

COMPENSATION REPORT

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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. It conforms to Swiss law and the Swiss Code of Best Practice for Corporate Governance.

LETTER FROM THE CHAIRMAN OF THE HUMAN RESOURCES & COMPENSATION COMMITTEE

Dear Shareholder,

The Straumann Group delivered another excellent performance in 2018 – both in absolute and relative terms. Operating in a continually evolving and complex environment, we generated the highest level of revenue growth (+23%) since 2005, outpacing our market significantly. We achieved further improvements in profitability, expanding our underlying EBIT-margin by 20 base points to 26%. At the same time, we made strong progress with all of our strategic priorities, expanding our business and organization globally laying further foundations for sustainable growth.

We met the majority of our short-term incentive targets across countries and businesses, resulting in a bonus payout at or above target for eligible employees. We also exceeded our 3-year objective for total shareholder return, which determines the long-term incentive for Senior Management.

DEVELOPMENTS IN 2018

Our global workforce expanded 22% in 2018 and our total spend on compensation, benefits and social costs rose by approximately 11%. Compensation per employee went down because a large proportion of our expansion has been in markets where the cost of living and salaries are lower on average. I should add that, at the same time, our team in Switzerland grew by 12%.

The main compensation system change in 2018 was to our Employee Share Participation Plan (ESPP – see p. 120), where we generally increased the available benefit for participants who are not eligible for LTI and reduced it for LTI-eligible participants, i.e. senior management and the Executive Management Board.

Although 2018 marked our best performance so far this decade, the majority of our executive and senior management received considerably less compensation than in the previous two years because they voluntarily agreed to forgo their Long Term Incentive (LTI) grants in 2015 to help mitigate the impact of the sudden devaluation of the Euro. Had they vested in 2018 these grants would have resulted in a collective bonus of more than CHF 12 million. On behalf of the Board and the company, I would like to commend the respective managers for their exemplary and unselfish leadership.



Our Cultural Journey includes learning experiences that build teams and help our staff to develop personally. These are part of a total reward concept that goes beyond compensation.

The majority of our management agreed to forgo their 2015 LTI grants that would have vested in 2018.

LOOKING AHEAD

In 2018, we continued to review and adapt our compensation system in consultation with external experts to ensure that it is competitive and in line with the interests of our stakeholders. In addition to our regular comparisons with peer companies, we engaged in constructive dialogues with key shareholders and proxy advisors, whose concerns we take seriously.

For 2019, we have decided to further simplify our short-term incentive program, without altering the potential payout targets. We have also changed one of the two key performance indicators in our LTI program (2022 vesting) in order to provide greater transparency outside the company. We have replaced EGA (EBIT growth amount) with relative total shareholder return (TSR) based on our 3-year share price development relative to the SMIM, which comprises the 30 largest mid-cap stocks in the Swiss equity market. The other KPI, absolute TSR, remains unchanged. Additionally, the Group will formally introduce minimum shareholding requirements for the Executive Management Board, which emphasizes the alignment with shareholder interests.

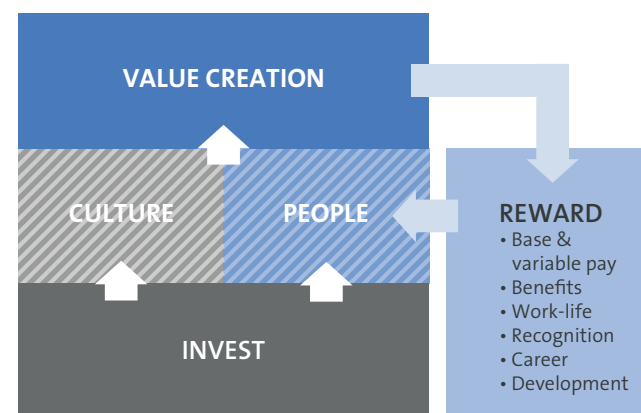
PUSHING THE BOUNDARIES OF CONVENTIONAL COMPENSATION SYSTEMS

People and culture are the Straumann Group's most valuable assets; they are unique keys to our continuing success. Therefore it is essential that our compensation system protects, supports and nurtures them. The very positive outcome to our 2018 global staff survey confirmed that we are doing the right things: engagement is high, with more than 90% of respondents indicating that they are proud to work for the Straumann Group, love what they do and feel their work contributes to the overall success of the company.

