COMPENSATION REPORT

Letter from the Compensation Committee Chairman

Dear Shareholder,

This report provides a comprehensive overview of the Straumann Group's compensation principles, practices and delivery framework. It also provides information on the compensation of the general staff, management, the Executive Management Board (EMB) and the Board of Directors and conforms with the Swiss Code of Best Practice for Corporate Governance, and Swiss law.

Our compensation system seeks to promote sustainable high performance using principles that are designed to:

- Align the interests of our people with those of our shareholders
- Support our attractiveness as a global employer, helping us to recruit and retain an engaged workforce
- Encourage entrepreneurism, above-market performance, accountability and value creation
- Bring out the best in each of our colleagues in line with our Cultural Journey objectives.

To ensure that we remain competitive as an employer, we regularly draw benchmark comparisons with a peer group, which is evolving as we expand. We continued this practice in 2017 and are extending it to the companies we have recently acquired.

CHANGES IN 2017

The need for organizational speed, agility, and adaptability to win in today's fast-changing market place have led us to move away from hierarchical organizational structures toward a more team-centered model, while maintaining the overall compensation level. We therefore stopped using individual targets in 2017 as a determining factor for the Short-Term Incentive (STI) program, which is now determined by the achievement of company and/or financial targets. Apart from this, there were no significant modifications to the compensation system in 2017.

To foster a more team-centered mindset, we stopped using individual targets in the Short-Term Incentive Program.

As part of the option plan, which finished in 2011, tradable options (non-tradable for participants outside Switzerland) were granted with a term of six years and a two-year vesting period. All outstanding options expired at the end of 2017. No options have been granted since.

2017 PERFORMANCE AND COMPENSATION

On top of strong results in the prior two years, the Group delivered an excellent performance in 2017 – both in absolute and relative terms – and clearly outpaced the global market. Despite the competitive environment, the Group succeeded in expanding its underlying EBIT-margin in 2017 by 90 base points to 26%, which was achieved thanks to double-digit organic revenue growth, high capacity utilization and efficiency gains. At the same time, the Group made strong progress with all of its strategic priorities.

Both the company target and the financial targets for the short-term incentive were significantly exceeded, resulting in a bonus payout above target for all eligible employees. Thanks to the focus on strong fundamentals, the 3-year objectives of total shareholder return were again overachieved, yielding the capped maximum payout for the long-term incentive target for Senior Management.

The company objectives were significantly exceeded, resulting in bonus payouts above target.

LOOKING AHEAD

In 2018, Straumann aims to reinforce the link between performance and compensation throughout the organization by adopting a 'Total Reward' approach. The Compensation Committee will focus on ensuring that this approach supports and facilitates the Group's efforts to sustain a high-performance culture, in addition to enabling us to recruit and retain the best talent. In this context, we will continue to conduct and extend the benchmark analysis to other levels of the organization. Compensation and total reward will be reviewed in recently consolidated companies and benchmarked to the relevant competitive markets and the Group's standards. Deviations will be addressed in the annual salary review.

In 2015, the senior and executive management in Switzerland agreed to forfeit their long-term incentive to help mitigate the impact of the sharp appreciation of the Swiss franc against most currencies. As a result, only one member received a reduced grant to compensate for a lower than benchmark grant in the previous year. This is the only 2015 EMB long-term incentive grant that will vest in 2018. Compensation increases in 2018 will be linked to structural adjustments, or will compensate for high inflation in specific countries. These approaches will be implemented carefully and with due regard to local developments as well as our ambition to remain a competitive employer.

On behalf of the Board and our shareholders, I would like to thank our staff for their commitment and achievement. I would also like to thank the shareholders and the Board for their confidence in the Compensation Committee, and the management team for their constructive approach to the dialog in 2017.

Ulrich Looser
Chairman of the Compensation Committee

COMPENSATION PRINCIPLES

The compensation principles outlined below are valid for all employees working for consolidated Straumann Group companies.

ETHICAL, FAIR STANDARDS

We are committed to fair and equal treatment of all our employees and seek to be in full compliance with international labour standards. Compensation is not influenced by gender, and local minimum wage regulations have no bearing on our compensation policy, as our compensation clearly surpasses them. Our commitment to these standards is satisfied by using benchmark data that does not contain demographic information and by periodic internal reviews to ensure compliance with to statutory regulations and internal principles.

VALUE CREATION DRIVES COMPENSATION

The Straumann Group's view is that success depends largely on the quality and engagement of the employees. A modern compensation system is an important instrument for attracting, retaining and motivating talented people. Straumann's compensation system takes these factors into account in that it:

- Offers competitive compensation packages by conducting regular benchmarking
- Fosters a high-performance culture that differentiates and rewards above-average performance, both in the short and long term
- Links variable long-term compensation to value generated by the Group over the long term, based on shareholder expectations
- Provides employees with access to benefits that recognize diversity in our people and create sustainability in local markets
- Is periodically reviewed by the Compensation Committee.

