and potential, and assisted with corresponding development measures. The model focuses on skills such as business acumen and persistence, which are deemed necessary in achieving long-term strategic goals.

In 2016, Vifor Pharma launched its Leadership Academy programme, which supports the development of the next generation of talent and managers at Vifor Pharma and prepares them for new tasks. The programme was run for the first time between June and November 2016 and attended by 22 participants. The second programme began in September 2016, with 24 managers taking part.

### Health and safety

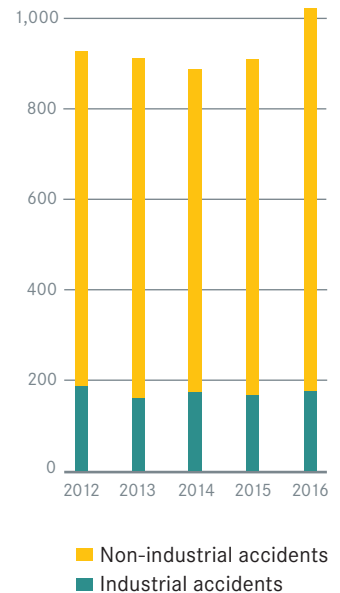
Galenica puts in place measures to protect employee health and maintain safety in the workplace in line with the directives of the Federal Coordination Commission for Occupational Safety (FCOS). In addition, Galenica has organised prevention campaigns at various locations to raise employees' awareness of health-related topics and accident risks. Compared with the previous year, the number of illness-related absences fell by 22%. In 2016, Galenica Care Management provided assistance to 45 employees at risk of illness or who had already fallen ill, thus helping to prevent or reduce absences where possible. Of the 27 cases closed in 2016, 21 employees were able to return to work thanks to Care Management.

Galexis has also teamed up with Suva (the Swiss Accident Insurance Fund) to offer a course on the prevention of tripping accidents at its Lausanne-Ecublens and Niederbipp sites, which was attended by 96% and 87% of employees in 2016, respectively. In Niederbipp, it was the second time the course had been held. Alloga also ran the course at its Burgdorf site, where 99% of employees attended. Furthermore, Galexis began compiling a risk inventory in 2016 of potential operating risks, such as forklift and tripping hazards. The resulting risk portfolio is a valuable tool for identifying and assessing occupational safety risks, deriving suitable measures and reviewing their implementation and effectiveness. The inventory is due to be completed in 2017 and the derived measures implemented in 2018.

Vifor Pharma has implemented a range of safety campaigns, for example on the topic of preventing slipping accidents on company premises in icy conditions. Not only accidents but also near-accidents are recorded at Vifor Pharma, using a special risk analysis and reporting form. Furthermore, various campaigns aimed at general health promotion are organised on a regular basis at the locations, with examples such as healthy eating awareness, massage offers and support for the Bike to Work scheme. At the Ettingen site, the management team revised the crisis handbook and held training on conduct in the event of potential crises such as fire or a power cut. The Villars-sur-Glâne site commissioned a production zone for the processing of highly potent active ingredients in order to better protect employees and the environment.

Alongside training, regular safety audits have been carried out at all locations in Switzerland by external partners. Based on the number of insured persons (2016: 7,458), Galenica records relatively few accidents in Switzerland. In 2016, a total of 176 industrial accidents and 845 non-industrial accidents were reported. These figures also include minor accidents, which did not result in an absence of more than

**Number of industrial and non-industrial accidents (Swiss locations only)**



three working days. As in previous years, the proportion of all industrial and non-industrial accidents that were minor in 2016 was over 60%.

Over the last five years, industrial and non-industrial accidents have increased by 10%. However, given that the number of employees in Switzerland has increased over the same period by 14%, the frequency of accidents in relation to employee numbers has been reduced.

### Social commitment

As a leading player in the Swiss healthcare market, Galenica is not only committed to the welfare of patients but is also involved in helping social organisations and projects. These are outlined in the Annual Report 2016 on page 98.

### Product responsibility

Improving patients' health and the quality of medications are top priorities for Galenica (see Annual Report 2016, pages 20–23; 36–39, 58–61).