With this in mind, we continued the project we started in 2017 to broaden our compensation system into a total rewards program (TRP), which reflects the trend towards rewarding value creation with a combination of monetary and non-monetary components (see chart on the right).

In addition to traditional elements, like the ESPP, STI and LTI plans, the TRP includes components like career development, work-life and recognition alongside conventional quantitative components like pay, incentives and benefits. We began to enhance this system at the outset of 2019.

We continued the project to broaden our compensation system into a total rewards program.



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.

We are confident that the aforementioned initiatives will contribute to staff engagement and enhanced value creation for our company, employees and shareholders. In view of the importance of these topics and the broader scope of our activities, we have renamed the Compensation Committee to the Human Resources & Compensation Committee.

On your behalf, I would like to thank our staff for their commitment and achievements. I would also like to thank the EMB for its constructive approach to the dialogue in 2018, and I would like to thank you and the Board for your confidence in the Human Resources & Compensation Committee.



Ulrich Looser

Chairman of the Human Resources & Compensation Committee



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 all employees working for consolidated Straumann Group companies.

ETHICAL, FAIR STANDARDS

We seek to be in full compliance with international labor standards and are committed to treating all our employees fairly and equally. Compensation and access to rewards programs are not influenced by gender, nationality or ethnicity. Local minimum wage regulations have no bearing on our remuneration policy, as our compensation clearly surpasses them. Our commitment to these standards is reflected in our use of benchmark data for periodic reviews to ensure compliance and internal fairness.

VALUE CREATION DRIVES COMPENSATION AND TOTAL REWARDS

The Straumann Group's view is that success depends largely on value creation by our employees, which should be recognized and rewarded. A modern compensation system and access to competitive rewards are an important instrument for attracting, retaining and motivating talented people. Straumann's rewards system takes these factors into account as it:

- Offers competitive compensation packages by conducting regular benchmarking that is based on internal and external fairness
- Fosters a high-performance culture and sustainable value creation
- Provides employees with access to benefits, which for example recognize their diverse lifestyles and interests
- Is periodically reviewed by the Human Resources & Compensation Committee (HRCC).

COMPREHENSIVE BENCHMARKING

The Group's policy is to provide a reward and compensation system that is competitive with comparable companies globally. In addition, our variable compensation elements are set to enable the overall compensation to move towards the upper quartile for outstanding performance.

Success depends largely on value creation by our employees, which should be recognized and rewarded.

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

- Companies with whom we compete for talent
- Comparable size, scope and business complexity
- Comparable global footprint
- Companies with a similar market capitalization.

Some examples of these companies are F. Hoffmann-La Roche, Johnson & Johnson, Siegfried, Clariant, Dufry, Georg Fischer, UBS and Sonova.

For the remainder of the employee base, Straumann uses internal expertise and external market data to benchmark compensation levels against relevant peers and to monitor pay trends. The peer group used for the analysis is a mix of companies in the medical device and life sciences industries, and it may include other peers such as consumer goods, technology companies and others, depending on function and geography. When the Group engages in acquisition activities, we review significant deviations from our rewards principles and ensure that they are addressed in the annual compensation review. We also ensure that they comply with local standards and are non-discriminatory in design or delivery.

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 (see Articles of Association – AoA, 4.2), which includes the aforementioned STI and LTI, and access to benefits and programs that keep our overall compensation competitive.

The compensation of each EMB member is determined according to his or her role and responsibilities and is based on the aforementioned professionally reviewed external benchmarks. The collective compensation of the EMB and the CEO's individual compensation are subject to approval by the Shareholders at the AGM.

