

2019 | Remuneration Report

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Remuneration report

The present remuneration report of Medartis Holding AG sets out the guiding basic remuneration principles, the governance rules around compensation decisions, the current compensation architecture and elements, as well as the actual remuneration paid and / or allocated to the Board of Directors and the Executive Management Board for the reported year. It is in compliance with the requirements of the Ordinance Against Excessive Compensation in Publicly Listed Companies ("VegüV"), Medartis' Articles of Association and, with respect to compensation disclosure, article 5 of the appendix to the SIX Exchange Regulation Directive on Corporate Governance (DCG) and section 38 of appendix 1 of the Swiss Code of Best Practice for Corporate Governance.

1. Basic remuneration principles

Medartis' remuneration system underpins the group's commitment to attract, engage and retain the best talents within the industry. The Articles of Association of Medartis Holding AG stipulate the following basic principles:

- Board of Directors (Art. 30): The remuneration of the members of the Board of Directors consists of a fixed compensation, which is paid in cash and / or in the form of shares. It may comprise other compensation elements and benefits.
- Executive Management Board (Art. 31): The remuneration of the Executive Management Board consists of fixed remuneration elements (comprising base salary and possibly other remuneration elements and benefits) and variable compensation elements (consisting of short-term and / or long-term compensation components). The variable components may be paid in cash and / or shares, options or other equity-based instruments.
- Approval by the general meeting of shareholders (Art. 16) (General Meeting): The General Meeting approves annually, on a binding basis and at the request of the Board of Directors, the aggregate amounts of the fixed remuneration of the Board of Directors for the period up to the next ordinary General Meeting, and of the Executive Management Board for the next full financial year following the year of the ordinary General Meeting. The General Meeting further approves annually the total amount of variable remuneration elements (short-term and long-term) for the Executive Management Board for the current financial year in a binding and separate manner.
- Additional amount for newly appointed members of the Executive Management Board (Art. 32): Should new members of the Executive Management Board be appointed after the resolution of the General Meeting, an additional amount of up to 140% of the latest CEO total compensation in case of a new CEO appointment, and / or up to 140% of the latest average group executive's total compensation in case of appointment of other new members of the Executive Management Board, may be granted according to article 32 of the Articles of Association. In addition, and based on the same article, buy-out awards in the amount of up to CHF 1'000'000 to a newly appointed CEO and / or up to CHF 500'000 for other newly appointed members of the Executive Management Board may be granted in order to compensate the newly appointed executives for the loss of deferred compensation elements with their previous employer. The General Meeting does not vote on the additional amount used according to article 32 of the Articles of Association.
- No loans, credits, additional pension benefits (Art. 33): Members of the Board of Directors and of the Executive Management Board may not be granted any loans, credits or pension benefits outside the scope of occupational benefits, except for loans up to CHF 250'000 per individual to bridge-finance legal costs.
- Maximum contractual terms (Art. 36): Employment contracts with members of the Executive Management Board may be concluded for a fixed term of up to 1 year, or for an indefinite term with a notice period of up to 1 year.

2. Remuneration governance and processes

The overall responsibility for the implementation of the statutory remuneration principles lies with the Board of Directors. According to the [Remuneration Committee Charter](#) (Art. 3) and the Articles of Association of Medartis Holding AG (Art. 27), the Remuneration Committee assists the full Board of Directors in the following tasks:

- Preparation of the remuneration report
- Preparation of the proposals regarding the maximum remuneration amounts of the Board of Directors and the Executive Management Board for approval by the General Meeting;
- Implementation of resolutions passed by the general meeting of the shareholders in this respect
- Agreements on the additional amount pursuant to Article 32 of the Articles of Association;
- Appointment and dismissal of persons entrusted with the management of the company or individual branches thereof;
- Setting-up, monitoring and regularly reviewing of the remuneration policy and guidelines at the highest level of the Company, as a whole;
- Setting of the conditions for 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;
- Determination and review of the objectives and the target level of the short- and long-term performance-related remuneration elements and evaluation of their achievement levels with ensuing payout.