At Vifor Pharma, clinical studies play an important role in the development of effective and safe medicines, and are carried out in accordance with international guidelines (ICH-GCP). Processes are continually reviewed and the results of all clinical studies conducted are published according to the principles of PhRMA (Pharmaceutical Research and Manufacturers of America) and the EFPIA (European Federation of Pharmaceutical Industries and Associations). Vifor Pharma is a member of Interpharma, the Association of Swiss Pharmaceutical Research Companies, and is committed to its animal protection charter. The charter includes the obligation to reduce, improve and replace animal studies. For the purpose of guaranteeing drug safety after marketing authorisation has been granted, Vifor Pharma has a global pharmacovigilance system in place. Pharmacovigilance (PV) denotes the continual monitoring of a drug's effects on the market. Vifor Pharma is committed to fulfilling all applicable regulatory requirements relating to PV and their quality assurance systems. These include, for example, EU PV legislation, the underlying Good Pharmacovigilance Practices (GVP) and the regulations of the US Food and Drug Administration (FDA) and Swissmedic.

Galenica Santé also undertakes to ensure drug quality and patient health throughout its value chain by taking appropriate measures concerning processes, infrastructure, and training and development.

## Environmental responsibility

As a diversified healthcare company, the entrepreneurial activities of Galenica cover many areas that can impact the environment. The production of active ingredients and finished products, and the provision of services require both renewable and non-renewable resources, in particular fos-

sil fuels. These processes generate gaseous, liquid and solid waste products as well as greenhouse gases. Galenica endeavours to take economically appropriate measures to use resources as efficiently as possible and reduce environmental impact as far as technically possible.

## Activities and objectives

Business unit	Key activities 2016	Goals 2017
<b>Vifor Pharma</b>	<ul style="list-style-type: none"> <li>- Ettingen site: reduction in energy demand through insulation of heating and hot water production, as well as prevention of losses in the compressed air network;</li> <li>- Geneva site: optimisation of cold water production;</li> <li>- Lisbon site: improved heat recovery from compressors and heating, and installation of LED lights in the offices;</li> <li>- St. Gallen site: commissioning of an additional heat pump, and installation of energy-saving light bulbs and high-quality windows;</li> <li>- Villars-sur-Glâne site: reduction in steam consumption through optimisation of settings.</li> </ul>	<ul style="list-style-type: none"> <li>- Decrease of CO<sub>2</sub> emissions and increase in energy efficiency in accordance with the EnAW target agreement at the Ettingen, Geneva, St. Gallen and Villars-sur-Glâne sites;</li> <li>- Ettingen site: improved waste separation;</li> <li>- Geneva site: connection of two additional buildings to the heating system, renovation of the compressed air network, optimisation of process steam, optimisation of the air conditioning system, implementation of the mobility awareness campaign, renovation of the chemical storage facility according to standard;</li> <li>- Lisbon site: preparation for the renewal of the public energy certificate with the aim of obtaining a higher classification.</li> </ul>
<b>Galenica Santé</b>		
Retail	<ul style="list-style-type: none"> <li>- GaleniCare: increase in efficiency through the merger of the St-Sulpice and Bern sites;</li> <li>- Installation of energy-saving light bulbs and motion sensors in renovated pharmacies.</li> </ul>	<ul style="list-style-type: none"> <li>- Continuation of energy-saving measures as in 2016.</li> </ul>
Services	<ul style="list-style-type: none"> <li>- Alloga: completion of the feasibility study on roof installation of a photovoltaic system;</li> <li>- Galexis: implementation of ten detailed measures under the target agreement with the Energy Agency for Industry (EnAW);</li> <li>- Galexis: submission of documents for the change to the neighbourhood plan for the building renovation at Untermattweg 8 in Bern and approval of the change to the neighbourhood plan by the City Council of Bern for public participation;</li> <li>- Medifilm: renovation and insulation of the new building with energy-saving measures (LED lights, drinking water dispensers, groundwater heat pump, high-quality windows);</li> <li>- UFD: establishment of a new parking concept, provision of three e-bikes for employees and reduction in paper printouts.</li> </ul>	<ul style="list-style-type: none"> <li>- Alloga: roof renovation and installation of solar panels;</li> <li>- Galexis: implementation of heat production and cable insulation measures at the Niederbipp site and process optimisation of heating and compressed air network at the Ecublens site;</li> <li>- HCI Solutions: reduction in car journeys through merger of sites and use of video conferences;</li> <li>- Medifilm: occupation of new premises heated and cooled with a groundwater heat pump and equipped with LED lights;</li> <li>- UFD: reduction in paper consumption through sending of invoices via e-mail.</li> </ul>

