

2021 | 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 (BOD) 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 (EMB) 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 Annual General Meeting (Art. 16): The Annual 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 EMB be appointed after the resolution of the Annual 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 EMB may be granted in order to compensate the newly appointed executives for the loss of deferred compensation elements with their previous employer. The Annual 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 BOD and EMB 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 EMB 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.

Duties and Responsibilities

According to the Human Resources and Compensation Committee Charter (Art. 3) and the Articles of Association of Medartis Holding AG (Art. 27), the Human Resources and Compensation Committee assists the full Board of Directors in the following tasks:

Annual General Meeting

- (a) Presenting motions to the BOD in view of the next ordinary Annual General Meeting A(GM) with respect to the aggregate amount of remuneration of the directors and of the members of the executive management of the Company;
- (b) Assisting the BOD in the preparation of the remuneration report, to be adopted by the Board and then disclosed to the shareholders of the Company at the next ordinary Annual General Meeting;
- (c) Implementing the resolutions passed by the Annual General Meeting with respect to the aggregate amount of remuneration of the members of the Board and the members of the executive management of the Company;

Remuneration

- (d) Reviewing the principles, programs and targets for compensation of the Board, the CEO and the executive management and submitting them to the Board for approval; thereby ensuring that the compensation paid by the Company is based on market and performance-related criteria;
- (e) Preparing proposals concerning the compensation of the BOD, the CEO and the executive management, and submitting them to the Board for approval and submission to the next ordinary Annual General Meeting;

Equity Plans

- (f) Assisting the BOD in the setting up of the conditions for the granting, the assignment, the blocking, the exercise and the expiry of the remuneration of the members of the Board and of the executive management in the form of equity securities, conversion rights and option rights in accordance with article 28 and article 29 of the Articles of Association, as well as assisting and advising the Board in the review and approval of general compensation and benefit policies including any long-term incentive compensation or equity plans;

Human Capital

- (g) Conducting an annual review of the organization's Human Resource strategic plan to ensure congruence with the Company's broader strategic plan, which includes a review of:

- recruitment and selection
- talent development
- performance management
- company culture;

- (h) Annually reviewing the performance of the CEO and the EMB in fulfilling the set strategic objectives;

- (i) Conducting forward-looking discussions of how human capital requirements are affected by evolving corporate strategy and external landscape changes (technology, competitors, labour market);

Nomination

- (j) Regularly reviewing the structure, size and composition (including the skills, knowledge and experience required) of the BOD compared to its current position and submitting recommendations to the BOD with regard to any changes;
- (k) Assessing candidates for the CEO role and submitting a proposal to the BOD for approval;

(l) Discussing the CEO's proposals for appointments to the executive management with the CEO and submitting such proposals to the Board for approval;

Other

(m) Annually reviewing and pre-approving the schedule of services and fees the Company plans to ask the compensation consultants to render in the upcoming year, as presented to the Committee by management, and ensuring that the independence of the compensation consultants is maintained.

The Human Resources and Compensation Committee is entitled to conduct investigations in all matters of its competence. In well-founded cases, it shall in particular have full access, to the extent required for the accomplishment of its duties, to the company's EMB, employees, books and records.

To the extent required for the accomplishment of its duties, the Human Resources and Compensation Committee may request the services of independent advisors and experts. Details on the constitution of the BOD and of the Human Resources and Compensation 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 BOD or the Human Resources and Compensation Committee determine 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 Human Resources and Compensation Committee recommends, and the BOD 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 Annual 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 Human Resources and Compensation 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 Annual General Meeting. Remuneration to the other members of the Executive Board is recommended by the CEO, reviewed by the Human Resources and Compensation 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 Annual General Meeting.

The Human Resources and Compensation Committee meets upon calling of its chairman as often as required for the fulfilment of its duties, but at least three times a year as defined in Article 6 para. 1 and 2 as well as article 9 of the Organizational Regulations. The chairman of the Human Resources and Compensation Committee can invite persons other than committee members to attend all or a portion of a meeting. Invited persons shall not participate in the discussions or deliberations of the Human Resources and Compensation Committee unless invited to do so, and shall not be entitled to vote.

