

# Compensation Report Summary

## **SUPPLEMENT TO THE INVITATION TO THE 2020 ANNUAL GENERAL MEETING**

Dear Shareholder,

In 2019, we continued to outperform our market. Organic revenue rose 17%, core EBIT margin reached 27% and basic core earnings per share rose to CHF 21.21. Behind these results are dedicated people, whose outstanding performance and achievements deserve recognition and appreciation, which is presented and described in this compensation report.

The size, scope, diversity and geographic spread of our activities and organization have increased substantially and the Straumann Group now includes approximately 7600 people, compared with 3800 three years ago. In view of this, throughout 2019, we continued to focus on leadership development and succession, nurturing internal talent in addition to attracting high caliber people from outside.

Company culture, opportunities, job enrichment, security and competitive compensation are quintessential, which is why we constantly review, challenge, benchmark and improve our rewards system. To this end, the key changes were as follows:

- we simplified our short-term incentive by unifying the criteria for measuring value creation and reducing the number of targets and payout curves
- we switched from EBIT growth amount to relative total shareholder return as one of the two determinants of our long-term incentive. This change was made as we listened to stakeholder concerns about the transparency of long-term target setting.

Acquisitions have played an important part in Straumann's growth strategy for several years. In 2019 alone, we consolidated more than 10 companies in 11 countries scattered across four continents with diverse cultures, employment regulations and remuneration models. To integrate and harmonize these, we have invested significantly in global people management skills and tools.

## LOOKING AHEAD

The key to going ‘beyond continuity’ is to ensure that our organization is equipped with the leadership capabilities and resources to manage our growth and sustain our success, which is why we are expanding the Executive Management Board. In addition, we are continuing to capitalize on our internal expertise, by connecting talent with opportunities and deploying people to areas that are poised for growth.

On your behalf, I would like to thank every member of our global team for their commitment and achievements. I would also like to express my gratitude to the EMB for its constructive approach to the dialogue in 2019 as well as the Board of Directors and you, as shareholders, for your confidence in the Human Resources & Compensation Committee.

A handwritten signature in black ink, appearing to read 'Ulrich Looser', with a period at the end.

Ulrich Looser

Chairman of the Human Resources & Compensation Committee

## COMPENSATION APPROVED, DISPENSED AND PROPOSED

(in CHF million)

		2019	2020
<b>Board of Directors</b>	members	8	8
Fixed compensation <sup>1</sup>	approved	2.7	
	dispensed	2.7	
	proposed <sup>2</sup>		2.7
<b>Executive Management Board</b>	members	12	14
Fixed compensation <sup>1</sup>	approved	7.3	
	dispensed	7.2	
	proposed <sup>2</sup>		9.2
Short-term incentive (variable) <sup>3</sup>	approved	6.1	
	dispensed	6.1	
	proposed <sup>2</sup>		6.1
Long-term incentive (variable) <sup>3</sup>	approved	3.9	
	dispensed <sup>4</sup>	2.9	
	proposed <sup>2</sup>		3.2

1 1 April to 31 March.

2 For approval at the 2020 AGM.

3 1 January to 31 December.

4 Reflects change to reporting of LTI grant related social security.

## LONG-TERM VARIABLE COMPENSATION

### PERFORMANCE SHARE UNIT PLAN

Relative TSR has replaced EBIT growth amount as a performance condition for the PSU plan in 2019.

#### 2016–2018 grant cycle (3 years)

- 50% absolute TSR<sup>1</sup>
- 50% EBIT growth amount



#### 2019 and forward grant cycle (3 years)

- 50% absolute TSR<sup>1</sup>
- 50% relative TSR (SMIM)

1 Compound annual growth rate.