

2019 | Corporate Governance Report

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Corporate Governance Report

Medartis corporate governance principles and rules are laid down in the [Articles of Association](#), the Rules for [Organizational Regulations](#), the Corporate Compliance System including the Code of Conduct, and the Charters of the Board Committees. Further, Medartis takes into account the recommendations of the Swiss Code of Best Practice for Corporate Governance, as in force at 31 December 2019.

As a basis of corporate governance disclosure, this report is in compliance with the Directive on Information relating to Corporate Governance published by the SIX Swiss Exchange (Directive), where Medartis' shares have been traded since the Company's initial public offering in 2018. Additional information can be found in the Financial and Remuneration Report Sections of this Annual Report.

1. Group structure and shareholders

1.1 Group structure

- 1.1.1 Medartis Holding AG incorporated as a stock corporation under the laws of Switzerland and headquartered in Basel, Switzerland. Medartis' principal executive offices are at Hochbergerstrasse 60E, 4057 Basel, Switzerland.
- 1.1.2 Medartis Holding AG, Basel, is listed on the SIX Swiss Exchange, Zurich, Switzerland (valor number: 38'620'023, ISIN: CH0386200239, SIX: MED). The market capitalization as per 31 December 2019 was CHF 513.5 million. No other Company controlled by Medartis Holding AG is listed on a stock exchange.
- 1.1.3 On 31 December 2019, Medartis Holding AG directly or indirectly held 100% of the capital and voting rights in all unlisted consolidated Group companies disclosed in Note 1. Corporate and Group information of the Financial Report section in this Annual Report.

1.2 Significant shareholders

The table below shows shareholder and shareholder groups owning / representing more than 3% of the voting rights of Medartis as published on the reporting and publication platform of the Disclosure Office of SIX Swiss Exchange as of 31 December 2019.

Direct holder	Shares	% of voting rights
Dr. h.c. Thomas Straumann, Riehen, Switzerland	5'624'430	47.90%
NexMed Holding AG, Freienbach, Switzerland ⁽¹⁾	921'035	7.84%
Willi Miesch, Küssnacht (SZ), Switzerland	704'020	5.99%
Endeavour Medtech Growth LP, Guernsey, Channel Islands ⁽²⁾	586'395	4.99%
Pictet Asset Management SA	352'240	3.00%

⁽¹⁾ NexMed Holding AG is beneficially owned by Dominik Ellenrieder, Chandolin, Switzerland.

⁽²⁾ Endeavour Medtech GP Limited, Guernsey, Channel Islands, as general partner of Endeavour Medtech Growth LP, is exercising all the voting rights related to the shares. Further, no limited partner of Endeavour Medtech Growth LP indirectly beneficially owns the shares held by Endeavour Medtech Growth LP which represent 3% or more of the voting rights.

Information on disclosure notifications during the year under review concerning the significant shareholders may be found on the [SIX Exchange Regulation website](#).

1.3 Cross-shareholdings

The Company does not have any cross-shareholdings exceeding 5% of the holdings of capital or voting rights in any other Company.

2. Capital structure

2.1 Capital

The ordinary share capital as of 31 December 2019 has a nominal value of CHF 2'350'105.80, consisting of 11'750'529 fully paid-in registered shares with a nominal value of CHF 0.20 each.

The authorized share capital as of 31 December 2019 has a nominal value of CHF 600'000.00, consisting of 3'000'000 shares with a nominal value of CHF 0.20 each.

The conditional share capital for bonds and similar debt instruments as of 31 December 2019 has a nominal value of CHF 88'653.80, consisting of 443'269 shares with a nominal value of CHF 0.20 each.

The conditional share capital for employee benefit plans as of 31 December 2019 has a nominal value of CHF 118'095.60, consisting of 590'478 shares with a nominal value of CHF 0.20 each.

2.2 Authorised and conditional capital

Authorised capital

At the Annual General Meeting of 19 February 2018, the Company's shareholders resolved to create authorized capital in the maximum amount of CHF 600'000.00, corresponding to 3'000'000 shares with a nominal value of CHF 0.20 each, or up to 25.5% of the capital issued and outstanding as of December 31, 2019.

The Board of Directors is authorized to increase the share capital in one or several steps until 18 February 2020 and to exclude pre-emptive rights of shareholders to subscribe new shares, subject to certain legal restrictions in accordance with the Swiss Code of Obligations. Subscription rights to new shares can be excluded if (i) the new shares are placed at market conditions, (ii) the new shares are used for acquisition, financing, or re-financing purposes or (iii) the new shares are used for the expansion of the shareholder base and/or to be placed with a new strategic partner. For further information, see articles 3a and 5 of the [Articles of Association](#).

Conditional capital for bonds and similar debt instruments

At the Annual General Meeting of 19 February 2018, the Company's shareholders resolved to create conditional share capital to be used for convertible bonds or similar debt instruments. The share capital may be increased by up to CHF 88'653.80 by the issuance of up to 443'269 shares with a nominal value of CHF 0.20 each, or up to 3.8% of the capital issued and outstanding as of 31 December, 2019.

Pre-emptive rights for the subscription of new shares upon conversion of instruments are excluded. Shareholders' advance subscription rights with regard to the new convertible bonds or similar instruments may be restricted or excluded by decision of the Board of Directors, subject to the provisions of the [Articles of Association](#). If advance subscription rights are excluded, (i) the instruments are to be placed at market conditions, (ii) the exercise period is not to exceed ten years from the date of issue of option rights and twenty years for conversion rights and (iii) the conversion or exercise price for the new shares is to be set at least in line with the market conditions prevailing at the date on which the instruments are issued. For further information, see articles 3b and 5 of the [Articles of Association](#).

Conditional capital for employee benefit plans

At the Annual General Meeting of 19 February 2018, the Company's shareholders resolved to create conditional share capital to be used for employee benefit plans. The share capital may be increased by up to CHF 118'095.60 by the issuance of up to 590'478 shares with a nominal value of CHF 0.20 each or up to 5.0% of the existing capital issued and outstanding as of 31 December, 2019. Further information can be found in articles 3c and 5 of the [Articles of Association](#).