**CDP reporting**

Galenica completed the CDP questionnaire again in 2016. 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 about their impact on the environment and natural resources. In 2016, this information was collected in the name of 827 institutional investors, together representing more than USD 100 trillion in assets. The questionnaire completed by Galenica can be viewed on the CDP website ([www.cdproject.net](http://www.cdproject.net)).

In 2016, the CDP scoring methodology was amended. Whereas previously the scoring was divided into a Climate Disclosure Score and Climate Performance Band, only a Level of Engagement Score (A–D) is now given. Companies are assessed on the basis of four levels (leadership, management, awareness, disclosure) which demonstrate their progress towards environmental stewardship.

- Leadership (A): The company’s practices can be regarded as best practice.
- Management (B): The company has a good environmental management system in place.
- Awareness (C): The company understands how environmental issues influence its business model.
- Disclosure (D): The company answers all questions and provides relevant information.

In 2016, the Galenica Group obtained a Level of Engagement Score of C, thus corresponding to the same performance as in 2015 (D 90).

**Overview of locations covered by the indicator system**

Business unit	Locations included	Locations not included
<b>Vifor Pharma</b>		
	<ul style="list-style-type: none"> <li>– OM Pharma S.A., Amadora-Lisbon (Portugal)</li> <li>– OM Pharma SA, Geneva-Meyrin</li> <li>– Vifor Ltd., Villars-sur-Glâne</li> <li>– Vifor Ltd., Ettingen</li> <li>– Vifor International Ltd., St. Gallen</li> <li>– Vifor Pharma Ltd., Glattbrugg</li> </ul>	<ul style="list-style-type: none"> <li>Vifor Pharma</li> <li>– Regional sales offices outside Switzerland</li> <li>– Relypsa</li> <li>– External warehouses in Reinach and Villars-sur-Glâne</li> </ul>
<b>Galenica Santé</b>		
Retail	<ul style="list-style-type: none"> <li>– All companies at the Bern site</li> <li>– All Amavita pharmacies (estimate)</li> <li>– All Sun Store pharmacies (estimate)</li> <li>– MediService Ltd., Zuchwil</li> </ul>	<ul style="list-style-type: none"> <li>– GaleniCare Management Ltd., St-Sulpice</li> </ul>
Services	<ul style="list-style-type: none"> <li>– Alloga Ltd., Burgdorf</li> <li>– 1L Logistics Ltd., Burgdorf</li> <li>– Dauf SA, Barbengo-Lugano</li> <li>– Galexis Ltd. Niederbipp site Lausanne-Ecublens site</li> <li>– Unione Farmaceutica Distribuzione SA, Barbengo-Lugano</li> <li>– Medifilm Ltd., Oensingen</li> <li>– Brunner Pharma health centre, St. Gallen</li> <li>– HCI Solutions: all companies at the Bern, Basel, Gümliigen and Le Mont-sur-Lausanne sites (estimate)</li> </ul>	
Products & Brands	<ul style="list-style-type: none"> <li>– G-Pharma AG, Niederbipp</li> </ul>	

**Consumption data**

A strong focus on quality and efficiency is relevant for Galenica to grow sustainably and live up to its three sustainability goals. The following sections contain key figures and examples of measures with respect to energy consumption at the Galenica Group.