Our compensation system fosters a high-performance culture that differentiates and rewards above-average performance.

COMPREHENSIVE BENCHMARKING

Straumann's policy is to pay employees, the EMB and the Board of Directors a base compensation that is close to the median of comparable companies. In addition, the variable compensation elements are set to enable the overall compensation to move towards the upper quartile for outstanding performance.

Benchmark reviews for the EMB are conducted externally and include market analyses by industry specialists. Bespoke benchmarks include a peer group of comparable companies in various industries selected according to the following criteria:

- Comparable size, scope and business complexity
- Comparable geographic footprint
- Companies with whom we compete for talent.

For the remainder of the employee base, Straumann uses internal expertise and the services of the independent adviser Mercer to benchmark compensation levels against relevant peers to monitor pay trends. The peer group used for the analysis is a mix of medical device, life science and other industry-standard companies and may include other peers as appropriate, depending on the function and geography of our employee base. When Straumann engages in merger and acquisition activities, we review significant compensation deviations from our compensation principles and ensure that they are addressed in the Annual Salary Review.

COMPENSATION PRINCIPLES OF THE EXECUTIVE MANAGEMENT BOARD

The principles for the compensation of the EMB specify both a fixed cash component, which includes base salary and other fixed compensation items, and a variable component (see Articles of Association – AoA, 4.2), which includes the aforementioned STI and LTI.

The compensation of each member of the EMB is determined according to role and responsibilities and is based on external benchmarks and internal fairness. Additionally, to ensure alignment with our stakeholders, we regularly engage in open dialogue with key shareholders, proxy advisors and influential stakeholders to check alignment with best practices and, if necessary or appropriate, to improve our compensation system and/or our reporting. Based on the outcome of several such meetings in 2017, we have increased transparency by stating retrospective goals and by voting on the maximum level of compensation.

We have increased transparency by stating retrospective goals.

If there are changes in the EMB subsequent to the AGM, the following apply:

- The total compensation (at target) of a new CEO shall not exceed 140% of the compensation paid to the departing CEO.
- The total compensation of any other incoming member of the EMB shall not exceed 140% of the average compensation paid to EMB members (excluding the CEO).

- In addition, and as defined in the AoA, incoming EMB members may receive compensation to offset any losses of valuable rights associated with giving up their prior activities. The amount of this compensation may not exceed CHF 1 000 000 for a CEO or CHF 500 000 for other members (see Art. 4.3 AoA).

COMPENSATION PRINCIPLES OF THE BOARD OF DIRECTORS

According to the AoA, the compensation of the Board of Directors must be approved by the AGM and consists of a fixed compensation component only, which is paid in cash and shares (Art. 4.1 AoA). The Board of Directors establishes the compensation payable to its members based on the recommendations of the Compensation Committee, and within the limits approved by the AGM.

Between 33 and 50% of the compensation is paid in undiscounted shares, which are blocked for two years. In addition to shares allocated as part of their compensation, each member of the Board of Directors is required to hold shares in the value of at least two years' total annual compensation, to demonstrate commitment to the value creation of the Group. New Board Members are expected to build up the required shareholding within two years.

In addition to participating in Board and Committee meetings all Board members regularly visit international customers with sales representatives, attend international congresses and go on field trips to important markets. All the Board members are active mentors to the EMB and have regular one-to-one exchanges with their assigned mentees.

Irrespective of role, all members of the Board of Directors are entitled to reimbursement from the company for their reasonable expenses for travel to and from Board meetings, or on behalf of the Board, and other related incidental expenses, in accordance with the expense regulations for Members of the Board of Directors of Straumann Holding AG.

COMPENSATION GOVERNANCE AND REGULATION

COMPENSATION COMMITTEE

The Board of Directors nominates the members of the Compensation Committee for election by the AGM. The Committee is entrusted with the design of the compensation system for the Board of Directors and the EMB. It reviews the compensation principles and programs annually and evaluates remuneration against relevant benchmarks and other related criteria. The Committee reports to the Board of Directors on its views regarding compensation practices as well as on the compensation of the EMB at least once a year and proposes changes when necessary.

Further information on the duties of the Compensation Committee can be found on p. 114 f. in the section on Corporate Governance.

In 2017, Monique Bourquin joined the Compensation Committee to replace Beat Lüthi, who moved to the Audit Committee.

The Compensation Committee met five times with all its members present. The focus was to review the aptness of our fundamental compensation elements. The Chairman of the Board and the CEO participated in all the meetings except during discussions concerning the evaluation and determination of their own compensation. The topics discussed by the Compensation Committee during 2017 covered:

- Group, CEO, and EMB performance review
- Global benchmarking
- Incentive system
- Compensation reports
- Compensation of new EMB members
- 2017 target framework
- Annual salary reviews and development plan
- Total reward system.