Details on the constitution of the Board of Directors and of the Remuneration Committee, as well as regarding further details such as, for example, maximum number of external mandates, can be found in Medartis' corporate governance report.

The Board of Directors or, upon delegation by the Board of Directors, the Remuneration Committee determines annually the performance values and the variable short- and long-term compensation elements, their amount and attainment, as well as the allocation conditions, vesting conditions and periods, as well as any blocking periods and expiration conditions in accordance with the compensation plan regulations.

The Chairman of the Remuneration Committee reports to the Board of Directors after each meeting on the activities of the committee. Every member of the Board shall receive a copy of the minutes of every meeting of the Remuneration Committee.

The Remuneration Committee recommends, and the Board of Directors determines, on an annual basis, the amount of the remuneration of the individual members of the Board of Directors, including its Chairman, subject to and within the limits of the maximum total amount approved by the General Meeting. All decisions are subject to Medartis' conflict of interest policy as put forward in the Organizational Regulations (Art. 35).

Remuneration to the CEO is recommended by the Remuneration Committee and determined by the Board of Directors on an annual basis, subject to and within the limits of the maximum total amount approved by the General Meeting. Remuneration to the other members of the Executive Board is recommended by the CEO, reviewed by the Remuneration Committee and determined by the Board of Directors, on an annual basis, subject to and within the limits of the maximum total amount approved by the General Meeting.

The chairman of the Remuneration Committee can invite persons other than Remuneration Committee members to attend all or a portion of a meeting. Invited persons shall not participate in the discussions or deliberations of the Remuneration Committee unless invited to do so, and they shall not be entitled to vote.

The Remuneration Committee reviews the compensation package of the members of the Executive Management Board annually and proposes to the Board of Directors any adjustments. As a base for this work the Remuneration Committee assesses compensation packages in similar companies. To build the compensation benchmark the following two groups of companies were analyzed:

- Listed companies in the worldwide MedTech industry as well as worldwide players in Health Care with a similar size (in terms of employees and / or revenue), and
- The Mercer Total Remuneration Survey for Executive members of Swiss mid-size companies

The Remuneration Committee may decide to consult external advisors on specific compensation matters. In 2018 and 2019, Seematter & Sterchi Incentive Plans AG (SSIP), a company specialized in incentive plan design and international implementation, has been appointed to advise on the redesign and international roll-out of the share-based compensation elements. The firm does not have any other mandate with Medartis.

As set out above, the General Meeting approves the total remuneration amounts to the Board of Directors and to the Executive Management Board on an annual basis and in a binding manner. The Board of Directors values the dialogue with shareholders and is considerate of their views about executive compensation when reviewing compensation principles. Against this background, the Board of Directors voluntarily submits the compensation report to a consultative vote at the General Meeting. This vote allows shareholders to express their opinion on the compensation system, compensation disclosure as well as remuneration paid and granted in the past financial year.

The remuneration practices are further guided by the basic principles determined in Medartis' Articles of Association, as set out above.

3. Compensation architecture and elements

3.1 Board of Directors

For their non-executive services in the Board, members of the Board of Directors receive a fixed basic compensation, which may be paid in cash and / or in the form of shares, based on the responsibilities and time requirement of their functions within the Board or within the committees of the Board of Directors, without any entitlement to performance-related compensation, and there are no additional fees per meeting or for Board Committee memberships. This ensures that the Board of Directors remains independent while exercising its supervisory duties towards the Executive Management Board. For 2019, fixed board fees were paid in cash only. The amount of fees for each function of the Board of Directors is determined annually, considering the market compensation trends and comparisons with other listed life science companies of similar size which operate internationally. Members of the Board of Directors who also hold Group executive functions receive a separate compensation for such executive function, which is disclosed accordingly below in the section on the Executive Management Board.

There were no relevant changes to the remuneration structure or amounts for the Board of Directors in 2019 apart the one-time IPO program specific for the year 2018.