The creation of conditional capital for employee benefit plans was proposed by the Board of Directors in connection with the Company's IPO in 2018. This conditional capital allowed Medartis to establish its current, share-based long-term equity compensation plan to foster the important alignment of management's interests with the interest of the Company's shareholders. Further information can be found in articles 3.1, 3.2 c) and 3.2 e) of the Remuneration Report Section of this Annual Report.

The Board of Directors considered the use of conditional capital for employee benefits appropriate while safeguarding the Company's liquidity and investing into the strategic growth of Medartis. The maximum dilution potential of this capital is limited and is expected to be more than compensated for by the incentives it creates for plan participants to create long-term value for Medartis and its shareholders.

2.3 Changes in capital

The following table shows the changes in the nominal share capital and the number of shares issued over the past three financial years:

Date of share issuance registration	New nominal share capital in Swiss Francs	Number of shares issued
19 December 2017	1'457'897	7'289'485 shares at CHF 0.20 each ⁽¹⁾
22 March 2018	2'348'201	11'741'007 shares at CHF 0.20 each ⁽²⁾
20 December 2019	2'350'106	11'750'529 shares at CHF 0.20 each ⁽³⁾

⁽¹⁾ On 15 December 2017, an extraordinary shareholders' meeting of the Company resolved to split the shares at a ratio of 1:5 and thereby change the nominal value from CHF 1.00 to CHF 0.20 per share.

⁽²⁾ At the Annual General Meeting of 19 February 2018 (AGM), the Company's shareholders resolved to create conditional share capital to be used for the conversion of any outstanding bonds or similar debt instruments upon the contemplated IPO of Medartis and resolved an ordinary capital increase of up to 3'644'742 shares for the planned offering. On 22 March 2018, the Board of Directors decided to issue 2'994'791 offered shares from the ordinary capital increase resolved by the AGM and acknowledged the conversion of outstanding loan amounts into 1'456'731 newly issued shares from conditional capital. As a result, the total number of shares issued increased by a total of 4'451'522 shares upon closing of the initial public offering. The total number of shares issued and outstanding as per 31 December 2018 is 11'741'007 shares, corresponding to a share capital of CHF 2'348'201.40

⁽³⁾ On 20 December 2019, 9'552 registered shares were created from conditional share capital on the basis of Article 3c of the Articles of Association by exercising options from the Long Term Incentive Programme (LTI) of Executive Management Board members for the 2018 financial year. These 9'552 registered shares have not been registered in the commercial register as per 31 December 2019. Therefore, the share capital registered in the commercial register as per 31 December 2019 has a nominal value of CHF 2'348'201.40, consisting of 11'741'007 fully paid in registered shares with a nominal value of CHF 0.20 each.

2.4 Shares and participation certificates

Medartis Holding AG has no other categories of shares than one category of registered shares with one share bearing one vote. There are no restrictions on the transferability of the shares.

2.5 Dividend-right certificates

Medartis Holding AG has not issued any dividend-right certificates.

2.6 Limitations on transferability and nominee registrations

The Company keeps a share register of the registered shares in which the owners and beneficiaries are entered with their names and addresses. In relation to the Company, the shareholder or beneficiary is deemed to be the person entered in the share register. Upon request, purchasers of shares shall be entered in the share register without limitation as shareholders with voting rights if they expressly declare that they have acquired the shares in their own name and for their own account.

The transfer of registered shares requires the approval of the Board of Directors, which may delegate this authority. Approval shall be granted if the purchaser discloses his name, nationality and address on a form provided by the Company and declares that he has acquired the shares in his own name and for his own account.

The names and addresses of owners and beneficiaries of registered shares are recorded in the share register, which is administered on behalf of Medartis Holding AG by areg.ch AG, Fabrikstrasse 10, 4614 Hägendorf, Switzerland.

Further information can be found in articles 4, 5 and 6 of the [Articles of Association](#).

2.7 Convertible bonds and options

Medartis followed in 2019 its corporate long term incentive plan with restricted shares (LTI) for Members of the Executive Management Board. In the event of a change of control, the Board of Directors, at its own discretion, is entitled, within the scope of the statutory provisions to make adjustments to the plan.

Further information can be found in articles 3.1, 3.2 c) and 3.2 e) of the remuneration report section of this annual report.

3. Board of Directors



Roland Hess, Dr. med. Daniel B. Herren, Willi Miesch, Dr. Jürg Greuter, Dr. h.c. Thomas Straumann, Damien Tappy and Dominik Ellenrieder (from left to right).

3.1 Members of the Board of Directors

The table below sets forth the name, year of birth, function, committee membership and term of office of each Board member as of the date of this Corporate Governance Report. All members of the Board of Directors are non-executive members.

Name	Born	Nationality	Position	Committee Membership	First Elected
Dr. h.c. Thomas Straumann	1963	Swiss	Chairman		1998
Dominik Ellenrieder	1958	Swiss	Vice-Chairman	Chairman of the RC Member of the FAC Member of the SIC	2000
Willi Miesch	1964	Swiss	Member of the Board	Chairman of the SIC	2010
Dr. Jürg Greuter	1956	Swiss	Member of the Board	Member of the RC	1997
Dr. med. Daniel B. Herren	1962	Swiss	Member of the Board	Member of the RC Member of the SIC	2017
Roland Hess	1951	Swiss	Member of the Board	Chairman of the FAC	2017
Damien Tappy	1969	Swiss	Member of the Board	Member of the FAC	2018

Dr. h.c. Thomas Straumann

Non-executive Member

Chairman of the Board | Board Member since 1998

Other main activities in 2019: Chairman of centerVision AG and CSI Basel Horse Event AG, Vice Chairman of Institut Straumann AG and Straumann Holding AG, Board Member and Owner of the Grand Hotel Les Trois Rois, Basel, Member of Foundation Council of Foundation for Dental Research and Education.

Career highlights: He founded Medartis in 1997 and has served its foundation as Chairman of the Board ever since. In 1990, he was responsible for restructuring the Institut Straumann AG and he was CEO and Chairman of its Board of Directors until 1994. He was Chairman of the Board of Straumann Holding AG until 2002 and has been Vice Chairman since then.

