

# Remuneration report

# Remuneration report

In this report, Galenica provides an overview of its remuneration model and remuneration principles. The following pages describe the remuneration system applicable to the Board of Directors and the Corporate Executive Committee and outline the process and responsibilities under which the remuneration of those two bodies is determined. The remuneration system as well as its reporting is in accordance with the Code of Obligations, the Ordinance against Excessive Remuneration in Listed Companies Limited by Shares (VegüV), the Directive of the SIX Swiss Exchange on Information Relating to Corporate Governance (Directive Corporate Governance) and the recommendations of the Swiss Code of Best Practice for Corporate Governance issued by Economiesuisse.

# Letter from the Chair of the Remuneration Committee

## Dear Shareholders,

On behalf of the Board of Directors and the Remuneration Committee of Galenica, I am pleased to present the Remuneration report for 2021.

The remuneration policy of Galenica aims to attract, motivate and retain best-in-class employees who are entrepreneurially minded, success-oriented and have high personal standards. The remuneration system is designed to support the achievement of the strategic goals defined by the Board of Directors and to provide appropriate compensation in a competitive employment market and in a complex sector. It is aligned with the long-term Group strategy and its pay-for-performance philosophy. The remuneration system of Galenica aims to strengthen the overall market position of the company while delivering the expected returns to its shareholders.

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

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

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

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

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

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

Corporate Executive Committee and the Board of Directors and will be submitted to the shareholders at the Annual General Meeting on 11 May 2022 for a non-binding consultative vote.

We would like to thank our employees for their commitment and hard work, and you, dear shareholders, for your trust.

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

Andreas Walde  
Chairman of the Remuneration  
Committee

# Governance: principles and responsibilities in setting compensation

The guiding principles for the remuneration of the Board of Directors and the Corporate Executive Committee as well as the responsibilities for the remuneration system of Galenica are defined in the Articles of Association of Galenica. They include the provisions on the Remuneration Committee (Art. 21 of the [Articles of Association](#)) and remuneration (Art. 22 of the [Articles of Association](#)).

Each year, the Board of Directors submits the maximum remuneration of the Board of Directors and the Corporate Executive Committee to the Annual General Meeting for binding approval. Such approval is prospective for the next financial year following the Annual General Meeting. In addition, the Annual General Meeting holds a consultative vote on the Remuneration report for the year under review (Art. 22 (1) of the [Articles of Association](#)).

On the basis of the Articles of Association and the decisions of the Annual General Meeting, the remuneration strategy and the related remuneration system for the members of the Board of Directors and the Corporate Executive Committee are determined by the Board of Directors based on a proposal from the Remuneration Committee. The Board of Directors also decides on an annual basis on the individual remuneration of the Chair of the Board of Directors and the CEO. The remuneration of members of the Board of Directors is determined by the Board of Directors based on a proposal from the Remuneration Committee within the limits set by the Annual General Meeting.

## Remuneration Committee

The Remuneration Committee consists of three members of the Board of Directors, all of whom are independent from Galenica and are elected annually by the Annual General Meeting. At the 2021 Annual General Meeting, Andreas Walde (Chairman), Markus Neuhaus and Michel Burnier (new member) were elected as members of the Remuneration Committee.

The Remuneration Committee reviews and approves the remuneration principles and programmes of Galenica, including the design of the incentive plans, determines the performance indicators and targets for the CEO and the other members of the Corporate Executive Committee at the beginning of the financial year and assesses the extent to which these targets have been achieved at year end. The Remuneration Committee is responsible for setting the individual target remuneration of the members of the Corporate Executive Committee and proposes the CEO's target remuneration to the Board of Directors in consultation with the Chair of the Board of Directors.