In 2019, Medartis worked on implementing a "Restricted Share Plan for the Board", under which members of the Board of Directors may voluntarily elect to receive all or part of their fees in the form of restricted Medartis shares instead of cash. This plan has been approved and is effective as of February 27th, 2020. Details will be set out in the remuneration report 2020.

There are no contractual share ownership requirements for members of the Board of Directors.

Depending on the contractual setup and individual circumstances, the remuneration paid to members of the Board of Directors may be subject to VAT or statutory social security contributions.

3.2 Executive Management Board

a. Overview

The remuneration of the Executive Management Board (CEO and other members of group management) consists of a fixed base salary, an annual, performance-based short-term incentive, a long-term incentive plan in the form of restricted share grants, and other benefits (e.g. company car or car allowance, seniority gift).

During the year 2019, three changes to the Executive Management Board have been communicated: the appointment of Christoph Brönnimann as CEO as of September, the one of Anthony Durieux-Menage as CHRO as of June and the departure of Oliver Marx (CSO) in November.

There were no relevant changes to the remuneration structure for the Executive Management Board in 2019 apart the one-time IPO program specific for the year 2018.

Details on each compensation component are set out below.

b. Fixed base salary

The fixed base salary depends on the function, the qualification and the professional experience of the respective individual. In 2019, there were no relevant changes to base salaries of the Executive Management Board members.

c. Annual short-term incentive

Payment of the annual short-term incentive, if any, is made in cash, usually in the first half of the following year. The target amount for the annual short-term incentive (at 100% performance achievement) amounts to 75% for the new appointed CEO (vs. 50% for the previous CEO last year) and 20% - 29% (other members of the Executive Management Board) (previous year: 20%-27%), respectively, of the individual's annual gross base salary. This target value is determined individually for each member of the Executive Management Board and is reviewed in a benchmarking process once per year, considering peer companies and benchmarks as for the fixed base salary (see above).

The performance metrics used for the Executive Management Board members' annual short-term incentive are annual net sales, OPEX and EBITDA of the Medartis Group, which are considered to be the most critical and sustainable value drivers of the Group. There are no individual performance targets. OPEX and EBITDA are measured relative to actual net sales. This means, for example, that if a turnover higher than the budget value is achieved, the OPEX can be higher than budgeted without having a negative influence on the partial amount of the STI and vice versa.

The weighting of each of those three performance measures may differ by individual and is set at the beginning of the year in the annual performance agreements. Once agreed, there is no discretion to change the weighting.

For each metric, the CEO determines and the Board of Directors approves the annual target and maximum performance levels in advance and in line with the budget process for the subsequent financial year and with the long-term strategy. Each performance indicator's target achievement, multiplied by its weighting and by the individual's target amount for the short-term incentive, determines the actual payout.

- 100% achievement of the performance targets leads to 100% payout of the target amount.
- For each percentage point that the performance achievement level is above or below the performance targets, the payable amount is reduced or increased, respectively, by 20%.
- Consequently, a performance target achievement level of 95% or less leads to 0% payout on the respective metric (this is the threshold), and a performance target achievement level of 105% or more leads to the capped payout of 200% on the respective metric.
- Between threshold, target and cap, there is a linear interpolation of performance achievement to payout levels.

There is no Board of Director's discretion in the measurement of the performance target achievement levels and the calculation of the resulting amounts payable.

d. Long-term incentive

Medartis implemented a new "Long-Term Incentive Plan for Executive Management Board". The amount of this long-term compensation is determined individually for each participant, generally at the discretion of the Board of Directors. It is reviewed once a year and may be subject to fluctuations.

According to the plan, the Board of Directors at its sole discretion may determine the grant amount for members of the Executive Management Board, which will be converted into a number of granted Restricted Shares (RS), subject to a 2-year restriction period for Swiss-Residents or a number of Restricted Stock Units (RSUs), subject to a 1-year vesting and a 1-year blocking period for non-Swiss residents.

Allocation of RS (for Swiss-Residents) or RSUs (for non-Swiss Residents) granted for any calendar year will take place within two business days after the Annual General Meeting of the following calendar year. At the end of the restriction period (2 years for both plans), participants have the right to freely dispose of the shares.

