

COMPENSATION REPORT

Letter from the Chairman of
the Human Resources &
Compensation Committee 108

Compensation governance
and regulation 110

Compensation principles 111

Group compensation framework 113

2020 compensation 118

Approval of compensation 121

Report of the statutory auditor
on the remuneration report 122

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, 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.



TOGETHER
STRONG

LETTER FROM THE CHAIRMAN OF THE HUMAN RESOURCES & COMPENSATION COMMITTEE (HRCC)

DEAR SHAREHOLDER,

As Chair of the Human Resources and Compensation Committee, I am pleased to present the Compensation Report 2020.

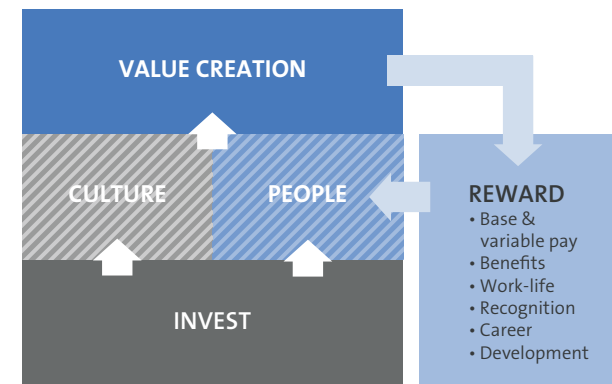
2020 began with continued strong growth, a reflection of our comprehensive succession planning that provided a seamless transition to the new CEO and leadership team. Thanks to their outstanding leadership the company has weathered the COVID crisis, adapted quickly ahead of its peers and is poised to continue to rebound strongly.

The Group responded quickly to the rapid spread of the pandemic by ensuring personnel safety and business continuity. With the world shutting down and business dropping an estimated 70% at the time, we quickly had to align costs with the lower revenues. We reduced working hours, non-critical benefits and salaries where possible, including voluntary pay cuts by leadership. Capital investment plans were placed on hold and liquidity was secured to ensure operational continuity. As personnel makes up more than 50% of our costs, we were unable to avoid resizing completely and had to reduce our global workforce by approximately 660 jobs (roughly 9% of the global workforce). A key objective was to conduct this in a responsible, timely and fair manner, without compromising the company's ability to rebound rapidly.

Throughout this period the Board of Directors (BoD) and its Committees worked closely with the Executive Management Board (EMB), increasing the frequency of meetings to develop scenarios and to address the impacts of the aforementioned measures on our people, their compensation, and to provide support through challenging decisions. The HRCC held two COVID-19 emergency meetings as the crisis was unfolding, focused on the health of our employees, short-time working, and other measures to maintain continuity.

To support and lead through the uncertainty surrounding the COVID-19 situation, in April leadership agreed to the following voluntary reductions of their rewards packages:

- BoD: 40% of their annual equity allocation
- EMB: 25% of their fixed compensation for the 2nd quarter and a deferral of their 2019 bonus payment until July 2020
- other senior management members voluntarily reduced their compensation by 20% for the 2nd quarter.
- removal or reduction of non-critical benefits in many of our organizational units for various periods during the year, most of which have been reinstalled by year end.



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.

After the very sharp sales decline in Q2, we were proud to see how quickly management and the staff were able to return the Group back to a growth track in Q3 and Q4. Although the turnaround was not enough to make up fully for the lost revenues earlier in the year, the company outperformed the market, gained customers, launched innovations, took entrepreneurial steps into new areas and created opportunities. This outstanding performance is thanks to dedicated people who deserve recognition, appreciation and reward. In this extraordinary year, typical performance measures can not directly reflect these incredible efforts only through financial indicators. As a result, the BoD will propose to the shareholders at the 2021 AGM, that an 80% discretionary award be made for the Executive Management Board (EMB) for the 2020 performance year Short Term Incentive (STI). Moreover, globally, all eligible personnel will receive a discretionary bonus at 80% of their STI target in recognition of their exemplary behavior, commitment and leadership in persevering through the crisis and beyond.

Company culture, opportunities, job enrichment, security and competitive compensation are quintessential, which is why we constantly review, challenge, benchmark and improve our rewards system. In order to remain competitive with the market and to further sustain the growth path that our company has been paving over the past years, to retain talent and to recognize long-term performance and continuity in addition to aligning management's rewards with our shareholders' experiences, we awarded the long-term incentive grants for 2020 in full.

