



COMPENSATION REPORT

- 118** LETTER FROM THE CHAIRMAN OF THE
HUMAN RESOURCES & COMPENSATION COMMITTEE
- 120** COMPENSATION GOVERNANCE AND REGULATION
- 122** COMPENSATION PRINCIPLES
- 124** GROUP COMPENSATION FRAMEWORK
- 129** 2019 COMPENSATION
- 132** APPROVAL OF COMPENSATION
- 134** REPORT OF THE STATUTORY AUDITOR ON THE REMUNERATION REPORT

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

LETTER FROM THE CHAIRMAN OF THE HUMAN RESOURCES & COMPENSATION COMMITTEE

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.

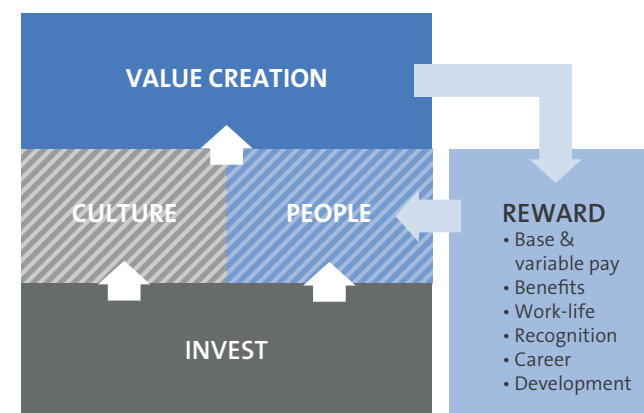
Company culture, opportunities, job enrichment, security and competitive compensation are quintessential, which is why we constantly review, challenge, benchmark and improve our rewards system. To this end, the key changes were as follows:

- 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.



Job enrichment, one of the five quintessential components in our reward system.



In the Group's reward philosophy, people are rewarded for value creation. The total reward includes quantitative (base & variable pay and benefits) and qualitative (work-life and career development) elements.

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.



Ulrich Looser

Chairman of the Human Resources & Compensation Committee

COMPENSATION GOVERNANCE AND REGULATION**HUMAN RESOURCES & COMPENSATION COMMITTEE (HRCC)**

The Board of Directors nominates the members of the HRCC for election by the Annual General Meeting (AGM). The Committee is entrusted with the design of compensation for the Board of Directors and the compensation and benefits for the EMB, and the review of the total rewards framework for all employees. The Committee reports its views on the rewards and compensation of the EMB to the Board of Directors at least once a year and proposes changes when necessary.

Further information on the duties of the HRCC can be found on p. 97 of the Corporate Governance section.

The HRCC met five times in 2019 and all of its members were present. Constantly seeking a broader view, the Committee includes non-monetary components in its review. For instance, skill development, cultural journey and leadership programs, as well as other activities and initiatives that contribute to job enrichment. This provides a holistic basis for the Committee's directional input related to people topics.

The Chairman of the Board of Directors and the CEO participated in all the meetings as guests except during discussions concerning the evaluation and determination of their own compensation.

REGULATIONS

The Group's compensation schemes for its executives and directors as well as its Articles of Association (AoA) fully reflect the Swiss Ordinance against Excessive Compensation (OaEC). The AoA do not allow for loans, advances or credits to any current or former members of the EMB, the Board of Directors, or related parties. In addition, notice periods for the EMB are restricted to a maximum of 12 months. The compensation schemes and AoA are available to the public [here](#).

Compensation**Recommendations & Decisions**

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

AGREEMENTS WITH THE BOARD OF DIRECTORS AND THE EMB

Agreements are concluded with members of the Board of Directors regarding the compensation for their mandate (members are elected for a term of one year) and with members of the EMB regarding their employment. Non-compete clauses are permissible and compensation may be paid as indemnity where it is determined necessary. 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 as referenced in the AoA.

TERMINATION PROVISIONS

Variable compensation components are subject to forfeiture clauses that allow for partial or total forfeiture if the individual leaves the Group before the vesting date, subject to the Board of Directors' assessment of the reasons for departure.