COMPENSATION
RECOMMENDATIONS & DECISIONS

Recipient	Compensation recommended by	Compensation decided by
Chairman of the Board	Compensation Committee/ Board of Directors	AGM
Board Members		
CEO	Chairman of the Board/ Compensation Committee/ Board of Directors	
Executive Management	CEO/Compensation Committee/ Board of Directors	
Senior Management	EMB	CEO
Management and staff	Line Management	EMB

REGULATION

The Swiss Ordinance against Excessive Compensation (OaEC) is fully reflected in Straumann's compensation schemes for the EMB and Board of Directors and in the Articles of Association (AoA). The AoA do not allow for loans, advances or credits to any member of the EMB, the Board of Directors, or related parties. Straumann's compensation schemes and AoA are publicly available on our website at www.straumann-group.com > Investor information > Corporate governance.

AGREEMENTS WITH THE BOARD OF DIRECTORS AND EMB

Agreements with members of the Board of Directors regarding their compensation and with members of the EMB regarding their employment may be temporary or permanent. Temporary agreements have a maximum term of one year, with the possibility of renewal, while permanent agreements have a notice period of no more than 12 months. Non-compete clauses are permissible. Compensation may be paid as indemnity for non-compete clauses. In such cases, the compensation must not exceed the last annual total compensation paid to the individual and may not be paid for more than one year (see Art. 4.5 AoA).

GROUP COMPENSATION FRAMEWORK

The Compensation framework for the Group remained the same in 2017 as in 2016 with the only change being the removal of individual performance objectives in relation to the Short-Term Incentive as mentioned on p. 138 f.

FIXED COMPONENTS

In 2017, the fixed compensation elements included the following:

- Base salary
- Pension plans (depending on local practices and regulations)
- Other benefits (depending on local practices and regulations).

BASE SALARY

Straumann employees receive a fixed salary based on:

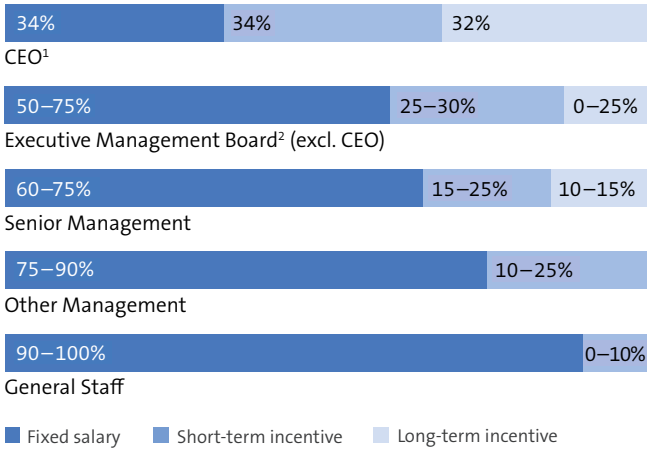
- Job profile
- Experience and skills
- External comparisons
- Internal fairness
- Place of work and local regulations
- Strategic importance of the position.

PENSION PLANS

Internal analyses carried out in recent years showed that Straumann and its subsidiaries fulfil and, in some respects, exceed local legal requirements. In most cases, pension obligations are fully funded. Where this is not the case, liabilities are reported in the Annual Report following actuarial rules.

Further information on pension plans is provided in Note 20 to the audited consolidated financial statements on p. 182 ff. Information on pension fund risks is also provided on p. 66 in the Risk Analysis.

PAY MIX CORRIDOR (AT-TARGET ACHIEVEMENT)



1 At target, the variable compensation (incl. STI and LTI) for the CEO will amount to 192% of base salary.
2 At target, the variable compensation (incl. STI and LTI) for the EMB members will in average amount to 85% of base salary.

OTHER BENEFITS

Straumann's benefit programs are an integral part of total compensation and are designed to enable the Group to compete for and retain employees and managers. Benefits are structured to support our overall business strategy and are aligned with local practices and legislation. Examples of benefits include the Employee Share Participation Plan (ESPP), public transportation passes, lunch vouchers, the use of company cars, mobile phones, and concessions on Straumann products.

VARIABLE COMPONENTS

In 2017, the variable compensation components included one or more of the following:

- Short-term incentive
- Long-term incentive (Performance Share Plan).

In both cases, clear bonus payout limits are in place in case the target is exceeded.

SHORT-TERM INCENTIVE (STI)

The STI scheme is tied directly to profit generated by the Group and paid in cash. For some areas, additional specific financial performance criteria apply. Hence, the payout in 2017 was based on a combination of company performance and/or achievement of specific financial targets.