LOOKING AHEAD

The key to bouncing forward and sustaining our success is to ensure that our leadership is strategically focused and has the capabilities, resources and incentives to drive and manage growth, which is why we are expanding the company targets in the short-term incentive plan to extend the focus of a select group to deliver growth in areas such as orthodontics, value brands and our digital markets. 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.

Given the continuing uncertainty related to the pandemic, we do not anticipate major changes to the framework or principles for compensation during 2021.

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 amid unprecedented circumstances in 2020, as well as the Board of Directors and you, as shareholders, for your continued confidence and trust in the HRCC.



Beat Lüthi
Chairman of the Human Resources &
Compensation Committee

We are expanding the company targets in the short-term incentive plan to extend the focus of a select group to deliver growth.

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 the compensation and benefits for the Board of Directors and the Executive Management Board (EMB), in addition to 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. 91 of the Corporate Governance section.

The HRCC met seven times in 2020 and all its members were present. Constantly seeking a

broader view, the Committee includes non-monetary components in its review. For instance, diversity inclusion and belonging initiatives, the cultural journey and leadership programs, as well as other activities that contribute to people development, talent management and other factors that lead to job enrichment, are reviewed and discussed regularly. This provides a holistic basis for the Committee's directional input related to people topics. Two extraordinary additional meetings were held, one in May and the other one in June to address the pandemic, to approve and make recommendations on the courses of action decided by the EMB.

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.

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/HRCC/Board of Directors	
Executive Management	CEO/HRCC/Board of Directors	
Senior Management	EMB	CEO
Management and staff	Line Management	EMB

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](#).

AGREEMENTS WITH THE BOARD OF DIRECTORS AND THE EXECUTIVE MANAGEMENT BOARD

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.

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 and benefit 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 considers 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 a large number of 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.

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 mid-cap 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 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. The principles remain unchanged in 2020 except for the one-time reduction of 40% on the fixed share grant for each member, due to COVID-19.

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.

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.

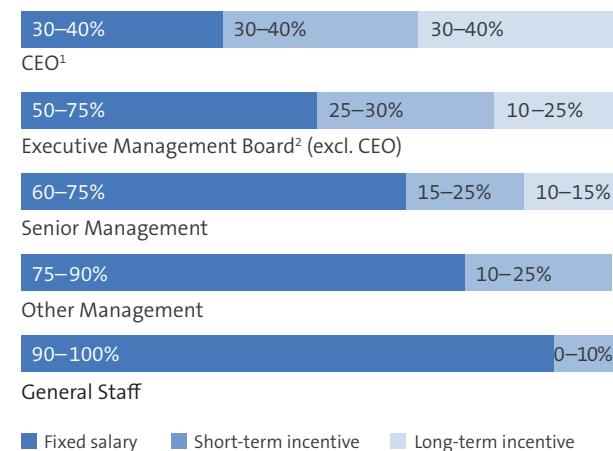
Board of Directors compensation framework

in CHF 1 000

Recipient	Board Membership	Equity Allocation	Equity COVID-19 reduction
	Cash		
Chairman	400	300	(120)
Board Committee Chair	150	100	(40)
Other Board of Directors members	100	100	(40)

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

Pay mix corridor (at-target achievement)



1 At target, the variable compensation will amount to 171% of base salary for 2020.

2 At target, the variable compensation (incl. STI and LTI) for the EMB members will in average amount to 90% of base salary.

GROUP COMPENSATION FRAMEWORK

The compensation framework for the Group remained the same in 2020 as in 2019 although various benefits and programs throughout the Group were either postponed or cancelled due to COVID-19 and have either been retroactively installed or will be in 2021.