The Human Resources and Compensation Committee reviews the compensation package of the members of the EMB annually and proposes to the Board of Directors any adjustments. As a base for this work the Human Resources and Compensation Committee assesses compensation packages in similar companies. To build the compensation benchmark the following surveys and reference databases were used:

- 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 Statistics from HCM International Ltd. Based on 53 smaller mid-caps Swiss companies of the SPI not included in the SMI or SMIM with a market capitalization between CHF 1.1 and 6.8 billion.

As mentioned above, the Human Resources and Compensation Committee has decided to bring in external consultants for certain remuneration issues 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.

As per article 23 para. 1 of the Organizational Regulations, the discussions of the Human Resources and Compensation Committee must be summarized and its decisions recorded in minutes signed by the chairman (or chairing member) thereof and by the person taking such minutes. Article 13 of the Organizational Regulations shall apply by analogy. Every member of the Board shall receive a copy of the minutes of every meeting of the Human Resources and Compensation Committee.

Decisions of the Human Resources and Compensation Committees and proposals to the Board of Directors can also be made by way of approval of a written resolution circulated to the members of the Human Resources and Compensation Committee. Article 12 of the Organizational Regulations shall apply by analogy.

On the occasion of every meeting of the Board of Directors, the Human Resources and Compensation Committee shall inform the Board of Directors of its activities. As per article 23 para. 3 of the Organizational Regulations, circular resolutions must be reflected in the minutes of the next Human Resources and Compensation Committee meeting. In case of emergency, the BOD members shall be informed immediately via the chairman.

As set out above, the Annual 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 Annual 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 mentioned above.

3. Compensation architecture and elements

3.1 Board of Directors (BOD)

For their non-executive services in the Board, members of the BOD 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 its committees, without any entitlement to performance-related compensation, and there are no additional meeting fees or for BOD memberships. This ensures that the Board of Directors remains independent while exercising its supervisory duties towards the EMB. Fixed board fees are paid in cash and/or in Restricted Shares. The amount of fees for each function of the BOD 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 BOD who also serve in an executive capacity receive a separate remuneration for function, which is disclosed accordingly below in the section on the EMB. In 2021, no BOD member held an executive function.

Marco Gadola has been elected as Chairman of the Board of Directors at the Annual General Meeting on 23 April 2021. At the same occasion, Dr. h.c. Thomas Straumann has been elected as Vice Chairman of the Board of Directors. All other current members of the Board of Directors have been re-elected. Here after are described the roles and responsibilities of the different Board of Directors members:

Board Structure Medartis Holding AG as of Annual General Meeting 2021:

Board of Directors (8 Members)		
Chairman: Marco Gadola Vice Chairman: Dr. h. c. Thomas Straumann Members: Dominik Ellenrieder, Dr. Jürg Greuter, Dr. med. Daniel B. Herren, Roland Hess, Willi Miesch, Damien Tappy		
Finance & Audit Committee	HR & Compensation Committee	Strategy & Innovation Committee
Chairman: Roland Hess Members: Damien Tappy	Chairman: Dominik Ellenrieder Members: Dr. med. Daniel B. Herren Damien Tappy	Chairman: Willi Miesch Members: Dominik Ellenrieder Dr. med. Daniel B. Herren Dr. h. c. Thomas Straumann
Focus	Focus	Focus
Financial Health Risk Management Legal & Compliance M&A and Alliances (Legal and Agreements)	Nomination Compensation Human Capital Culture	Growth initiatives and growth management Innovation Technology M&A

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 of Directors for the respective period was approved.