Qualifications: He holds a degree in Precision Engineering and pursued further studies at Basel Management School and the Management & Commercial School of Baselland. He has an honorary doctorate from the University of Basel.

Key attributes for the board: Founder and major shareholder of Medartis AG. He complements the Board with his in-depth knowledge of the dental and medical device industries through personal management experience and various shareholdings. As major shareholder, he also represents continuity, stability and credibility.

Dominik Ellenrieder

Non-executive Member

Vice Chairman of the Board | Board Member since 2000

Other main activities in 2019: Chairman of Sentec AG, and Chairman of Nexmed Holding AG, Venture Partner at Endeavour Vision SA.

Career highlights: Until 1999 Head of International Sales of Protek AG and later Manager Business Units and Sales Subsidiaries at Stratec Medical (later Stratec-Synthes/Johnson & Johnson), from 2000 to 2002 Chairman of Kuros Therapeutics (later Straumann), from 2001 to 2014 Board Member and Head of Technical Committee at Straumann Holding AG, from 2003 to 2015 Vice Chairman of Kuros Biosciences AG, since 2007 Venture Partner at Endeavour Vision SA, from 2015 to 2017 Chairman of Symetis AG (later Boston Scientific) and since 2000 Vice Chairman of Medartis Group.

Qualifications: Dominik Ellenrieder holds an Economics degree from University of Basel and an MBA from Graduate School of Business Administration Zurich and Boston University.

Key attributes for the board: He complements the Board with expert know-how in new technologies, product development and sales of medical devices and long-standing experience in building, developing and managing medical technology companies as an Executive, a Non-Executive Board Member, a Venture Partner and an Investor.

Willi Miesch

Executive Member

Member of the Board | Board Member since 2010

Other main activities in 2019: Board Member of the International Bone Research Association (IBRA), Board Member of Osiris Therapeutics Inc. until April 2019, Member of the Investment Advisory Committee of MTIP.

Career highlights: CEO (Chief Executive Officer) at Medartis from 1998 until August 2019. Prior to that several long-term managerial positions in various production departments at Institut Straumann AG and Head of Manufacturing at Stratec Medical in Mezzovico, Ticino, Switzerland. Moreover, he was a member of the Executive Management Board at Villiger, a bicycle manufacturer, being responsible for all technical matters.

Qualifications: He holds a degree in Precision Engineering and a degree as Operations Technician TS from ABB Engineering School Baden with postgraduate studies in market-oriented Business Management at the University of Central Switzerland.

Key attributes for the board: Medartis benefits from his extensive knowledge of the medical industry, his global network of experts in the industry, his comprehensive experience related to his background in precision engineering and his long-term experience as an executive manager.

Dr. Jürg Greuter

Non-executive Member

Member of the Board | Board Member since 1997

Other main activities in 2019: Board Member of Stratus Services AG, CSI Basel Horse Event AG, Grand Hotel Les Trois Rois, Basel and centerVision AG.

Career highlights: Legal Counsel and Board Member at numerous small and mid-sized companies in Switzerland and in France in different sectors such as MedTech, Construction, Tourism, Shipping and Aviation. From 1990 to 2017 Founding Partner at Dietrich Greuter Wunder - Attorneys, Notaries and Mediators (now Dietrich Wunder Klingler Horni), in Basel.

Qualifications: PhD from the University of Basel Law School, attorney-at-law admitted to the Swiss Bar Association and Notary Public in Basel, Switzerland.

Key attributes for the board: Dr. Greuter complements the Board with his extensive knowledge and experience with regards to legal and corporate matters as well as board member and legal counsel in various other companies.

Dr. med. Daniel B. Herren
Non-executive Member

Member of the Board | Board Member since 2017

Other main activities in 2019: None.

Career highlights: Since 2009 Head of the hand surgery department at Schulthess Clinic in Zurich and since 2017 Chief Medical Officer. From 2010 to 2014 Board Member of National Federation of Medical Doctors in Switzerland (FMH). In addition, he acted as President of the Swiss Society for Surgery of the Hand between 2010 and 2013. Currently, he is treasurer of the Federation of European Societies for Surgery of the Hand (FESSH) and in conjunction with this role, member of the FESSH Executive Committee. He joined Medartis in 2017 as Member of the Board.

Qualifications: He holds a Medical degree from the University of Berne with postdoctoral studies at the ETH Zurich as well as a Master of Health Administration from the University of Berne.

Key attributes for the board: As an orthopaedic and hand surgeon Dr. Herren contributes in-depth expert and practical knowledge with many years of medical implants user experience.

Roland Hess
Non-executive Member

Member of the Board | Board Member since 2017

Other main activities in 2019: None

Career highlights: From 2010 to 2017 Board Member of Straumann Holding and Chairman of the Audit Committee. From 2008 to 2012 internal senior advisor to the Executive Management of the Board of Directors of Schindler Holding AG. Between 2003 and 2007 President of the Executive Management Board of the Elevator and Escalator Division of Schindler. From 1984 to 2012 rising through positions of increasing responsibility in controlling, finance and regional management at the Schindler Group. From 1971 to 1984 international auditor at Nestlé and Head of Finance of a Nestlé Group Company. In addition to assignments in Europe his career includes several years in North- and Latin America, as well as Asia.

Qualifications: Mr. Hess holds a degree in Business Administration from Lucerne Business School and studied at Harvard Business School in Boston.

Key attributes for the board: Roland Hess is an expert in multinational group auditing, financial reporting, corporate finance and adds profound business development experience.

Damien Tappy
Non-executive Member

Member of the Board | Board Member since 2018

Other main activities in 2019: Co-founder, President and Managing Partner of Endeavour Vision and Member of the Young President Organization (YPO).

Career highlights: Founder and Director of the Start-up and Spin-off program from the Swiss Federal Institute of Technology (EPFL) and co-Founder, President and Managing Partner of Endeavour Vision.

Qualifications: Damien Tappy holds a degree in management, technology and economics (MTE) from IMD, Lausanne, Switzerland. He graduated with honours as an Engineer in Micro-Technology at EPFL. He also worked as International Fellow in the field of Medical Imaging at the Stanford Research Institute in California (SRI International).