Compensation framework

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 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. For Executive Management Board <ul style="list-style-type: none"> Maximum payout potential 190% 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"> 2 Independent performance criteria: absolute TSR, relative TSR (SMIM) PSUs to shares performance conversion factor: 0 to maximum of 1 share per PSU, per performance condition (maximum overall 2 shares per PSU for both conditions combined) 3-year vesting period
Benefits	Pension plans		In line with local statutory guidelines <ul style="list-style-type: none"> Pension plans are de-risked in line with Group guidelines
	Other benefits		In line with local market practices <ul style="list-style-type: none"> 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

Employee share participation plan

	Employees participating	Shares issued	Discount share price at issue	End of blocking period
2020	Program cancelled	0	NA	NA
2019	214	8 951	CHF 628 ¹ CHF 457 ²	April 2021
2018	215	12 566	CHF 396 ¹	April 2020

1 25% discount

2 35% discount

FIXED COMPONENTS

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

VARIABLE COMPONENTS

In 2020, 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)

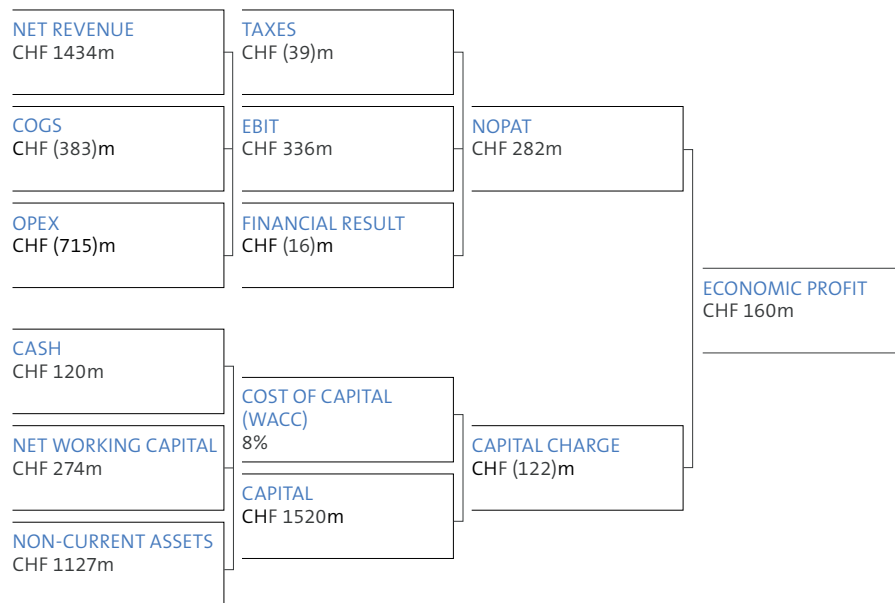
Our STI scheme focuses on rewarding individuals based on company and team performance and incentivizes growth and value-creation. The payout is capped at 165%, 180% or 190% of the target, depending on the participant's managerial level (see table on the lower right).

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

Company performance – 2020 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 2020

Management level	Company performance ¹	Organizational unit performance ¹
Chief Executive Officer	100%	
Executive Management Board	40–100%	0–60%
Senior Management	40–100%	0–60%
Management	20–100%	0–80%
Staff	20–100%	0–80%

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

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

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 2020, 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. 114).

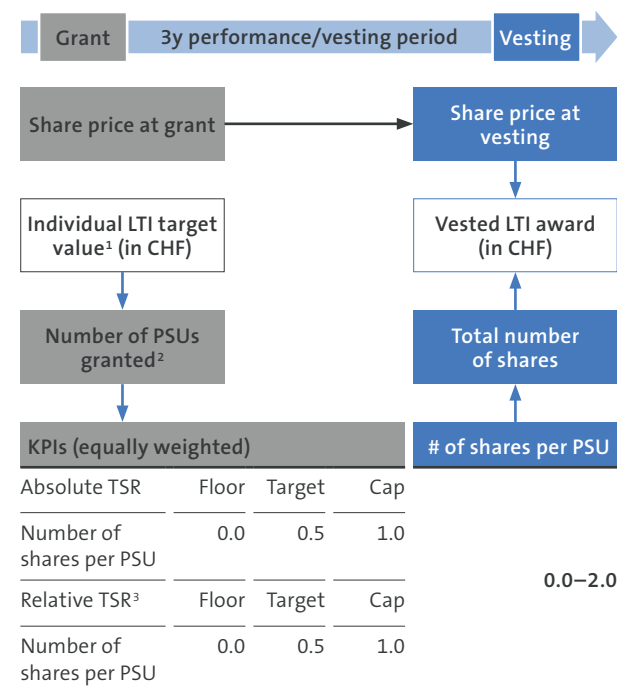
LONG-TERM INCENTIVE (LTI)

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 2020

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 2020, 12 198 PSUs were granted.

Straumann 2020–2023 LTI program



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.

PSU VALUE AT GRANT 2020

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 2020 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.