## Responsibility for the remuneration process

Level of authority	CEO	Remuneration Committee	Board of Directors	Annual General Meeting
<b>Remuneration policy</b>		proposes	approves	consultative vote on the Remuneration report
<b>Performance objectives for short-term bonus and long-term remuneration</b>		proposes	approves	
<b>Individual performance objectives for short-term bonus</b>	proposes (except for his own objectives)	proposes (CEO) approves (Executive Committee)	approves (CEO)	
<b>Remuneration of members of the Board of Directors</b>		proposes	approves	approves maximum possible remuneration for the Board of Directors for the following year
<b>Remuneration of the CEO</b>		proposes (in consultation with CBD)	approves	approves maximum possible remuneration for the Corporate Executive Committee including the CEO for the following year
<b>Remuneration of members of the Corporate Executive Committee</b>	proposes (in consultation with the CBD)	approves	is informed	

CBD = Chair of the Board of Directors

## Activities of the Remuneration Committee during the year

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

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

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

At each meeting of the Board of Directors, the Chair of the Remuneration Committee reports on the Remuneration Committee's current topics of discussion and decisions. The minutes of the meetings are made available to the members of the Board of Directors.

The Chair of the Board of Directors is invited to all meetings of the Remuneration Committee (right of attendance, no voting rights), except those dealing with her own remuneration. The CEO is invited to attend discussions on a case-by-case basis, but not to discussions of agenda items that concern his performance or remuneration.

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

Otherwise, the Remuneration Committee performed its regular duties, in particular setting performance targets and evaluating their achievement, determining the remuneration of the members of the Board of Directors and the Corporate Executive Committee and preparing the Remuneration report and the Annual General Meeting. In addition, the Remuneration Committee conducted a self-assessment of its functioning. It rated its discussions and decision-making as efficient and appropriate, and the support of the Board of Directors in matters of remuneration as effective.

Further details on the Remuneration Committee can be found in the [Corporate Governance section](#) as well as in the Remuneration Committee Charter, which can be found on the [Galenica website](#).

## Benchmarking and external advisors

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

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

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

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

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

The remuneration of the Board of Directors was last reviewed in 2018. This market comparison was carried out by Agnès Blust Consulting. Approximately 20 Swiss industrial companies of a similar size to Galenica in terms of market capitalisation (between CHF 1 billion and CHF 4 billion), sales and number of employees that were listed on the SIX Swiss Exchange (excluding the financial sector) were used as a peer group. The study showed that the remuneration of the Board of Directors was in line with the market.

The Remuneration Committee may decide to consult external advisors on specific compensation matters. In 2021, Agnès Blust Consulting provided services related to executive compensation and Klingler Consultants provided market data for the benchmarking analysis mentioned above. These companies do not have any other mandates with Galenica.



## Remuneration system of the Board of Directors

The remuneration of members of the Board of Directors is independent of the performance of the company and comprises a fixed compensation depending on the function they assume on the Board of Directors and on its committees, either as a member or chair. Such remuneration is paid 50% in cash and 50% in restricted shares, or if the Board member so decides, 100% in restricted shares. The shares are blocked for a period of five years. In addition, after a period of two years, each Board member is required to hold shares of Galenica equal in value to one times the annual compensation. Remuneration settled in the form of shares of Galenica was paid at the average price for the month of December 2021, i.e. CHF 65.46 per share, net of a 25% discount. The payment was made in January 2022.

Based on the regulation, the members of the Board of Directors have the option of joining the Galenica Pension Fund. All contributions (employer and employee contributions for savings and risk) are born by the member of the Board of Directors.

The remuneration system of the Board of Directors in 2021 remained unchanged compared to previous year.

### Remuneration amounts of the Board of Directors (net in thousand CHF, per year)

Chair of the Board of Directors	350
Vice-Chair of the Board of Directors	130
Board member	110
Committee chair	30
Committee member	10

The cash remuneration and the shares are paid in January for the previous business year.

# Remuneration system of the Corporate Executive Committee

In order to attract talented employees, reward performance, promote the loyalty of key talents and ensure their long-term commitment to Galenica, Galenica offers competitive remuneration. The remuneration model applicable to the Corporate Executive Committee is based on three components: a fixed remuneration (including a base salary and benefits), a short-term bonus and a long-term incentive.