Key attributes for the board: His area of expertise is in healthcare with a specific focus on Medical Technologies and Digital Health on both side of the Atlantic. As managing partner of Endeavour Vision he contributes experience as a Board member and Chairman from various investee companies from his private equity activities.

3.2 Other activities and vested interests

Information on the other activities and interests of the Members of the Board of Directors is shown in section 3.1

3.3 Permitted other activities pursuant to OaEC

The number of external offices is stipulated as follows with binding effect in the [Articles of Association](#):

Members of the Board of Directors must not simultaneously hold more than 15 additional mandates in commercial enterprises, of which no more than 5 may be held in listed legal entities.

Not subject to the above restrictions are:

- a) Mandates in entities controlled by Medartis or controlling Medartis;
- b) Mandates in entities upon request of Medartis; and
- c) Mandates in associations, organizations and legal entities with a public or charitable purpose, foundations, trusts, as well as staff pension funds.

Mandates are defined as mandates in the highest management (Boards of Directors) of a legal entity which is obliged to be entered in the commercial register or in a corresponding foreign register. Mandates in different legal entities that are under uniform control or have the same economic justification are considered as one mandate.

All members of the Board of Directors are within the limits of external mandates stipulated by the [Articles of Association](#).

3.4 Elections and terms of office

Each Director is elected by the Annual General Meeting for a one-year term, which runs until the end of the next Ordinary General Meeting. Directors may be re-elected with no restrictions. There is no age or tenure limit.

The Chairman of the Board of Directors and the Members of the Remuneration Committee are also elected by the Annual General Meeting.

If the Chairman's Office is vacant, the Board of Directors appoints a Chairman from among its members for the remaining term of office.

At the Annual General Meeting 2020, all members of the Board of Directors stand for re-election.

3.5 Internal organizational structure

The organization of the Board of Directors and its committees is set forth in the [Organizational Regulations](#), available on [Medartis website](#). The following paragraphs summarise the main elements of the [Organizational Regulations](#).

3.5.1 Composition of the Board of Directors, allocation of tasks within the Board of Directors and Corporate Social Responsibility

Subject to article 19 of the [Articles of Association](#), except for the election of the Chairman, the Board of Directors constitutes itself. It may designate one or several Vice-Chairmen among its members. It appoints a secretary, who shall not necessarily be a member of the Board of Directors. The individual positions (Chairman, Vice-Chairman, Member) are listed in section 3.1.

The Chairman regularly reviews the Board's composition to ensure that an adequate mix of skills and experiences is available to successfully manage the Company's current and future challenges. Based on general market views as well as certain international corporate governance standards, four out of seven Board members may be considered non-independent. Based on its composition by skills, background and experiences as outlined in the table in section 3.1. above, the Board of Directors is in a position to ensure the successful execution of the Company's strategy through independent decision-making processes and a functioning system of checks and balances. The Board of Directors will continue to develop and amend its composition under the leadership of its Chairman along with the further development of Medartis over time.

In accordance with Swiss corporate law, the Board of Directors is responsible for the overall and high-level management of the Company, which cannot be delegated, and the supervision of the Chief Executive Officer and the other members of the Executive Management Board. The Board of Directors is in charge of all matters not reserved to another corporate body by statute, by the [Articles of Association](#) or by the [Organizational Regulations](#).

The Board of Directors ensures that it is regularly informed about the business of the Company and about any developments that may be relevant thereto. It treats the reports and proposals submitted by the committees of the Board of Directors and by the Chief Executive Officer. All missions and competences of the Board of Directors are stipulated by article 15 of the [Organizational Regulations](#). Without limitation, these tasks may not be delegated.

The Chairman of the Board of Directors is responsible for the preparation, calling, organization and chairing of the Board Meeting. Together with the CEO, the Chairman is in charge of the outside representation of the Company.

Information regarding conflicts of interest can be found in articles 7 and 35 of the [Organizational Regulations](#).

The Board of Directors acknowledges that part of its responsibility of the Company's high-level management includes its understanding about how the Company is doing business and how its strategic targets shall be achieved, this is, what values and culture it desires and how the Company interacts with its stakeholders. It is the Board of Directors' firm believe that Medartis is a part of society, respecting human rights and treating natural resources and the environment with care when rendering its products and services. The Board of Directors regularly reviews progress towards this corporate social responsibility framework, which includes, amongst other,

- [a comprehensive code of conduct](#)
- policies about how to interact with medical professionals, institutions and regulatory authorities
- policies about how to interact with external suppliers and advisors
- policies on ethical and other standards in the Company's research and development
- An integrated compliance system and internal controls whose functionalities are regularly reviewed by the Finance and Audit Committee

In 2019, the key topics of the Board of Directors included, amongst other, strategic business development projects, board committee work and reports and the corporate organizational structure. The Board of Directors met 9 times for an average meeting length of approx. 3 1/3 hours. One member was excused in one meeting due to another business obligation.

3.5.2 Members list, tasks and area of responsibility for each committee of the Board of Directors

The Board of Directors may entrust committees with the preparation and implementation of all or some of its decisions, as well as with the supervision of certain matters. The committees are entitled to conduct investigations (or have investigations conducted on their behalf) in all matters of their competence. They may request the services of independent advisors and experts.

The committees of the Board of Directors consist of a chairperson and of at least one (1) other member. Committee members are designated by the Board of Directors from within the latter's own members. Remuneration Committee members however, are elected by the Annual General Meeting of the shareholders (see article 8.2.c and 27 of the [Articles of Association](#)). In general, members of committees are elected for a period of up to one (1) year until the end of the next Ordinary General Meeting of the shareholders following their designation.

The committees of the Board of Directors meet upon calling by their respective chairpersons or upon request of one of the respective committee members as often as required for the fulfilment of their duties, but at least three (3) times a year. Persons other than committee members may attend the meetings of a committee upon invitation from the chairperson of such committee.

Finance and Audit Committee

The competences of the Finance and Audit Committee are set out in articles 24 and 25 of the [Organizational Regulations](#).