Immediately before the allocation date, the equivalent of the Board fees that a member of the Board of Directors elected to receive in the form of shares instead of cash shall be converted into a number of Medartis restricted shares ("RS") 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 member of the Board of Directors elected to receive in the form of shares shall not be paid out in cash, but shall instead be converted into a number of RS, by dividing such amount by a share value that equals 85% of the volume-weighted average price of a Medartis 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 allocated RS under the current Plan are subject to a Restriction Period, the duration of which will be determined by the Board and set out in the Election Form. The Restriction Period starts on the Allocation Date. The RS are allocated during the 30 days after the Annual General Meeting with a discount of 15% and are subject to a Restriction Period of 2 years. There are no contractual share ownership requirements for BOD members.

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 (EMB)

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 (STI), a long-term incentive plan (LTI) in the form of restricted share grants, and other benefits (e.g. company car or car allowance, family allowance, seniority gift).

During the year 2021, one change to the Executive Management Board was communicated. Dirk Kirsten was appointed as CFO and succeeded Dominique Leutwyler in March 2021.

There were no relevant changes to the remuneration structure for the Executive Management Board in 2021. 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.

c. Annual short-term incentive (STI)

The STI scheme focuses on rewarding individuals based on company and regional performance and incentivizes growth and cost discipline. When performance targets are met, the annual STI bonus is paid in cash in the first half of the following year. At target, the annual STI for the CEO is 75% of his (gross) base salary. This is unchanged versus previous year. If the other EMB members meet 100% of their performance criteria, their STI share ranges from 27% to 45% of their individual's annual gross base salary. In 2020, this range was between 21% and 40%. The base salaries as well as the STI 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.

The performance metrics used for the STI are total company net sales, OPEX and EBITDA as well as regional net sales. The latter applies to senior executives who have regional sales responsibility. OPEX and EBITDA are measured relative to actual net sales. These metrics are considered to be the most critical and sustainable value drivers of the company. This means, for example, that higher OPEX expenses than planned in the budget can be offset by higher than planned net sales. The same logic applies in the opposite direction, of course. The weighting of each of those three performance measures varies per person and is determined at the beginning of each year in the annual performance agreements. There are no individual performance targets at this stage.

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.

- If 100% of the performance objectives are achieved, 100% of the target amount is paid out.
- For each percentage point that the performance achievement level is above or below the performance targets, the payout is reduced or increased by 20%. This means, for example, that only a target achievement of over 95% will result in a payout. The 95% threshold therefore represents the minimum performance floor. The progression is linear, which explains that each percentage point above this threshold increases the STI by 20%. This means, for example, that higher OPEX spendings than planned in the budget do not necessarily have a negative effect on the STI if net sales exceed the budget and outweighs the OPEX effect. The same logic applies in reverse, of course.
- The maximum STI payout is capped at 200% of the target.

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.

For illustrative purposes, the performance scheme is explained below using a fictitious example:

An EMB 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 (in CHF mn)	Percentual budget value	Actual value (in CHF mn)	Actual%	Target 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 (LTI)

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 2021 will be allocated to Executive Management Board members following the Annual General Meeting of 2022. The LTI compensation amount disclosed in the audited tables in section 4 show the allocated LTI grant amount for 2021.

As of 2021, Medartis implemented an additional compensation element:

- "Employee Share Purchase Plan for STI" (ESPP-STI): Members of the Executive Management Board and eligible employees of the headquarters have the possibility to invest all or part of their STI payout in Medartis shares with a discount of 25% and subject to a blocking period of 2 years. Similar to the LTI plan described before, the number of shares is calculated by converting the invested amount by dividing it by a share value that equals 75% of the volume-weighted average price of a share over a period of 20 trading days ending the last trading day before the allocation date.

In 2021, the EMB members were restricted to participate in the ESPP-STI plan due to an insider blocking period. The Board of Directors has addressed this issue and set a new trading window in 2022 for all affected employees. The redefined plan asks the eligible employee to transfer his/her desired portion of his/her STI to be invested into restricted shares in a dedicated bank account (managed by our LTI plans administrator) five months before the allocation of these restricted shares. The amount to be invested five months later into restricted shares is blocked in this dedicated bank account and can no longer be retrieved by the employee.