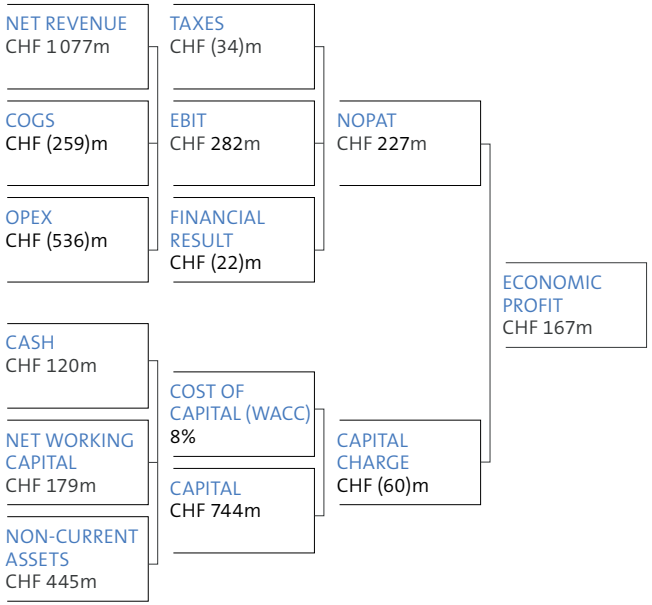
COMPANY PERFORMANCE

In general, economic profit (EP) is the key performance indicator in Straumann's STI scheme. The Board of Directors sets the absolute target for EP generation in Swiss francs annually prior to the respective performance cycle and based on medium-term business plans as well as the defined budget for the year of performance. The payout ranges from 0 to 200% of the target.

EP is calculated by deducting a capital charge from the net operating profit after tax (NOPAT). The Board of Directors may exclude extraordinary elements from the calculation of the EP. The capital charge represents the cost of capital calculated based on an average equity return expected by investors. This scheme builds the basis for our general bonus calculation model.

The main advantage of EP as a performance objective is that it goes beyond revenue growth and profitability increase and takes into account the resources used to achieve these increases and the resulting additional capital costs (see chart on the right).

COMPANY PERFORMANCE – 2017 ECONOMIC PROFIT (EP)[1]



NOPAT = Net operating profit after taxes; COGS = Cost of goods sold; OPEX = Operating expenses; EBIT = Earnings before interest and taxes.

1 Adjusted for acquisitions and taxes related to the sale of Treasury shares.

SPECIFIC FINANCIAL TARGETS

Specific financial targets are used for the following organizational units: Sales Regions, Customer Solutions & Education, Instradent Management, and Research, Development & Operations. The targets are derived from annual budgets and are set by the CEO and CFO together with the member of the EMB responsible for the respective organizational unit. In 2017, for example, improvements to contribution margin and to strategic key sales initiatives were set as specific financial targets for the Sales Regions while improvement to cost of goods sold was defined as a specific financial target for Research, Development & Operations.

WEIGHTING OF PERFORMANCE CRITERIA

In 2017, the weighting of the performance criteria (see table on the right) depended solely on company and/or financial targets. The potential payout for over-achievement remained the same in 2017, ranging from 160% to 190% for maximum achievement, for EP and financial objectives, as in 2016.

With the discontinuation of the individual target as a factor determining the STI, the individual component of the STI was split and moved to the company and financial components, based on the role, responsibility and level of the individual.

MEASUREMENT OF ACHIEVEMENT

As shown in the chart on the right, the scale for STI target achievement extends from 0% (Point A) to a maximum of either 150% or 200% and is based on a combination of the two curves which join four points: 0% (Point A), 100% (Midpoint), 150% (Point B1) and 200% (Point B2) which together result in the payout and over achievement potential.

LONG-TERM INCENTIVE (LTI)

The LTI program is designed for the EMB, Senior Management and other key employees depending on role, responsibility, location, strategic impact, and market practice. Participation is determined by the Board of Directors, who themselves are not eligible. The plan was introduced in 2012 and is designed to:

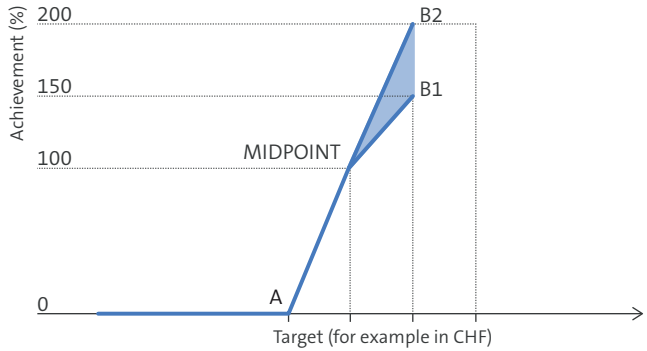
- Offer an attractive variable compensation element related to Total-Shareholder-Return and EBIT growth
- Align participants' interests with those of the shareholders.

STI PERFORMANCE CRITERIA WEIGHT 2017

Management level	Company target[1]	Company target[2]	Financial target[1]	Financial target[2]
Chief Executive Officer	80%	20%		
Executive Vice President	40–80%	20%	0–40%	
Senior Vice President	20–40%	40–60%	0–40%	0–40%
Vice President	20–40%	40–60%	0–40%	0–40%
Management (Director, Senior Manager, Manager)	20–30%	0–70%	15–80%	0–70%
Staff	10–20%	0–80%	0–15%	0–80%

1 Maximum payout 200%.
2 Former individual target component; maximum payout 150%.

SHORT-TERM INCENTIVE TARGET ACHIEVEMENT (STI)



GRANT

Participants in the plan are granted Performance Share Units (PSUs) entitling them to receive shares after a three-year vesting period. PSUs are granted once a year after the AGM. No cash investment is required from the participants. The number of PSUs granted is equal to the participant's LTI value divided by the fair value of one PSU at the grant date. The LTI target value is a percentage of the total target compensation, and is determined in accordance with the participant's role in the organization. In 2017 the total grant value amounted to CHF 5.301 million and 16 785 PSUs were granted.