The Finance and Audit Committee is composed of at least two non-executive and independent members of the Board of Directors, as per article 20 para. 1 and article 24 para. 1 of the [Organizational Regulations](#). The Board of Directors issues a [Finance and Audit Committee Charter](#) which governs the organization of the Finance and Audit Committee.

The Finance and Audit Committee supports the Board of Directors in its supervisory function, in particular with respect to the completeness of the annual closing of accounts and financial statements, the compliance with statutory provisions, the analysis of the qualification of the external auditors, as well as the performance of the external auditors.

The Finance and Audit Committee assesses the usefulness and suitability of the financial reporting, the internal control system and the general supervision of business risks. It makes sure that a continued, efficient and productive communication exists between the Company and the external auditors regarding financial matters and course of business of the Company.

Due to the yet limited size and complexity of the Company's corporate structure, the Company has not established a dedicated internal audit group for financial, compliance and enterprise control matters. If need arises, an ad-hoc team of employees with the required skills is created to inspect and review special situations. These teams report their findings directly to the Finance and Audit Committee and, as the case may be, the Chief Financial Officer.

The chief financial officer of the Company (the "Chief Financial Officer") attends the meetings of the Finance and Audit Committee, except for portions when his or her presence would be inappropriate, as determined by the chairperson. At least once a year, the Finance and Audit Committee shall meet in separate sessions with the external auditors.

In 2019, the key topics of the Finance and Audit Committee included, amongst others, internal and external financial reporting, external audit, matters of controlling, compliance and risk management. The Finance and Audit Committee met 5 times for an average meeting length of approximately 4 ½ hours. One member was excused for one meeting. The chairperson of the Finance and Audit Committee reports at every Board meeting on the Finance and Audit Committee activities and findings.

Remuneration Committee

The duties and responsibilities of the Remuneration Committee are set out in article 27 of the [Articles of Association](#) and in article 26 and 27 of the [Organizational Regulations](#).

The Remuneration Committee is composed of at least three non-executive and independent members of the Board, as per article 27 of the [Articles of Association](#) and article 26 para. 1 of the [Organizational Regulations](#). The Board of Directors issues a [Remuneration Committee Charter](#) which governs the organisation of the Remuneration Committee.

The key tasks of the Remuneration Committee are:

- Presenting motions to the Board of Directors in view of the next Ordinary General Meeting of shareholders with respect to the aggregate amount of remuneration of the Board of Directors and of the Executive Management Board of the Company;
- Assisting the Board of Directors in the preparation of the remuneration report, to be adopted by the Board of Directors and then disclosed to the shareholders of the Company in view of the next Ordinary General Meeting;
- Implementing the resolutions passed by the General Meeting of shareholders with respect to the aggregate amount of remuneration of the members of the Board of Directors and the members of the Executive Management Board;
- Assisting the Board of Directors in setting the conditions for the actual remuneration of the members of the Board and of the Executive Management Board in accordance with article 25 of the [Articles of Association](#), as well as advising the Board in the review and approval of general compensation and benefit policies, including any long-term incentive plans.
- Preparing and assessing the principles of remuneration of the Company and presenting corresponding motions to the Board of Directors in this respect for approval;
- Advising the Board of Directors in the setting-up, monitoring and regularly reviewing of the remuneration policy and guidelines at the highest level of the Company;
- Submitting recommendations or presenting motions to the Board of Directors on other remuneration-related matters.

In 2019, the key topics of the Remuneration Committee included, amongst others, the structure of the short and long term incentive plans as well as the setup and content of the Remuneration Report. The Remuneration Committee met three times for an average meeting length of 2 hours with all members present. The chairperson of the Remuneration Committee reports at every Board meeting on the Remuneration Committee activities and findings.

Strategy and Innovation Committee

The Board of Directors has introduced a Strategy and Innovation Committee in 2019 to support the Board in its strategic function, in particular with respect to innovation, technology, corporate and business development.

The duties and responsibilities of the Strategy and Innovation Committee are set out in article 28 and 29 of the [Organizational Regulations](#).

The Strategy and Innovation Committee is composed of at least two non-executive members of the Board, as per article 20 para. 1 and article 28 para. 1 of the [Organizational Regulations](#). The Board of Directors issues a [Strategy and Innovation Committee Charter](#) which governs the organisation of the Strategy and Innovation Committee.

The key tasks of the Strategy and Innovation Committee are:

- Assess the Company's annual plan and long-term strategy and provide guidance to the management to ensure the development, implementation, adherence and, if necessary, modification of the strategic plan and strategic goals;
- Review strategic risks and opportunities, including those resulting from the business environment in terms of competition, regulation, patients, surgeons, payors and providers;
- Review the Company's technology capabilities, including the ability to develop, acquire and maintain innovative technology through internal development, acquisitions, licensing, collaborations, alliances and other appropriate means;
- Identify and assess the market environment, specifically for technology innovations and trends, that could significantly affect the Company and the industry in which it operates;
- Review and advise on the Company's internal and external innovation expenditure plans, including the technical relevance of proposed activities;
- Assist the Board in overseeing the Company's investments in internal and external innovation, technology and developments, including acquisitions, licenses, collaborations and other business development activities;
- Identify, review and assess M&A and licensing opportunities in terms of their strategic fit, including sales structure and/or product portfolio.

In 2019, the key topics of the Strategy and Innovation Committee included mainly, the identification, review and assessment of M&A opportunities that fit strategy. The Strategy and Innovation Committee met four times for an average meeting length of around 1 hour. One member was excused for one meeting. The chairperson of the Strategy and Innovation Committee reports at every Board meeting on the Strategy and Innovation Committee activities and findings.

3.5.3 Working methods of the Board of Directors and its committees

Upon invitation by the Chairman of the Board of Directors, the Board of Directors meets as often as required by the business of the Company, but at least four (4) times a year. Every member of the Board of Directors is entitled to request that a meeting of the Board of the Directors be called by the Chairman of the Board of Directors. If the Chairman of the Board of Directors does not proceed with the calling of the meeting within fourteen (14) calendar days from the request, the requesting member of the Board of Directors is entitled to call the meeting.

