

# 2020 | 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 Annual General Meeting, and of the Executive Management Board for the next full financial year following the year of the Annual 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:

- The Klingler Survey for Executive members for similar 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 mid-size companies

The Remuneration Committee may decide to consult external advisors on specific compensation matters. Since 2018, 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 2020, fixed board fees were paid in cash and/or in Restricted Shares. 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.

Marco Gadola has been elected as an additional independent member of the Board of Directors at the Annual General Meeting on 17 April 2020. Following his election, he became a member of the Finance and Audit Committee.

All current members of the Board of Directors and Chairman Dr. h.c. Thomas Straumann have been re-elected.

Willi Miesch has been appointed Chairman of the Strategic & Innovation Committee as of March 2020.

In order to participate to the cost-control efforts due to impact of the Covid-19 on our business, the members of the Board of Director decided to waive 40% of their fees between May and December 2020.

#### **Main principles of the new plan which manages the calculation and allocation of the Medartis Restricted Shares for the members of the Board of Directors:**

Unless otherwise determined by the Board, the Allocation Date shall be within 30 days from the Annual General Meeting at which the compensation to the board for the respective period was approved.

Immediately before the Allocation Date, the equivalent of the Board Fee that a Board Member elected to receive in the form of Medartis Restricted Shares instead of cash shall be converted into a number of Medartis Restricted Shares as set out below. The remaining part of the Board Fees continues being paid out in cash according to the usual processes and timelines.

The equivalent of the Board Fee that a Board Member elected to receive in the form of Medartis Restricted Shares shall not be paid out in cash, but shall instead be converted into a number of Medartis Restricted Shares, by dividing such amount by a Share value that equals 85% 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 Date:

$\frac{\text{selected Board Fee portion}}{85\% * (20\text{-day volume-weighted average Share price)}} = \text{number of RS allocated}$
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The Medartis Restricted Shares are allocated during the 30 days after the Annual General Meeting with a discount of 15%. The allocated Medartis Restricted Shares are subject to a Restriction Period of 2 years.

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, family allowance, seniority gift).

During the year 2020, three changes to the Executive Management Board have been communicated: the appointment of Lisa Thompson as President North America as of April, the one of Mareike Loch as Vice President EMEA as of August and the one of Manuel Schaer as CTO as of November. Manuel Schaer succeeded Thomas Tribelhorn (who has decided to take on a new challenge).

There were no relevant changes to the remuneration structure for the Executive Management Board in 2020.

In order to participate to the cost-control efforts due to impact of the Covid-19 on our business, the members of the Executive Management Board who were already in function in January 2020 decided to waive 10% of their fixed salary between May and December 2020 and 20% of their 2020 long-term incentive compensation.

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 2020, 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 CEO (previous year: 75%) and 21%-40% for other members of the Executive Management Board (previous year: 20%–29%), 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 and regional net sales are additionally used for the ones with regional sales responsibilities. These metrics 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.

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).
  - From this threshold of 95% (which corresponds to 0 payment) the progression is linear following the previous rule which explains that each percentage point that the performance is above the threshold, the payable amount on the respective metric is increased by 20%.
- The maximum paid amount of the STI is capped at 200%.

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.

#### Example of calculation (fictitious):

An Executive Management Board Member of Medartis AG participating in the STI Plan has a target value of CHF 100'000 that can be broken down as follows:

- CHF 50'000 based on net sales
- CHF 30'000 based on OPEX
- CHF 20'000 based on EBITDA

The following (fictitious) budget figures and annual results (in millions of CHF) would result in a total STI value of CHF 156'400.