We benchmark compensation levels against relevant peers and monitor pay trends.

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

- The contractual total compensation 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).

PRINCIPLES OF COMPENSATION FOR THE BOARD OF DIRECTORS

The compensation of the Board of Directors is subject to the approval by the AGM and consists of a fixed compensation component only, 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 HRCC, and within the limits approved by the AGM.

Part 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 customers with sales representatives, attend 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.



Another Cultural Journey experience helping our staff to learn about themselves, adding to the total reward of working at Straumann.

All the Board members are active mentors to the EMB.

COMPENSATION GOVERNANCE AND REGULATION

HUMAN RESOURCES & COMPENSATION COMMITTEE

The Board of Directors nominates the members of the HRCC for election by the AGM. The Committee is entrusted with the design of the compensation system for the Board of Directors and the EMB. The Committee reports to the Board of Directors on its views regarding compensation practices and the compensation of the EMB at least once a year and proposes changes when necessary.

Further information on the duties of the HRCC can be found on p. 94 of the Corporate Governance section.

The HRCC met six times in 2018 and all of its members were present. The focus was on our fundamental compensation elements and on people development and total rewards. 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 HRCC during 2018 covered:

- People and leadership development
- Talent pipeline
- Cultural journey
- Employer branding
- Total reward system
- Group, CEO and EMB performance reviews
- Global benchmarking
- Long-Term Incentive redesign
- Compensation reports
- Compensation of new EMB members
- 2018 target framework
- Annual salary reviews and development plan.

REGULATION

Straumann's compensation schemes for the EMB and Board of Directors and the 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 member of the EMB, the Board of Directors, or related parties. Straumann's compensation schemes and AoA are publicly available on our website at straumann-group.com > Investor information > Corporate governance.

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

Straumann's compensation schemes fully reflect the Swiss Ordinance against Excessive Compensation.

AGREEMENTS WITH THE BOARD OF DIRECTORS AND THE 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 2018 as in 2017.

FIXED COMPONENTS

In 2018, 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:

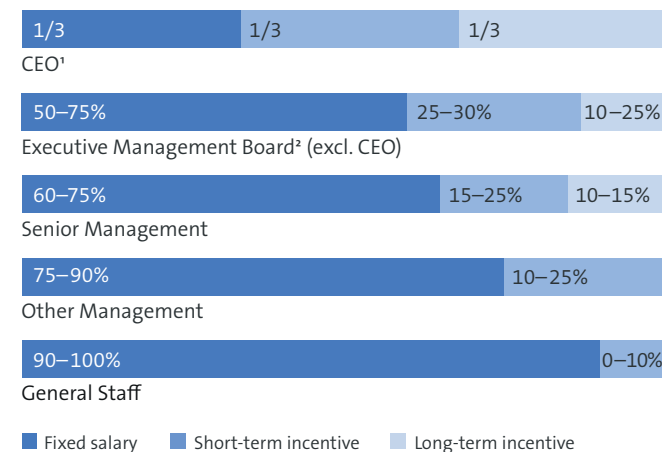
- Job profile
- Experience and skills
- External comparisons
- Internal fairness
- Place of work and local regulations
- Strategic importance of the position.

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 21 to the audited consolidated financial statements on pp. 163 ff. Information on pension fund risks is also provided on p. 57 of the Risk Analysis.

Pay mix corridor (at-target achievement)



- 1 At target, the variable compensation will amount to 200% 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.



'Future Days' are an opportunity for staff to show their children what we do at Straumann. This is a small but meaningful way of showing that our staff are valued.

OTHER BENEFITS

Straumann's benefit programs are an integral part of the Total Rewards Program, which is 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.

EMPLOYEE SHARE PARTICIPATION PLAN

Effective in 2018, eligible employees in Switzerland are able to purchase Straumann shares up to a maximum of 25% or 35% of their annual base salary at a discount of 25% or 35%, respectively, depending on hierarchical level and respective LTI eligibility. The shares are blocked for two years.