Further, the agreements with the members of the Board of Directors as well as the EMB do not contain any severance provisions from which a benefit could be obtained in the event of a change of control. The AoA do not contain provisions for opting out or opting up. Upon a change of control event, unvested equity-based long-term variable compensation awards vest with the number of the awards being adjusted on a pro-rata basis and the value per award being determined by the Board of Directors. These procedures apply to all recipients of long-term variable compensation awards irrespective of whether they belong to the EMB or not.



In addition to competitive compensation, the total reward we offer as an employer includes professional experience and skill development in a top class environment.

COMPENSATION PRINCIPLES

The compensation principles outlined below are valid for everyone working for wholly-owned Straumann Group companies.

ETHICAL, FAIR STANDARDS

The Group seeks to be in full compliance with international labor standards and is committed to treating all its employees fairly and equally. Compensation and access to rewards programs are prohibited from being discriminatory under local regulations. Local minimum wage regulations have no bearing on the remuneration policy, as the compensation clearly surpasses them. The Group's commitment to these standards is reflected in its use of benchmark data for periodic reviews to ensure compliance and most importantly, internal fairness.

VALUE CREATION DRIVES TOTAL REWARDS

The Group's view is that success depends largely on value creation by its employees, which should be recognized and rewarded. A modern compensation system and access to competitive rewards are an important instrument for attracting, retaining, motivating and developing talented people. Therefore we provide competitive compensation packages by conducting regular benchmarking to ensure internal and external fairness, incentivize sustainable growth and provide access to benefits that recognize diverse lifestyles and interests.

COMPREHENSIVE BENCHMARKING

We seek to attract and retain top talent from various industries. Our benchmarking uses a size-adjusted approach and takes into account growth and future aspirations, business complexity, global footprint and market positioning, while respecting the median movement and compensation relative to it.

Benchmark reviews for all Group employees including the EMB are supported by an external specialist (Mercer) and include data from over 300 companies in relevant local markets. Our policy is to provide fixed cash compensation that is competitive with comparable companies. In addition, we set our variable compensation elements to enable total compensation to move towards the upper quartile for outstanding performance.

The Group's view is that success depends largely on value creation by its employees, which should be recognized and rewarded.



We seek to attract and retain top talent from various industries, almost all of which involve digital technology.

For the EMB, the benchmark group includes, but is not limited to companies who are included in the SMIM index, which comprises the 30 largest midcap companies in Switzerland. This approach to benchmarking is rounded out by using the size-adjusted approach which enables the inclusion of other company data to ensure compensation is competitive.

PRINCIPLES OF COMPENSATION FOR 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 in accordance with the AoA, which includes a short-term and a long-term component, and access to benefits/programs that make up their total rewards.

The rewards and incentives for each EMB member are determined according to his or her role and responsibilities as well as future expectations and are based on external benchmarks that are reviewed as described in the section entitled "Comprehensive benchmarking". The collective financial rewards of the EMB, including the CEO, are subject to approval by the shareholders at the AGM.

If there are changes in the EMB subsequent to the AGM, the compensation of a new CEO or any other incoming member of the EMB will be determined in accordance with the AoA, which includes stipulations regarding total compensation to be offered, and any supplementary compensation to offset losses of rights associated with giving up prior activities.

To demonstrate their commitment to the Group's value creation, EMB members are required to hold Straumann Group equity in a value corresponding at least to the aggregate of their individual annual base salary and short-term incentive at target. The requirement for the CEO is at least the aggregate of his annual base salary, short-term incentive at target and LTI grant value. Incoming EMB members are expected to build up the required equity within five years.

PRINCIPLES OF COMPENSATION FOR THE BOARD OF DIRECTORS

The compensation of the Board of Directors is subject to the approval of the AGM and consists of fixed compensation components, paid in cash and shares in accordance with the AoA. The Board of Directors establishes the compensation payable to its members based on the recommendations of the HRCC, and within the limits approved by the AGM, and remained the same in 2019 as in 2018.



Learning on the job: Straumann offers many attractive opportunities for young professionals starting in their careers.