Shares required under the share based compensation elements may be made available, at the 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 EMB member is entitled to the following fringe benefits: a company car (or car allowance), a family allowance (if eligible), seniority gifts and wedding bonus. There are no contractual share ownership requirements for the EMB members, but with the current remuneration system, share ownership is encouraged over time. The actual direct and indirect payout of the EMB in the current and previous year is shown in the tables underneath.

4. Actual remuneration for the reported year

This section contains:

- the actual compensation paid to the BOD for the period between Annual General Meeting 2021 and 2022;
- the actual compensation paid to the EMB for 2021;
- 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 2021 and the Annual General Meeting 2022.

Board of Directors compensation (audited table):

	Fixed board fee (cash)	Social security contributions	Restricted Shares	Share price discount effect*	Total
Marco Gadola Chairman of the Board	0 CHF <i>0 CHF</i>	40'611 CHF <i>6'573 CHF</i>	500'000 CHF <i>73'333 CHF</i>	120'528 CHF <i>20'325 CHF</i>	661'138 CHF <i>100'231 CHF</i>
Thomas Straumann Vice-Chairman of the Board	228'078 CHF <i>387'933 CHF</i>	64'216 CHF <i>132'209 CHF</i>	0 CHF <i>0 CHF</i>	0 CHF <i>0 CHF</i>	292'293 CHF <i>520'142 CHF</i>
Willi Miesch Member of the Board Chairman of the Strategy & Innovation Committee	150'000 CHF <i>110'000 CHF</i>	11'678 CHF <i>15'936 CHF</i>	0 CHF <i>0 CHF</i>	0 CHF <i>0 CHF</i>	161'678 CHF <i>125'936 CHF</i>
Dominik Ellenrieder Member of the Board Chairman of the Human Resources & Remuneration Committee Member of the Strategy & Innovation Committee	150'000 CHF <i>201'667 CHF</i>	0 CHF <i>0 CHF</i>	0 CHF <i>0 CHF</i>	0 CHF <i>0 CHF</i>	150'000 CHF <i>201'667 CHF</i>
Roland Hess Member of the Board Chairman of the Finance & Audit Committee	112'500 CHF <i>55'000 CHF</i>	9'173 CHF <i>6'796 CHF</i>	37'500 CHF <i>55'000 CHF</i>	8'973 CHF <i>15'254 CHF</i>	168'145 CHF <i>132'050 CHF</i>
Jürg Greuter Member of the Board	100'000 CHF <i>73'333 CHF</i>	0 CHF <i>0 CHF</i>	0 CHF <i>0 CHF</i>	0 CHF <i>0 CHF</i>	100'000 CHF <i>73'333 CHF</i>
Daniel Herren Member of the Board Member of the Strategy & Innovation Committee Member of the Human Resources & Remuneration Committee	75'000 CHF <i>55'000 CHF</i>	7'991 CHF <i>5'921 CHF</i>	25'000 CHF <i>18'333 CHF</i>	5'958 CHF <i>5'072 CHF</i>	113'949 CHF <i>84'326 CHF</i>
Damien Tappy Member of the Board Member of the Human Resources & Remuneration Committee Member of the Finance & Audit Committee	100'000 CHF <i>0 CHF</i>	0 CHF <i>0 CHF</i>	0 CHF <i>73'333 CHF</i>	0 CHF <i>20'325 CHF</i>	100'000 CHF <i>93'658 CHF</i>
Total all members	915'578 CHF <i>882'933 CHF</i>	133'668 CHF <i>167'435 CHF</i>	562'500 CHF <i>219'999 CHF</i>	135'458 CHF <i>60'976 CHF</i>	1'747'203 CHF <i>1'331'343 CHF</i>

* The BOD remuneration may be drawn in the form of Medartis shares at a discount of 15% in addition to the share appreciation at allocation date.
Values in italics represent data for the period between the Annual General Meeting 2020 and the Annual General Meeting 2021.