**Energy consumption**

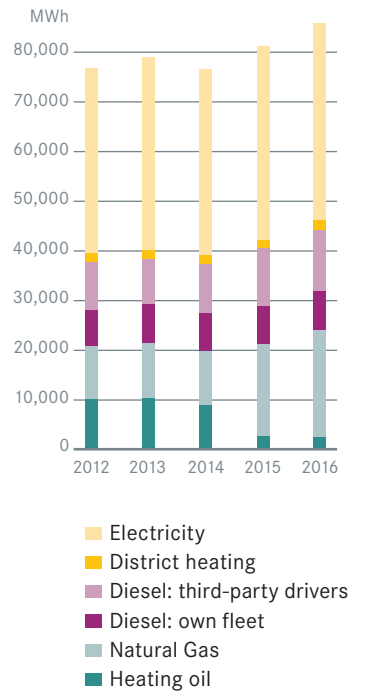
Galenica Group total energy consumption in 2016 was 85,518 MWh, representing an increase of 6% compared to the previous year. Production in the Vifor Pharma Business unit, which accounts for around 47% of the total Galenica energy consumption, also rose by 6% year-on-year. A further reason for the increase in energy consumption is the 6.7% rise in heat degree days in Switzerland in comparison to the previous year (source: Swiss Federal Office for Energy, SFOE). As a result of the Group’s growth, energy consumption has increased by 12% since 2012.

**Fuel.** Galenica covers approximately 28% of its energy needs with the fossil fuels heating oil and natural gas. Absolute consumption of heating oil decreased by 6% over the previous year, while gas increased by 16%. Since 2012, the proportion of heating oil in the overall Galenica energy mix has been reduced from 13% to 3%. Galenica remains committed to reducing dependency on fossil fuels by making greater use of renewable energies, heat recovery and district heating (share of district heating in the energy mix: approximately 2%). In addition, energy efficiency is continually enhanced through planned renovation measures.

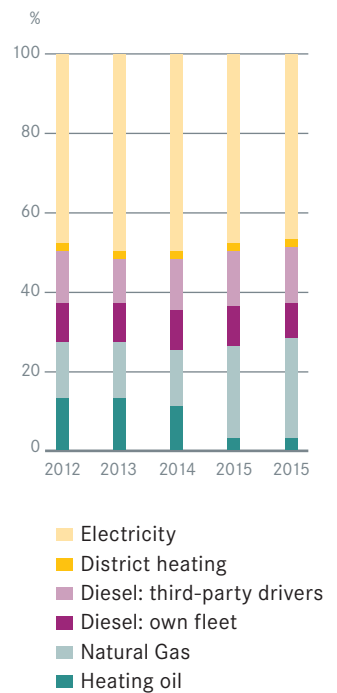
**Vehicle fuel.** Fuel for vehicles accounted for 23% of the energy used in 2016. Most of this was consumed in the Services Business sector by company vehicles and contracted drivers. Vehicle fuel consumption increased by 5% compared with the previous year. Consumption by the company’s own vehicles increased in 2016 by 1%, while that of third-party vehicles rose by 7% compared to 2015. This rise can be primarily attributed to the GDP guidelines, which contain specific provisions for the transport of pharmaceutical products requiring cold chain storage. Accordingly, GDP-compliant vehicles must be fitted with an air conditioning system in the loading space, thereby increasing fuel consumption. The smaller cargo load of GDP-compliant vehicles also leads to additional journeys.

**Electricity.** Electricity is by far the most important energy source for Galenica, accounting for 46% of total energy consumption. In 2012, this figure was 49%. Total electricity consumption in 2016 was 39,663 MWh, which corresponds to a rise of 2% year-on-year. The increase can partly be explained by the installation of a more powerful ventilation system at the Ettingen site, which consumes more electricity but ensures considerably more hygienic air conditions. Furthermore, an additional ventilation system was installed at the Villars-sur-Glâne site for the new processing zone for highly potent active ingredients. All Vifor Pharma sites in Switzerland obtain 100% of their electricity from hydropower. With a few exceptions, this also applies to the Services Business sector of Galenica Santé.