The number of RS allocated for Swiss-Residents is calculated as follows:

The grant amount will be converted into a number of RS, by dividing such amount by a share value that equals 75% of the volume-weighted average price of a share over a period of 20 trading days ending with the last trading day before the Annual General Meeting that triggers the allocation:

$$\frac{\text{Grant Amount}}{75\% * (20\text{-day volume-weighted average Share price})} = \text{number of RS allocated}$$

The number of RSUs allocated for non-Swiss-Residents is calculated as follows:

The grant amount will be converted into a number of RSUs, by dividing such amount by a share value that equals 75% of the volume-weighted average price of a share over a period of 20 trading days ending with the last trading day before the Annual General Meeting that triggers the allocation:

$$\frac{\text{Grant Amount}}{75\% * (20\text{-day volume-weighted average Share price})} = \text{number of RSUs allocated}$$

The LTI grant amounts for 2019 will be allocated to Executive Management Board members following the Annual General Meeting. The LTI compensation amount disclosed in the audited tables in section 4 show the allocated LTI grant amount for 2019, including step-up deriving from the use of the 25% discounted share price for the conversion.

As of 2021, Medartis plans to implement another compensation element:

- "Bonus Restricted Shares Plan": Members of the Executive Management Board and key employees from the Headquarter will have the possibility to receive all or part of their short-term incentive payout in the form of RS (for Swiss residents) or RSUs (for non-Swiss-residents) instead of cash. The implementation is planned for the 2020 short-term incentive payout in 2021.

Shares required under the LTI may be made available, at discretion of the Board of Directors, by capital increase, treasury shares or purchase of shares in the market. Further details on conditional capital are set forth in section 2.2 of the Corporate Governance report

e. Other elements and comments

Members of the Executive Management Board participate in the benefits plan available in the country of their employment contract. Benefits consist mainly of retirement, insurance and health care plans that are designed to provide a reasonable level of protection for the employees and their dependents with respect to retirement, risk of disability, death and illness / accident. Medartis' pension benefits under Swiss contracts exceed the legal requirements of the Swiss Federal Law on Occupational Retirement, Survivors' and Disability Pension Plans (BVG) and are in line with what other international industrial companies offer.

Out-of-pocket expenses incurred to executives in connection with their employment services for Medartis and duly reimbursed by Medartis in accordance with the applicable regulations are not considered to be compensation subject to approval and are not further considered for the below compensation tables.

Each Executive Management Board member is entitled to the following fringe benefits: a company car (or car allowance) and seniority gifts. No severance payments or notice periods of more than six months have been agreed with members of the Executive Management Board.

A buy-out award has been granted to Christoph Brönnimann (new CEO since September 2019) in the total amount of 382'697.50 CHF. Pay-out will be done according to the following 3-years (36 months) mechanism:

- 1st allocation of restricted shares: 50% or 18/36 of the total agreed amount (i.e. of 191'348.75 CHF will be done 18 months after the start date in February 2021)
- The rest will be allocated quarterly in installments of 3/36 of the total amount (i.e. 31'891.45 CHF always in the form of restricted shares (last allocation will be executed in August 2022))
- The maximum number of restricted shares allocated is calculated on the basis of the average weighted stock market price of the first five working days, i.e. from the 2nd to the 6th September 2019
- The restricted shares will be allocated only if the employment relationship between employer and employee is not terminated
- The allocated restricted shares have a blocking period of 3 years

There are no contractual share ownership requirements for members of the Executive Management Board.

The actual compensation paid directly and indirectly to members of the Executive Management Board in the reported year is shown in the tables below.

4. Actual remuneration for the reported year

This section contains:

- the actual compensation paid to the Board of Directors for 2019;
- the actual compensation paid to the Executive Management Board for 2019;
- other compensation-related information under the OaEC;
- a general pay-for-performance review;
- comments on the alignment between paid and pre-approved amounts; and
- information on shareholdings of members of the Board of Directors and of the Executive Management Board.