Agendas for Board of Directors or Board Committee meetings are defined by the respective chairperson. At least five (5) calendar days prior to the meetings of the Board of Directors, the members shall timely receive the agenda as well as all appropriate documents and reports needed for the decision-making process.

The Board of Directors may validly pass resolutions when at least the majority of its members are attending the meeting in person or by means of communication that allow direct discussion (e.g. telephone or audio-visual conference). The Board of Directors passes its resolutions with the majority of votes cast, each director having one vote. Abstentions are not counted as votes cast. In case of equal votes, the Chairman of the meeting has the casting vote.

The agenda of the meetings is set by the respective committee chairperson. Discussions and resolutions are recorded in the minutes of the meetings.

The chairpersons of the Finance and Audit Committee, the Remuneration Committee and the Strategy and Innovation Committee report at each Board meeting about matters, which were discussed and resolved in their respective committee meetings.

The Chief Executive Officer is usually invited to attend the meetings of the Board of Directors in an advisory capacity. However, the Board of Directors regularly holds meetings or parts of their meetings without the participation of the Chief Executive Officer. Due to the dual role as member of the Board of Directors and CEO until his resignation as CEO in August 2019, Willi Miesch was invited to attend all the meetings of the Board of Directors with voting rights in his function as Board member.

The dates for the ordinary meetings are set at an early stage so that all members are able to attend in person. The participants of the meeting receive detailed written documentation in advance for all motions. The committees meet upon calling of their chairperson as often as required for the fulfilment of the duties, the Audit and Finance Committee at least four (4) times a year, the Remuneration Committee at least three (3) times a year and the Strategy and Innovation Committee at least three (3) times a year.

3.6 Definition of areas of responsibility

The Board of Directors is responsible for the overall and high-level management of the Company, which, in accordance with Swiss corporate law, cannot be delegated, and the supervision of the CEO and the other members of the Executive Management Board. The Board of Directors is in charge of all matters not reserved to another corporate body by statute, by the [Articles of Association](#) or by the [Organizational Regulations](#).

Unless set out otherwise in mandatory statutory provisions, the [Articles of Association](#) and the [Organizational Regulations](#), the Board of Directors delegates the management of the Company to the Chief Executive Officer.

The responsibilities and tasks and nature of cooperation between the Board of Directors and the Executive Management Board are stipulated in the [Organizational Regulations](#), which are available on the [Medartis website](#).

Key responsibilities and tasks of the Board of Directors are:

- Overall management of the Company and issuance of all necessary directives in this respect;
- Determining the organization, in particular adopting and amending the present [Organizational Regulations](#) as well as deciding on the setting up and dissolution of branches and offices;
- Organizing the accounting, financial planning and financial control, supervising and assessing the risks;
- Organizing the risk control and the risk assessment systems;
- Appointing, supervising and dismissing the persons entrusted with the management and the representation of the Company and regulating the signature powers;
- Adopting and amending guidelines namely on disclosure of shareholdings, management transactions, trading in own shares, insider information and market manipulation, ad hoc publicity, general stock exchange disclosure and reporting duties, as well as code of ethics and business conduct;
- Taking note of the Chief Executive Officer's and the external auditors' reports;
- Issuing the Annual Reports, as well as preparing the General Meetings of the shareholders and implementing the resolutions of the General Meetings of the shareholders;
- Notifying the court in the event of over-indebtedness;
- Based on the proposal of the Remuneration Committee, approving the remuneration report and deciding on the proposals on the aggregate amount of remuneration of the members of the Board of Directors and the members of the Executive Management Board to be submitted to the general meeting of the shareholders;
- Setting the conditions of the remuneration of the members of the Board of Directors and of the Executive Management Board in the form of equity securities, conversion rights and option rights in accordance with article 30 and article 31 of the Articles of Association, as well as reviewing and approving the general compensation and benefit policies including any long-term incentive compensation or equity plans and the allocation of benefits under such plans;
- Examining the independence of the external auditors based on the preliminary work made in this respect by the Finance and Audit Committee;
- Deciding on the setting up, acquisition or disposal of subsidiaries, as well as the purchase or sale of shares and/or assets in other companies;
- Passing resolutions on budgeted and unbudgeted capital expenditures ("CAPEX") exceeding CHF 500'000;
- Assessing the performance of the Board of Directors, its committees and members.

3.7 Information and control instruments vis-à-vis the executive committee

Medartis' Board of Directors has put different information instruments in place to provide oversight and monitor the execution of responsibilities it has delegated to the Executive Management Board.

Medartis has a fully integrated Management Information System on the basis of an SAP powered Enterprise Resource Planning, which covers most of the business transactions of the Group's consolidated entities.

The Board of Directors receives a detailed monthly sales report regarding the sales evolution by product line and by subsidiary, each as compared to the planned targets and prior years as well as comments on sales highlights.

Financial statements are submitted quarterly to and reviewed by the Finance and Audit Committee. The Chief Financial Officer as well as the chairperson of the Finance and Audit Committee present and comment the results in detail at the next meeting of the Board of Directors.

On the occasion of every meeting, the Board of Directors may request information, updates and reports from the Chief Executive Officer regarding the business of the Company. It is also a part of the Board of Directors' tasks to exchange regularly with the management as well as with the customers and the industry, e.g. visits to subsidiaries, customers or medical congresses.

In case of a specific occurrence (in the course of business or of an extraordinary nature) with significant business or financial relevance, the Chief Executive Officer is obliged to immediately inform the members of the Board of Directors.

3.8 Risk management in the Group

The Board of Directors is responsible for overseeing the Group's internal control system, which addresses strategic risks to which the Group is exposed. These systems provide appropriate security against significant inaccuracies and material losses.

Medartis developed, implemented and maintained a Quality Management System in order to document the overall Group's best business practices, to ensure overall risk controlling, better satisfy the requirements and expectations of its customers and improve the overall management of the Group.

Medartis' continuous iterative risk management process throughout the entire lifecycle of Medartis medical devices aims to high quality products, processes and related customer support.

The certified Quality Management System matches all related medical industry standards. Scope of the Quality Management System as also specified on the Company's EN ISO 13485:2016 certificate refers to design and development, manufacturing, distribution of cranio-maxillofacial and orthopaedic implants and instruments. Design and development of medical image processing, simulation and design software.