## Remuneration components

The remuneration of the Corporate Executive Committee consists of a fixed compensation, benefits and a variable remuneration. The variable remuneration allows members of the Corporate Executive Committee to participate in the success of Galenica and to be rewarded for their individual contributions. The variable remuneration for the Corporate Executive Committee includes a short-term bonus (STI) and a long-term incentive (LTI). While the STI is based on the annual results of Galenica and the individual performance, the purpose of the LTI is to reward long-term performance and to harmonise the interests of shareholders with those of the executives.

The remuneration system rewards short-term success as well as long-term performance and sustainable value creation for customers and shareholders in a balanced way. In order to align the interests of members of the Corporate Executive Committee with the interests of shareholders, a portion of the STI (32%) and the full LTI is awarded in shares of Galenica. In addition, after a period of five years, each member of the Corporate Executive Committee is required to hold shares of Galenica equal in value to at least 75% of their fixed annual base salary and target STI.

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

In addition to the remuneration components mentioned above, the members of the Corporate Executive Committee are eligible to participate in the share acquisition plan where employees are invited every year to acquire a certain number of blocked shares of Galenica at a discounted price (more information in the [Notes to the Consolidated financial statements 2021](#) and in the [GRI Report](#)).

## Overview of the remuneration components for the Corporate Executive Committee

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

### Clawback and malus provisions

For the LTI, clawback and malus provisions apply in case of financial restatement due to material non-compliance with any accounting reporting standards, or in case a participant acts in violation of the law or internal regulations of Galenica.

### Share ownership guidelines

After a period of five years, each member of the Corporate Executive Committee is required to hold shares of Galenica equal in value to at least 75 % of their fixed annual base salary and target STI.

## Annual base salary (fixed)

The annual base salary is the fixed compensation reflecting the scope and key areas of responsibility of the function, the skills required to fulfil the function and the individual experience and competencies of the respective Corporate Executive Committee member. The base salary is determined according to typical market practice (external benchmark) and the Group internal salary structure. A base salary at median of the benchmark is considered competitive and thus suitable to reward the expected level of skills and competencies. The base salary is typically reviewed annually based on market salary trends, the company's ability to pay salaries at a particular level based on its financial performance and the evolving experience of the individual in the function. The annual base salary is paid out in cash in 13 monthly instalments.

## Incentives

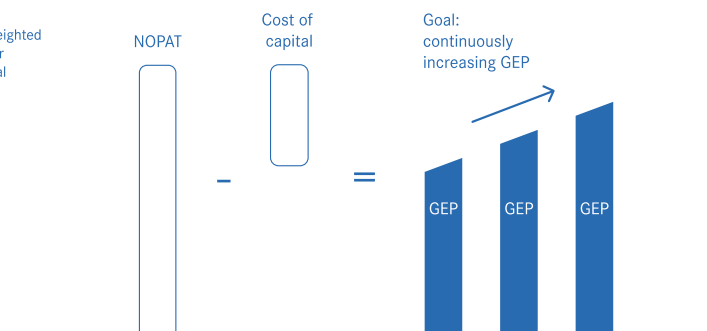
### Galenica economic profit as a performance indicator

The STI and the LTI significantly depend on the achievement of the GEP. The GEP is a measure designed to reflect the principles of value-based management derived from an economic value added (EVA) approach. It is based on the understanding that in the interests of shareholders and other important stakeholder groups, Galenica will strive to achieve a long-term investment return which exceeds the weighted average cost of capital. GEP is the key indicator in Galenica's value-based management concept. It comprises different values, such as net operating profit after tax (NOPAT), cost of capital (WACC) and invested capital. The Board of Directors considers the economic value added (EVA) approach to be a sound, recognised and meaningful concept that is