PSU VALUE AT GRANT

The value of the PSU's granted has been determined using a Monte Carlo simulation algorithm calculated by external specialists applying standard criteria including: grant date, vesting date, average reference price, performance targets, share price at grant, risk-free interest rate, expected volatility, expected EGA and expected dividend rate.

The design of the long-term incentive program includes the possibility for the PSU value at vesting to be higher or lower than the value at grant. We recognize that Straumann's performance in the past few years has created (and may continue to create) a high value for the vested PSU's, which is in line with our strategy of creating shareholder value.

ALLOCATION OF SHARES

The PSUs vest at the end of the performance periods and are converted into shares. They can be forfeited if the individual leaves the Group before the vesting date, subject to discretion of the Board of Directors.

The number of shares allocated per PSU depends on the achievement of:

- An absolute Total-Shareholder-Return target, which is determined by the Board of Directors and is currently set at 7% per annum for the 3-year performance period. Performance against the TSR target is calculated using the average of the closing share prices over the period of seven trading days starting on the ex-dividend date in the year of grant and in the year of vesting. The achievement factor is capped at 200%. In 2016 and 2017, the Compensation Committee reviewed the TSR target and the impact of increasing it from 7% to 10%. The analysis resulted in the decision to maintain the 7% TSR target with the understanding that the maximum volume of PSUs granted is also reduced.

PERFORMANCE SHARE UNIT OVERVIEW

	2017	2016	2015	2014
Grant date	21.04.2017	20.04.2016	22.04.2015	25.04.2014
Vesting date[1]	21.04.2020	20.04.2019	22.04.2018	25.04.2017
Share price at grant	CHF 483.00	CHF 336.00	CHF 262.50	CHF 184.00
PSU value at grant	CHF 315.83	CHF 306.84	CHF 208.06	CHF 152.33
Granted PSUs	16 785	14 520	7 586	30 063

1 Seven trading days after the ex-dividend date.

OUTSTANDING PERFORMANCE SHARE UNITS

	2017	2016	2015	2014
As of 1 January	45 606	76 799	99 810	79 138
Granted PSUs	16 785	14 520	7 586	30 063
Vested PSUs	(24 614)	(44 106)	(23 559)	0
Forfeited PSUs	(1 329)	(1 607)	(7 038)	(9 391)
Expired PSUs	0	0	0	0
As of 31 December	36 448	45 606	76 799	99 810

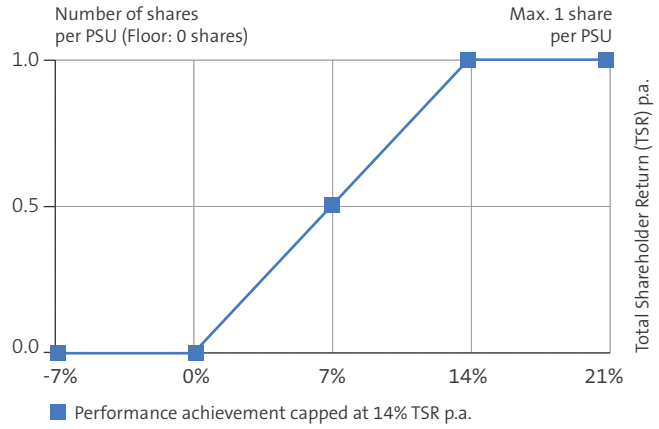
- A pre-defined EBIT Growth Amount, which is determined by the Board of Directors in advance for the three business years starting on January 1 of the year of the Grant. The achievement factor is capped as well at 200%. In line with the principle of fair disclosure, the EGA target is not published in advance. Both KPIs are weighted equally with 50%.
- For the 2014 PSU Grant (Performance Period 2014-2017) the Total Shareholder Return (TSR) target was 10%, with the floor at 0% and the cap for overachievement at 20%.

TOTAL SHAREHOLDER RETURN

TSR is the profit (or loss) realized by an investment at the end of a year or specific period. It includes capital gains or losses from changes in the share price as well as gross dividends. As shown in the chart on the right, the compensation model awards shares according to the number of PSUs allocated and the total shareholder return (TSR) and EBIT growth amount (EGA) achieved per annum over a three-year performance period. Both KPI's are weighted equally with 50%.

At the end of the performance period, no shares will be allocated for a TSR of 0% p.a. or less; half a share will be granted per vested PSU if the TSR is +7% p.a. and one share per vested PSU for a TSR of +14% p.a. or more (capped at 200%). For a TSR between 0% and 7% p.a. or between 7% and 14% p.a., the number of shares allocated per vested PSU is calculated on a linear basis.