The shares required for this plan were held by the Group as Treasury shares. The Board of Directors is not eligible for this program.

VARIABLE COMPONENTS

In 2018, 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 2018 was based on a combination of company performance and/or achievement of specific financial targets.

COMPANY PERFORMANCE

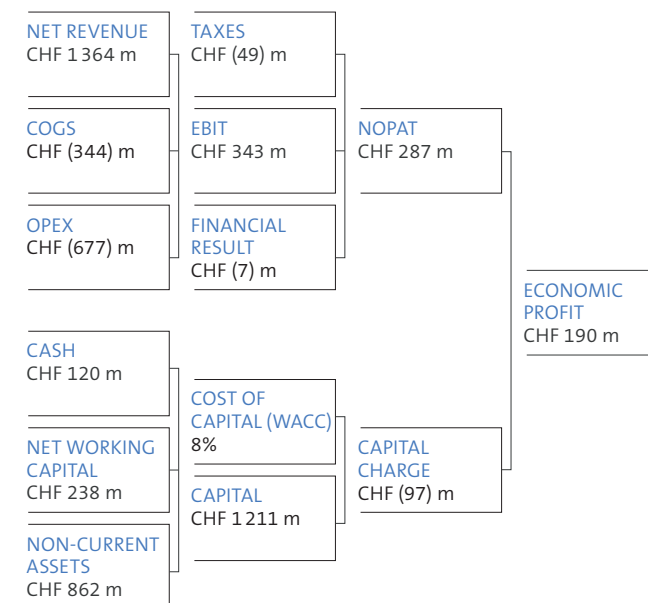
In general, economic profit (EP) is the main key performance indicator in Straumann's STI scheme. The Board of Directors sets the absolute target for EP generation in Swiss francs annually prior to the respective performance cycle and based on medium-term business plans as well as the defined budget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

Employee share participation plans

	Employees participating	Shares issued	Discount share price at issue	End of blocking period
2018	215	12 566	CHF 396' CHF 457'	April 2020
2017	140	12 636	CHF 361	April 2019
2016	86	8 754	CHF 254	April 2018

1 Reflects change to regulations of relative caps on purchase amount and discount changes.

Company performance – 2018 economic profit (EP)



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

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 previous page).

SPECIFIC FINANCIAL TARGETS

Specific financial targets are used for certain organizational units, e.g. Digital Business Unit, Dental Service Organization Unit 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 2018, 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 2018, the weighting of the performance criteria depended solely on company and/or financial targets (see table on the right). The potential payout for over-achievement remained the same in 2018, ranging from 160% to 190% for maximum achievement, based on EP and financial objectives.

MEASUREMENT OF ACHIEVEMENT

The measurement of achievement is shown on the lower right.

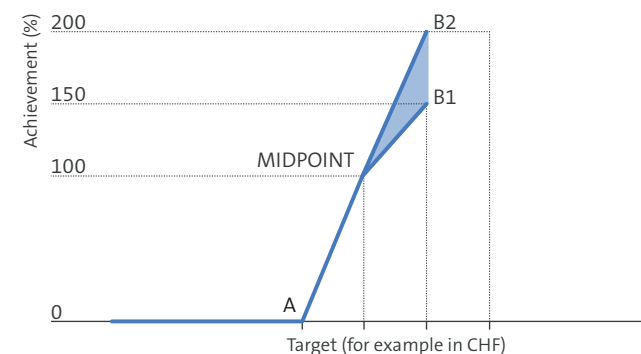
STI performance criteria weight 2018

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 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)



Measurement of achievement

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 that aligns participants' interests with those of the shareholders.