Board of Directors compensation framework (in CHF 1 000)

Recipient	Board Membership	Equity Allocation
	Cash	
Chairman	400	300
Vice Chairman	200	100
Board Committee Chair	150	100
Other Board of Directors members	100	100

Board members are required to hold two years' annual compensation in shares.

To demonstrate commitment to the value creation of the Group, each member of the Board of Directors is required to hold shares in the value of at least two years' total annual compensation. New Board Members are expected to build up the required shareholding within two years.

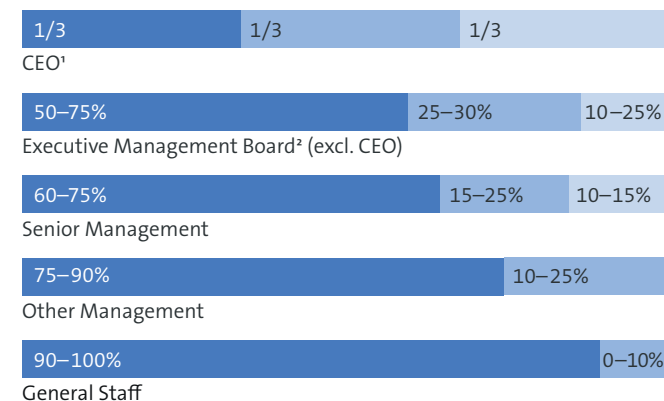
All Board Members are active mentors to the EMB and have regular one-to-one exchanges with their assigned mentees. Irrespective of role, all Board Members are entitled to reimbursement from the company for their reasonable expenses for travel to and from Board meetings, travel on behalf of the Board, and other related incidental expenses, in accordance with the expense regulations for Members of the Board of Directors of Straumann Holding AG.

GROUP COMPENSATION FRAMEWORK

The compensation framework for the Group remained the same in 2019 as in 2018 with the exception of minor adjustments to the STI and LTI.

Element	Type	Delivery	Description
Fixed components	Base salary	Cash	<ul style="list-style-type: none"> For all employees (including EMB) a fixed compensation, determined by scope and complexity of the role Generally within 80–120% of relevant market median
Variable components	Short-term incentive	Cash	For EMB, Senior Management and a broad group of employees, paid annually: <ul style="list-style-type: none"> Maximum payout potential: 165%, 180% or 190%, depending on hierarchy level. Performance measured against business results and financial targets.
	Long-term incentive	Performance Share Units (PSUs)	For the EMB and a defined Senior Management group: <ul style="list-style-type: none"> Vesting range: 0–200% of target 3-year vesting period Vesting is based on absolute and relative TSR performance
Benefits	Pension plans		In line with local statutory guidelines
	Other benefits		In line with local market practices <ul style="list-style-type: none"> Pension plans are de-risked in line with Group guidelines Benefits are positioned towards relevant market medians
	Employee share participation plan (ESPP)	Blocked shares	<ul style="list-style-type: none"> For management and staff in Switzerland: purchase of Straumann shares up to a maximum of 35% of their annual base salary at a discount of 35%. For senior management, the purchase cap is 25% of annual base salary with a discount of 25%. The shares are blocked for two years.

Pay mix corridor (at-target achievement)



■ Fixed salary ■ Short-term incentive ■ Long-term incentive

- At target, the variable compensation will amount to 198% of base salary.
- At target, the variable compensation (incl. STI and LTI) for the EMB members will in average amount to 85% of base salary.

Employee share participation plan

	Employees participating	Shares issued	Discount share price at issue	End of blocking period
2019	214	8 951	CHF 628¹ CHF 544²	April 2021
2018	215	12 566	CHF 396¹ CHF 457²	April 2020
2017	140	12 636	CHF 361	April 2019

- 25% discount
- 35% discount

FIXED COMPONENTS

Fixed compensation includes base salary and may include additional cash elements depending on local practice and regulation and is set through our previously described benchmarking practice.

VARIABLE COMPONENTS

In 2019, the variable compensation components included either or both of the following:

- Short-term incentive based on the business year performance
- Long-term incentive based on achievement of specific criteria over a 3-year period.