Subsections (a), (b) and (c) are subject to external audit according to the Ordinance Against Excessive Compensation in Publicly Listed Companies ("OaEC"; "VegüV").

All amounts shown below are in Swiss Francs (CHF).

a) Remuneration of the Board of Directors (audited)

The below table shows the compensation paid to members of the Board of Directors for 2019. All individuals were members of the Board of Directors during this entire period. Values in italics represent data for the year 2018.

	Fixed board fee (cash)	Social security contributions	IPO Shares (only in 2018)	Total
Thomas Straumann Chairman of the Board	529'000 CHF <i>446'578 CHF</i>	136'112 CHF <i>135'413 CHF</i>	n/a <i>0 CHF</i>	665'112 CHF <i>581'991 CHF</i>
Dominik Ellenrieder Vice-chairman of the Board Chairman of the Remuneration Committee Member of the Finance & Audit Committee Member of the Strategy and Innovation Committee	275'000 CHF <i>215'030 CHF</i>	0 CHF <i>0 CHF</i>	n/a <i>0 CHF</i>	275'000 CHF <i>215'030 CHF</i>
Roland Hess Member of the Board Chairman of the Audit Committee	150'000 CHF <i>126'629 CHF</i>	9'375 CHF <i>10'866 CHF</i>	n/a <i>87'494 CHF</i>	159'375 CHF <i>224'989 CHF</i>
Jürg Greuter Member of the Board Member of the Remuneration Committee	100'000 CHF <i>84'419 CHF</i>	0 CHF <i>0 CHF</i>	n/a <i>24'998 CHF</i>	100'000 CHF <i>109'417 CHF</i>
Daniel Herren Member of the Board Member of the Remuneration Committee Member of the Strategy and Innovation Committee	100'000 CHF <i>84'419 CHF</i>	8'100 CHF <i>7'485 CHF</i>	n/a <i>21'245 CHF</i>	108'100 CHF <i>113'149 CHF</i>
Willi Miesch Member of the Board Chairman of the Strategy and Innovation Committee	100'000 CHF <i>84'419 CHF</i>	7'380 CHF <i>7'553 CHF</i>	n/a <i>0 CHF</i>	107'380 CHF <i>91'972 CHF</i>
Damien Tappy Member of the Board Member of the Finance & Audit Committee	100'000 CHF <i>70'721 CHF</i>	0 CHF <i>0 CHF</i>	n/a <i>124'992 CHF</i>	100'000 CHF <i>195'713 CHF</i>
Total all members	1'354'000 CHF <i>1'112'215 CHF</i>	160'967 CHF <i>161'317 CHF</i>	n/a <i>258'729 CHF</i>	1'514'967 CHF <i>1'532'261 CHF</i>

Comments:

- "Fixed board fee (cash)": Gross amounts before deduction of employee contributions to social security, occupational pension schemes and other mandatory charges, as far as applicable.
- "Social security contributions": Company contributions to social security and occupational pension schemes, as far as applicable.

b) Remuneration of the Executive Management Board (audited)

The below table shows the compensation paid to the CEOs and other members of the Executive Management Board for 2019. The Executive Management Board consists of the CEO and five additional members. The CEO position has changed in September and one member has joined the Executive Management Board in June.

All other members have been members of the Executive Management Board during the entire period.

For the two withdrawals from the Executive Management Board (Willi Miesch, CEO till August and Oliver Marx till October), the compensation paid during their respective notice period have been included in the table here after (the compensation to be paid during the remainder of their notice period will be included in the remuneration report for 2020). Values in italics represent data for the year 2018.