In 2015 (vested in 2018) the LTI was determined by total shareholder return as the sole performance condition. From 2016 to 2018 (vesting in 2019–21), the LTI was determined by total shareholder return (TSR) and EBIT growth amount (EGA) over the 3-year performance cycle. However, EGA limits external transparency because it involves internal forecasts, which the Group is unable to disclose publicly. Following constructive dialogues with key shareholders and proxy advisors, the Board has decided to replace EGA with relative total shareholder return (rTSR) based on the 3-year share price development relative to the 30 largest mid-cap stocks in the Swiss equity market (SMIM) starting with LTI grants in 2019 (for vesting in 2022) and continuing for the foreseeable future. This enhances external transparency and alignment of participants' interests with those of the shareholders, where both performance conditions are now based on TSR, one absolute and one relative, equally weighted.

GRANT

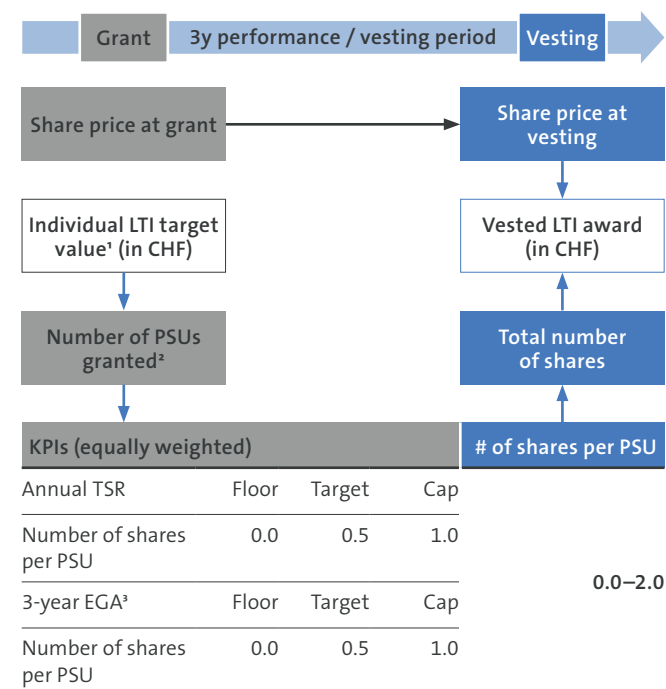
Participants in the plan are granted Performance Share Units (PSUs) entitling them to receive shares after a three-year vesting period. PSUs are granted once a year after the AGM. No cash investment is required from the participants. The number of PSUs granted is equal to the participant's LTI value 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 2018, the total grant value amounted to CHF 5.7 million and 12 334 PSUs were granted.

PSU VALUE AT GRANT

The value of the PSU's granted is calculated by 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 (grants in 2016–18, vesting in 2019–21) 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.

Straumann 2016–2018 long-term incentive scheme



- 1 Defined as % of the total target compensation taking into account participant's role in the organization.
- 2 Results from division of the individual LTI target value by the fair value of one PSU at grant.
- 3 EBIT growth amount.

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 two key performance indicators (KPIs):

- The target for the Total Shareholder Return is determined by the Board of Directors and is currently set at 7% CAGR 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.
- A pre-defined EBIT Growth Amount, which is determined by the Board of Directors in advance for the three business years starting on 1 January of the year of the grant. In line with the principle of fair disclosure, the EGA target is not published in advance.

The two respective KPIs are weighted equally and the achievement factor in each case is capped at 200%.

In 2018, the CEO and EMB members had no PSU vest (due to an elective voluntarily forfeit of the 2015 grant) with the exception of one current EMB member, who was based outside Switzerland and joined the EMB after 2015.

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.

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

EBIT GROWTH AMOUNT (EGA)

For grants in 2016–18 (vesting in 2019–21), the EGA performance measure 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 1 January in the year of the grant (for example from 1 January 2018 until 31 December 2020).