In each case the payout can range from zero to a clearly defined cap depending on the extent to which the respective targets are achieved.

SHORT-TERM INCENTIVE (STI)

Our STI scheme focuses on rewarding individuals on the basis of company and team performance and incentivizes growth and value-creation. In 2019, we simplified and harmonized the STI by combining the two payout curves that applied to each performance target. The payout is capped at 165%, 180% or 190% of the target, depending on the participant's managerial level (see table on the lower right).

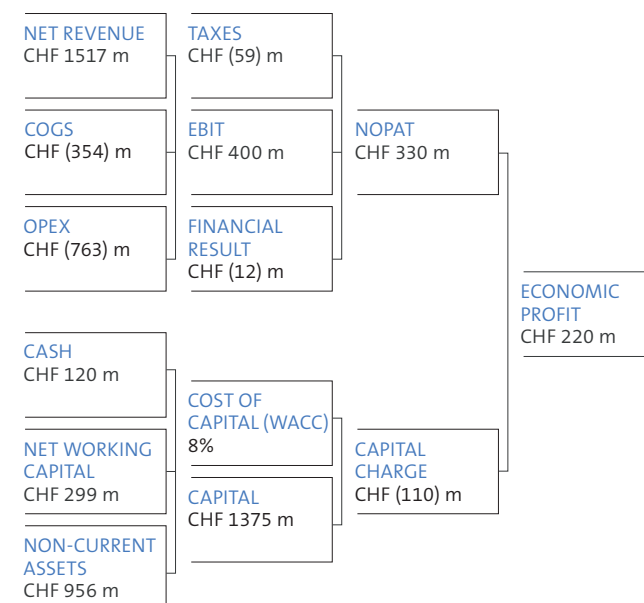
Furthermore, we reduced the number of weighting factors to three, relating to our commercial, production, and corporate organizational units.

COMPANY PERFORMANCE

Economic profit (EP) is the key performance indicator of company performance, which applies to all STI participants. The Board of Directors sets the absolute target for EP generation in Swiss francs annually prior to the respective performance cycle. The target is based on medium-term business plans as well as the defined budget for the performance year. The potential payout ranges from 0 to 190% of the target STI amount.

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. The capital charge represents the cost of capital calculated based on an average equity return expected by investors.

Company performance – 2019 economic profit (EP)



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

STI performance criteria weighting 2019

Management level	Company target ¹	Financial target ¹
Chief Executive Officer	100%	
Executive Vice President	40–100%	0–60%
Senior Vice President Vice President	40–100%	0–60%
Management (Director, Senior Manager, Manager)	20–100%	0–80%
Staff	20–100%	0–80%

¹ Ranges from 165% to 190% for maximum payout.

ORGANIZATIONAL UNIT PERFORMANCE

Specific financial targets are applicable in addition to EP for participants in commercial and production organizational units. These 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 2019, 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 Production organizations.

WEIGHTING OF COMPANY AND FINANCIAL TARGETS

The weighting of the performance targets depends on the managerial level and organizational unit of the respective participant (see table on p. 125).

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. The plan was introduced in 2012 and is designed to offer an attractive variable compensation element that aligns participants' interests with those of the shareholders. The plan uses Performance Share Units (PSU), which are granted to eligible personnel with specific performance conditions that result in a potential vesting into Straumann shares after 3 years.