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 2023)

The 2020 PSU grant will vest at the end of the performance period and will 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.

Outstanding PSU Grants

	2020	2019	2018
Grant date	30.04.2020	30.04.2019	30.04.2018
Vesting date ¹	20.04.2023	20.04.2022	27.04.2021
Share price at grant	CHF 753.51	CHF 837.60	CHF 625.50
PSU reference value ²	CHF 565.13	CHF 628.00	CHF 460.68
Granted PSUs	12 198	11 062	12 334

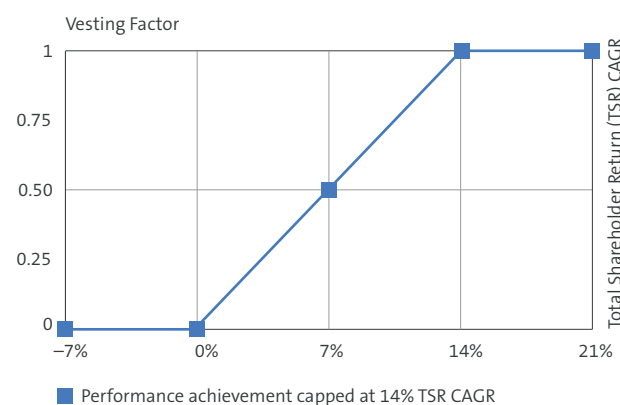
1 Seven trading days after the ex-dividend date.

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.

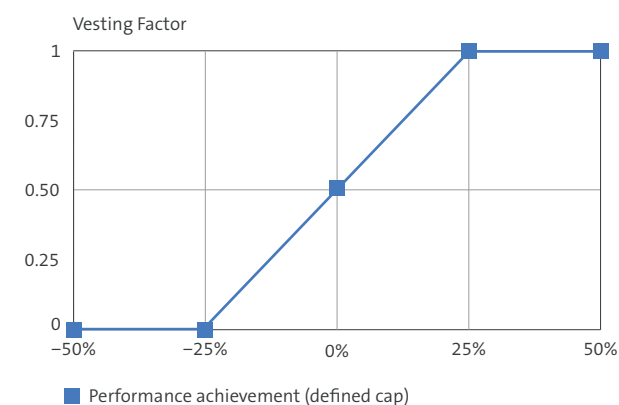
Outstanding PSU as of 31 December 2020

	2020	2019	2018	2017
As of 1 January	34 771	40 833	36 448	45 606
Granted PSUs	12 198	11 062	12 334	16 785
Vested PSUs	(14 297)	(14 024)	(5 538)	(24 614)
Forfeited PSUs	(2 818)	(3 100)	(2 411)	(1 329)
As of 31 December	29 854	34 771	40 833	36 448

Absolute TSR – CAGR over 3 years



3-Year Relative TSR vs SMIM in percentage points



TOTAL SHAREHOLDER RETURN (TSR)

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.

When determining the vesting curves, the Board considers ambitious yet realizable target performance levels to establish a statistically reasonable chance for target achievement. Symmetric vesting curves are chosen to warrant an overall more robust LTI program, whereby any decreases or improvements in performance are proportionately reflected in the number of vested PSUs. 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.

ABSOLUTE TOTAL SHAREHOLDER RETURN

Regarding 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 on

p. 116. 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.

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. The final grant under these vesting conditions was made in 2018, and the final vesting will be in April 2021.

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. 164 f. Information on pension fund risks is also provided on p. 53 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.

Due to the impact of the COVID-19 pandemic, the ESPP was suspended for 2020, and other benefits were partly suspended during the year (between March and July 2020). In 2021, the Group will review all benefit plans globally to ensure competitiveness and fairness across all organizational units and entities.

Moreover, according to article 4.3 of the Group's [Articles of Association](#), new members joining the EMB may be eligible to receive compensation for losses incurred because of the change of position. Such lost compensation is replaced on a 'like-for-like' basis (i.e. no increase to the replacement value) and are reported under 'other compensation and benefits' in the compensation table for the financial year in question.

2020 COMPENSATION

In 2020, the Group continued its practice of an annual compensation review for all Straumann Group employees but refrained from making adjustments because of the overall uncertainty of the COVID-19 pandemic. Following the Swiss regulations on equal pay, the Group has undertaken this practice not only in Switzerland, but in all countries where it operates, to ensure that it adheres to all compensation laws and regulations and its culture of pay for performance without discrimination or bias.