Performance share unit overview

	2018	2017	2016	2015
Grant date	30.04.2018	21.04.2017	20.04.2016	22.04.2015
Vesting date ¹	27.04.2021	21.04.2020	20.04.2019	22.04.2018
Share price at grant	CHF 625.50	CHF 483.00	CHF 336.00	CHF 262.50
PSU value at grant	CHF 460.68	CHF 315.83	CHF 306.84	CHF 208.06
Granted PSUs	12 334	16 785	14 520	7 586

¹ Seven trading days after the ex-dividend date.

Outstanding performance share units

	2018	2017	2016	2015
As of 1 January	36 448	45 606	76 799	99 810
Granted PSUs	12 334	16 785	14 520	7 586
Vested PSUs	(5 538)	(24 614)	(44 106)	(23 559)
Forfeited PSUs	(2 411)	(1 329)	(1 607)	(7 038)
As of 31 December	40 833	36 448	45 606	76 799

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

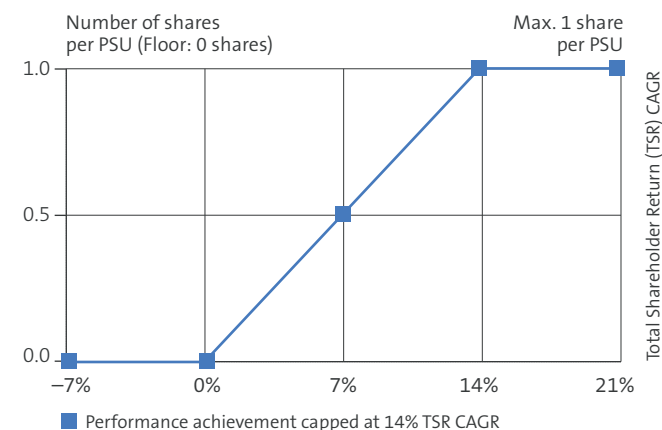
- Straumann Group EBIT growth over the EBIT performance period,
- Less EBIT of all businesses and participations acquired after the grant date during the EBIT performance period,
- Considering all other extraordinary calculation effects specified by the Board at the time of grant,
- Considering other 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 if the EGA is below the defined floor; half a share will be granted per vested PSU if the EGA is exactly at the defined performance target and one share per vested PSU for EGA which is the defined cap (200%). For 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.

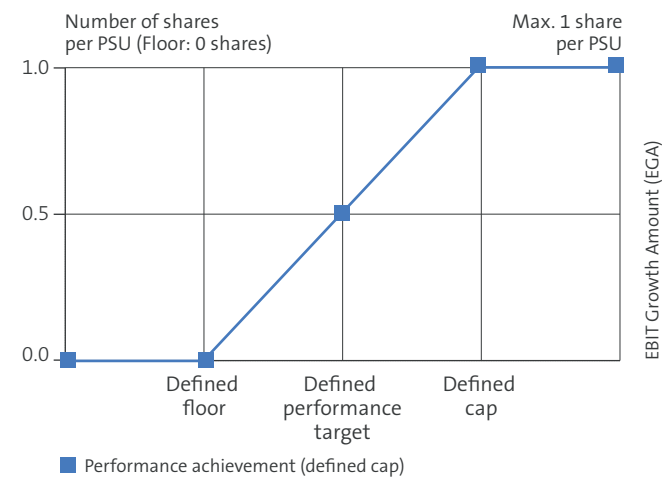
Elements of total remuneration

Element	Type	Description
Base salary	Fixed cash	<ul style="list-style-type: none"> • 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)	<ul style="list-style-type: none"> • 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)	<ul style="list-style-type: none"> • 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. For 2019 grants: absolute and relative TSR.
Employee benefits	Fixed benefits	<ul style="list-style-type: none"> • 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)	<ul style="list-style-type: none"> • For all eligible employees in Switzerland: Purchase of Straumann shares up to a maximum of 25% or 35% of their annual base salary at a discount of 25% or 35%, respectively, depending on hierarchical level and respective LTI eligibility. The shares are blocked for two years.

