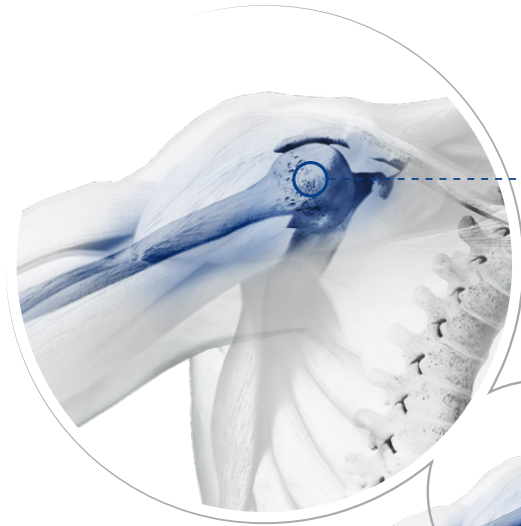




REMUNERATION REPORT

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LETTER BY THE CHAIRMAN OF THE REMUNERATION COMMITTEE



Dear Shareholders,

We are pleased to introduce Medacta's Remuneration Report for the Financial Year ended December 31, 2019. The present Remuneration Report describes Medacta's remuneration principles and elements of compensation system, the responsibilities and procedures involved in determining the compensation of Members of the Board of Directors and Group Executive Management, the forms of compensation, criteria used to set fixed and variable compensation and how the performance results impacted the variable incentive payments to the Group Executive Management.

To recognize the important achievements reached in Medacta's twenty years of operation culminating with the successful listing on April 4, 2019 on the SIX Swiss Exchange, in November 2019 the Board of Directors along with the Remuneration Committee and the Group Executive Management decided to pay a one-time discretionary Special 20-Year Anniversary Fidelity Bonus ("Special Fidelity Bonus") to each and all Medacta employees. All the relevant cash needs associated with this special bonus were covered by a voluntary cash contribution to Medacta Group from the Siccardi family, as majority shareholders.

In 2019, our global workforce expanded 13,2% and our total expenditure on compensation, benefits and social costs

increased in average by approximately 16,8%, excluding the Special Fidelity Bonus. Compensation per employee increased by 3,2%, given the higher number of experienced staff hired during the year to sustain the growth and strengthen the organization after the initial public offering. To reflect our new status as a listed company, we reviewed and adapted our compensation system in consultation with external experts, including HCM International Ltd., which were mandated to advise on risk and finance matters and to support in the creation of a competitive compensation system that is in line with the interests of our stakeholders. As a consequence of this process, the Remuneration Committee designed and agreed in principle upon the cornerstones and key pillars of a long-term incentive plan for our Group Executive Management, selected key managers and employees to the Board of Directors. The purpose of the plan will be to provide the Group Executive Management, selected key managers and employees of Medacta with an opportunity to become shareholders of the company and hence align their interests to those of Medacta's other shareholders, to participate in the future long-term success and prosperity of the Group, and to enhance and reward loyalty of the employees. However, in light of the recent COVID-19 developments and accompanying uncertainties, the timeline for the implementation of the plan has been postponed to a later date.

People and the #beMedacta culture, as described in the [Sustainability Report 2018](#), are the most valuable assets to our continuing success. To support and nurture this culture, it is essential that our compensation system reflects and rewards similar values. That is why further discussions within the Remuneration Committee and the Board of Directors will focus on the medium- to long-term evolution of remuneration at Medacta. For the coming year, we expect to continue our focus on the structure of our variable incentive plans, particularly with respect to maintaining and further strengthening the strong link between pay and performance.

In accordance with the [Articles of Association](#), at the annual shareholders' meeting in May 2020, we will ask for approval of the maximum aggregate remuneration amount to be awarded to the Board of Directors for the period until the next annual shareholders' meeting in 2021. In addition, the shareholders' meeting will be asked to approve (i) the maximum overall fixed compensation of the Group Executive Management in 2021, (ii) the maximum overall variable short-term compensation for the Group Executive Management for the work performed in 2019, and (iii) the

maximum overall variable long-term compensation of the Group Executive Management that may be allocated in 2021 (if the long-term incentive plan is ultimately adopted). Finally, the annual shareholders' meeting will cast a consultative vote on this Remuneration Report.

We encourage and pursue open and regular dialogue with our shareholders and their representatives as we continue to evolve our remuneration system.

On behalf of the Board of Directors and the Remuneration Committee, I would like to thank our shareholders for their commitment and achievements.



Philippe Weber
Chairman of the Remuneration Committee

1. INTRODUCTION

This is our first Remuneration Report after the successful listing on April 4, 2019 on the SIX Swiss Exchange in Zurich. This Remuneration Report is in compliance with the requirements of the Ordinance Against Excessive Compensation in Publicly Listed Companies ("OaEC"), Medacta's [Articles of Association](#) and, with respect to compensation disclosure, to the SIX Exchange Regulation Directive on Corporate Governance and to the Swiss Code of Best Practice for Corporate Governance. We structured this report by first describing the Remuneration Governance of the Group followed by the Remuneration philosophy and principles and the Compensation Framework for Board of Directors and Group Executive Management. We conclude with reporting the Ownership of Shares and Options, the Other compensation-related information under the OaEC (Audited), the Related Party Compensation and the Report of the statutory auditor on the Remuneration Report.

2. REMUNERATION GOVERNANCE

The remuneration landscape at Medacta is mainly determined by the Remuneration Committee as well as the Board of Directors and by the shareholders of Medacta. The overall responsibility for the implementation of the statutory remuneration principles and the remuneration principles set out in the Company's [Articles of Association](#) lies with the Board of Directors. However, as illustrated in the table below, the Remuneration Committee serves in an advisory capacity for remuneration matters while the Board of Directors retains the ultimate decision authority, all within the limits set by the the Annual General Meeting ("AGM"), which approves the maximum aggregate amounts of remuneration for the Board of Directors and the Group Executive Management ("GEM") at each shareholders' meeting.