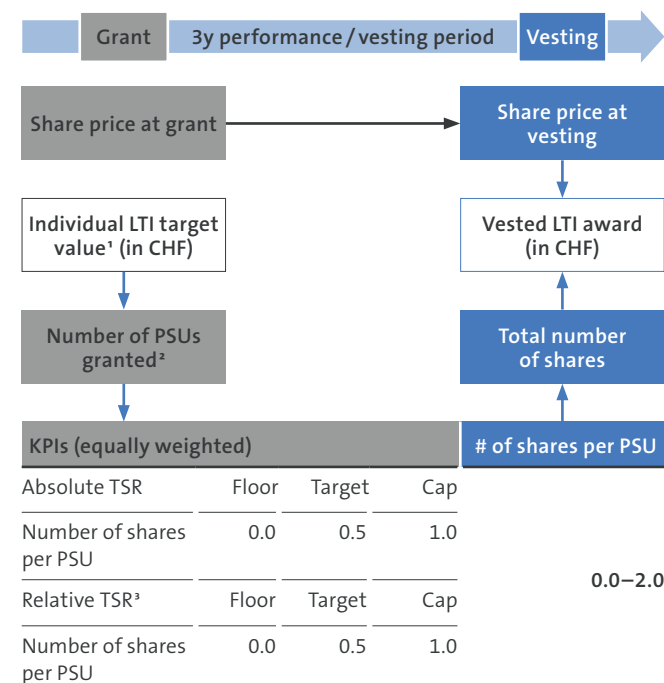
PSU GRANT 2019

PSUs are granted once a year after the AGM and no cash investment is required from the participants. The number of PSUs granted is equal to the participant's LTI contractual grant value divided by the reference value of one PSU at the grant date. The LTI grant value is a percentage of the total target compensation and is determined in accordance with the participant's role in the organization. In 2019, 11 062 PSUs were granted.

PSU VALUE AT GRANT 2019

The value of the PSUs granted is determined based on the notion that it should accurately reflect the inherent risk of the underlying instrument. Under this assumption, for the 2019 grant and the foreseeable future, the Group estimates the PSU reference value to be at 25% below the share price at the time of grant, based on historical values where the fair value calculated by external professionals resulted in a range of 20–30% below market prices.

Straumann 2019–2022 long-term incentive scheme



1 Grant value is defined as a percentage of the total target compensation taking into account participant's role in the organization.

2 Results from division of the individual LTI grant value by the reference value of one PSU.

3 Replaces the former EGA performance condition.

The LTI design includes the possibility for the PSU value at vesting to be higher or lower than the value at grant (or even zero). It is important to consider this potential for fluctuation when linking grant values to total target compensation, in order to manage expected compensation with share volatility in the individual's earning potential.

CONVERSION OF PSU INTO SHARES (VESTING IN 2022)

The 2019 PSU grant will vest at the end of the performance period and be converted into shares. The number of shares allocated per PSU depends on the achievement of two performance conditions, both directly reflecting the shareholder experience and considered essential for sustaining shareholder value creation.

- Absolute TSR aims to link the LTI value at vesting directly with the absolute value created by the company for its shareholders.
- Relative TSR shows the Group's share performance in the context of the market and in comparison with peer companies (SMIM index).

The two performance conditions are weighted equally and vest independently of each other. For each performance condition, the maximum conversion factor is 1 share per PSU.

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. Capital gain 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. Relative TSR is calculated by taking the percentage points difference between the TSR of Straumann and that of the SMIM (Swiss Market Index Mid) index.

When determining the vesting curves, the Board considers ambitious yet realizable target performance levels to establish a statistically reasonable chance for target achievement. The Group believes that the overall approach to target setting adds to the competitiveness of its reward system for its executive and senior managers and limits the possibility of excessive risk taking.

Performance share unit overview

	2019	2018	2017	2016
Grant date	30.04.2019	30.04.2018	21.04.2017	20.04.2016
Vesting date ¹	20.04.2022	27.04.2021	21.04.2020	20.04.2019
Share price at grant	CHF 837.60	CHF 625.50	CHF 483.00	CHF 336.00
PSU reference value ²	CHF 628.00	CHF 460.68	CHF 315.83	CHF 306.84
Granted PSUs	11 062	12 334	16 785	14 520

¹ Seven trading days after the ex-dividend date.

² Prior to 2019, the grant reference value was determined by using the fair value calculation under the Monte Carlo method. As of 2019, the reference value is determined by the closing share price average of 7 days ex-dividend less 25% discount.