Total shareholder return (TSR)



EBIT growth amount (EGA)



2018 COMPENSATION

Overall, Straumann spent CHF 503 million on compensation, benefits and social costs in 2018, corresponding to an average of CHF 91 000 per employee (2017: CHF 94 000). Where necessary, structural adjustments were made to adapt salaries to benchmarks and for staff who took on new roles and/or increased responsibilities.

We met the majority of our short-term incentive targets across countries and businesses, resulting in a bonus payout at or above target for eligible employees. The three-year target of Total Shareholder Return for the PSUs that were awarded in 2015 and vested in April 2018 was clearly exceeded and resulted in a maximum achievement factor of 200% for a few international-based individuals who did not forfeit their LTI in 2015.

COMPENSATION OF THE EXECUTIVE MANAGEMENT BOARD

At the 2018 AGM, the shareholders prospectively approved a fixed compensation of CHF 6.9 million for the collective EMB (as composed in April 2018) for the period between 1 April 2018 and 31 March 2019. The variable STI for the business year ending 31 December 2018 will be submitted for approval by the shareholders at the AGM in 2019. The table shows the compensation paid to the EMB in 2018 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 2018 with regard to the fixed cash component and STI. For certain EMB members, the LTI grants were increased by CHF 20 000 to partially compensate the reduction in their benefit in the ESPP plan and bring their grant level towards the median of the benchmark. The CEO and EMB members did not have any PSU's vest in 2018, with the aforementioned exception.

There was one new addition to the EMB in 2018 and one departure. Peter Zihla was promoted to the Head of Digital Business Unit, succeeding Michael Rynerson, who left the company. In 2018, 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.

We met the majority of our short-term incentive targets across countries and businesses, resulting in a bonus payout at or above target for eligible employees.

Executive Management Board compensation (AUDITED TABLE) (in CHF 1 000)

2018 2017	Annual base salary	Short-term incentive	Performance Share Units (grant value)	ESPP discount	Social security and pension	Other com- pensation & benefits ²	TOTAL
Marco Gadola (CEO)	850 850	1 615 1 615	850 780	28 67	325 625	33 33	3 701 3 970
Other members ¹	4 157 3 760	3 637 3 568	1 705 1 521	77 150	1 146 1 578	625 1 131	11 347 11 708
Former members	0 0	0 0	0 0	0 0	0 0	0 0	0 0
TOTAL	5 007 4 610	5 252 5 183	2 555 2 301	105 217	1 471 2 203	658 1 164	15 048 15 678

- 1 Michael Rynerson, Global Head Digital Business, left the organization towards the end of 2018. Peter Zihla was promoted to the EMB to replace him.
- 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 USA.

SHAREHOLDINGS OF THE EMB

The Straumann shareholdings of the EMB Members who held office at the end of 2018 are shown in the table on p. 181.

COMPENSATION OF THE CEO

The Board of Directors sets short and long-term targets for the CEO and the Executive Management Board annually. In 2018, the targets for the variable compensation remained unchanged.

CEO performance scorecard 2018

STI-related	LTI-related	Quantitative Measures	Weighting	Performance vs target	Target	Achievement ¹
✓		Economic Profit	50%	200%	100 % of annual base salary	190 % cash payout
	✓	EBIT Growth (EGA)	25%	200%	0.5 PSU	1 share per PSU granted ²
	✓	Total Shareholder Return (TSR)	25%	200%	0.5 PSU	1 share per PSU granted ²

- 1 For STI results, the STI at target is CHF 850 000. For LTI, the PSU grant value at target is CHF 850 000.
- 2 The 2015 grant, which would have vested in 2018, was voluntarily forfeited.

The voluntary forfeit of the LTI grant in 2015 resulted in zero related vesting for the respective Swiss based executives, with the aforementioned exception.