	Proposes	Reviews	Approves
Remuneration Principles (Article of Association)	● Remuneration Committee	● Board	✓ AGM
Remuneration Report	● Remuneration Committee	● Board	✓ Board*
Maximum aggregate amount of remuneration for the Board	● Remuneration Committee	● Board	✓ General Meeting
Individual remuneration of Board Members	● Remuneration Committee		✓ Board
Maximum aggregate amount of remuneration for GEM	● Remuneration Committee	● Board	✓ General Meeting
Maximum aggregate amount of remuneration of the CEO	● Remuneration Committee		✓ Board
Individual remuneration of other GEM Members	● Remuneration Committee		✓ Board

* AGM has a consultive vote

Medacta's [Organizational Regulations](#) including the Charter of the Remuneration Committee as well as the [Articles of Association](#) describe and define the roles and responsibilities of the Remuneration Committee and the Board of Directors. Furthermore, these documents contain the principles for the remuneration framework at Medacta. In addition, the [Articles of Association](#) provide for a supplementary amount available for newly appointed or promoted Members of the Group Executive Management after the AGM has approved the maximum aggregate amount of remuneration for the Group Executive Management.

The compensation principles outlined below are derived from the [Articles of Association](#):

- **Approval by the shareholders' meeting (Art. 12):** the annual shareholders' meeting votes separately and bindingly on the proposals by the Board of Directors regarding (a) the maximum aggregate amount of the compensation of the Board of Directors for the term of office until the next shareholders' meeting and (b) (i) the maximum overall fixed compensation of the Group Executive Management in the subsequent business year, (ii) the maximum overall variable short-term compensation for the Group Executive Management for the work performed in the previous business year, and (iii) the maximum overall variable long-term compensation of the Group Executive Management that may be allocated in the subsequent business year.
- **Board of Directors (Art. 25):** the compensation may consist of a fixed base fee (including a lump sum compensation for expenses) paid in cash and/or awarded in shares (depending on the function in the Board of Directors, the number of committee activities and the functions in the committees). In exceptional cases, the Members of the Board of Directors may be awarded performance-related compensation.
- **Group Executive Management (Art. 26):** the compensation of the Members of the Group Executive Management may consist of a fixed compensation paid in cash (which consists of a base salary and can also contain other compensation elements and benefits); a variable short-term compensation paid in cash and/or shares; and variable long-term compensation paid in shares or equity-linked rights.
- **Short-term variable compensation and long-term compensation plans (Art. 26):** the short-term variable compensation is paid in cash and/or shares and depends on the level of achievement of specific pre-defined targets for a one year performance period; the long-term compensation plan will apply once approved by the Board of Directors and intends to incentivize Members of the Group Executive Management, selected key managers and employees to support the long-term performance of the Company and creation of shareholder value.
- **No loans and credits (Art. 28):** Medacta shall not grant loans, credits, pension benefits other than from occupational pension funds or securities to the Members of the Board of Directors or the Group Executive Management¹.
- **Agreements related to compensation and maximum contract terms (Art. 24):** the employment agreements of the Members of the Group Executive Management shall in principle be concluded for an indefinite period. If the Board of Directors considers a fixed term appropriate, such fixed term shall not exceed one year. With respect to employment agreements entered into for an indefinite period, the maximum notice period shall not exceed 12 months. Non-competition agreements for the time following termination of an employment contract and the associated compensation are permitted to the extent that this is justified from a business perspective. The compensation for such a non-competition obligation may not exceed in total the average of the (fixed) compensation paid to the respective member of the Group Executive Management during the last three years.
- **Additional compensation for new Members of the Group Executive Management (Art. 29):** if newly appointed or promoted Members of the Group Executive Management take office after the annual shareholders' meeting has approved the aggregate maximum amount of compensation of the Members of the Group Executive Management for the next business year, such newly appointed or promoted Members may receive an aggregate compensation in each case of up to 30% of the last aggregate amount of compensation for the Group Executive Management approved by the annual shareholders' meeting.
- **Additional services by Members of the Board of Directors (Art. 25):** the members of the Board of Directors providing consulting services to the Company or other group companies in a function other than as Members of the Board of Directors may be compensated in cash according to standard market rates subject to approval by the annual shareholders' meeting.

¹⁾ Advance payments of fees for lawyers, court fees and similar costs relating to the defense against corporate liability claims up to a maximum amount of CHF 1'000'000 are not subject to this provision

2.1 ROLE AND ACTIVITIES OF THE REMUNERATION COMMITTEE

Medacta's Remuneration Committee is comprised of a minimum of two Members of the Board of Directors who are elected annually and individually by the AGM for a one-year period until the next AGM. The Chairman of the Remuneration Committee is appointed by the Board of Directors and is independent. At the Extraordinary General Meeting 2019 ("EGM"), Philippe Weber and Alberto Siccardi were confirmed as Members of the Remuneration Committee, and Philippe Weber was subsequently approved as the Chairman of the Remuneration Committee.

In general, the purpose of the Remuneration Committee is to advise and assist the Board of Directors with regards to compensation-related matters of Medacta with a focus on setting guidelines on remuneration for both Members of the Board of Directors and the Group Executive Management. As a core responsibility, the Remuneration Committee makes proposals annually (or more often as required) to the Board of Directors related to the compensation package of the Members of the Group Executive Management and Board of Directors. For a more detailed overview of the members, working methods and main duties and responsibilities of the Remuneration Committee, as well as details regarding their meetings held in 2019, please refer to the sub-heading entitled "Remuneration Committee" in the Corporate Governance Report (section 3.5 "Internal Organizational Structure"), included this Annual Report.

The Remuneration Committee meets at such frequency as it deems necessary to fulfill its duties, normally ahead of ordinary Board meetings and at least four times per year. Given that the Company was listed on SIX Swiss Exchange in April 2019, the Remuneration Committee met three times in 2019 for an average duration of one hour and a half.