**Energy consumption 2012–2016**



**Energy mix 2012–2016**



## Investing in an entrepreneurial and sustainable way

### New premises for Medifilm

In May 2017, Medifilm occupied new premises. The building was completely reinsulated in 2016 and equipped with high-quality windows. Heating and cooling are provided by a groundwater heat pump. To further reduce cooling performance in the summer, the visitors' gallery is designed to act as a buffer between the sunlit external wall and the strictly temperature-controlled production facility. In addition, LED lights are used throughout the building in order to achieve further energy savings, and drinking water dispensers have been installed for employees so as to reduce the use of PET bottles.

### Roof renovation and solar modules for the Alloga head office

In 2015, Alloga launched a feasibility study in collaboration with Solarstadt Burgdorf AG in relation to the installation of solar modules on its building roof. This study was successfully concluded in 2016. The results show that a roof renovation and the installation of solar modules would save 140 MWh of energy and 30 tonnes of CO<sub>2</sub> emissions a year. The measures are due to be implemented in 2017.

### Merger of GaleniCare sites in Bern and St-Sulpice

In 2016, the merger of the two GaleniCare Management Ltd. sites was prepared and partially implemented with the aim of pooling business activities in Bern and ultimately saving on costs and energy. The target for the future is to deliver the same level of performance over a smaller operating area. To this end, procedures and processes have been harmonised and standardised, while a new parking concept has been implemented to boost employees' resource-efficient mobility. Under the new concept, a charge is applied for employee parking spaces so as to incentivise the use of public transport. Furthermore, the option to work from home is also offered.

### Interest in hydro power station acquired by the St. Gallen site

Kraftwerk Burentobel AG is preparing to build a hydro power station in the immediate vicinity of the Vifor Pharma site in St. Gallen. Construction work is due to begin in mid-2017 and be completed by mid-2018. The total share capital amounts to CHF 1,270,000, of which Vifor Pharma will acquire 16% (CHF 70,000). As a result, the St. Gallen site will be eligible to obtain a portion of its electricity from renewable sources.

## Emission of greenhouse gases and air pollutants

CO<sub>2</sub> emissions from the use of energy are calculated using scientifically determined emission parameters. In 2016, the Galenica Group's CO<sub>2</sub> emissions amounted to 12,983 tonnes, a 6% increase from the prior year. Since 2012, absolute emissions have fallen by 15%. The consumption of the two main sources of CO<sub>2</sub> emissions, natural gas and diesel, increased year-on-year by 16% and 5%, respectively. The rise in natural gas can be explained by the greater number of heat degree days in 2016, while the increase in diesel is attributable to the new GDP guidelines and a higher number of journeys.

**Transport.** Transporting goods on the roads is the main cause of direct and indirect CO<sub>2</sub> emissions at Galenica (including contracted drivers). In 2016, 5,353 tonnes of greenhouse gases were emitted, corresponding to 41% of the Group's overall CO<sub>2</sub> emissions. Galexis and UFD each operate their own fleet, which together comprise 127 delivery vans (up to 3.5 tonnes). 120 vehicles are GDP-compliant and are fitted with an air conditioning system in the loading space, which is necessary for the transport of pharmaceutical products requiring refrigeration.

Diesel consumption is both a source of emissions and an important cost factor, which is why reduction measures are regularly examined and implemented. Mandatory driver safety training is organised for Galexis drivers every two years which aims, among other things, to ensure drivers have an environmentally friendly, fuel-efficient driving style. In 2016, 95% of drivers at the Niederbipp site and 60% of UFD drivers attended this training. Newly purchased vehicles also have smaller capacity engines, resulting in 15% lower CO<sub>2</sub> emissions per 100 kilometres compared to 2006.

**Resource-efficient employee mobility**

As part of the merger of the GaleniCare sites in Bern and St-Sulpice, a new parking concept was implemented that charges a fee to employees. Since 2016, car pooling has also been offered at the Ettingen site under the coordination of reception, and is used regularly. In Geneva, awareness of resource-efficient mobility has been raised among employees and attention drawn to the option of car pooling. The Villars-sur-Glâne site has purchased two e-bikes for employees in order to also improve mobility over short distances.