TOTAL SHAREHOLDER RETURN



EBIT GROWTH AMOUNT (EGA)

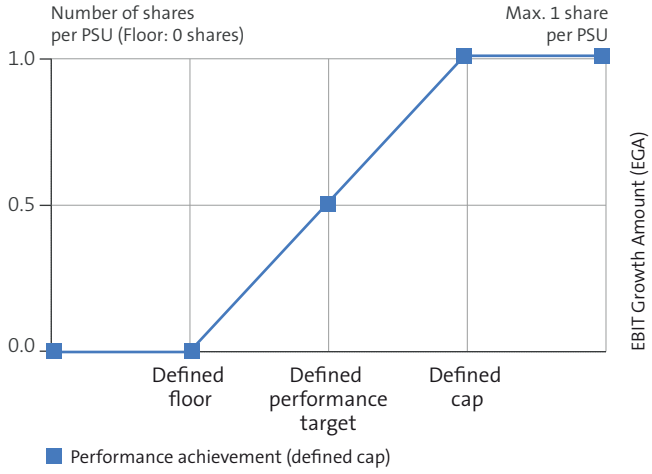
EGA is a total target EBIT growth amount over the full EBIT performance period determined by the Board of Directors at the time of grant. It is related to the three business years starting on January 1 the year of the grant (for example from 1 January 2017 until 31 December 2019).

The EBIT growth amount over the 3-year EBIT Performance Period ('Actual EBIT GA') is calculated as follows:

- Straumann Group EBIT growth over the EBIT Performance Period,
- Less EBIT of all businesses and participations acquired after the Grant Date during the EBIT Performance Period,
- Excluding all currency exchange effects,
- Considering all other specific calculation effects specified by the Board at the time of grant,
- Considering other adjustments decided by the Board at the time of calculating the Actual EBIT GA in order to compensate for unforeseen major effects that would impair the purpose of the plan.

At the end of the performance period, no shares will be allocated for a EGA which is below the defined floor; half a share will be granted per vested PSU if the EGA is exactly the defined performance target and one share per vested PSU for a EGA which is the defined cap or more (capped at 200%). For a EGA between the defined floor and the defined performance target or between the defined performance target and the defined cap, the number of shares allocated per vested PSU is calculated on a linear basis.

EBIT GROWTH AMOUNT (EGA)



SUMMARY OF OVERALL COMPENSATION

ELEMENTS OF TOTAL REMUNERATION

Element		Type	Description
Base salary		Fixed cash	• Fixed compensation, determined by scope and complexity of the role • Generally within an 80–120% range of relevant market median
Variable pay	Short-term incentives (STI–one year)	Cash	• For EMB, Senior Management and a broad group of employees, paid annually • Two payout ranges: 0–150% and 0–200% of target • Performance measured against business results and financial targets
	Long-term incentives (LTI–three years)	Performance Share Units (PSUs)	• For the EMB and a defined Senior Management group • Payout range: 0–200% of target • PSUs with a 3-year vesting period; shares are allocated based on total shareholder return and EBIT growth amount over a 3-year period.
Employee benefits		Fixed benefits	• Employee benefits are provided in line with local market practices • Pension plans are de-risked in line with Group guidelines • Benefits are positioned towards relevant market medians
	Employee share participation plans (ESPP)	Blocked shares	• For all Swiss employees: Minimum purchase of 10 shares, maximum 1 000 shares, depending on hierarchy level.

EMPLOYEE SHARE PARTICIPATION PLAN

Employees in Switzerland have the opportunity to purchase Straumann shares for a 25% discount on the average share price over a period of seven trading days beginning on the ex-dividend day (see tables above and right). The shares are subject to a two-year blocking period and are dividend-bearing from the day of purchase. In 2017, the plan allowed for all employees in Switzerland to purchase shares from a minimum of 10 to a maximum of 1000, depending on their level in the organization. The shares required for this plan were held by the Group as Treasury shares. The Board of Directors is not eligible for this program.

EMPLOYEE SHARE PARTICIPATION PLANS

	Employees participating	Shares issued	Discount share price at issue	End of blocking period
2017	140	12 636	CHF 361	April 2019
2016	86	8 754	CHF 254	April 2018
2015[1]	86	4 653	CHF 196	April 2017

1 The maximum number of purchasable shares was reduced by 50% as part of the cost management program in 2015.

2017 COMPENSATION

Overall, Straumann spent CHF 455 million on compensation, benefits and social costs in 2017, corresponding to an average of CHF 91 000 per employee (2016: CHF 94 000). The decreased average compensation can be attributed to expansion into countries where the average compensation levels of acquired companies is lower. Where necessary, structural adjustments were made to adapt salaries to benchmarks and for staff who took on new roles and/or increased responsibilities.