Value creation	(in CHF 1 000)			
	2018	2017	2016	2015
Market capitalization at beginning of year	10 887 000	6 312 000	4 795 000	3 939 000
Market capitalization at end of year	9 785 000	10 887 000	6 312 000	4 795 000
Value of PSU grant at vesting for EMB	342	6 789 ¹	8 353 ²	2 571 ³
Value of PSU grant at vesting for CEO	0	4 990 ¹	6 311 ²	0

1 PSU Grant 2014.

2 PSU Grant 2013.

3 PSU Grant 2012.

COMPENSATION OF THE BOARD OF DIRECTORS

The 2018 AGM approved a maximum total compensation for the Board of Directors of CHF 2.4 million for the term of office ending at the 2019 AGM. It consists of a fixed compensation, paid in cash and shares. The proposed total amount includes social security charges and fringe benefits. The composition of the Board did not change subsequent to the AGM in 2018. None of the Board members received any compensation from the Straumann Group other than that disclosed in this report. In 2018, no compensation was paid to related parties of members of the Board of Directors. In 2018, no payments were made to former members of the Board or related parties.

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. The increased share compensation awarded to the Chairman in 2018 reflects the additional time required for EMB support, customer visits, congress attendance and additional meetings due to the increasing size, complexity and spread of the organization.

Board of Directors compensation (AUDITED TABLE) (in CHF 1 000)

	2018 2017	Fixed cash compensation	Fixed share compensation	Social security	Other benefits	Pension	TOTAL
Gilbert Achermann (Chairman of the Board)		400 400	300 200	52 44	31 31	91 91	874 766
Thomas Straumann (Vice Chairman)		200 200	100 100	20 20			320 320
Monique Bourquin (joined BoD April 2017)		100 73	100 100	13 11			213 184
Sebastian Burckhardt		100 100	100 100	13 13			213 213
Ulrich Looser (Chairman of the HRCC)		150 150	100 100	17 17			267 267
Beat Lüthi (elected Chairman of the Audit Committee April 2017)		150 138	100 100	17 16			267 254
Regula Wallimann (joined BoD April 2017)		100 73	100 100	13 11			213 184
Roland Hess (left BoD May 2017)		38		4			42
TOTAL		1 200 1 172	900 800	145 136	31 31	91 91	2 367 2 230

SHAREHOLDINGS OF THE BOARD OF DIRECTORS

The Straumann shareholdings of the Board Members who held office at the end of 2018 are shown in the table on p. 181.

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 table on p. 129) and is only paid upon approval by the AGM, in April.

The compensation of the individual members of the Board and the EMB is decided by the Board of Directors on recommendation of the HRCC and within the limits set by the AGM. The relevant criteria are explained on pp. 118 ff., and the compensation awarded to the Board of Directors and the EMB is disclosed in the tables on pp. 126 and 128.

At the 2019 AGM, the shareholders will be asked to approve:

- The total fixed compensation of the EMB for the period 1 April 2019 – 31 March 2020
- The short-term incentive (STI) of the EMB for the business year 2018
- The total long-term incentive (LTI) for the 2019 grant for the EMB
- The total compensation of the Board of Directors for the period between the 2019 and 2020 AGMs.

The reconciliation of approved and dispensed compensation for the 2018–19 AGM period is as shown in the table below.

Compensation approved and dispensed

(in CHF 1 000)

	Compensation earned during the financial year (A)	Compensation earned for the period January 1 to 2018 AGM (3 months of the financial year (B))	Compensation to be earned for the period from January 1 to the 2019 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
	2018	January 1, 2018 to 2018 AGM	January 1, 2019 to 2019 AGM	2018 AGM to 2019 AGM	2018 AGM	2018 AGM
Board of Directors	2 367	(367)	367	2 367	2 400	yes
Executive Management Board	15 348	(7 662)	7 887	15 573	16 247 ¹	yes

¹ Includes 2018 STI of CHF 6.1m (CHF 6.3m in 2018) to be approved at 2019 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 2018. 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 126 and page 128 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 2018 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, 6 February 2019