Quality audits are an integrated part of the Medartis Quality Management System and cover the control of the established processes to fulfill all required regulatory medical industry standards.

Internal audits are performed by trained internal auditors and contribute to the regulatory and technical aspects of the EN ISO 13485 on a yearly basis.

External audits are performed autonomously by third party. Those include the notified body TÜV Rheinland, national or international authorities with entitled interest, for example, Food and Drug Administration FDA (US), Swissmedic, Anvisa (Brazil). All potential findings from these audits are managed within the Medartis corrective and preventive action system.

The Executive Management Board assesses periodically financial and operational risks resulting in an Internal Control System (ICS) matrix which is reviewed by the Board of Directors on an annual basis.

The Finance and Audit Committee is periodically monitoring the risk assessment of Medartis and assesses the proposed risk mitigating measures proposed by the Executive Management Board.

Periodically a session is held with the Executive Management Board and the General Managers of the major subsidiaries to assess and discuss the major actual and future business risks. These findings are discussed at the Board of Directors meetings.

4. Executive Management Board



Axel Maltzen, Thomas Tribelhorn, Dr. Christoph Brönnimann, Dominique Leutwyler and Anthony Durieux-Menage (from left to right).

4.1 Members of the Executive Management Board

The table below sets forth the name, year of birth, function, membership and term of office of each Executive Management Board member as of the date of this Corporate Governance Report.

Name	Born	Nationality	Position	Year of Appointment
Dr. Christoph Brönnimann	1966	Swiss	Chief Executive Officer	2019
Dominique Leutwyler	1970	Swiss	Chief Financial Officer	2001
Axel Maltzen	1969	German	Chief Production Officer	2014
Anthony Durieux-Menage	1974	France	Chief Human Resources Officer	2019
Thomas Tribelhorn	1970	Swiss	Chief Technology Officer	2004 – 2008; 2012

There were three changes within the Executive Management Board during the year under review. Anthony Durieux-Menage was appointed as Chief Human Resources Officer as of 1 June 2019. Willi Miesch left the Executive Management Board and handed over his operational responsibilities to Christoph Brönnimann on 1 September 2019 after more than 20 years as CEO. Oliver Marx, Chief Sales Officer has decided to leave the Company as of 1 October 2019. Christoph Brönnimann, has taken over interim responsibility for the sales organization.

Dr. Christoph Brönnimann**Chief Executive Officer / Chief Sales Officer a.i.**

Career highlights: CEO (Chief Executive Officer) at Medartis AG since September 2019. Previously, he held various leadership roles in larger organizational units since 2005 at Synthes, e.g. responsible for the global integration of Stratec and Mathys, for global quality management, for international logistics and General Manager of Synthes Switzerland. At Johnson & Johnson, following its acquisition of Synthes, he headed the J&J ONE Medical Device unit for Germany, Switzerland and Austria. Prior to this, he was working at PwC in M&A consulting and corporate finance and began his career at Roche, where he worked in marketing and product management in the US from 1996 to 2000.

Qualifications: He holds a PhD in chemistry from ETH Zurich and completed a General Management Program at the Harvard Business School.

Dominique Leutwyler**Chief Financial Officer and Deputy CEO**

Career highlights: From 1995 to 2001 several positions, ultimately Chief Financial Officer (CFO) of Saab Automobile Switzerland. Since 2001 CFO of Medartis.

Qualifications: Commercial Apprenticeship and further education in accounting at the KV Business School Basel.

Axel Maltzen**Chief Production Officer**

Career highlights: Since 2008 Head Quality Management and since 2014 Chief Production Officer (CPO) at Medartis. From 2005 to 2008 Head Quality Management at Stryker Leibinger and from 2003 to 2005 Team Leader for environmental facilities at tesa plant Hamburg. Earlier he was responsible as Head Project Manager for international environment projects at AB Umwelttechnik.

Qualifications: He holds a degree as Mechanical Engineer specialized in process engineering.

Anthony Durieux-Menage**Chief Human Resources Officer**

Career highlights: CHRO (Chief Human Resources Officer) at Medartis AG since June 2019. Prior he was Group HR Director at Swiss pharma Company Acino and held management roles in HR and Operational Excellence at Novartis. Previously, he was production engineer at Ajinomoto in France and started his career at Lesaffre as a biochemistry engineer.

Qualifications: He holds a Master's degree in Biochemistry from the National Institute of Applied Sciences in Toulouse (France).

Thomas Tribelhorn**Chief Technology Officer**

Career highlights: Since 2004 at Medartis where first he was Head Business Unit Trauma, later, from 2008 to 2010, General Manager at Medartis UK and since 2012 Chief Technology Officer (CTO) at Medartis AG. Before joining Medartis, from 2000 to 2004, Global Operations Planer at F. Hoffmann-La Roche AG and prior to that, from 1996 to 2000, at Stratec Medical (later Synthes).

Qualifications: He holds a degree in Business Administration in International Management from the University of St. Gallen (HSG).

4.2 Other activities and vested interests

No other member of the Executive Management Board has any other activities or vested interests in accordance with the Directive outside of Medartis.

4.3 Permitted other activities pursuant to OaEC

The number of external offices is stipulated as follows with binding effect in the [Articles of Association](#):

Members of the Executive Management Board must not simultaneously hold more than 3 additional mandates in commercial enterprises, of which no more than 1 may be held in a listed legal entity.

Not subject to the above restrictions are:

- a) Mandates in entities controlled by Medartis or controlling Medartis;
- b) Mandates in entities upon request of Medartis; and
- c) Mandates in associations, organizations and legal entities with a public or charitable purpose, foundations, trusts, as well as staff pension funds.

Mandates are defined as mandates in the highest management body (Boards of Directors) of a legal entity which is obliged to be entered in the commercial register or in a corresponding foreign register. Mandates in different legal entities that are under uniform control or have the same economic justification are considered as one mandate.

All members of the Executive Management Board are within the limits of external mandates stipulated by the [Articles of Association](#).

4.4 Management contracts

There are no management or service contracts with third parties.