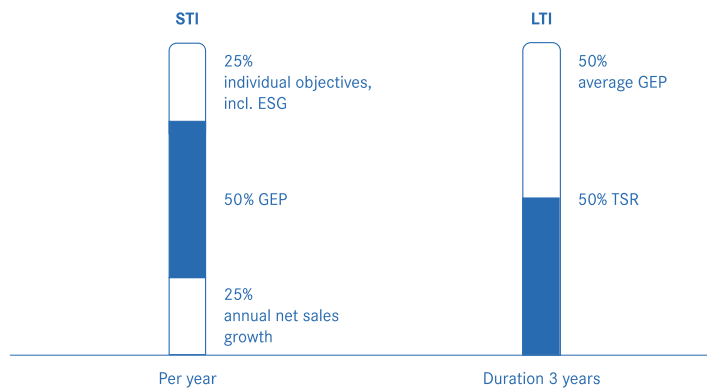
in line with sustainable value creation. GEP is calculated as the net operating profit after tax (NOPAT) less the weighted average cost of capital (WACC) over the average invested capital. The extent to which the GEP increase is achieved has a 50 % impact on the STI and a 50% impact on the number of shares allocated under the LTI. Therefore, poor performance inevitably has a negative impact on the total remuneration (lower bonus, fewer shares, with each of them potentially having a lower value). Further information on GEP can be found in the Value based management section, under [Alternative performance measures](#) in the Annual Report 2021.

**Relevant parameter: Galenica economic profit (GEP)**

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



**Weight of GEP as performance indicator in the incentive plans**



### Short-term incentive (STI)

The STI aims to reward the achievement of the financial objectives of Galenica and recognises individual contributions to the company’s performance over a financial year. The target STI, i.e. the amount paid out if all performance objectives are reached at 100%, is defined individually and annually, before the beginning of the performance year. The target STI is expressed as a percentage of the annual base salary and varies depending on the function in the organisation and on the impact of the function on the overall business result. The target STI for the CEO amounts to 50% of annual base salary and ranges from 40% to 45% of annual base salary for the other members of the Corporate Executive Committee.

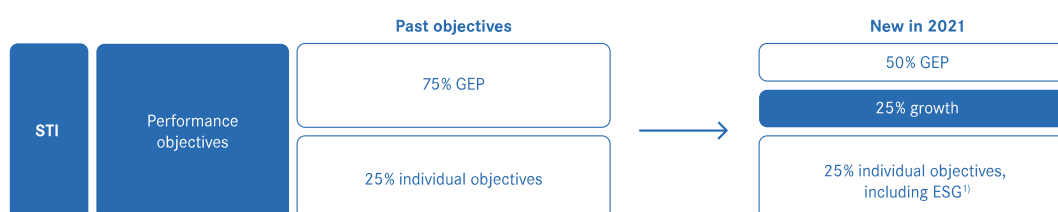
The achievement of Galenica financial objectives is weighted at 75% and individual objectives at 25%. In previous years, the financial objective was fully based on GEP. In 2021, a growth component in the form of Group annual net sales growth was added.

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

In 2021, the individual performance category was refined to include a maximum of three individual objectives, cascaded from the strategic objectives defined for the Group. At least one of these individual objectives refers to sustainability, chosen based on the core ESG topics identified in the sustainability strategy of Galenica. For 2021, the ESG objective is based on customer satisfaction.

## Summary of changes to STI performance objectives

### Summary of changes to STI performance objectives



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

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

The achievement of GEP, Group annual net sales growth and of the individual objectives of the CEO is assessed by the Remuneration Committee and submitted to the Board of Directors for approval. The attainment of the individual objectives of the other members of the Corporate Executive Committee is assessed by the CEO and, in consultation with the Chair of the Board of Directors, submitted to the Remuneration Committee for approval.

The payment of the STI is made in the subsequent year after the publication of the Annual report. The CEO and other members of the Corporate Executive Committee are required to draw 32% of their STI in Galenica shares; the rest is paid out in cash. A discount of 25% on the average stock market price for the month of December 2021 applies to the shares. The shares remain blocked for five years.

If employment ends due to termination, the calculation and payment for a completed assessment period (= financial year) are based on the effective performance and results. In the event of departure during an assessment period that is still ongoing, 80% of the target STI is paid on a pro rata basis.