KPIs	Absolute budget value	Percentual budget value	Actual value	Actual%	Goal achievement	STI sub-value
Net Sales	120	100%	125		+104.2% (125/120)	+184% (100% + 4.2 * 1/5)
OPEX	60	50% of net sales	62	49.6% (62/125)	+100.8% (50/49.6)	+116% (100% + 0.8 * 1/5)
EBITDA	15	12.5% of net sales	16	12.8% (16/125)	+102.4% (12.8/12.5)	+148% (100% + 2.4 * 1/5)

KPIs	STI sub-value %	STI sub-value in CHF	STI total value in CHF
Net Sales	+184%	92'000 (184% * CHF 50'000)	CHF 156'400 (CHF 92'000 + CHF 34'800 + CHF 29'600)
OPEX	+116%	34'800 (116% * CHF 30'000)	
EBITDA	+148%	29'600 (148% * CHF 20'000)	

The maximum payout amount of the STI is limited to 200% (in the example shown, CHF 200'000)

#### d. Long-term incentive

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 Tax-Residents) or RSUs (for non-Swiss Tax-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 Tax-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 Tax-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 2020 will be allocated to Executive Management Board members following the Annual General Meeting of 2021. The LTI compensation amount disclosed in the audited tables in section 4 show the allocated LTI grant amount for 2020.

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

- "Bonus Restricted Shares Plan": Members of the Executive Management Board and key employees of the Headquarter will have the possibility to receive all or part of their short-term incentive payout in the form of RS instead of cash. The implementation is planned for the 2021 short-term incentive payout in 2022.

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), a family allowance (if there are eligible for it), seniority gifts and wedding bonus.

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 2020;
- the actual compensation paid to the Executive Management Board for 2020;
- 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

The below table shows the compensation paid to members of the Board of Directors for the period between the Annual General Meeting 2020 and the Annual General Meeting 2021. With the exception of Marco Gadola who has been appointed in April 2020, all other individuals were members of the Board of Directors during the entire term of office. Values in italics represent data for the period between the Annual General Meeting 2019 and the Annual General Meeting 2020.

Audited table:

	Fixed board fee (cash)	Social security contributions	Restricted Shares	Total
<b>Thomas Straumann</b> Chairman of the Board	387'933 CHF <i>529'000 CHF</i>	132'209 CHF <i>136'112 CHF</i>	0 CHF <i>n/a</i>	520'142 CHF <i>665'112 CHF</i>
<b>Dominik Ellenrieder</b> Vice-chairman of the Board Chairman of the Remuneration Committee Member of the Strategy and Innovation Committee	201'667 CHF <i>275'000 CHF</i>	0 CHF <i>0 CHF</i>	0 CHF <i>n/a</i>	201'667 CHF <i>275'000 CHF</i>
<b>Roland Hess</b> Member of the Board Chairman of the Finance & Audit Committee	55'000 CHF <i>150'000 CHF</i>	6'796 CHF <i>9'375 CHF</i>	55'000 CHF <i>n/a</i>	116'796 CHF <i>159'375 CHF</i>
<b>Jürg Greuter</b> Member of the Board Member of the Remuneration Committee	73'333 CHF <i>100'000 CHF</i>	0 CHF <i>0 CHF</i>	0 CHF <i>n/a</i>	73'333 CHF <i>100'000 CHF</i>
<b>Daniel Herren</b> Member of the Board Member of the Strategy and Innovation Committee	55'000 CHF <i>100'000 CHF</i>	5'921 CHF <i>8'100 CHF</i>	18'333 CHF <i>n/a</i>	79'254 CHF <i>108'100 CHF</i>
<b>Marco Gadola</b> Member of the Board Member of the Finance & Audit Committee	0 CHF <i>n/a</i>	6'573 CHF <i>n/a</i>	73'333 CHF <i>n/a</i>	79'906 CHF <i>n/a</i>
<b>Willi Miesch</b> Member of the Board Chairman of the Strategy and Innovation Committee Member of the Remuneration Committee	110'000 CHF <i>100'000 CHF</i>	15'936 CHF <i>7'380 CHF</i>	0 CHF <i>n/a</i>	125'936 CHF <i>107'380 CHF</i>
<b>Damien Tappy</b> Member of the Board Member of the Finance & Audit Committee	0 CHF <i>100'000 CHF</i>	0 CHF <i>0 CHF</i>	73'333 CHF <i>n/a</i>	73'333 CHF <i>100'000 CHF</i>
<b>Total all members</b>	<b>882'933 CHF</b> <i>1'354'000 CHF</i>	<b>167'435 CHF</b> <i>160'967 CHF</i>	<b>219'999 CHF</b> <i>n/a</i>	<b>1'270'367 CHF</b> <i>1'514'967 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.
- The valuation of Restricted Shares is based on a 20 trading days average from the 18 March 2020 till the 16 April 2020 accordingly to the LTI policy for the Board of Director fees