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 determined by the closing share price average of 24 March 2021 - 22 April 2021 in-line with the Restricted Share Plan for the Board.
- For this reporting period, the effect of the Restricted Share Plan for the Board are included in this table – the previous reporting period has been updated accordingly.
- The main reason why the remuneration of the Board of Directors is higher in 2021 compared to 2020 is their waiver of 40% of their fees between May and December 2020 in order to participate to the cost-control efforts due to the impact of the Covid-19 pandemic.

b) Remuneration of the Executive Management Board

The below table shows the compensation paid to the CEO and other members of the EMB for 2021 and 2020. The EMB consists of the CEO and six additional EMB members. Dirk Kirsten joined the EMB as CFO in March. All other members have been members of the EMB during the entire period.

For the two withdrawals from the EMB (Dominique Leutwyler, former CFO, and Thomas Tribelhorn, former CTO), the compensation paid during their respective notice period are included in the table underneath. Any further compensation paid during the remaining notice period will be reported in the 2022 Remuneration Report.

Executive Management Board compensation (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	500'000 CHF <i>466'667 CHF</i>	750'000 CHF <i>422'325 CHF</i>	948'547 CHF <i>400'000 CHF</i>	351'775 CHF <i>314'948 CHF</i>	2'550'322 CHF <i>1'603'940 CHF</i>
Other members of the Executive Management Board ¹⁾	2'027'652 CHF <i>1'624'104 CHF</i>	1'236'779 CHF <i>462'432 CHF</i>	573'352 CHF <i>468'834 CHF</i>	945'445 CHF <i>740'027 CHF</i>	4'783'228 CHF <i>3'295'397 CHF</i>
Total all members of the Executive Management Board (incl. CEO)	2'527'652 CHF <i>2'090'771 CHF</i>	1'986'779 CHF <i>884'757 CHF</i>	1'521'899 CHF <i>868'834 CHF</i>	1'297'220 CHF <i>1'054'975 CHF</i>	7'333'550 CHF <i>4'899'337 CHF</i>

1) Including compensation for two former EMB members
Values in italics represent data for the year 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 2021, payable in 2022. 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 2021 (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. In 2021, the LTI part of the CEO does include the amount related to his 2021 part of his buy-out award. The mechanism of the buy-out award has been described in the 2019 remuneration report.
- "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) or seniority gifts.

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 BOD and EMB. No further compensation was paid or granted to former members of the BOD or EMB apart from the amounts listed above.

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.

One notice period of more than six months has been agreed with one of the EMB members and a buy-out award has been granted to another one. This buy-out award will be paid out in Medartis shares in the form of Restricted Share Units ("RSUs"). The number of RSUs allocated is based on the average share price of the 1st 5 trading days of Dirk Kirsten's employment contract (1-5 March 2021) using the VWAP methodology.

Allocation will be done according to the following 3-years (36 months) mechanism:

- 1st allocation of RSUs: 1/3 on 31th of May 2021
- 2nd allocation of RSUs: 1/3 on 31th of May 2022
- 3rd allocation of RSUs: 1/3 on 31th of May 2023

The RSUs will be converted into Restricted Shares after a 1-year vesting period following the allocation.

Restricted Shares will remain blocked for another 1-year period following the vesting.