## Long-term incentive (LTI)

The objective of the LTI is to promote the strategy of Galenica, long-term thinking, alignment to shareholders' interests and the creation of sustainable value for customers and shareholders over the long term. In addition, the LTI aims to strengthen loyalty to Galenica and identification with the company.

The CEO, members of the Corporate Executive Committee and selected members of Senior Management participate in the LTI.

The LTI is based on performance share units (PSU), which are granted to participants after the release of the results for the preceding year and which convert into shares of Galenica subject to the attainment of performance objectives over a three-year period defined by the Remuneration Committee. PSU are virtual; no real shares are issued.

The number of PSU allocated at the beginning of the plan period depends on a defined percentage of the annual base salary of the participant as well as the average share price during the final month prior to allocation, i.e. February. In 2021, the LTI grant for the CEO amounts to 50% of annual base salary and ranges from 25% to 35% of annual base salary for the other members of the Corporate Executive Committee.

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

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

## Relative TSR performance peer group for LTI 2021–2023

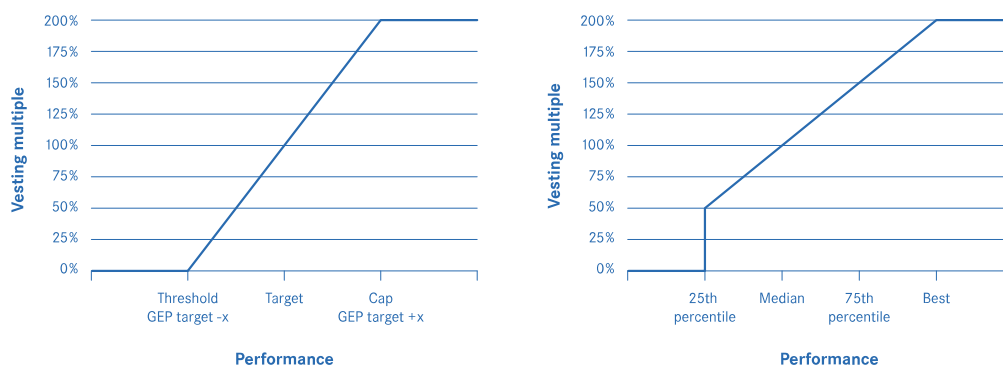
ams	Givaudan	Roche Holding	Tecan Group
Barry Callebaut	Lindt & Sprüngli	Schindler Holding	Temenos
Clariant	Logitech International	SIG Combibloc Group	VAT Group
EMS-CHEMIE HOLDING	Lonza Group	Sonova Holding	Vifor Pharma
Georg Fischer	Novartis	Straumann Holding	

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

## Overview of LTI structure for 2021–2023

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

Vesting curves

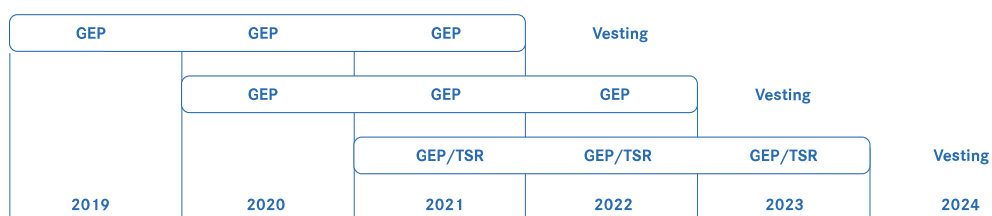


As a rule, the three-year plan period must be completed for employees to be eligible for the conversion of PSU in shares. If the employment is terminated within a plan period, the PSU forfeit without any compensation except in the following cases:

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

## LTI plan period

LTI plan period  
LTI three-year programme



In 2021, clawback and malus provisions were implemented in the LTI plan. They allow the Board of Directors to reduce or cancel the vesting of outstanding PSU and/or to claim back shares already vested in case of financial restatement due to material non-compliance with any accounting reporting standards, or in case a participant acts in violation of the law or internal regulations of Galenica.