5. Compensation, shareholdings and loans

The relevant information to compensation, shareholdings and loans can be found in the Remuneration Report Section of this Annual Report.

6. Shareholders' participation rights

6.1 Voting rights restrictions and representation

Each share entitles the holder to one vote. Persons who have participated in any way in the management of the Company do not have the right to vote on resolutions to ratify the actions of the Board of Directors.

Each shareholder may be represented at the General Meeting by another person who is capable of acting and who need not be a shareholder, on the basis of a written power of attorney.

Each shareholder may be represented by the independent proxy. The requirements for powers of attorney and instructions are determined by the Board of Directors.

6.2 Quorums required by the Articles of Association

The [Articles of Association](#) do not prescribe that a quorum of shareholders is required to be present at a shareholders' meeting.

The [Articles of Association](#) do not contain quorums deviating from statutory Swiss law.

6.3 Convocation of the Annual General Meeting of shareholders

Under Swiss law, a Annual General Meeting must be held within six months of the end of a Company's preceding financial year. Shareholders' meetings may be convened by the Board of Directors or, if necessary, by a Company's statutory auditors or liquidators. The Board of Directors is further required to convene an extraordinary shareholders' meeting if resolved at a shareholders' meeting or within two months if requested by one or more shareholder(s) representing in aggregate at least 10% of a Company's nominal share capital registered in the commercial register.

6.4 Inclusion of items on the agenda

Shareholders representing a total of at least 10% of the share capital or jointly representing shares with a nominal value of CHF 1 million may request that an item be included on the agenda of the Annual General Meeting. If no deadline is specified in the Company's notice regarding the possible inclusion of items on the agenda, or if the Company waives the publication of such notice, the request for inclusion on the agenda must be made in writing at least forty-five (45) days prior to the meeting, stating the item to be discussed and the motions of the shareholder or shareholders.

No resolutions may be passed on motions relating to items not duly announced, with the exception of motions to convene an extraordinary shareholders' meeting, to conduct a special audit and to elect an auditor at the request of a shareholder.

No prior notice is required for motions relating to the items on the agenda and for negotiations without a resolution.

6.5 Entries in the share register

The Company issues its shares as uncertificated securities (Wertrechte) within the meaning of article 973c CO and registers them as intermediated securities (Bucheffekten) within the meaning of the Swiss Federal Intermediated Securities. In accordance with article 973c CO, the Company maintains a register of uncertificated securities (Wertrechtbuch).

Voting rights may be exercised only after a shareholder has been recorded in the share register as a shareholder with voting rights up to a specific qualifying day designated each time by the Board of Directors.

Acquirers of shares will be recorded in the share register as shareholders with the right to vote, provided that they expressly declare that they acquired the registered shares in their own name and for their own account and fulfill certain other requirements.

7. Changes of control and defense measures

7.1 Duty to make an offer

Rules in the [Articles of Association](#) on opting out (art. 125 para. 3 and art. 4 FMIA) and opting up (art. 135 para. 1 FMIA), stating the percentage threshold:

The Company's [Articles of Association](#) contain an opting-out provision and accordingly the obligation to submit a mandatory public takeover offer pursuant to the applicable provisions of the Swiss Financial Market Infrastructure Act (the "FMIA") is set aside in the sense of art. 125 paragraph 3 and 4 FMIA (Opting-out). Apart from this existing opting-out provision, there are no limitations regarding shareholder rights, i.e. with respect to admissibility and voting of shareholders.

The opting-out provision was adopted in the [Articles of Association](#) before the initial public offering as a safeguard to avoid an unwanted triggering of the duty to make an offer by the majority shareholder as a consequence of potential future changes in the Company's issued equity capital, as stipulated by the Swiss legislation regarding mandatory takeover offers and based on the current practices of the Swiss takeover board.

7.2 Clauses on changes of control

With respect to the compensation of the Executive Management Board in connection with the occurrence of a change of control, the [Articles of Association](#) allow for the continuation, shortening or withdrawal of exercise conditions and periods and vesting periods, for the payment of compensation based on the assumption that the target values are achieved, or the forfeit of compensation.

Other than provided in the LTI program as described in section 2.7 above, there are no agreements with the members of the Board of Directors or the Executive Management Board in the event of change of control.

8. Auditors

8.1 Duration of the mandate and term of office of the lead auditor

Ernst & Young AG have been appointed as Group and statutory auditors of the Company at the 2019 General Meeting, having been the auditors since the year ending 2004. The auditor in charge is new in its function since 2018. The shareholders re-elect the auditors on an annual basis at the General Meeting.

8.2 Auditing fees

The total auditing fees charged by the audit firm in the year 2019 for the audit of the financial statement were TCHF 219 (2018: TCHF 235).

8.3 Additional (non-audit related) fees

The total fees charged in the year under review by the audit firm for additional services performed for Medartis were TCHF 115 (2018: TCHF 140). The additional fees for 2019 were mainly related to IFRS consulting. The additional fees for 2018 were mainly related to the IPO.

8.4 Information instruments pertaining to the external audit

The Finance and Audit Committee oversees the activities of the auditors and assesses the performance, remuneration and independence of the external auditor annually. The Board of Directors proposes the election of the external auditor to the Annual General Meeting based on the recommendation of the Finance and Audit Committee. The Finance and Audit Committee assesses the scope of the audit by the external auditor and the relevant procedures annually and discusses the audit findings with the external auditor. During the reporting year, four (4) meetings were held with the representatives of the external auditor. For additional information see section 3.5.2 of this Annual report.

9. Information policy

Medartis is committed to a policy of transparent, open and continuous information. Shareholders receive information through the Annual Report, the Half Year Report, media releases, the internet and at the Annual General Meeting. In accordance with the rules of the SIX Swiss Exchange, Medartis publishes relevant figures on a half-yearly basis. Moreover, Medartis provides continuous information on important events according to the rules of ad-hoc notifications.

The frequency and form of information that the issuer provides its shareholders, along with an indication of permanent sources of information and contact addresses of the issuer that are publicly accessible or made specially available to shareholders (e.g. links to web pages, information centres, printed matter).

For more information, please visit www.medartis.com/investor-media-relations or address requests to:

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