The Chairman of the Remuneration Committee reports to the Board of Directors at the Board meetings following each Remuneration Committee meeting, ensuring that the Board of Directors is kept informed in a timely and appropriate manner of all material matters within the Remuneration Committee's area of responsibility. Additional meetings may be held and may be convened at the request of either the Board of Directors or any Remuneration Committee member. The Remuneration Committee may invite to meetings and shall communicate periodically with the CEO, the CFO and the Head HR, as well as such other persons as the Remuneration Committee deems appropriate, also including external advisors. During Financial Year 2019 (also "FY 2019"), the Remuneration Committee appointed HCM International Ltd. as external independent advisor on remuneration matters. Furthermore, the Remuneration Committee regularly holds private sessions with Members of the Group Executive Management, except on those meetings or the part of meetings in which their own performance or remuneration is discussed.

In accordance with the Article 19 of the [Articles of Association](#) and the [Remuneration Committee Charter](#), the Remuneration Committee discussed the following topics during 2019:

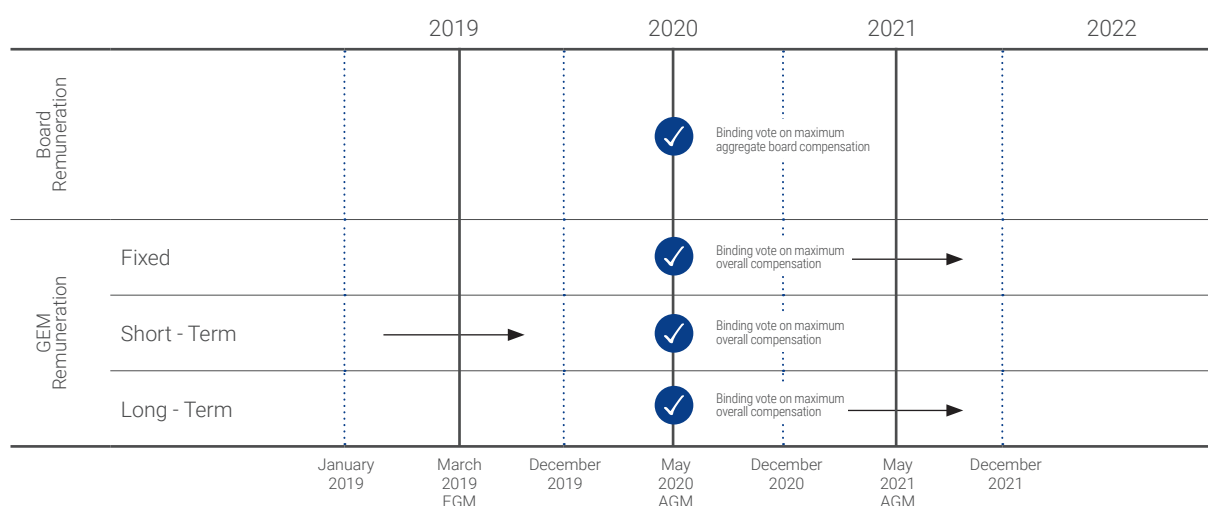
Topic	April	September	December
Determination of KPI targets for the Short-Term Incentive Plan of the Group Executive Management	✓		
Group Executive Management remuneration		✓	
Terms of employment and titles of the Group Executive Management		✓	
Long Term Incentive Plan (LTIP): - designing of the LTIP structure - LTIP review		✓	✓
Special Fidelity Bonus		✓	
Remuneration Report: - structure of the Remuneration Report - Remuneration Report review		✓	✓
Group Executive Management remuneration benchmarking against worldwide MedTech industry and Swiss MedTech and Healthcare Industry			✓

2.2 ROLE AND ACTIVITIES OF THE SHAREHOLDERS REGARDING THE AGM

The Board of Directors will submit five separate remuneration-related resolutions for shareholder approval at the AGM 2020 (as illustrated in Exhibit below):

- The maximum aggregate amount of remuneration of the Board of Directors for the term of office until the next annual shareholders' meeting (i.e., until the next annual shareholders' meeting in 2021);
- The maximum overall fixed remuneration of the Group Executive Management to be paid for the Financial Year ending December 31, 2021;
- The maximum overall variable short-term remuneration for the Group Executive Management that may be paid or allocated for the business year ended December 31, 2019;
- The maximum overall variable long-term remuneration of the Group Executive Management that may be allocated in for the business year ending December 31, 2021 (if a long-term incentive plan is ultimately adopted);
- The amount of remuneration to members of the Board of Directors for consulting services to the Company or other group companies in a function other than as members of the Board of Directors, until the next annual shareholders' meeting (i.e., until the next annual shareholders' meeting in 2021).

In addition, the Board of Directors will submit this Remuneration Report to a separate consultative vote for the shareholders at the AGM 2020.



The Board of Directors may present to the annual shareholders' meeting deviating or additional proposals for approval in relation to the same or different time periods.

If the shareholders' meeting does not approve the amount of the proposed fixed and variable compensation, as the case may be, the Board of Directors may either submit new proposals at the same shareholders' meeting, convene a new extraordinary shareholders' meeting and make new proposals for approval or may submit the proposals regarding compensation for retrospective approval at the next annual shareholders' meeting.

At the Extraordinary General Meeting ("EGM") 2019, the Board of Directors submitted five separate remuneration-related proposals, which were all approved by the shareholders:

- The maximum aggregate amount of remuneration for the Members of the Board of Directors for the term from the EGM 2019 until the AGM 2020: CHF 1 million;
- The maximum overall fixed remuneration of the Group Executive Management to be paid for the Financial Year ending December 31, 2019: CHF 1.2 million;
- The maximum overall fixed remuneration of the Group Executive Management to be paid for the Financial Year ending December 31, 2020: CHF 1.5 million;
- The maximum overall variable long-term remuneration of the Group Executive Management to be allocated in the Financial Year ending December 31, 2020: CHF 1 million;
- The maximum aggregate amount for services covered by article 25(3) of the Articles of Association (Consulting Services) for the period until the AGM 2020: CHF 1.5 million.