**Volatile Organic Compounds (VOC).**

Switzerland has a tax on VOCs to help meet the statutory reduction in VOC emissions. The figures reported by Galenica concern VOCs that are emitted into the atmosphere during production; these are subject to a tax. In 2016, the company paid tax on 30 tonnes of VOCs, an increase of 38% over the prior year. This is due to higher production which calls for increased requirements for process-related cleaning.

**Other pollutants.** In 2016, around 90% of vehicles used by Galaxis met the Euro 5 emission standard, 6% met the Euro 6 standard, and 4% met the Euro 4 standard. In addition, Alloga and Galaxis require their contracted drivers to use only vehicles that meet at least the Euro 5 standard.

The Euro emission standards aim to lower vehicle pollution by setting emission limits for carbon monoxide (CO), nitrogen oxides (NO<sub>x</sub>), hydrocarbons (C<sub>x</sub>H<sub>x</sub>) and particles. The higher the number of the standard, the stricter it is. Euro 6 is currently the strictest and has been in force since 1 September 2015 for all new cars on the road. When purchasing new vehicles, Galaxis seeks to introduce only vehicles with the latest emission control technologies.

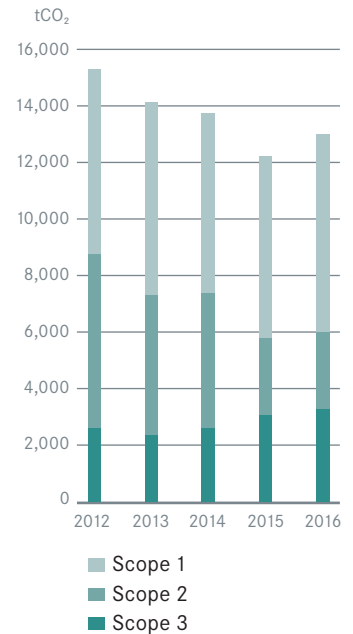
**Resource-efficient production**

Galenica aims to continuously improve energy efficiency while reducing greenhouse gas emissions.

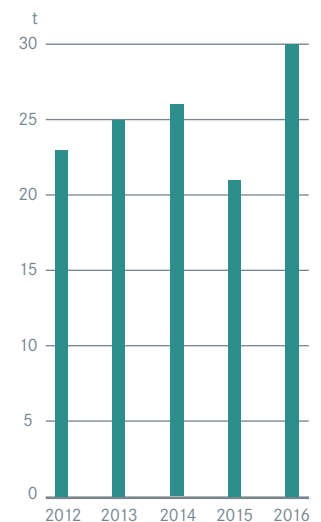
**Collaboration with the EnAW.** The St. Gallen, Villars-sur-Glâne, Geneva, Burgdorf, Lausanne-Ecublens, Ettingen and Niederbipp sites have a target agreement with the Federal Office for the Environment (FOEN) to reduce CO<sub>2</sub> emissions and increase energy efficiency. The targets are agreed individually based on the existing potential at each site. An energy plan, covering various efficiency measures identified as cost-effective by the EnAW (Energie-Agentur der Wirtschaft; Energy Agency Swiss Private Sector), sets out how the objective is to be achieved over a period of ten years. Measures with a return on investment of up to eight years are considered to be cost-effective. In return for this commitment, these sites are exempt from the national CO<sub>2</sub> levy applied to fossil fuels.

The measures implemented at the Geneva, St. Gallen, Burgdorf, Lausanne-Ecublens and Niederbipp sites in 2016 have the potential to reduce annual energy consumption by a total of more than 1,700 MWh. This equates to approximately 300 tonnes of CO<sub>2</sub> that can be saved per year. By way of comparison, the same amount of CO<sub>2</sub> is produced by 52 Swiss citizens on average in a year.