	Fixed compensation	Variable compensation in cash	Variable compensation in equity		Indirect compensation	Total
	Fixed base salary	Annual short-term incentive (STI)	Long-term incentive (LTI)	IPO Shares (only in 2018)	Social security contributions and fringe benefits	
Willi Miesch CEO	598'600 CHF <i>600'600 CHF</i>	94'720 CHF <i>199'200 CHF</i>	333'333 CHF <i>275'000 CHF</i>	n/a <i>0 CHF</i>	282'554 CHF <i>190'721 CHF</i>	1'309'207 CHF <i>1'265'521 CHF</i>
Christoph Brönnimann CEO (from September 2019)	167'666 CHF <i>n/a</i>	37'000 CHF <i>n/a</i>	166'667 CHF <i>n/a</i>	n/a <i>n/a</i>	74'843 CHF <i>n/a</i>	446'175 CHF <i>n/a</i>
Other members of the Executive Management Board (excl. CEOs)	1'284'292 CHF <i>1'144'000 CHF</i>	94'967 CHF <i>185'920 CHF</i>	444'444 CHF <i>387'500 CHF</i>	n/a <i>79'997 CHF</i>	527'588 CHF <i>402'718 CHF</i>	2'351'292 CHF <i>2'200'135 CHF</i>
Total all members of the Executive Management Board (incl. CEOs)	2'050'558 CHF <i>1'744'600 CHF</i>	226'687 CHF <i>385'120 CHF</i>	944'444 CHF <i>662'500 CHF</i>	n/a <i>79'997 CHF</i>	884'985 CHF <i>593'439 CHF</i>	4'106'675 CHF <i>3'465'656 CHF</i>

Comments:

- "Fixed base salary": Gross amounts before deduction of employee contributions to social security, occupational pension schemes and other mandatory charges, as far as applicable.
- "Annual short-term incentive (STI)": Amounts based on the performance in 2019, payable in 2020. Gross amounts before deduction of employee contributions to social security, occupational pension schemes and other mandatory charges, as far as applicable.
- "Long-term incentive (LTI)": As further explained in section 3.2 d), the disclosed amounts are LTI grant amounts for 2019 (though not converted into restricted shares yet), plus step-up in value deriving from the use of a 25% reduced conversion price. Gross amounts before deductions of employee contributions to social security, occupational pension schemes and other mandatory charges, as far as applicable.
- "Social security contributions and fringe benefits": Company contributions to social security and occupational pension schemes, as far as applicable. This column further includes the value of fringe benefits, consisting of company car private use (or car allowance) and seniority gifts (paid for only one member in 2019).

c) Other compensation-related information under the OaEC (audited)

For the reporting period, no compensation other than listed above in a) and b), respectively, was paid or granted to members of the Board of Directors and the Executive Management Board.

No compensation was paid or granted to former members of the Board of Directors or Executive Management Board.

No loans or credits were granted to current or former members of the Board of Directors and Executive Management Board. No such loans or credits were outstanding at the balance sheet date.

No compensation, loans or credits were paid or granted at non-market conditions to persons closely associated with current or former members of the Board of Directors or Executive Management Board. No such loans or credits were outstanding at the balance sheet date.

d) Performance-related compensation: General pay-for-performance review

In 2019, the target achievement levels for the three metrics in the annual short-term incentive for members of the Executive Management Board led to a payout ratio of 30% of the target amount (previous year: 41%).

Consequently and in total, the STI payout to members of the Executive Management Board (excl. CEOs) for 2019 equals CHF 94'967 (previous year CHF 185'920) as stated in the above compensation tables, which represents 7% (previous year: 16%) of the fixed base salary in the same period. For the CEOs (only for Willi Miesch), the STI payout of CHF 94'720 (previous year: CHF 199'200) represents 16% of the base salary (previous year: 33%).

In addition, and as also set out in the above compensation tables, the grant value of restricted shares under the LTI was CHF 444'444 (previous year: 387'500) for the entire Executive Management Board (excl. CEOs), CHF 333'333 for the CEO (Willi Miesch) in 2019 which is 21% higher compared to 2018 (previous year: CHF 275'000). This increase is linked to two factors: an increase of the LTI potential by around 14% and the higher discount on the share prices of the new LTI plan (at 25%) compared to the one from the previous LTI plan (20%).

The aggregate variable compensation (STI and LTI) for 2019 represents 71% (previous year: 79%) of the fixed base salary for the CEO (Willi Miesch). This is the total pay mix for the regular compensation elements.