3. REMUNERATION PHILOSOPHY AND PRINCIPLES

Medacta's Remuneration Committee gives careful consideration to the remuneration framework for the Members of the Board of Directors and the Group Executive Management. In order to reflect their different roles, the remuneration of the Board of Directors and the Group Executive Management are designed according to different standards and considerations.

Medacta's remuneration landscape is designed to support the Company's strategic plans and to provide a balance between motivating the Members of the Board of Directors and the Group Executive Management to deliver on the near- and medium-term objectives of the Group and to strive for future long-term success and prosperity of Medacta at the same time. Medacta's remuneration framework aims to attract, engage and retain the best talent within the MedTech Industry as well as to reward loyalty of the employees and, thus, to enhance the value of the Group for the benefit of shareholders.

As a core responsibility, the Remuneration Committee reviews the compensation packages of the Members of the Group Executive Management and Board of Directors annually (or more often as required) and proposes to the Board of Directors any adjustments for proposal to the annual shareholders' meeting.

In addition, and with regards to the Group's listing in Switzerland and global scale of business, the Remuneration Committee follows the Swiss governance and compensation landscape while also considering trends across the globe. Conclusively, the aim is to design the remuneration framework taking into account best market practices, alignment with shareholders, and pay-for-performance considerations in order to promote the long-term success of Medacta.

As a base for this work the Remuneration Committee assesses compensation packages in similar companies. To carry out the compensation benchmark the following two groups of companies were analysed:

- Listed companies in the worldwide MedTech Industry as well as worldwide players in Healthcare with a similar size (in terms of employees and / or revenue)²; and
- Companies in the Swiss MedTech industry or Healthcare industry with around 250 to 2'000 employees, with an international scope³.

The assessment revealed that the Group Executive Management salaries are in line with both the worldwide and Swiss MedTech and Healthcare industry, considering our market and size.

3.1 AGREEMENTS RELATED TO COMPENSATION FOR MEMBERS OF THE BOARD OF DIRECTORS AND THE GROUP EXECUTIVE MANAGEMENT

According to article 24 of the [Articles of Association](#), mandate agreements of the Members of the Board of Directors have a fixed term until the conclusion of the next annual shareholders' meeting. Early termination or removal remains reserved.

The employment agreements of the Members of the Group Executive Management are in principle concluded for an indefinite period. If the Board of Directors considers a fixed term appropriate, such fixed term shall not exceed one year. With respect to employment agreements entered into for an indefinite period, the maximum notice period does not exceed 12 months.

Non-competition agreements for the time following termination of an employment contract and the associated compensation are permitted to the extent that this is justified from a business perspective. The compensation for such a non-competition obligation may not exceed in total the average of the fixed compensation paid to the respective member of the Group Executive Management during the last three years. The Group Executive Management agreements contain non-competition clauses. In accordance with Art. 24 of the [Articles of Association](#), the compensation for such non-competition obligation does not exceed in total the average of the fixed compensation paid to the respective Group Executive Management Member during the last three years.

² Johnson & Johnson, Smith & Nephew, Zimmer Biomet, Stryker, Globus Medical, based on information disclosed on the publicly available annual reports for 2018

³ Straumann, Sonova, Medartis, Tecan, Ypsomed, based on information disclosed on the publicly available annual reports for 2018

4. REMUNERATION FRAMEWORK FOR BOARD OF DIRECTORS

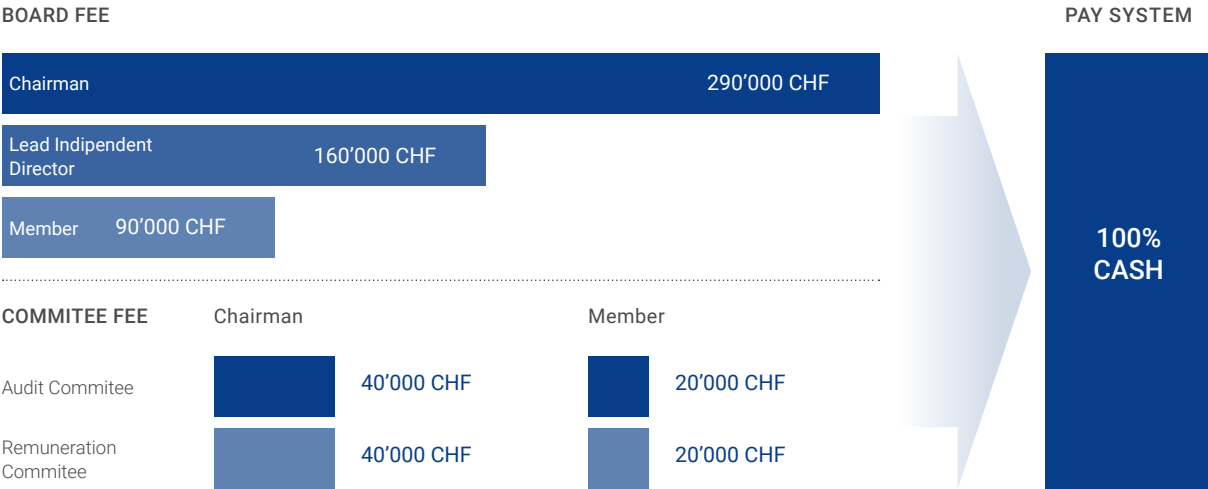
4.1 REMUNERATION APPROACH

According to article 25 of the [Articles of Association](#), the compensation of the Members of the Board of Directors is determined by the full Board of Directors based on the proposal of the Remuneration Committee and subject to and within the limits of the aggregate amounts approved by the annual shareholders' meeting.

In order to highlight the independent role of the Members of the Board of Directors in performing their supervisory duties, the entire remuneration of the Board in Financial Year 2019 is fixed and does not include any performance-related component.