## b) Remuneration of the Executive Management Board

The below table shows the compensation paid to the CEO and other members of the Executive Management Board for 2020. The Executive Management Board consists of the CEO and six additional members. One member has joined the Executive Management Board in April (Lisa Thompson, President North America) another one in August (Mareike Loch, Vice President EMEA) and a last one in November (Manuel Schaer, CTO).

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

For the three withdrawals from the Executive Management Board (Willi Miesch, ex-CEO, Oliver Marx ex-CSO, Thomas Tribelhorn ex-CTO), the compensation paid during their respective notice period have been included in the table here after (for any compensation to be paid during the remainder of their notice period, it will be included in the remuneration report for 2021). Values in italics represent data for the year 2019.

Audited table:

	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)	Social security contributions and fringe benefits	
Christoph Brönnimann CEO	466'667 CHF <sup>(1)</sup> <i>167'666 CHF</i>	422'325 CHF <i>37'000 CHF</i>	400'000 CHF <i>166'667 CHF</i>	314'948 CHF <i>74'843 CHF</i>	1'603'940 CHF <i>446'175 CHF</i>
Other members of the Executive Management Board <sup>(2)</sup>	1'624'104 CHF <i>1'284'292 CHF</i>	462'432 CHF <i>94'967 CHF</i>	468'834 CHF <i>444'444 CHF</i>	740'027 CHF <i>527'588 CHF</i>	3'295'397 CHF <i>2'351'292 CHF</i>
<b>Total all members of the Executive Management Board (incl. CEO) <sup>(2)</sup></b>	<b>2'090'771 CHF</b> <i>2'050'558 CHF</i>	<b>884'757 CHF</b> <i>226'687 CHF</i>	<b>868'834 CHF</b> <i>944'444 CHF</i>	<b>1'054'975 CHF</b> <i>884'985 CHF</i>	<b>4'899'337 CHF</b> <i>4'106'675 CHF</i>

<sup>(1)</sup> The start date of the CEO was on September 1<sup>st</sup> 2019 which explains the large difference between the 2 years

<sup>(2)</sup> Included the remuneration of three Executive Management Board Members leaving the company who still received a compensation in 2020.

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 2020, payable in 2021. 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 2020, 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), family allowance (if applicable), seniority gifts or wedding bonus.
- The Executive Management Board does have seven members in 2020 compared to six in 2019. The CSO position has been split and we do have one Executive member in charge of EMEA and another one of North America. APAC and LATAM are managed by the CEO.

### c) Other compensation-related information under the OaEC

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 2020, the weightings for the different metrics for the annual short-term incentive of members of the Executive Management Board have been:

Weighting of STI performance criteria	Company Net Sales	Company OPEX	Company EBITDA	Regional Net Sales
CEO	50%	30%	20%	n.a.
CFO	50%	30%	20%	n.a.
CTO	50%	30%	20%	n.a.
CHRO	50%	30%	20%	n.a.
CPO	50%	30%	20%	n.a.
VP EMEA	25%	15%	10%	50%
President North America	25%	15%	10%	50%

The 2020 achievements are:

2020 achievements / payouts	Company Net Sales (achievement/payout)	Company OPEX (achievement / payout)	Company EBITDA (achievement/payout)	Regional Net Sales (achievement/payout)	Total STI payout* (capped at 200%)
CEO	<95%/0%	103.06%/161.2	111.06%/321.2%	n.a.	112.6%
CFO	<95%/0%	103.06%/161.2	111.06%/321.2%	n.a.	112.6%
CTO	<95%/0%	103.06%/161.2	111.06%/321.2%	n.a.	112.6%
CHRO	<95%/0%	103.06%/161.2	111.06%/321.2%	n.a.	112.6%
CPO	<95%/0%	103.06%/161.2	111.06%/321.2%	n.a.	112.6%
VP EMEA	<95%/0%	103.06%/161.2	111.06%/321.2%	<95%/0%	56.3%
President North America	<95%/0%	103.06%/161.2	111.06%/321.2%	<95%/0%	56.3%

