

**ORGANIZATIONAL REGULATIONS OF GALENICA LTD.**

Berne, April 1, 2017

Title Organizational Regulations of Galenica Ltd.  
Date Berne, April 1, 2017  
Page 2

## Contents

1	General information .....	3
2	Management principles .....	3
3	The Group BoD .....	4
4	The Chairman .....	5
5	Committees of the Board of Directors .....	5
6	The General Secretary .....	6
7	The CEO and the Corporate Executive Committee.....	6
8	Reporting .....	8
9	Internal Audit.....	8
10	The Group Companies .....	9
11	Signatory powers .....	9
12	Group BoD meetings .....	9
13	Rights of members of the Group BoD to be given information and see documents	10
14	Entry into force, amendment.....	11

In accordance with Articles 716 and 716b of the Swiss Code of Obligations (OR) and Article 16 of the Articles of Association, the Board of Directors hereby issues the following Organizational Regulations:

## **1 General information**

1.1 These Organizational Regulations govern the following areas:

- The tasks and responsibilities of the Board of Directors (“the Group BoD”) and the transfer of tasks and responsibilities to other bodies of GALENICA LTD. (“the Company”);
- The constitution and organisation of the Group BoD and other bodies of the Company and (where stated) the Group;
- The competencies of Group Companies (“GCs”).

**Content of the Organizational Regulations**

1.2 The bodies of the Company are, in addition to the Annual General Meeting and the External Auditor:

- the Group BoD; this forms the following committees: the Governance and Nomination Committee (GNC), if any; the Remuneration Committee (REC); the Audit and Risk Committee (ARC) and the Chairman of the Group BoD (“Chairman”);
- the Chief Executive Officer (“CEO”);
- the Corporate Executive Committee, consisting of the CEO, the Chief Financial Officer (“CFO”), the heads of the business segments Retail, Services and Products & Brands and other members of the Corporate Executive Committee designated by the Group BoD.

**The different bodies of the Company**

## **2 Management principles**

2.1 All bodies shall delegate their tasks and competencies, except where mandatory statutory provisions, the Articles of Association or these Regulations stipulate that an assignment of responsibilities is inalienable or specific to a particular body, to the hierarchically lowest possible business units or bodies which possess the necessary knowledge and experience of the task in question to make appropriate decisions.

**Principle of delegation**

2.2 All Group companies, business units and bodies shall have all powers necessary for making appropriate decisions within the area of responsibility assigned to them.

**Principle of competence**

- 2.3 Notwithstanding clauses 2.1 and 2.2 above, all bodies may intervene in the tasks and competencies of hierarchically subordinate bodies, either on a case-by-case basis or on the basis of a general reservation of powers, and take charge of affairs conducted by such bodies (“powers reserved”). **Reservation of powers**
- 2.4 If the Company, whether by majority vote or contractual arrangement, combines other companies under the control of a single management, thus forming a group of companies, the executive bodies of the Company shall concurrently exercise the function of management of the group. The management of the group shall be carried out in accordance with the legal and statutory provisions applicable to the individual group companies. **Management of the Group**
- 3 The Group BoD**
- 3.1 The Group BoD always acts as a collective body. Except where otherwise provided by the Articles of Association, these Organizational Regulations or relevant resolutions of the Group BoD, its members and committees have no personal authority over the Company and may not issue any instructions on their own. **Collective body**
- 3.2 The Chairman of the Group BoD (“Chairman”) shall be elected by the Annual General Meeting in accordance with the Articles of Association. Otherwise, the Group BoD constitutes itself. Specifically, it appoints from amongst its members, if necessary, a Group Deputy Chairman. The Group BoD selects, at the proposal of the Chairman, a Secretary to the Group BoD (General Secretary), who need not be a member of the Group BoD. **Constitution**
- 3.3 The tasks of the Group BoD are defined in the law (in particular Article 716a OR), the Articles of Association of the Company, these Organizational Regulations and, in particular, the competency rules (“Competency Rules”) and the committee charters (“Charters”) issued by the Group BoD. **Tasks**
- 3.4 The members are elected annually until the end of the next Annual General Meeting. **Term of office**  
Members of the Board of Directors must leave office at the Annual General Meeting following their 69th birthday. In exceptional cases, however, the Group BoD may propose one further re-election to the Annual General Meeting.