The remuneration for the Members of the Board of Directors relates to their term of office, which starts with their election at the AGM and ends at the subsequent AGM. The remuneration consists of a fixed annual base fee and fixed fees for membership in Board Committees, reflecting the time commitment as well as the obligations and responsibilities of the roles, paid in four equal quarterly instalments. The individual sum of the annual base fee and, where applicable, fixed fees for membership in Board Committees are paid in cash. For the term until the AGM 2020, consistent with the shareholder approval, Board members were paid a fixed annual base fee of CHF 90 thousand, with the Chairman receiving CHF 290 thousand. For membership in a Board Committee, Members were paid a fixed fee of CHF 20 thousand, with the respective chairpersons receiving CHF 40 thousand. In addition, in recognition of the extra time commitment associated with the role, the Lead Independent Director received an additional allowance of CHF 70 thousand (for a total amount CHF 160 thousand).

The fees paid for the Financial Year 2019 (as indicated on the table in section 4.2 "Remuneration Awarded 2019") reflect the pro rata amount paid to members of the Board of Directors during the period April 1, 2019 to December 31, 2019.



Members of the Board of Directors are entitled to a reimbursement for the expenses incurred in connection with their Board duties. Furthermore, remuneration of the Members of the Board is subject to social security contributions and is not pensionable. No additional remuneration components such as attendance fees are awarded to the Members of the Board of Directors.

In addition, in accordance with article 25 para. 3 of the [Articles of Association](#), the Members of the Board of Directors providing consulting services to the Company or other Group Companies in a function other than as Members of the Board of Directors may be compensated in cash according to standard market rates, subject to approval by the annual shareholders' meeting.

4.2 REMUNERATION AWARDED 2019 (AUDITED)

For the term from the EGM 2019 until the AGM 2020, Medacta's shareholders approved a maximum aggregate amount of remuneration for the Board of Directors of CHF 1 million. Total remuneration awarded to the Board of Directors during Financial Year 2019 amounted to CHF 627 thousand and represents remuneration for services rendered from the EGM 2019 until December 31, 2019. Thus, the amounts actually paid in 2019 remain within the limits of the amount approved by the shareholders for the same period.

A conclusive assessment for the entire period (up to the AGM 2020) will be included in the Remuneration Report 2020.

The following table shows remuneration paid to the Members of the Board of Directors from the EGM 2019 till December 31, 2019:

CHF	Role within the Board	Fixed Board fee	Committee fees	Expenses*	Social security contribution	Sub-total	Shares	Total
Alberto Siccardi**	Chairman	217'500	15'000	12'000	17'250	261'750	-	261'750
Maria Luisa Siccardi Tonolli**	Member	67'500	15'000	6'075	7'210	95'785	-	95'785
Victor Balli	Member	120'000	30'000	504	12'965	163'469	-	163'469
Philippe A. Weber	Member	67'500	30'000	-	8'580	106'080	-	106'080
TOTAL ALL MEMBERS***		472'500	90'000	18'579	46'005	627'084	-	627'084

* Out-of-pocket expenses incurred by the Board of Directors are duly reimbursed by the Company with the exception of Dr. Alberto Siccardi and Ms. Maria Luisa Siccardi Tonolli, who are reimbursed with an annual lump-sum of CHF 16 thousand and CHF 8 thousand, respectively (the amounts reported in the table above are pro-quota on nine months).

** In 2019 Mr. Siccardi rendered services in the HR management, but he decided voluntarily to offer the aforementioned services free of charge. In 2019, Maria Luisa Siccardi Tonolli received no consultancy fees as no services were rendered during the reporting period. Since the IPO, Ms. Siccardi Tonolli has exclusively served as a member of the Board of Directors.

*** Marco Gadola became a Board Member effective January 1, 2020. He did not receive any remuneration in FY 2019.

In addition, with reference to article 25 para. 3 of the [Articles of Association](#), for the period from the EGM 2019 until December 31, 2019, Niederer Kraft Frey AG, where Philippe Weber is the Managing Partner and that, amongst others, acted as legal adviser to Medacta in the IPO, received fees in the amount of CHF 746 thousand. The payments pursuant to article 25 para. 3 of the [Articles of Association](#) were approved at the EGM 2019. See Section 8 for Related Party Compensation.

4.3 LOANS AND CREDITS

In accordance with Article 28 of [Articles of Association](#), no loans or credits were granted to current or former Members of the Board of Directors or to persons closely associated with current or former members of the Board of Directors. No such loans or credits were outstanding at December 31, 2019.

In addition, no compensation, which was not at market terms or standards, was paid or granted to persons closely associated with current or former Members of the Board of Directors.

For the related party transactions, refer to sub-heading 6.26 "Related Party Transactions" of the Financial Report included in this Annual Report.

5. REMUNERATION FRAMEWORK FOR GROUP EXECUTIVE MANAGEMENT

5.1 REMUNERATION APPROACH

Pursuant to article 26 of the [Articles of Association](#), the compensation of the Members of the Group Executive Management is determined by the Board of Directors based on the proposal of the Remuneration Committee and subject to and within the limits of the aggregate amounts approved by the annual shareholders' meeting.

The remuneration of the Group Executive Management is comprised of three main components:

- Fixed remuneration including an annual base salary and additional benefits (including benefits-in-kind and pension contributions);
- Variable short-term remuneration;
- Variable long-term remuneration (LTIP).

In November 2019, to recognize the important achievements reached in its twenty years of operation culminating with the successful listing on April 4, 2019 on the SIX Swiss Exchange, the Board of Directors along with the Remuneration Committee and the Group Executive Management decided to pay a one-time discretionary Special Fidelity Bonus to each and all Medacta employees (except for the CEO Francesco Siccardi and the Supply Chain Director Alessandro Siccardi because of their status as principal shareholders of the Company). The total one-time Special Fidelity Bonus of approximately EUR 15.6 million was paid out in November 2019. The methodology chosen to calculate this Special Fidelity Bonus includes, but is not limited to, the number of years of employment with the Group and remuneration during Financial Year 2018.

The Siccardi family, as majority shareholders, decided to make a voluntary cash contribution to Medacta Group to cover all the relevant cash needs associated with the Special Fidelity Bonus.