**CO<sub>2</sub> emissions by scope 2012-2016**



**VOC emissions 2012-2016**



**Potential savings, particularly in electricity consumption.** The Retail Business sector, where nearly all premises are leased, has very limited influence on the choice of energy source for heating and electricity. Where the energy mix can be influenced, renewable sources are preferred. However, electricity consumption can be influenced, which is why the focus is on consistently installing energy-saving lighting and motion sensors when refurbishing pharmacies. In addition, flyers aim to raise employee awareness of specifically selected sustainability issues. Renovation measures to increase energy efficiency were implemented at a further 8% of Amavita pharmacies and around 20% of Sun Store pharmacies in 2016, corresponding to a total of 43 pharmacies that were renovated. In the meantime, 75% of all pharmacies have now been renovated. Thanks to these measures, electricity consumption was cut by 3% while the number of pharmacies increased by 0.8%.

**Commissioning of a heat pump.** At the St. Gallen site, energy consumption increased by only 15% year-on-year despite a 36% rise in production volume. One reason for the abatement is the commissioning of a water pump, which saved 147 MWh. Other measures included the optimisation of compressed air consumption, improvements to heating and cooling function controls, and a reduction in steam consumption.

**Central energy supply.** At the Geneva site, plans are in place to centralise the energy supply to all buildings over the next two years. In 2016, the cold water supply was optimised and centralised, enabling the demand for electricity for cold water production to be reduced by 20% since September 2016. A centralised energy supply is already in place at the St. Gallen site.

#### Loss events, compliance and new regulations

Two new ordinances for hazardous waste management in industry and commerce were enacted in 2016, both of which are observed by Galenica. The ordinances relate to the prevention and disposal of waste, and the movements of waste. In Portugal, legal regulations entered into force in 2016 that require manufacturers to keep records of the cardboard packaging they use, with the aim of promoting recycling of such material in the country. Galenica once again operated in compliance with the law in 2016. No fines were imposed for failing to comply with statutory environmental regulations.

#### System limits

The Environmental Responsibility section contains key figures for the two Business units Vifor Pharma and Galenica Santé, including the Retail and Services Business sectors. Only electricity consumption can be estimated for Retail. An estimate of the annual heating requirements of this Business sector is not possible based on the current data.

#### Comparability

In general, the diagrams in the Environmental responsibility section show the 2016 financial year and the four preceding years for comparison. 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. Figures for UFD were only recorded from 2013 onwards.

As a result of the central procurement of electricity for Vifor Pharma locations in Switzerland and the Services Business sector, the information on energy consumption for all locations is only known from 2012 onwards. Since historical data were also adjusted in the year under review, the historical figures presented in this report may not match the figures from previous reports.

#### Consumption data

Consumption data for the Vifor Pharma Business unit relate to the production sites in Switzerland and the production site in Portugal. Consumption data for the Services Business sector include data from all subsidiaries, comprising, in particular, energy consumption data from the Burgdorf, Niederbipp, Lausanne-Ecublens and Barbengo-Lugano sites, as well as diesel consumption of own vehicles and that of contracted drivers, as the largest indirect source of consumption. Waste volumes, type of waste generated and disposal methods are also recorded for both of them.



Energy consumption figures for the Retail Business sector cannot be measured directly as almost all pharmacy locations are leased. Annual electricity costs per location are therefore shown rather than actual energy consumption. 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. The electricity consumption of the Amavita and Sun Store 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).

Overall consumption data (electricity, heating and waste) are also estimated for the company HCI Solutions. The known energy consumption of the Bern site (one of four HCI sites) has been extrapolated to the entire company on the number of employees. This approach is appropriate given that HCI Solutions is a services company that operates in leased offices only and has no significant fluctuations in consumption. HCI Solutions accounts for approximately 1% of the environmental footprint of Galenica.

The calculated CO<sub>2</sub> emissions data include both direct and indirect sources. According to the Greenhouse Gas Protocol, direct sources of emissions include: pharmaceutical production (for example, the burning of gas to generate process heat); the production of heat for buildings; and transportation using the company's own vehicles (= Scope 1). The largest indirect sources of CO<sub>2</sub> emissions included in the indicator system are electricity generation (= Scope 2) and transport by contracted drivers (= Scope 3).