#### **4 The Chairman**

4.1 The Chairman has the following tasks in particular:

#### **Tasks**

- Convening, preparing and chairing meetings of the Annual General Meeting and the Group BoD.
- Preparing and supervising the implementation of the resolutions passed by the Annual General Meeting and the Group BoD
- Supervising over the affairs of the Company and the Group and ensuring that the Group possesses an appropriate management and organisational structure.
- Challenging and supporting the CEO and the Corporate Executive Committee in developing the strategic business plans and financial objectives of the Group. The Chairman is also actively involved in establishing succession plans for the CEO and other key management positions.
- representing the Group and the Group BoD to shareholders, customers, employees, and other stakeholders.
- Coordinating the work of the various Committees of the Group BoD and ensuring that the Group BoD as a whole operates as an integrated, cohesive body.
- Performing any other tasks assigned by the Group BoD.

4.2 In the event that the Chairman is unable to act, his tasks are carried out by the Deputy Chairman of the Group BoD, if any, who shall, amongst other things, be responsible for a proper procedure to assess the performance of the Chairman and chair the Board of Directors when the Chairman withdraws.

#### **Deputy**

#### **5 Committees of the Board of Directors**

5.1 With the exception of the members of the Remuneration Committee, who are elected directly by the Annual General Meeting in accordance with the Articles of Association, the Group BoD shall appoint the Committees of the Board of Directors ("Committees") as set out in clause 1.2 of these Organizational Regulations. Their chairmen shall be appointed by the Group BoD. Subject to differing provisions in the Articles of Association, the Committees shall generally comprise three or four members of the Group BoD, the majority of whom shall be non-executive. In addition, the majority of the members of the Remuneration Committee and the Audit and Risk Committee must qualify as independent under the Swiss Code of Best Practice for Corporate

#### **Organisation**

Governance and may not perform any executive functions in the Group.

5.2 The tasks of the Remuneration Committee are based on the Articles of Association, these Organizational Regulations and, in particular, the Competency Rules; the tasks of the other committees are based on these Organizational Regulations and, in particular, the Competency Rules. The responsibilities and tasks of the committees are set down in the Charters, which are to be approved by the Group BoD.

**Tasks**

5.3 The Chairman is entitled to attend meetings of those Committees of which he is not a member, apart from those meetings which deal with matters concerning him personally.

**Right of Chairman to attend meetings**

5.4 To the extent that Committees have the authority to make decisions under the Articles of Association or the Competency Rules, the task of the Group BoD to supervise is reduced. The Committees must report to the Group BoD at regular intervals, normally at each meeting of the Group BoD.

**Supervision and reporting**

## **6 The General Secretary**

6.1 The General Secretary supports the Chairman in ensuring corporate governance and performs the tasks assigned to him by the Chairman, in particular taking minutes for the BoD and the Committees.

**Position**

6.2 Organising the meetings of the BoD and its Committees and preparing the documentation is the responsibility of the General Secretariat.

**Tasks**

6.3 The General Secretary maintains the shareholder register on behalf of the Group BoD, organises the annual general assembly, cooperates with shareholder activist groups and proxy advisors and communicates with the Swiss stock exchange.

## **7 The CEO and the Corporate Executive Committee**

7.1 The Corporate Executive Committee comprises the CEO, the CFO, the heads of the business segments Retail, Services and Products & Brands and other members of The Corporate Executive Committee appointed by the Group BoD.

**Membership of the Corporate Executive Committee**

7.2 The Corporate Executive Committee is primarily responsible for managing the affairs of the Company as well as the Corporate Functions. Under the chairmanship of the CEO, the members of the Corporate Executive Committee carry out the strategic tasks and implement the resolutions of the Group BoD. They are directly supervised by the Group BoD and its Committees. The CEO may

**Tasks of the Corporate Executive Committee**

appoint into his leadership team further managers directly reporting to him. Further tasks of the Corporate Executive Committee are based on these Organizational Regulations and, in particular, the Competency Regulations.