FIXED COMPENSATION

ANNUAL BASE SALARY

The annual base salary is the main fixed remuneration component paid to Members of the Group Executive Management. It is paid in cash in thirteen equal monthly instalments. The level of base salary is determined considering the following factors:

- scope and responsibilities of the role;
- qualifications and experience required to perform the role;
- market value of the role in the location in which Medacta competes for talent;
- skills and expertise of the individual in the role.

The annual base salaries of the Members of the Group Executive Management are reviewed on a yearly basis considering the above-mentioned factors and adjustments are made according to alterations in the factors under assessment as well as to market developments.

BENEFITS AND PENSION

Members of the Group Executive Management participate in the Company's benefits plans, which mainly consist of retirement, insurance and health care plans designed to provide a reasonable level of protection for the employees and their dependents in the event of retirement, illness/accident, disability or death. Medacta's pension benefits under Swiss contracts meet 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 Healthcare companies offer.

Other benefits may include a car and phone allowance and other fringe benefits that, if any, would be disclosed in the remuneration table included in sub-heading 5.2 "Remuneration Awarded 2019 (Audited)" of this Report. Out-of-pocket expenses incurred by Members of the Group Executive Management in connection with their employment services for Medacta are duly reimbursed by the Company in accordance with the applicable regulations and are not considered to be remuneration subject to approval and, hence, are not further considered in the remuneration tables.

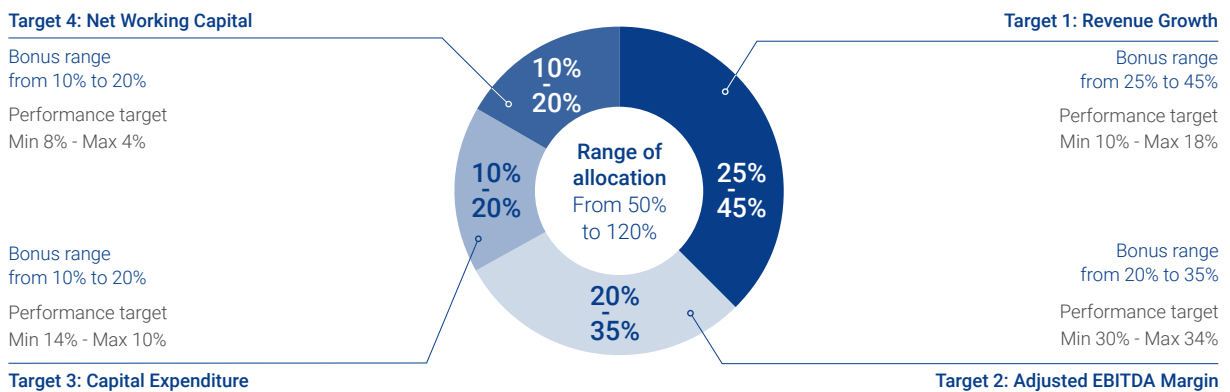
SHORT-TERM VARIABLE REMUNERATION

The short-term variable compensation is an annual incentive plan intended to compensate the Group Executive Management for achieving the short-term business strategy, based on company performance achievements and financial targets. In accordance with Art. 26 of the [Articles of Association](#), the short-term variable compensation is paid in cash and depends on the level of achievement of specific pre-defined targets for a one-year performance period.

The short-term variable compensation of the Group Executive Management is determined based on the reaching of four financial targets: Revenue Growth, Adjusted EBITDA Margin, Capital Expenditure and Net Working Capital. The financial targets are weighted differently for each member of the Group Executive Management, taking into account position and level of responsibility. Revenue Growth target is between 10% and 18% and weights respectively 45% and 30% to 40% of the CEO and other members of the Group Executive Management bonus, Adjusted EBITDA Margin target is between 30% and 34% and weights respectively 35% and 20% to 30% of the CEO and other members of the Group Executive Management bonus, Capital Expenditure target is between 14% and 10% and weights respectively 10% and 16% to 20% of the CEO and other members of the Group Executive Management bonus and Net Working Capital target is between 8% and 4% and weights respectively 10% and 16% to 20% of the CEO and other members of the Group Executive Management bonus. In addition, approximately 20% of the short-term variable compensation of the CFO is determined at the discretion of the Board of Directors, based on the quality of the performance of the CFO duties.

Upon proposal by the Remuneration Committee, the Board of Directors is responsible for the selection and weighting of performance targets as well as determining what the maximum short-term compensation can comprise. For FY 2019, the short-term variable remuneration, for the Group Executive Management represents 86% of the base salary annualized. The CEO's short-term variable remuneration represents a maximum of 182% of the base salary annualized and for other Members of the Group Executive Management on average 35%. This puts a material portion of the GEM's remuneration at risk in alignment with shareholders' interests.

The variable short-term compensation for the Members of the Group Executive Management for the financial year 2019 was determined by the Board of Directors upon recommendation from the Remuneration Committee on the basis of the below described base and maximum amounts, criteria, weightings and other principles.



In order to calibrate the target achievement curve for one plan cycle, a target achievement level is identified in accordance with the overall business plan and the budget for the respective year. Minimum and maximum performance achievement levels are defined considering, amongst other metrics, the previous year's performance level.

The reaching of the above financial targets is determined by the Board of Directors based on the audited consolidated financial statements of Medacta Group SA for the financial year on December 31, 2019.

Regarding targets 1 and 2: in the event the actual result is (a) below the minimum target, then the respective bonus portion is CHF 0; (b) within the target range linear progression from 0 to maximum bonus; (c) above maximum target maximum bonus. In relation to targets 3 and 4: in the event the actual result is (a) above the minimum target the respective bonus portion is CHF 0; (b) within the target range linear progression from 0 to maximum bonus; (c) below maximum target maximum bonus.

As mentioned above, at the discretion of the Board of Directors upon recommendation of the CEO and the Remuneration Committee, it would be possible to raise or to lower the CFO's variable components based on the quality of performance of CFO duties as set in the [Organizational Regulations](#).