COMPENSATION FOR THE BOARD OF DIRECTORS

The 2020 AGM approved a maximum total compensation for the Board of Directors of CHF 2.7 million for the term of office ending at the 2021 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 2020 to include one additional member, and the average budgeted compensation remained the same as in 2019. The COVID-19 equity grant reduction results in a reduction of 15.3% of paid compensation vs budgeted compensation.

In 2020, 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.

Furthermore, starting from 2020, members of the Board of Directors are provided an opportunity to participate in a Board version of the Straumann Pension plan. The Board pension plan mirrors all conditions of the Straumann plan with the exception that all contributions, including the employer

Board of Directors compensation (audited table) in CHF 1000

	2020 2019	Fixed cash compensation	Fixed share compensation	Social security	Other benefits	Pension	TOTAL
Gilbert Achermann (Chairman of the Board)		400 400	180 300	47 50	31 32	127 ¹ 106	785 888
Thomas Straumann		125 200	60 100	14 20			199 320
Monique Bourquin		100 100	60 101	9 13			172 214
Sebastian Burckhardt		100 100	60 101	9 13			169 214
Juan Jose Gonzalez		100 74	60 101	9 5			169 180
Ulrich Looser (Member until April 2020)		38 150	0 101	3 17			41 268
Beat Lüthi (Vice Chairman, Chairman of the HRCC)		150 150	60 101	15 17			225 268
Regula Wallimann (Chairwoman of the Audit & Risk Committee)		150 138	60 101	15 16			225 255
Marco Gadola (joined BoD April 2020, Chairman of the Technology & Innovation Committee)		113 0	60 0	13 0			186 0
TOTAL		1276 1312	600 1006	137 151	31 32	127 106	2171 2607

1 Increased employer contribution due to pension fund contribution rate regulations.

portion, are to be funded by the respective members of the Board of Directors themselves without incurring any additional costs to the company. Consequently, the actual fixed cash compensation payments to the respective members of the Board of Directors are reduced by the amount remitted by the Company into the pension scheme.

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 2020 are shown in the table on p. 179 f.

COMPENSATION OF THE EXECUTIVE MANAGEMENT BOARD

At the 2020 AGM, the shareholders prospectively approved a fixed compensation of CHF 9.2 million for the collective EMB (as composed in April 2020) for the period between 1 April 2020 and 31 March 2021. The shareholders also approved a maximum budget of CHF 3.2 million for the collective long-term variable compensation of the EMB for the 2020 business year. The variable STI for the business year ending 31 December 2020 will be submitted for approval by the shareholders at the AGM in 2021.

EMB AVERAGE FIXED COMPENSATION 2020

In 2020, one member of the EMB received an adjustment to their fixed compensation, which resulted in an overall increase of less than 1% in

the total fixed EMB compensation compared to the previous business year. Furthermore, the extension of the EMB announced and implemented in 2020 (from 12 to 14 members) resulted in an increase of the total compensation of the EMB of 1.4% (not including the voluntary COVID-19 reduction of 25% base salary in the 2nd quarter).

VARIABLE COMPONENTS

The Board of Directors sets short and long-term (for the respective three-year performance period) targets for the CEO and EMB annually.

In the 2020 business year, the Group had to shift its focus on ensuring employee safety and business continuity, as well as mitigating financial impacts through the pandemic. As various regions and

Executive Management Board compensation (audited table)
in CHF 1 000

	14 members 2020 12 members 2019	Annual base salary	Short-term incentive	Performance Share Units (grant value)	ESPP discount	Social security and pension ²	Other compensation & benefits ³	TOTAL
Guillaume Daniellot (CEO)		656	480	600	0	214	71	2 022
Marco Gadola (CEO)		865	1 615	870	22	413	33	3 818
Other members ¹		5 091 4 329	2 164 3 982	2 110 2 121	0 87	1 768 1 567	2 727 569	13 988 12 655
TOTAL		5 747 5 194	2 644 5 597	2 710 2 991	0 109	1 982 1 980	2 798 602	15 881 16 473

- 1 Including compensation for members joining and leaving during the year.
- 2 Beginning in 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.
- 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. Also included is replacement awards for 3 new members who joined during the year and relocation costs to move them to their respective locations of employment.

countries were hit throughout the year, the ability of the Group to achieve originally set financial targets was limited. During the turnaround situation the discretionary goals were established through forecasting and anticipating our ability to serve our customers. The ensuing performance and achievement of the latter resulted in the decision to pay a fully discretionary bonus payment of 80% of the target for the EMB and all other eligible employees (out of a maximum potential of 190% of their STI target for the EMB, and 165–190% for all other eligible employees).