Outstanding performance share units

	2019	2018	2017	2016
As of 1 January	40 833	36 448	45 606	76 799
Granted PSUs	11 062	12 334	16 785	14 520
Vested PSUs	(14 024)	(5 538)	(24 614)	(44 106)
Forfeited PSUs	(3 100)	(2 411)	(1 329)	(1 607)
As of 31 December	34 771	40 833	36 448	45 606

ABSOLUTE TOTAL SHAREHOLDER RETURN

With regard to the absolute TSR component, the conversion rate of PSUs into shares ranges from 0 to 100%. If the TSR CAGR is 0% or below, the conversion rate is zero. If the CAGR is 7%, each PSU converts into half a share, while a CAGR of 14% or more results in a conversion of one share per PSU.

RELATIVE TOTAL SHAREHOLDER RETURN

In the case of relative TSR, the conversion rate is also linear and ranges from 0% to 100%. No shares are allocated if the Group underperforms the SMIM by 25%-points or more. Each PSU converts into one share if the Group outperforms the SMIM by 25%-points or more. Performance in-line with the SMIM results in each PSU converting into half a share as shown in the vesting curves in the chart to the right.

LTI GRANTS PRIOR TO 2019

From 2016 to 2018 (vesting in 2019 to 2021), the LTI was determined by Total Shareholder Return (TSR) and EBIT Growth Amount (EGA) measured over a 3-year performance cycle and equally weighted. The vesting conditions for those grants remain unchanged.

BENEFITS

PENSION PLANS

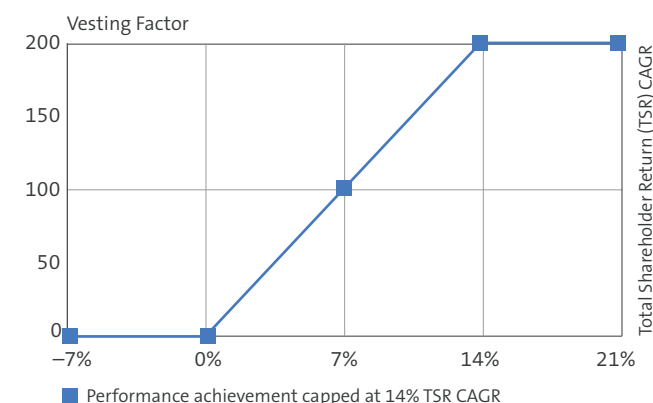
Internal analysis carried out in recent years showed that Straumann and its subsidiaries fulfil and, in some respects, exceed local legal requirements. In most cases, pension obligations are fully funded. Where this is not the case, liabilities are reported in the Annual Report following actuarial rules.

Further information on pension plans is provided in Note 8.2 to the audited consolidated financial statements on p. 174 ff. Information on pension fund risks is also provided on p. 56 of the Risk Analysis.

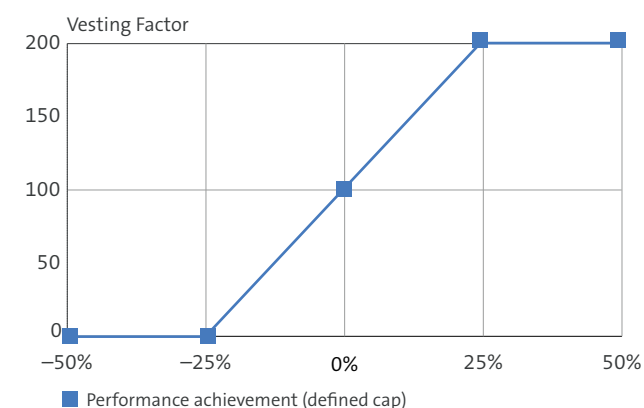
OTHER BENEFITS

Straumann's benefit programs are designed to enable the Group to compete for and retain employees. 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 transport passes, lunch vouchers, the use of company cars, mobile phones, and discounts on Straumann products.

Absolute TSR – CAGR over 3 years



3-Year Relative TSR vs SMIM in percentage points



2019 COMPENSATION

In 2019, we continued the practice of the annual compensation review for all Straumann Group employees globally. Compensation increases are based on a combination of performance and market positioning for each role and are adjusted within the approved budgets set for each organizational unit. This review resulted in a 7% increase of spend on compensation, benefits and social costs.