The qualitative performance represents 20% of the CFO’s short-term compensation and is primarily based on the performance of:

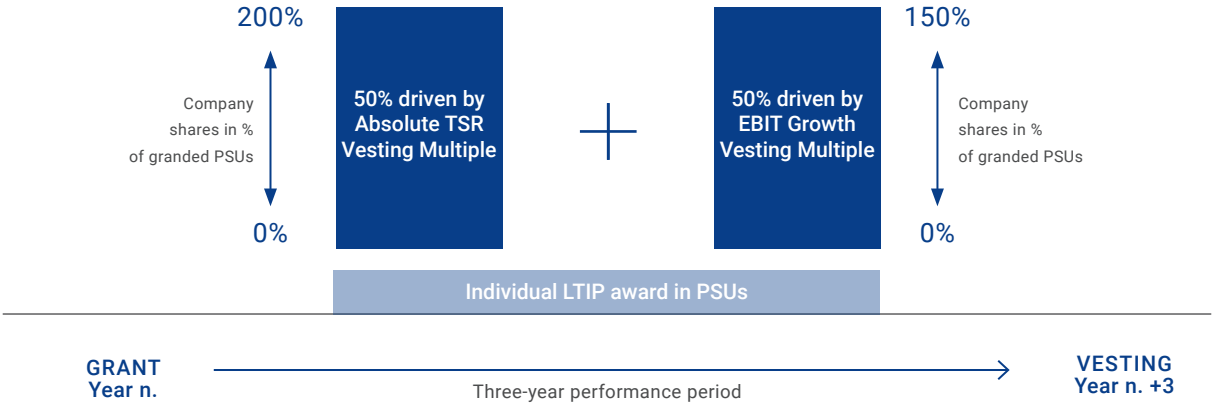
- defining and implementing the finance strategy of the Group;
- monitoring financial performance against targets, reports the results to the Audit and Risk Committee and the Board of Directors and endorsing these reports in all material respects as to their completeness, reliability and accuracy; and
- having responsibility for ensuring good financial governance.

For Financial Year 2019, all of the four approved minimum performance thresholds were exceeded, and the targets were achieved at different levels within their respective target achievement curve. This resulted in an overall proposed payout to the AGM 2020 for the CEO of CHF 550 thousand (see section 2.2. “Role and Activities of the Shareholders regarding the AGM” of this Remuneration Report) and an overall proposed payout of CHF 135 thousand for the other Members of the Group Executive Management, upon approval by the AGM 2020.

OUTLOOK: LONG-TERM VARIABLE REMUNERATION

In order to reflect the recent changes in ownership structure with Medacta’s new positioning as a listed company, reshaping the role and responsibilities of the Members of the Group Executive Management, in accordance with Art. 26 of the [Articles of Association](#), a share-based long-term incentive plan (LTIP) was developed during Financial Year 2019. In light of the recent COVID-19 developments and accompanying uncertainties, the timeline for the LTIP’s implementation has been postponed to a later date. While the cornerstones and key pillars of the LTIP have been agreed in principle by the Remuneration Committee, once implemented the LTIP may include certain adjustments or refinements as compared to the summary provided in this Annual Report. Once implemented, the details of the LTIP will be appropriately communicated.

Currently, it is contemplated that members of the Group Executive Management, other selected key managers and employees will be eligible to participate in the LTIP. The LTIP is designed to provide Members of the Group Executive Management, other selected key managers and employees an opportunity to become shareholders of the Company, to participate in the future long-term success and prosperity of the Group, and to enhance and reward loyalty of the employees. Furthermore, the LTIP is intended to attract, motivate, and retain participants of the plan, and thus, to enhance the value of the Group for the benefit of shareholders.



Once implemented, the LTIP will be an incentive plan measured over a rolling three-year performance period with the purpose of fostering long-term value creation for the Group. Eligible plan participants will be granted a certain number of Performance Share Units (PSUs), which represent a contingent entitlement to receive Medacta shares in the future. The number of granted PSUs will depend on the individual LTIP grant level, individually determined by the Board of Directors each year based on the individual’s performance, the position, complexity of the function, and level of responsibility. The individual LTIP grant can never exceed 40% of base salary of any participant. After a three-year performance period, the number of vested PSUs is expected to vary between 0% and 175% of granted PSUs. For the Group Executive Management, it is expected that the number of vested PSUs will be based on the achievement of the following two equally weighted LTIP performance measures:

- Three-year Absolute Total Shareholders Returned (“TSR”);
- Three-year EBIT Growth.

The performance targets for each grant will be approved by the Board of Directors, following a proposal by the Remuneration Committee. To determine the overall vesting multiple, the target achievement for each performance measure will be assessed individually, these are expected to range from 0% to 150% for the EBIT Growth vesting multiple and from 0% to 200% for the Absolute TSR vesting multiple. The two target achievements will then be combined according to the equal weightings. This means that a low performance in one performance measure could be balanced by a higher performance in the other performance measure. Overall, the combined vesting multiple is expected to never exceed 175%.

If the performance of both performance measures lies below the respective minimum performance threshold, the resulting combined vesting multiple will be 0% and consequently no PSUs vest. Other circumstances under which no PSUs vest include various forfeiture clauses in case of termination of employment during the performance period of the LTIP.

The remuneration of the Group Executive Management is not subject to any claw back provision.

5.2 REMUNERATION AWARDED 2019 (AUDITED)

COMPENSATION MIX

The Remuneration Committee ensures that the Group Executive Management remuneration focuses on pay-for-performance and anchors the strategy of the Group by delivering a substantial portion of remuneration in the form of variable and performance-related incentives. Overall, total variable remuneration of the CEO for the financial year 2019 amounted to 58% of his total remuneration, while other Members of the Group Executive Management's total variable remuneration for the financial year 2019 ranged from 10% to 20% of the total remuneration.

Medacta Group SA became a publicly listed company in April 2019. Therefore, the remuneration for services before April 2019 were not subject to approval by the annual shareholders' meeting 2019. Before appointment as Members of the Group Executive Management, they served as Senior Management for companies of the Group.