## Pensions and other employee benefits

Employee benefit plans consist mainly of retirement plans and insurance plans that are designed to protect employees against the risks of disability and death. The CEO and the members of the Corporate Executive Committee are covered by the pension scheme applicable to all employees. The pension solution of Galenica fulfils the legal requirements of the Swiss Federal Law on Occupational Pension Schemes (BVG) and is in line with what is being offered on the market.

Except for the expense allowance and the entitlement to a company car in line with the car policy of Galenica, the CEO and the members of the Corporate Executive Committee do not receive any particular additional benefits. The private use of the company car is disclosed at fair value in the remuneration table under other remuneration.

## Share ownership guideline

Members of the Corporate Executive Committee are required to hold shares of Galenica equal in value to at least 75% of their fixed annual base salary and target STI within a period of five years of their appointment to the Corporate Executive Committee.

## Employment contracts

The CEO and the members of the Corporate Executive Committee are employed under employment contracts of unlimited duration and are subject to a notice period of a maximum of 12 months. They are not entitled to any severance packages, termination payments or change-of-control payments. The employee contracts do not include non-competition clauses. With regard to clawback, the statutory claims for repayment apply (see among others Art. 678 (2) of the Code of Obligations, CO).



# Remuneration awarded for 2021 and 2020

## Remuneration awarded to the Board of Directors for 2021 and 2020

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

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

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

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

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

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

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

### Performance in 2021

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

The adjusted<sup>1</sup> operating result (EBIT), i.e. excluding the effects of the accounting standards IFRS 16 (leasing) and IAS 19 (employee benefits), grew by 26.4% to CHF 213.1 million. The main drivers were additional sales in connection with COVID-19 with a positive EBIT effect of an estimated CHF 25 million as well as the gain of CHF 9.4 million from the sale of the property at the Galenica headquarters in Berne.

The adjusted<sup>1</sup> return on sales (ROS) also increased year-on-year from 4.8% to 5.6%. Net profit was slightly below the previous year's level at CHF 168.2 million (-2.6%, previous year: CHF 172.7 million) due to an extraordinary IAS 19 book profit in the 2020 business year. Adjusted<sup>1</sup> net profit also showed strong growth and amounted to CHF 174.8 million (+26.7%).

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

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

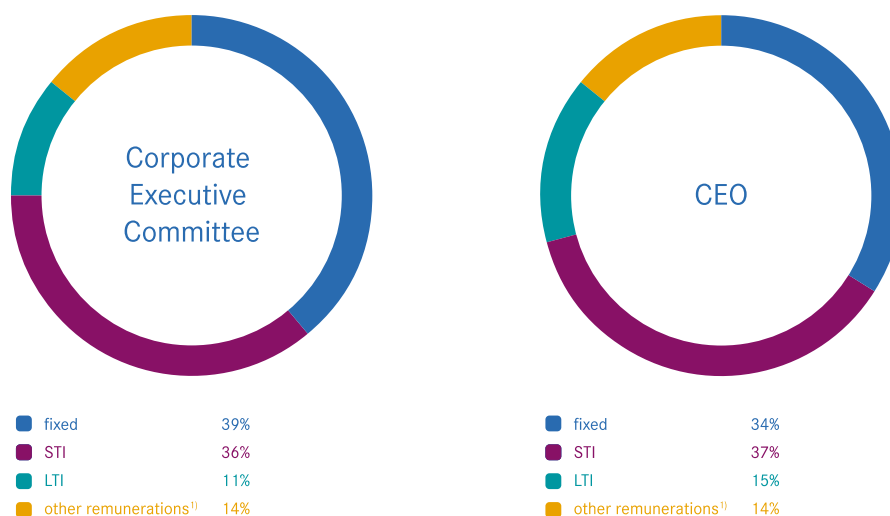
Payout factor for STI (one-year basis)



Vesting multiple for LTI (three-year basis)