COMPENSATION FOR THE BOARD OF DIRECTORS

The 2019 AGM approved a maximum total compensation for the Board of Directors of CHF 2.7 million for the term of office ending at the 2020 AGM. It consists of a fixed fee, paid in cash and shares, and includes social security. The Board of Directors was expanded at the AGM in 2019 to include one additional member, and the average compensation remained the same as in 2018.

In 2019, none of the Board members received any compensation from the Straumann Group other than that disclosed in this report. No compensation was paid to related parties of members of the Board of Directors and no payments were made to former members of the Board of Directors or related parties.

The Chairman of the Board of Directors, who was previously a member of the EMB and served as CEO, continues to participate in the Straumann Pension plan, which is a fully funded defined contribution plan. Such coverage is necessary as he does not occupy any other executive function and therefore would otherwise not be covered by any occupational pension scheme. This benefit is benchmarked as part of the total remuneration and does not constitute an amount in addition to his ordinary compensation package received as a member of the Board of Directors.

SHAREHOLDINGS OF THE BOARD OF DIRECTORS

The numbers of shares in Straumann Holding AG held by the members of the Board of Directors in office at the end of 2019 are shown in the table on p. 190.

Board of Directors compensation (AUDITED TABLE)

(in CHF 1000)

	2019 2018	Fixed cash compensation	Fixed share compensation	Social security	Other benefits	Pension	TOTAL
Gilbert Achermann (Chairman of the Board)		400 400	300 300	50 52	32 31	106 ¹ 106 ¹	888 889
Thomas Straumann (Vice Chairman)		200 200	100 100	20 20			320 320
Monique Bourquin		100 100	101 100	13 13			214 213
Sebastian Burckhardt		100 100	101 100	13 13			214 213
Juan Jose Gonzalez (elected April 2019)		74	101	5			180
Ulrich Looser (Chairman of the HRCC)		150 150	101 100	17 17			268 267
Beat Lüthi (Chairman of the TIC)		150 150	101 100	17 17			268 267
Regula Wallimann (Chairwomen of the ARC; elected April 2019)		138 100	101 100	16 13			255 213
TOTAL		1 312 1 200	1 006 900	151 145	32 31	106 106	2 607 2 382

1 This amount reflects a correction to the contribution due to the increase in fixed share compensation in 2018.

COMPENSATION OF THE EXECUTIVE MANAGEMENT BOARD

At the 2019 AGM, the shareholders prospectively approved a fixed compensation of CHF 7.3 million for the collective EMB (as composed in April 2019) for the period between 1 April 2019 and 31 March 2020. The shareholders also approved a maximum budget of CHF 3.9 million for the collective long-term variable compensation of the EMB for the 2019 business year. The variable STI for the business year ending 31 December 2019 will be submitted for approval by the shareholders at the AGM in 2020.

EMB AVERAGE FIXED COMPENSATION 2019

Individual adjustments to fixed compensation were made in 2019 reflecting performance, reductions in available benefits due to changes in the ESPP, and increases in the size and scope of role. These changes resulted in a 6.1% increase in the total fixed EMB compensation compared with the prior business year.

VARIABLE COMPONENTS

In the 2019 business year, the Group met the majority of its short-term incentive targets across countries and organizational units, resulting in a bonus payout at or above target for eligible employees. For EMB members and the CEO, this translated into STI payments ranging from 132% to 190% of the target amount or 63% to 186% of base salary.

Furthermore, the Group clearly exceeded the three-year LTI targets for Total Shareholder Return and EGA, resulting in a maximum conversion factor of 2 shares per PSU granted in 2016, which vested in April 2019. The total value of vested LTI of the EMB in 2019 corresponded to 0.09% of the market capitalization at the end of 2019.