- 7.3 The Corporate Executive Committee issues instructions implementing these Organizational Regulations and the Competency Rules.
- 7.4 The procedural rules which apply to meetings of the Group BoD shall apply analogously to meetings of the Corporate Executive Committee (see clause 12). **Procedures**
- 7.5 The CEO is appointed by the Group BoD at the proposal of the Chairman and the Governance and Nomination Committee. Appointment requires a two-thirds majority of the members of the Group BoD present in an open vote. **Appointment of the CEO**
- 7.6 The CEO chairs the meetings of the Corporate Executive Committee and is responsible to the Chairman to ensure efficient work within the Executive Committee and within the Company. He ensures a strong and dynamic corporate culture throughout the Group. The members of the Corporate Executive Committee report to the CEO. **Tasks and responsibility of the CEO, delegation**
- 7.7 The CEO supports the Chairman to continuously optimize the strategy of the Group and submits proposals for enhancements including entering into or terminating strategic alliances.
- 7.8 The tasks of the CEO are based on these Organizational Regulations and, in particular, the Competency Regulations. Unless provided otherwise in these Organizational Regulations and the Competency Rules, all management tasks are allocated and delegated to the CEO. He further represents together with the Chairman the Company externally.
- 7.9 The members of the Corporate Executive Committee other than the CEO are appointed by the Group BoD at the proposal of the CEO, the Chairman and the Governance and Nomination Committee. **Appointment of members of the Corporate Executive Committee**
- 7.10 The tasks of the CFO are based on the Competency Rules. **Tasks of the CFO**
- 7.11 The other members of the Corporate Executive Committee are primarily responsible for managing their Business sector in accordance with Group strategy and the instructions of the Group BoD and the Corporate Executive Committee. To this end, a management

organisation shall be put in place to promote and permit the implementation of decisions. The other tasks of the members of the Corporate Executive Committee are based on the Competency Rules.

- 7.12 Any mandate of a member of the Corporate Executive Committee in the top management or administrative bodies of legal entities outside of the Group is limited by the Articles of Association and subject to prior approval by the Chairman taking account of the Company's interests.
- 7.13 Mandates of managers or members of Senior Management in the top management or administrative bodies of legal entities outside of the Group that are entered in the Commercial Register or a comparable foreign register can be approved by the CEO.

## **8 Reporting**

- 8.1 The CFO must submit to the CEO a consolidated income statement and balance sheet for the Company within a reasonable period after the end of each half-year and full year which will then be submitted to the Chairman and the Audit and Risk Committee along with the Group consolidation report. Furthermore, reports shall also be provided monthly, with more detailed comments every quarter. **Annual and interim financial statements**
- 8.2 The Chairman and the CEO also determine which data shall be provided monthly to the members of the Group BoD. **Data**
- 8.3 The Corporate Executive Committee shall keep the Group BoD informed about current operations, deviations from the budget and major transactions at each meeting. Members of the Corporate Executive Committee may be invited to participate in some parts of the meetings of the Group BoD. **Current operations/invitation to meetings of the Group BoD**
- 8.4 The CEO shall be available to report to the Chairman at any time. **Reporting to the Chairman**
- 8.5 The Chairman must be informed of any extraordinary situations immediately. **Extraordinary and urgent matters**

## **9 Internal Audit**

- 9.1 The Group BoD delegates oversight on the internal audit to the Audit and Risk Committee. The latter may either set up an internal department or transfer some internal audit issues to third parties. **Organisation**
- 9.2 The tasks and competencies of Internal Audit shall be set down in a separate set of rules and must be approved by the Audit and Risk Committee. **Tasks and competencies**

9.3 Internal audit reports shall be submitted to the CEO, the CFO, the General Counsel, the Chairman and the Audit and Risk Committee. **Reporting**

## **10 The Group Companies**

10.1 The heads of the most important Group Companies and strategic joint ventures ("CEO JVs") shall be appointed at the suggestion of the Chairman by the Board of Directors of the Group company in question. The members of the Boards of Directors of the Group Companies ("BoD GC") shall be appointed in line with the principles defined by the Corporate Executive Committee by the Annual General Meeting of the Group company in question. **Heads of the Group Companies**