#### Ratio between fixed and variable remuneration 2021 (remuneration awarded)



<sup>1)</sup>Including costs for employee benefit plans and social security charges

## Remuneration of the members of the Board of Directors in 2021

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

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

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

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

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

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

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

## Remuneration of the members of the Board of Directors in 2020

Net payments in thousand CHF	Board fees			Total	Number of shares	
	Fees in cash	Equivalent in shares <sup>1)</sup>	Other remuneration <sup>2)</sup>		Held as at 31.12.2020 <sup>3)</sup>	Allocated for 2020
Daniela Bosshardt, Chairwomen	–	467	22	489	14,185	7,946
Pascale Bruderer (from 20 May 2020)	–	100	5 <sup>4)</sup>	105	–	1,703
Michel Burnier	60	80	6	146	6,903	1,362
Fritz Hirsbrunner (until 19 May 2020)	–	80	3	83	–	1,362
Bertrand Jungo	88	117	12 <sup>5)</sup>	217	2,963	2,001
Markus R. Neuhaus	–	211	11	222	3,812	3,604
Philippe Nussbaumer	–	160	8	168	10,269	2,724
Andreas Walde	75	100	10	185	10,279	1,703
<b>Remuneration of the members of the Board of Directors <sup>6)</sup></b>	<b>223</b>	<b>1,315</b>	<b>77</b>	<b>1,615</b>	<b>48,411</b>	<b>22,405</b>
Maximum amount according to AGM resolution				1,900		

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

<sup>2)</sup> Other remuneration corresponds to the social security charges due from the member of the Board of Directors but paid by Galenica. Employer's contributions to social security charges for 2020 amounted to CHF 77,000 (not included in the above amount)

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

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

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

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

## Remuneration of the members of the Corporate Executive Committee in 2021

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

Six members in 2021

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

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

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

<sup>4)</sup> Including private use of company car

## Remuneration of the members of the Corporate Executive Committee in 2020

Gross payments in thousand CHF	Total	of which Marc Werner, CEO (as of 1 April 2020)
Base salary	1,855	375
Short-term bonus in cash (STI) <sup>1)</sup>	449	106
Short-term bonus in shares (STI) <sup>2)</sup>	282	67
Long-term incentive (LTI) <sup>3)</sup>	700	236
Contributions to pension funds	328	69
Other remuneration <sup>4)</sup>	48	16
<b>Remuneration awarded <sup>5)</sup></b>	<b>3,662</b>	<b>869</b>
Social security costs	276	64
<b>Remuneration of the members of the Corporate Executive Committee <sup>5)</sup></b>	<b>3,938</b>	<b>933</b>
Maximum amount according to AGM resolution	6,000	

Five members in 2020

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

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

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

<sup>4)</sup> Including private use of company car

<sup>5)</sup> Including remuneration of Jean-Claude Clémenton until 31 March 2020 (stepped down from the Corporate Executive Committee as CEO effective 31 March 2020) and of Christoph Amstutz until 31 August 2020 (stepped down from the Corporate Executive Committee as Head of the Services Business sector effective 31 August 2020). Jean-Claude Clémenton and Christoph Amstutz received a total of CHF 411,000 after their respective exits from the Corporate Executive Committee. This amount is not included in the disclosed amount

## Short term incentive (STI)

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

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

Individual performance is measured using 3 qualitative and quantitative personal objectives specifically defined for each Corporate Executive Committee member. The average personal payout factor for the members of the Corporate Executive Committee is 111%.