Executive Management Board compensation (AUDITED TABLE)

(in CHF 1 000)

2019 2018	Annual base salary	Short-term incentive	Performance Share Units (grant value)	ESPP discount	Social security and pension ²	Other compensation & benefits ³	TOTAL
Marco Gadola (CEO)	865 850	1 615 1 615	870 850	22 28	413 325	33 33	3 818 3 701
Other members ¹	4 329 4 157	3 982 3 637	2 121 1 705	87 77	1 567 1 146	569 625	12 655 11 347
Former members	0 0	0 0	0 0	0 0	0 0	0 0	0 0
TOTAL	5 194 5 007	5 597 5 252	2 991 2 555	109 105	1 980 1 471	602 658	16 473 15 048

- 1 Including compensation for members joining and leaving in the course of the year, exclusive of any non-compete payments.
- 2 Amounts reported for 2018 indicated under 'Social security & pension' include social security contributions related to PSUs that vested in the reporting year. As of 2019, the amounts include estimated social security contributions related to PSU grants to align the timing of social security reporting with the compensation element that creates it. The social security contributions related to vested PSUs for the EMB including the CEO was CHF 1.0 million.
- 3 Other compensation includes automobile lease for EMB members on Swiss contracts in addition to local benefits for EMB members in LATAM, APAC and the USA.

CHANGES IN THE EMB

In mid-2019, one person left the EMB and was replaced. At year-end, 3 people left and were replaced in the new year. In this regard, compensation for compliance with the Group's post-contractual non-compete covenants was granted. Throughout 2019, the EMB thus comprised 12 members including the CEO. In addition, two further EMB positions were created at the beginning of 2020 increasing the EMB to 14 (see p. 108 for details). To conclude the CEO transition, the Group entered into an agreement with the outgoing CEO, Marco Gadola, to ensure continuity in certain projects. The agreement covers the period from 1 January to 30 June 2020 with a salary of CHF 797 500 for Mr Gadola's services as a non-executive member of the Group's management. Thereafter, he will be entitled to compensation of CHF 880 000 for compliance with the Group's post-contractual non-compete covenants for the period 1 July 2020 to 30 June 2021, paid in monthly installments.

The aforementioned non-compete compensation amounts are not included in the compensation table on page 131.

SHAREHOLDINGS OF THE EMB

The numbers of shares in Straumann Holding AG held by the members of the EMB in office at the end of 2019 are shown in the table on p. 190.

APPROVAL OF COMPENSATION

The Board of Directors determines the compensation of the individual members of the Board and the EMB based on the recommendations of the HRCC and within the limits set by the AGM. The relevant criteria are explained on p. 122 ff., and the compensation awarded to the Board of Directors and the EMB is disclosed in the tables on p. 130 f.

The AGM approves the maximum compensation payable to the Board of Directors and the EMB. At the 2020 AGM, the shareholders will be asked to approve:

- The total compensation of the Board of Directors from 1 April 2020 to 31 March 2021
- The total fixed compensation of the EMB from 1 April 2020 to 31 March 2021
- The short-term incentive (STI) of the EMB for the 2019 business year
- The total long-term incentive (LTI) for the 2020 grant including grant-related social security for the EMB.

The reconciliation of approved and dispensed compensation for the 2019–2020 AGM period is shown in the table below.

Compensation approved and dispensed

(in CHF 1 000)

	Board of Directors	Executive Management Board
Compensation earned during the financial year (A)	2 607	16 473
Compensation earned for the period 1 January to 31 March 2019 (3 months) of the financial year (B)	(367)	(7 782)
Compensation to be earned for the period from 1 January to 31 March 2020 (3 months) in the year following the financial year (C) ¹	391	7 526 ²
Total compensation earned from 1 April 2019 to 31 March 2020 (A)+(B)+(C)	2 631	16 217 ¹
Amount approved by shareholders at the 2019 AGM	2 700	17 302 ¹
Compensation dispensed by the Company within approved amount	yes	yes

1 The difference between the approved amount and the dispensed amount is due to the change of reportable social security on LTI at grant instead of vest. In 2019, the vested social security amounted to CHF 1.0 million.

2 Includes 2019 STI of CHF 6.1 million (CHF 6.1 million in 2018) to be approved at 2020 AGM.

Report of the statutory auditor on the remuneration report

To the General Meeting of Straumann Holding AG, Basel

We have audited the accompanying remuneration report of Straumann Holding AG for the year ended 31 December 2019. 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 130 and page 131 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 2019 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, 14 February 2020