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 2017, which vested in April 2020. The total value of the vested LTI of the EMB in 2020 corresponded to 0.06% of the Group's market capitalization at the end of 2020.

CHANGES IN THE EMB

As stated in the 2019 Compensation Report, two new EMB positions were created at the beginning of 2020 increasing the EMB to 14 members including the CEO (see p. 100 for details). In addition, Mark Johnson replaced Gerhard Bauer as the head of Research Development & Operations (RDO) and Dirk Reznik replaced Peter Zihla and Camila Finzi joined the Group. Mr. Bauer assisted with the transition through the end of 2020 to ensure continuity with key projects through the COVID-19 impact on the operational aspects of the organization through the end of 2020.

As explained on page 132 of the Compensation Report 2019, to conclude the CEO transition, the Group entered into an agreement with 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 and a 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.

In 2020, replacement awards were granted to three EMB members who joined the company to compensate them for lost equity when they resigned from their former employers. The amount spent was within the permissible supplementary amount under Article 4.3 of the [AoA](#).

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 2020 are shown in the table on p. 179.

REALIZED COMPENSATION OF THE CEO

The table below shows the compensation realized by Guillaume Daniellot, Group CEO (in the role since 1 January 2020) during 2020.

Realized Compensation of the CEO

STI-related	LTI-related ¹	Quantitative measures and their contribution to variable compensation		Realised performance	Realized vs Target Performance	Target/granted compensation	Realized compensation
✓		Economic Profit 2020	50%	BoD discretion	80%	CHF 600 000 (86% of annual base salary)	CHF 480 000
	✓	EBIT Growth (EGA) 2017 to 2019	25%	Max. achievement	1 share per PSU	CHF 120 000 (30% of annual base salary) ²	CHF 577 000 (value achieved through 3 factors, PSU vesting factor equals 2, 25% grant discount and 16% annual share price increase)
	✓	Total Shareholder Return (TSR) Apr 2017 to Apr 2020	25%	Max. achievement	1 share per PSU		

¹ 2017 grant which vested in 2020.

² Grant before Guillaume Daniellot was appointed CEO reflects % of base salary at the time of grant.

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. 111 ff., and the compensation awarded to the Board of Directors and the EMB is disclosed in the tables on p. 118 f.

The AGM approves the maximum compensation payable to the Board of Directors and the EMB. At the 2021 AGM, the shareholders will be asked to approve:

- The total compensation of the Board of Directors from 1 April 2021 to 31 March 2022
- The total fixed compensation of the EMB from 1 April 2021 to 31 March 2022
- The short-term incentive (STI) of the EMB for the 2020 business year
- The total long-term incentive (LTI) for the 2021 grant including grant-related social security for the EMB.

The reconciliation of approved and dispensed compensation for the 2020–2021 AGM period is shown in the table on the right.

Compensation approved and dispensed

in CHF 1 000

	Board of Directors	Executive Management Board
Compensation earned during the financial year (A)	2 207	16 010 ¹
Compensation earned for the period 1 January to 31 March 2020 (3 months) of the financial year (B)	(367)	(4 068) ¹
Compensation to be earned for the period from 1 January to 31 March 2021 (3 months) in the year following the financial year (C)	391	1 976
Total compensation earned from 1 April 2020 to 31 March 2021 (A)+(B)+(C)	2 231	13 918
Amount approved by shareholders at the 2020 AGM	2 700	15 400 ²
Compensation dispensed by the Company within approved amount	yes	yes

1 Includes replacement awards and relocation costs for newly joining EMB members (3) totaling CHF 2108. One member who was entitled to receive a replacement award in 2019 deferred the payment until 2020. All replacement awards were within the limits set by the AoA.

2 Does not include the 2020 STI that will be proposed in the 2021 AGM in the amount of CHF 3.5m, to be paid upon approval in April 2021.

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 2020. 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 118 and page 119 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 2020 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)

Basel, 12 February 2021

Fabian Meier
Licensed audit expert