\* The STI payout level in 2019 was at 30% for all Executive Management Board Members

Consequently and in total, the STI payout to members of the Executive Management Board (excl. CEO) for 2020 equals CHF 462'432 (previous year CHF 94'967) as stated in the above compensation tables, which represents 28% (previous year: 7%) of the fixed base salary in the same period. For the CEO, the STI payout of CHF 422'325 (previous year: CHF 37'000) represents 90% of the base salary (previous year: 22%).

In addition, and as also set out in the above compensation tables, the grant value of restricted shares under the LTI was CHF 468'834 (previous year CHF 444'444) for the entire Executive Management Board (excl. CEO), CHF 400'000 for the CEO in 2020 which is 2.4 times higher compared to 2019 (previous year: CHF 166'667) as he did start his function as of September 1<sup>st</sup> 2019.

The aggregate variable compensation (STI and LTI) for 2020 represents 176% (previous year: 121%) of the fixed base salary for the CEO. This is the total pay mix for the regular compensation elements.

The aggregate variable compensation (STI and LTI) for 2020 represents 57% (previous year: 42%) of the fixed base salary for the entire Executive Management Board (excl. CEO). This is the total pay mix for the regular compensation elements.

Total compensation paid for 2020 was higher than for 2019, mainly because of the additional members (Lisa Thompson (President North America) as of April 2020 - Mareike Loch (Vice President EMEA) as of August 2020 and Manuel Schaer (CTO) as of November 2020) and the overlapping of compensation of the other members leaving the company (Willi Miesch (ex-CEO) - Oliver Marx (ex-CSO) and Thomas Tribelhorn (ex-CTO)). The second reason for the difference is a higher achievement level of STI targets compared to 2019.

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

At the Annual General Meetings of Medartis Holding AG on 17 April 2020 and 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 2020 to the General Meeting 2021:	CHF 1'918'955
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 (incl. CEO) for the business year 2020:	CHF 3'445'525

#### 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 2020 (subtotal fixed board fee and social security contributions) amounts to CHF 1'270'367 (previous year: CHF 1'514'967) which is within the limits of the pre-approved maximum amounts at the General meetings (CHF 1'918'955).

#### Executive Management Board, fixed base salary 2020:

The total amount approved by the Annual General Meeting in 2019 for the fixed base salary of the Executive Management Board for the period from 1<sup>st</sup> January 2020 to 31st December 2020 amounts to CHF 2'900'000.

The sum of the total fixed base salary paid to the Executive Management Board (incl. CEO and new members) for the year 2020 amounts to CHF 2'811'324 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 Art. 32 of the Articles of Association as explained in section 1 of the remuneration report.

#### Executive Management Board, variable compensation for 2020:

Variable compensation includes the annual short-term incentive (STI) and the long-term incentive (LTI). The total aggregate amount of those two elements for 2020, as shown in the above compensation tables, equaled CHF 2'088'013 (previous year: CHF 1'171'131) for the entire Executive Management Board (incl. CEO). This is within the limits of the maximum amount approved by the General Meeting for the same period (CHF 3'445'525).

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

See attachment to the 2020 financial statements of Medartis Holding AG.



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To the General Meeting of  
**Medartis Holding AG, Basel**

Basle, 4 March 2021

## 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 2020. The audit was limited to the information according to articles 14–16 of the Ordinance against Excessive Compensation in Stock Exchange Listed Companies (Ordinance) contained in the tables labeled “audited” on pages 51 to 52 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 2020 of Medartis Holding AG complies with Swiss law and articles 14–16 of the Ordinance.

Ernst & Young Ltd

Elisa Alfieri  
Licensed audit expert  
(Auditor in charge)

André Schaub  
Licensed audit expert