The total aggregate amount approved by the annual shareholders' meeting 2019 for the fixed compensation of the Group Executive Management for the Financial Year 2019 amounts to CHF 1.2 million. The sum of the total fixed compensation paid to the Group Executive Management (including the CEO) for the relevant period from April 1, 2019 to December 31, 2019 amounts to CHF 594 thousand. It is thus within the limits of the amount approved by the annual shareholders' meeting for the same period.

Variable compensation for the Members of the Group Executive Management includes the annual short-term incentive (STI). The total aggregate amount for 2019 proposed by the Board of Directors to the AGM for the entire Group Executive Management (including CEO) will be CHF 685 thousand. The limit of the STI for the Group Executive Management will be decided at the annual shareholders' meeting.

During Financial Year 2019, the Group Executive Management consisted of three Members, all of them being Members of the Group Executive Management during the entire period. During FY19, the Group Executive Management did not receive any form of equity compensation as no such plans were in place and no IPO-related payments took place. In addition, during the course of the financial year 2019, there were no changes to the base salary of the Group Executive Management.

The following table shows the total aggregate remuneration, including the proposed short-term compensation, for the Members of the Group Executive Management and the highest amount for an individual member (i.e. the CEO), for the period from April 1, 2019 to December 31, 2019.

CHF	Fixed Compensation*	Proposed variable short-term compensation***	Variable long-term compensation	Special Bonus****	Expenses*****	Pension & social security contribution	Total
Francesco Siccardi (CEO)	268'125	550'000	-	-	16'650	80'248	915'023
Other members of the Group Executive Management	326'089	135'000**	-	321'978	-	74'574	857'641
Total all members of the Group Executive Management	594'214	685'000	-	321'978	16'650	154'822	1'772'664

* Before appointment to the Group Executive Management, the members served as senior management to other Group companies and, thus, their previous salary for January 2019 - March 2019 was accounted for separately.

** As part of the proposed variable short-term compensation, we recognized CHF 45 thousand related to the CFO compensation for holding an additional role as IR, pending the planned appointment of a new head of IR.

*** Proposal by the Board of Directors to the AGM 2020. The amount has not been calculated pro-rata and relates to the short-term compensation for the full year performance of the Group Executive Management.

****The special bonus relates to amounts paid to the CFO in connection with (i) the Special 20 Year Anniversary Fidelity Bonus and (ii) the settlement of previously accrued amounts under a pre-IPO long term incentive plan with Medacta International (i.e., a subsidiary of the Company which previously employed the CFO).

*****Out-of-pocket expenses, including car lease, incurred by Mr. Francesco Siccardi are duly reimbursed with an annual lump-sum of CHF 22 thousand (the amounts reported in the table above are pro-quota on nine months).

5.3 LOANS AND CREDITS

In accordance with Article 28 of the [Articles of Association](#), no loans or credits were granted to current or former Members of the Group Executive Management or to persons closely associated with current or former Members of the Group Executive Management. No such loans or credits were outstanding at December 31, 2019.

In addition, no compensation, which was not at market terms or standards, was paid or granted to persons closely associated with current or former Members of the Group Executive Management.

For the related party transactions, refer to sub-heading 6.26 "Related Party Transactions" of the Financial Report included in this Annual Report.

6. OWNERSHIP OF SHARES AND OPTIONS

Other than Alberto Siccardi (Chairman), Maria Luisa Siccardi Tonolli (Board Member), Francesco Siccardi (CEO) and Alessandro Siccardi (Supply Chain Director), no other members of the Board of Directors or Group Executive Management own Shares in the Company. Please also refer to the table under the sub-heading 1.1 “Group Structure” of the Corporate Governance Report, included in this Annual Report for their respective shareholdings. As of December 31, 2019, there were not outstanding options to acquire shares in the Company.

7. OTHER REMUNERATION-RELATED INFORMATION UNDER THE OAEC (AUDITED)

For the reporting period, no compensation other than described herein was paid or granted to members of the Board of Directors and the Group Executive Management. No compensation was paid or granted to former members of the Board of Directors or Group Executive Management in 2019.

8. RELATED PARTY COMPENSATION

Members of the Board of Directors and of the Group Executive Management who have received consultancy fees for services rendered are reported in the 2019 Financial Statements of Medacta Group SA (sub-heading 6.26 “Related Party Transactions”), enclosed in this Annual Report. For the Remuneration paid to the Board of Directors, refer to sub-heading 4.2 “Remuneration Awarded 2019 (AUDITED)” of this Remuneration Report.

9. REPORT OF THE STATUTORY AUDITOR ON THE REMUNERATION REPORT



Deloitte SA
Via Ferruccio Pelli 1
Casella Postale 5520
6901 Lugano
Svizzera

Telefono: +41 (0)58 279 9400
Fax: +41 (0)58 279 9500
www.deloitte.ch

Report of the Statutory Auditor

To the General Meeting of
Medacta Group SA, Castel San Pietro

We have audited the remuneration report of Medacta Group SA for the year ended 31 December 2019. Our audit is limited to the information provided in the sections 4.2 and 5.2 labeled "audited" on pages 78, 82 and 83 in accordance with the articles 14 to 16 of the Ordinance against Excessive compensation in Stock Exchange Listed Companies (Ordinance).

Responsibility of the Board of Directors

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 against Excessive compensation in Stock Exchange Listed Companies (Ordinance). The Board of Directors is also responsible for designing the remuneration system and defining individual remuneration packages.

Auditor's Responsibility

Our responsibility is to express an opinion on the accompanying remuneration report. We conducted our audit in accordance with Swiss Auditing Standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the remuneration report complies with Swiss law and articles 14 – 16 of the Ordinance.

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

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

Opinion

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

Deloitte SA



Fabien Lussu
Licensed audit expert
Auditor in Charge



Michele Castiglioni
Licensed audit expert

Lugano, 03 April 2020
FL/MC/di