10.2 The tasks of the BoD GC are based on the law (in particular Article 716a OR and foreign law where relevant), the Articles of Association and regulations of the Group Company and the Competency Rules. **Tasks**

10.3 The rules which apply to Group BoD shall apply analogously to meetings of the BoD GC (see clause 3).

10.4 The CEO and the Corporate Executive Committee shall see that the provisions of the Competency Rules are also implemented at Group Company level for their respective business sector so as to ensure that transactions which have to be decided by bodies of the Company are indeed submitted to these bodies. **Appropriate organisation at Group Companies**

10.5 Corporate Executive Committee members and/or employees who sit on the Board of Directors of such Group Companies shall follow the provisions of the Competency Regulations analogously.

## **11 Signatory powers**

11.1 Members of the Group BoD, the Corporate Executive Committee, of Senior Management and managers with signatory powers always sign jointly for the Company. **Joint signatory powers**

11.2 The Group BoD may, by way of exception, assign sole signatory powers on a basis limited by time and subject matter (projects or individual transactions). **Sole signatory powers**

## **12 Group BoD meetings**

12.1 The Chairman shall issue invitations to Group BoD meetings in writing by letter, e-mail or fax, stating the agenda items. Except in urgent cases, invitations must be sent out at least ten days before the actual meeting. **Invitation**

- 12.2 Any member of the Group BoD may request that the Chairman calls a meeting and that specific items will be placed on the agenda. **Calling meetings, placing items on the agenda**
- 12.3 The Group BoD meets as often as Business requires, but at least four times a year. **Number of meetings**
- 12.4 Members usually attend the meetings in person. The Group BoD may also hold meetings in the form of telephone or video conferences or using similar media if no member objects to this practice. **Teleconference**
- 12.5 Circular resolutions, also in the form of e-mails, are permitted, provided no member requests on oral discussions. **Circular resolutions**
- 12.6 Minutes shall be kept of meetings and resolutions (including teleconferences and circular resolutions). Minutes shall be signed by the Chairman and the General Secretary and approved at the next meeting. **Minutes**
- 12.7 The Group BoD forms a quorum when the majority of its members are present. **Quorum**
- 12.8 The quorum rule applies analogously for video and teleconferences and circular resolutions; the latter are deemed approved as soon as the requisite BoD majority has agreed to a motion.
- 12.9 The Chairman shall take appropriate measures on a case-by-case basis when discussing and formulating resolutions on matters that affect the interests of a Group BoD member or the shareholder he/she represents. In general, the BoD member in question shall withdraw during the discussion and formulation of a resolution and abstain from voting. In cases where there is an especially strong connection, the BoD member in question shall be excluded from an agenda item and receive a copy of the minutes with this section redacted. **Conflicts of interest**
- 12.10 No especially strong connection in the sense of clause 12.9 is held to exist when discussing and/or formulating a resolution on matters that affect the interests of all shareholders, represented by Group BoD members equally.
- 13 Right of access to info and documents by members of the Group BoD**
- 13.1 All members of the Group BoD have the right to request unrestricted information from all other members of the Group BoD and the Corporate **Information**

Executive Committee about any matters that are deemed to be an inalienable and non-transferrable task of the BoD under Article 716a OR.

13.2 In Group BoD meetings, any member may also request unrestricted information about individual transactions from the other members of the Group BoD and from the Corporate Executive Committee. Outside Group BoD meetings, information about individual transactions may be requested with the permission of the Chairman.

13.3 In addition, any member of the Group BoD may, with the permission of the Chairman, demand access to the Group's books and records.

**Access to documents**

13.4 The right of access to information and documents under clauses 13.1 to 13.3 does not apply in cases of conflicts of interest (clause 12.9).

13.5 In the event that a request for information about individual transactions or access to documents outside a Group BoD meeting is rejected by the Chairman, the Group BoD shall decide by single majority vote on such request.

**Group BoD decision**

#### **14 Entry into force, amendments**

14.1 These Organizational Regulations shall enter into force on April 1, 2017.

**Entry into force**

14.2 These Organizational Regulations may be amended at any time by majority vote (subject to the requirement for quorum under clauses 12.7 and 12.8 hereof).

**Amendments**

**Attached:** Galenica Group Competency Rules