The aggregate variable compensation (STI and LTI) for 2019 represents 42% (previous year: 50%) of the fixed base salary for the entire Executive Management Board (excl. CEOs). This is the total pay mix for the regular compensation elements.

Total compensation paid for 2019 was higher than for 2018, mainly because of the additional members (Christoph Brönnimann, CEO as of September 2019 and Anthony Durieux-Menage, CHRO as of June 2019). With respect to the other compensation elements, the remuneration architecture did not undergo any relevant changes apart from the new LTI plan which provides for a conversion of the grant amount with a 25% discount on the share price instead of 20% in 2018 and the one-time IPO program specific for the year 2018.

e) Alignment with pre-approved maximum amounts (audited)

At the ordinary annual General Meeting of Medartis Holding AG on 10 May 2019, the shareholders approved, with binding effect and in separate votes, the following maximum aggregate amounts:

Compensation to the Board of Directors for the period from the General Meeting 2019 to the General Meeting 2020:	CHF 1'600'000
Fixed base salary to the Executive Management Board (incl. CEO) for the business year 2020:	CHF 2'900'000
Variable compensation to the Executive Management Board for the business year 2019:	CHF 2'800'000

Board of Directors:

As shown in the above Board remuneration table, the total compensation paid to the Board of Directors for services in the financial year 2019 (subtotal fixed board fee and social security contributions) amounts to CHF 1'514'967 (previous year: CHF 1'273'532) which is within the limits of the pre-approved maximum amounts at the General meetings.

Executive Management Board, fixed base salary 2019:

The total amount approved by the Annual General Meeting in 2018 for the fixed base salary of the Executive Management Board for the period from 1st January 2019 to 31st December 2019 amounts to CHF 2'423'525.

The sum of the total fixed base salary paid to the Executive Management Board (incl. CEOs and new members) for the year 2019 amounts to CHF 2'843'000. The portion of the total amount paid for 2019 without the two new members amounts to 2'423'451 (previous year: CHF 2'203'102) and is within the limits approved by the Annual General Meeting for the same period.

The amount paid for the new CEO and the new Executive Management Board member are compliant with the rules defined in section 1 of the remuneration report.

Executive Management Board, variable compensation for 2019:

Variable compensation includes the annual short-term incentive (STI) and the long-term incentive (LTI). The total aggregate amount of those two elements for 2019, as shown in the above compensation tables, equaled CHF 1'171'131 (previous year: CHF 1'193'915) for the entire Executive Management Board (incl. CEOs). This is within the limits of the maximum amount approved by the General Meeting for the same period (CHF 2'800'000).

f) Shareholdings of members of the Board of Directors and of the Executive Management Board

See attachment to the 2019 financial statements of Medartis Holding AG.



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To the General Meeting of
Medartis Holding AG, Basel

Basle, 27 February 2020

Report of the statutory auditor on the remuneration report

We have audited the remuneration report of Medartis Holding AG for the year ended 31 December 2019. The audit was limited to the information according to articles 14–16 of the Ordinance against Excessive Compensation in Stock Exchange Listed Companies (Ordinance) contained in the tables labeled “audited” on pages 47 to 50 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 remuneration report. We conducted our audit in accordance with Swiss Auditing Standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the remuneration report complies with Swiss law and articles 14–16 of the Ordinance.

An audit involves performing procedures to obtain audit evidence on the disclosures made in the remuneration report with regard to compensation, loans and credits in accordance with articles 14–16 of the Ordinance. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatements in the remuneration report, whether due to fraud or error. This audit also includes evaluating the reasonableness of the methods applied to value components of remuneration, as well as assessing the overall presentation of the remuneration report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.



Opinion

In our opinion, the remuneration report for the year ended 31 December 2019 of Medartis Holding AG complies with Swiss law and articles 14–16 of the Ordinance.

Ernst & Young Ltd

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Licensed audit expert
(Auditor in charge)

André Schaub
Licensed audit expert