The company and financial targets for the STI were exceeded significantly, resulting in an above-target payout for all eligible employees. The three-year target for the PSUs that were awarded in 2014 and vested in April 2017 was clearly exceeded and resulted in a maximum achievement factor of 200%.

COMPENSATION OF THE EXECUTIVE MANAGEMENT BOARD

At the 2017 AGM, the shareholders prospectively approved a fixed compensation of CHF 5.8 million for the collective EMB (as composed in April 2017) for the period between 1 April 2017 and 31 March 2018. The variable STI for the business year ending 31 December 2017 will be submitted for approval by the shareholders at the AGM in 2018. The table shows the compensation paid to the EMB in 2017 in accordance with the Ordinance against Excessive Compensation (OaEC). The compensation packages of the existing members of the EMB remained more or less unchanged in 2017 with regard to the fixed cash component, STI and other compensation.

The EMB's total remuneration was benchmarked in 2016 and adjusted appropriately in individual cases. No further adjustments were made in 2017, with the exception of Matthias Schupp, EVP LATAM, who became entitled to the LTI to bring his total remuneration package in line with the benchmark.

There were two new additions to the EMB in 2017. Patrick Loh was appointed EVP Sales APAC in May and Mike Rynerson joined as EVP Digital BU in August. Compensation of forfeited remuneration due to resignation from previous employment was paid in the total amount of CHF 290 183. In 2017, no compensation was paid to related parties of EMB members. None of the EMB received any compensation from the Straumann Group other than that disclosed in this report.

EXECUTIVE MANAGEMENT BOARD COMPENSATION (AUDITED TABLE)

(in CHF 1000)

2017 2016	Annual base salary	Short-term Incentive	Performance Share Units (Grant value)	ESPP discount	Social security and pension	Other compensation & benefits[2,3]	TOTAL
Marco Gadola (CEO)	850 825	1 615 1 520	780 780	67 36	625 704	33 39	3 970 3 904
Other[1] members	3 760 3 390	3 568 3 027	1 521 1 282	150 93	1 578 1 426	1 131 917	11 708 10 135
Former members	49	27				486	562
TOTAL	4 610 4 264	5 183 4 574	2 301 2 062	217 129	2 203 2 130	1 164 1 442	15 678 14 601

1 Includes two new members of the EMB: Patrick Loh, EVP APAC (14.5.2017); Michael Rynerson, Global Head Digital Business (1.8.2017).
2 Other compensation includes auto lease for EMB members on a Swiss contract in addition to local benefits for EMB members in LATAM and the United States. The EMB expatriate in Singapore was repatriated in June 2017 and replaced by Patrick Loh, who is on a local contract.
3 2016 includes auto lease for EMB members on Swiss contracts in addition to local benefits in LATAM, the United States and Singapore.

COMPENSATION OF THE CEO

The Board of Directors sets short- and medium-term targets for the Executive Management Board annually. Given the rapid growth of the Straumann Group the total compensation is reviewed annually and benchmarked against data from external providers (e.g. Mercer), industrial companies comparable in business scope, global reach, overall size and complexity as well as the companies of the SMIM index. For example, over the past two years, the Group has entered new fields, acquired further brands, and has significantly broadened its geographic footprint and product portfolio. To cater for the strong sales growth, we have ramped up operations considerably and increased the global workforce by approximately 45%. The increase in scope, complexity and responsibility prompted an appropriate basic salary adjustment, which became effective in April 2016 and is shown on an annualized basis in the table above.

CEO PERFORMANCE SCORECARD 2017

STI-related	LTI-related	Quantitative Measures	Weighting	Performance vs target	Target	Results[1]
✓		Economic Profit	52%	190%	100 % of Annual base salary	190 % cash payout
	✓	EBIT Growth (EGA)	24%	200%	0.5 PSU	1 share per PSU granted
	✓	Total Shareholder Return (TSR)	24%	200%	0.5 PSU	1 share per PSU granted

1 For STI results the STI at target is CHF 850 000. For LTI, the PSU grant value at target is CHF 780 000.

SHAREHOLDINGS OF THE EMB

The shareholdings in Straumann shares of the members of the EMB who held office at the end of 2017 are shown in the table on p. 201.

The Straumann Group has created significant value for its shareholders over the past years. As a consequence the PSU grants awarded to the Executive Management Board in the LTI scheme have provided attractive payouts for the participants, as shown in the table below.

VALUE CREATION

(in CHF 1 000)

	2017	2016	2015	2014
Market capitalization at beginning of year	6 312 000	4 795 000	3 939 000	2 615 000
Market capitalization at end of year	10 933 000	6 312 000	4 795 000	3 939 000
Value of PSU grant at vesting for EMB	6 789[1]	8 353[2]	2 571[3]	0
Value of PSU grant at vesting for CEO	4 990[1]	6 311[2]	0	0

1 PSU Grant 2014.
2 PSU Grant 2013.
3 PSU Grant 2012.

COMPENSATION OF THE BOARD OF DIRECTORS

The 2017 AGM approved a maximum total compensation for the Board of Directors of CHF 2.3 million for the term of office ending at the 2018 AGM. It consists of a fixed compensation paid in cash and shares. The proposed total amount includes social security charges and the fringe benefits disclosed in the Compensation Report. The composition of the Board did not change subsequent to the AGM in 2017. None of the Board members received any compensation from the Straumann Group other than that disclosed in this report. In 2017, no compensation was paid to related parties of members of the Board of Directors. In 2017, no payments to former members of the Board or related parties were made.