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

In 2021, 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, CTO, CHRO & CPO	50%	30%	20%	n.a.
VP EMEA & President North America	25%	15%	10%	50%

The 2021 achievements are:

2021 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	104.03%/180.6%	101.93%/138.6%	113.66%/371.1%	n.a.	200%
CFO	104.03%/180.6%	101.93%/138.6%	113.66%/371.1%	n.a.	200%
CTO	104.03%/180.6%	101.93%/138.6%	113.66%/371.1%	n.a.	200%
CHRO	104.03%/180.6%	101.93%/138.6%	113.66%/371.1%	n.a.	200%
CPO	104.03%/180.6%	101.93%/138.6%	113.66%/371.1%	n.a.	200%
VP EMEA	104.03%/180.6%	101.93%/138.6%	113.66%/371.1%	106.34%/226.9%	200%
President North America	104.03%/180.6%	101.93%/138.6%	113.66%/371.1%	97.75%/55.0%	130.7%

* The STI payout level in 2020 was at 112.6% for CEO, CFO, CTO, CPO and CHRO and at 56.3% for VP EMEA and President North America.

Consequently and in total, the 2021 STI payout to members of the EMB (excl. CEO) equals CHF 1'236'779 (previous year CHF 462'432) as stated in the table above. As a percentage of the fixed (base) salary, this represents 61% (previous year: 28%). For the CEO, the STI payout of CHF 750'000 (previous year: CHF 422'325) represents 150% of the base salary (previous year: 90%).

In 2021, the grant value of restricted shares under the LTI was CHF 573'352 (previous year CHF 468'834) for the entire EMB (excl. CEO) and CHF 948'547 for the CEO (previous year: CHF 400'000).

Combining the STI and the LTI and excluding the buy-out award of the CEO, his total variable compensation for 2021 amounted to 250% of his base salary (previous year: 176%). This is the total pay mix for the regular compensation elements. The aggregate variable compensation (STI and LTI) for 2021 represents 89% (previous year: 57%) of the fixed base salary for the entire EMB (excl. CEO). This is the total pay mix for the regular compensation elements.

The main reasons for the difference of the total remuneration of Executive Management Board members between 2021 and 2020 are :

- in 2020, the Executive Management Board decided to waive 10% of their fixed base salary between May and December and 20% of their 2020 long-term incentive compensation in order to participate to the cost-control efforts due to the impact of the Covid-19 pandemic
- the higher level of achievement of STI targets in 2021 compared to 2020
- the 2021 buy-out award amount for the CEO is included in the LTI.

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

At the Annual General Meeting 2020 and 2021 the shareholders approved, with binding effect and in separate votes, the following maximum aggregate amounts:

Compensation to the BOD for the period from the Annual General Meeting 2021 to the Annual General Meeting 2022:	CHF 1'802'050
Fixed base salary to the EMB (incl. CEO) for the business year 2021:	CHF 4'241'870
Variable compensation to the EMB (incl. CEO) for the business year 2021:	CHF 4'480'540

Board of Directors:

As shown in the remuneration table above, the total compensation (subtotal fixed board fee and social security contributions) of the BODs for their services in the 2021 financial year amounted to CHF 1'747'203 compared to CHF 1'270'367 in 2020. This is within the limits of the pre-approved maximum amounts at the Annual General meetings (CHF 1'802'050).

Fixed base salary 2021 for the EMB:

The total amount approved by the Annual General Meeting in 2020 for the fixed base salary of the EMB for the period from 1st January 2021 to 31st December 2021 amounts to CHF 4'241'870. The fixed base salaries paid to the member of the EMB amounted to CHF 3'409'119, which is within the amount approved by the shareholders at the Annual General Meetings.

Variable compensation 2021 for the EMB:

Variable compensation includes the annual short-term incentive (STI) and the long-term incentive (LTI). The total aggregate amount of those two elements for 2021 equalled CHF 3'924'430 (previous year: CHF 2'088'013). This is below the maximum amount of CHF 4'480'540 approved by the Medartis shareholders.

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

See attachment to the 2021 financial statements of Medartis Holding AG.



Ernst & Young Ltd
Aeschengraben 9
P.O. Box
CH-4002 Basle

Phone +41 58 286 86 86
Fax +41 58 286 86 00
www.ey.com/ch

To the General Meeting of
Medartis Holding AG, Basel

Basle, 4 March 2022

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 2021. 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 79 to 82 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 2021 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)

Daniel Zaugg
Licensed audit expert