## GRI index

The Sustainability Reporting Guidelines of the Global Reporting Initiative (GRI) are an established standard for the publication of sustainability figures. GRI is a non-governmental organisation headquartered in Amsterdam. It published the first version of its guidelines in 2000. Currently, the fourth version is available (G4). The guidelines are continually developed with the active involvement of companies, human rights organisations, environmental organisations, labour organisations and governmental organisations. The basis for reporting is GRI transparency, with the aim of ensuring the standardisation and comparability of different companies' sustainability information.

	Indicator	Unit	2016	2015
<b>General standard disclosures</b>				
<b>Organisational profile</b>				
Employees	G4-10	Number	8,661	7,804
- of which women		Number	6,143	5,566
- of which part-time employees (<90%)		Number	2,670	2,593
- of which employees in Switzerland		Number	7,458	7,084
<b>Specific standard disclosures</b>				
<b>Society</b>				
<b>Employment</b>				
Employee turnover	G4-LA1	%	10.6	11.2
Anti-corruption Employees who received anti-corruption training	G4-SO4	Number	266	252
<b>Environment</b>				
<b>Energy</b>				
Energy consumption within the organisation	G4-EN3	GJ	264,021	250,103
- Non-renewable sources (heating oil, natural gas, diesel, waste)		GJ	113,558	103,072
- Electricity and heating (hydropower and district heating)		GJ	149,975	146,548
- Independently generated electricity (photovoltaics)		GJ	488	483
Energy consumption outside of the organisation	G4-EN4	GJ	44,334	41,393
- Upstream and downstream transport and distribution		GJ	44,334	41,393
Reduction of energy consumption	G4-EN6	GJ	6,316	4,402
- Reduction of heating oil and natural gas consumption as a result of measures implemented in the year under review		GJ	4,265	2,798
- Reduction of electricity consumption as a result of measures implemented in the year under review		GJ	2,051	1,604
<b>Water</b>				
Total water withdrawal	G4-EN8	m <sup>3</sup>	225,899	209,048
- Municipal water supplies		m <sup>3</sup>	225,899	209,048
<b>Emissions</b>				
Direct greenhouse gas emissions (Scope 1)	G4-EN15	tCO <sub>2</sub>	6,986	6,407
- Fuels and combustibles		tCO <sub>2</sub>	6,986	6,407
Energy indirect greenhouse gas emissions (Scope 2)		tCO <sub>2</sub>	2,733	2,758
- Purchased electricity		tCO <sub>2</sub>	2,733	2,758
Other indirect greenhouse gas emissions (Scope 3)	G4-EN17	tCO <sub>2</sub>	3,263	3,047
- Upstream and downstream transport and distribution		tCO <sub>2</sub>	3,263	3,047
Greenhouse gas emissions intensity	G4-EN18	gCO <sub>2</sub> /CHF	3.4	3.2
- Total greenhouse gas emissions per CHF net sales		gCO <sub>2</sub> /CHF	3.4	3.2
Reduction of greenhouse gas emissions	G4-EN19	tCO <sub>2</sub>	2,537	2,793
- Scope 1		tCO <sub>2</sub>	325	580
- Scope 2		tCO <sub>2</sub>	2,211	2,213
Other significant air emissions, by weight	G4-EN21	kg	29,526	21,356
- VOC		kg	29,526	21,356
<b>Waste</b>				
Total weight of waste	G4-EN23	t	2,687	2,522
By type:		t	2,134	2,029
- Non-hazardous waste		t	552	494
- Hazardous waste		t	552	494
By disposal method:		t	732	644
- Incineration		t	552	494
- Hazardous waste incineration		t	552	494
- Recycling		t	1,402	1,385
Total number and volume of significant spills	G4-EN24	Number t	— —	— —
<b>Compliance</b>				
Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with environmental laws and regulations	G4-EN29	CHF	—	—
<b>Transport</b>				
Environmental impact of transporting goods	G4-EN30	GJ	44,334	41,393
- Energy consumption (diesel)		GJ	44,334	41,393
- Greenhouse gas emissions (CO <sub>2</sub> )		t	5,353	5,121
- Waste (packaging materials)		t	1,344	1,299



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