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

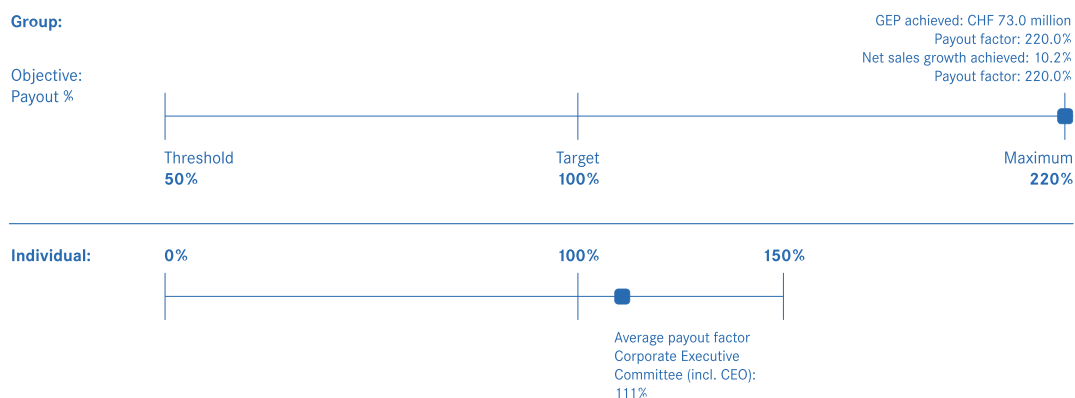
## Long-term incentive

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

### Performance / payout factor under STI in 2021

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

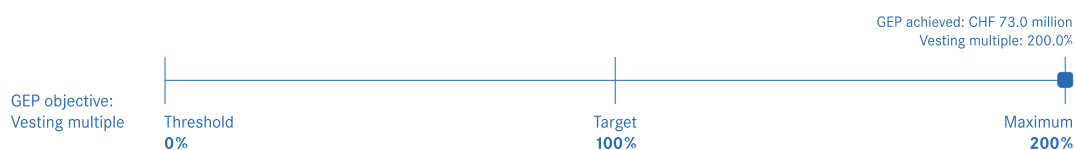
#### Performance / payout factor under STI in 2021



Payout	2021
<b>CEO</b>	193.6%
<b>Corporate Executive Committee (without CEO)</b>	190.0% – 196.5%

### Performance / vesting multiple under LTI 2019–2021

#### Performance / vesting multiple under LTI 2019–2021



# Other remuneration

## Options

Neither the members of the Board of Directors nor the members of the Corporate Executive Committee hold tradable options.

## Loans and credits

Galenica did not grant any loans or credits to members of the Board of Directors, members of the Corporate Executive Committee or related persons in 2021. No loans or credits were outstanding at the end of the year under review.

## Former members of the Board of Directors and Corporate Executive Committee

Galenica did not pay any remuneration to former members of the Board of Directors or Corporate Executive Committee in 2021.

# Shareholdings of the Corporate Executive Committee and the Board of Directors

## Equity overhang and dilution as of 31 December 2021

The equity overhang, defined as the total number of PSU outstanding (53,693 unvested PSU) divided by the total number of outstanding shares (49,638,497 shares) is 0.11%. The burn rate, defined as the total number of equities (shares and performance share units) granted in 2021 (120,782 shares and 21,807 PSU) divided by the total number of outstanding shares, is 0.29%.

## Shareholdings and rights to performance share units of members of the Corporate Executive Committee 2021

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

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

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

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

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

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

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





Ernst & Young Ltd  
Schanzenstrasse 4a  
P.O. Box  
CH-3001 Berne

Phone: +41 58 286 61 11  
Fax: +41 58 286 68 18  
www.ey.com/ch

To the General Meeting of  
Galenica Ltd., Berne

Berne, 2 March 2022

## Report of the statutory auditor on the remuneration report

We have audited the accompanying remuneration report of Galenica Ltd. for the year ended 31 December 2021. The audit was limited to the information according to articles 14–16 of the Ordinance against Excessive Compensation in Stock Exchange Listed Companies (Ordinance) contained in the chapters Remuneration awarded for 2021 and 2020, Other remuneration and Shareholdings of the Corporate Executive Committee and the Board of Directors of the remuneration report.



### Board of Directors' responsibility

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



### Auditor's responsibility

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

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

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



### Opinion

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

Ernst & Young Ltd

Daniel Zaugg  
Licensed audit expert  
(Auditor in charge)

Simone Wittwer  
Licensed audit expert