BOARD OF DIRECTORS COMPENSATION (AUDITED TABLE)

(in CHF 1000)

2017 2016	Fixed cash compensation	Fixed share compensation	Social security	Other benefits	Pension	TOTAL
Gilbert Achermann	400	200	44	31	91	766
(Chairman of the Board)	400	200	44	31	89	764
Thomas Straumann	200	100	20			320
(Vice Chairman)	200	100	20			320
Monique Bourquin	73	100	11			184
(joined BoD April 2017)						
Sebastian Burckhardt	100	100	13			213
	100	100	13			213
Ulrich Looser	150	100	17			267
(Chairman of the Compensation Committee)	129	100	16			245
Beat Lüthi[1]	138	100	16			254
(Chairman of the Audit Committee)	100	100	13			213
Regula Wallimann	73	100	11			184
(joined BoD April 2017)						
Roland Hess	38	0	4			42
(left BoD May 2017)	150	100	16			266
Stefan Meister						
(left BoD May 2016)	63	38	5			106
TOTAL	1 172	800	136	31	91	2 230
	1 142	738	127	31	89	2 127

1 Annualized effect due to appointment to Chairman of the Audit Committee in 2017.

The compensation of the Board of Directors is described in the table above. The Chairman of the Board of Directors continues to participate in the Straumann Pension plan, which is a defined contribution plan and is fully funded. This benefit is benchmarked as part of the total remuneration and is not a premium on top of the total compensation package.

APPROVAL OF COMPENSATION

The AGM prospectively approves the maximum compensation payable to the Board of Directors for the term of office ending at the next AGM. Likewise, the AGM approves the maximum fixed compensation of the EMB prospectively for the period commencing on 1 April and ending on 31 March of the next calendar year. The variable short-term components of the EMB's compensation are approved retroactively for the business year preceding the AGM (see Art. 3.1.9 AoA and chart on p. 145).

The compensation of the individual members of the Board and the EMB is decided by the Board of Directors on recommendation of the Compensation Committee and within the limits set by the AGM. The relevant criteria are explained on p. 132 ff., and the compensation awarded to the Board of Directors and the EMB is disclosed in the tables on pp. 145 and 148.

At the 2018 AGM, the shareholders will be asked to approve:

- The short-term incentive (STI) of the EMB for the business year
- The total fixed compensation of the EMB for the period 1 April 2018 – 31 March 2019
- The total long-term incentive (LTI) for the 2018 grant for the EMB
- The total compensation of the Board of Directors for the period between the 2018 and 2019 AGMs.

For 2018, a maximum collective STI of CHF 6.7 million (including social costs and other compensation) is budgeted for the EMB if all relevant targets are achieved to the defined maximum (subject to approval at the 2019 AGM). In addition, the Board of Directors will submit a proposal of CHF 6.7 million to the AGM for maximum fixed compensation. In each case, these figures apply to the EMB as composed on 1 January 2018.

A maximum collective LTI of CHF 3.0 million (including social costs) was approved by the 2017 AGM. Based on the 2017 performance and results, the LTI granted to the members of the EMB is shown in the table on p. 150.

COMPENSATION APPROVED AND DISPENSED

(in CHF 1 000)

	Compensation earned during the financial year (A)	Compensation earned for the period January 1 to 2017 AGM (3 months of the financial year (B)	Compensation to be earned for the period from January 1 to the 2018 AGM (3 months) in the year following the financial year (C)	Total compensation earned from AGM to AGM (A)+(B)+(C)	Amount approved by shareholders at the respective AGM	Compensation dispensed by the Company within approved amount
	2017	January 1, 2017 to 2017 AGM	January 1, 2018 to 2018 AGM	2017 AGM to 2018 AGM	2017 AGM	2017 AGM
Board of Directors	2 230	(331)	344	2 244	2 300	yes
Executive Management Board	14 126	(6 316)	6 203	14 013	15 100[1]	yes

1 Includes 2017 STI to be approved in 2018 AGM of CHF 6.3 m (CHF 5.7 m in 2017 AGM).

Report of the statutory auditor on the remuneration report

To the General Meeting of Straumann Holding AG, Basel

We have audited the remuneration report of Straumann Holding AG for the year ended 31 December 2017. 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 tables labeled "audited" on page 145 and page 148 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 2017 of Straumann Holding AG complies with Swiss law and articles 14 – 16 of the Ordinance.

Ernst & Young Ltd

Daniel Zaugg
Licensed audit expert
(Auditor in charge)

Fabian Meier
Licensed audit expert

Basel, 7 February 2018

EY
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