

Compensation Report

Summary

- Board of Directors and Group Management Team compensation in 2018 remained well within shareholders' authorization limit
- Updated compensation structure:
 - ▶ Restricted Stock Units to members of the Board of Directors
 - ▶ Performance Stock Unit scheme for Group Management Team
 - ▶ Clear split between short and long term incentives, with focus on long term incentive
 - ▶ No variable cash incentive for members of the Board of Directors and Group Management Team

1. Introduction

This Compensation Report contains:

- A description of the compensation framework;
- An overview and explanation of the compensation amounts paid to the members of the Board of Directors (BoD) and Group Management Team (GMT) in the calendar year 2018;
- A summary of the amounts paid to the members of the BoD and GMT in the 2018/2019 authorization period and the proposed maximum amounts for BoD and GMT compensation for the 2019/2020 authorization period.

The AGM on 2 May 2018 approved the BoD's proposals for the maximum prospective amounts for the 2018/2019 period. The shareholders also approved the 2017 Compensation Report in a consultative vote.

2. Rules and regulations for compensation

Evolva's compensation system and reporting comply with Swiss law (incl. "Compensation Ordinance"¹), the Swiss Code of Best Practice for Corporate Governance as well as the SIX Directive on Information Relating to Corporate Governance. EY has audited the tables in section 6 regarding BoD and GMT

compensation for 2018. The Audit Report is presented on page 45. The Compensation Ordinance requires that shareholders vote on the compensation of the BoD and the GMT on an annual basis. In accordance therewith, article 28 of Evolva's Articles of Association provide that the AGM must vote separately on the proposals of the BoD regarding the maximum aggregate amounts of:

- the fixed and (if applicable) the variable compensation of the BoD until the next AGM; and
- the fixed and the variable compensation of the GMT for the period from 1 July of the current year until 30 June of the following year.

Evolva's Articles of Association (<https://www.evolva.com/investors/agm/>) also incorporate other requirements of the Compensation Ordinance such as the determination of compensation, the AGM voting procedures, the reserve for appointments taking place after the AGM as well as regulations around loans and post-retirement benefits for members of the BoD and GMT.

¹ Verordnung gegen übermässige Vergütungen bei börsenkotierten Aktiengesellschaften, VegüV.

3. Overall compensation principles

Evolva's compensation philosophy aims to attract, retain and motivate employees, management and Board members with relevant managerial, scientific, technical, commercial, and other essential skills. Group Management Team and staff shall be rewarded for contributing to the achievement of the Company targets and creation of long-term value.

The below outlined compensation principles apply to all of Evolva's employees:

Business ethics	<ul style="list-style-type: none">■ Commitment to treat all employees fairly and equally■ Compliance with international labor law■ Gender equal compensation■ Use benchmarking data to assess compensation
Pay for performance	<ul style="list-style-type: none">■ Variable compensation is tied directly to the achievement of personal and/or Company goals
Balanced & competitive compensation	<ul style="list-style-type: none">■ Fixed and variable compensation structure■ Balanced and competitive compensation to attract, retain and motivate employees



4. Process for determination of compensation

The Board of Directors (BoD) is responsible for the preparation and implementation of the overall compensation system, as well as the preparation of the Compensation Report. The Compensation Committee (CC) assists the BoD in the detailed preparation and implementation of the compensation policy. It provides the BoD with recommendations on the compensation of members of the

BoD and Group Management Team (GMT) as well as policies for other employees, and the basic principles for the establishment, amendment and implementation of incentive plans.

Variable compensation for GMT follows the process illustrated below:



On 31 December 2018, the CC consisted of two non-executive Board members: Stuart Strathdee (Chairman) and Thomas Videbaek. In 2018, and similar to 2017, the CC formally met three times. Compensation is usually discussed in the January BoD

meeting. The persons concerned are not permitted to attend meetings if conflicted, e.g. if their individual compensation is discussed.

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5. Compensation structure

Elements of total compensation for members of the Board of Directors:

Element	Description
Cash consideration	<ul style="list-style-type: none"> Fixed cash compensation for BoD and committee activities
Restricted Stock Units (RSU)	<ul style="list-style-type: none"> Fixed RSU grant (not performance related)

Elements of total compensation for Group Management Team:

Element	Payment Type	Description
Annual base salary (ABS)	Cash consideration	<ul style="list-style-type: none"> Competitive, based on responsibilities, experience and required skill sets of the role
Pension & other benefits	Cash consideration	<ul style="list-style-type: none"> Tailored to local market practices and regulations
Variable pay	STI ¹⁾ PSU ²⁾	<ul style="list-style-type: none"> Grant value: 20% of ABS Performance measured based on Company targets Payout range depending on target achievement: <ul style="list-style-type: none"> < 80%: no pay-out > 80%: pay-out on achievement level, however max. 120% Vesting: 12 months after grant
	LTI PSU	<ul style="list-style-type: none"> Grant value: 75% of ABS Payout range depending on target achievement: <ul style="list-style-type: none"> < 80%: no pay-out > 80%: pay-out on achievement level, however max. 250% Performance period: three years Performance criteria: Total revenue, EBITDA ³⁾ and minimum share price appreciation Vesting: only upon successful achievement of performance period, annual vesting of 1/3 over the three subsequent years

1) Instead of cash incentives, a short-term equity based incentive program (STI) was granted to GMT to preserve the corporation's cash position and to link variable compensation to metrics and drivers that we believe build shareholder value.

2) PSU = Performance share unit

3) excl. share-based compensation expenses

Evolva's Compensation Committee continuously monitors the compensation structure in the light of changes in legislation, Evolva's corporate development and changes in market practices.

The compensation system for the BoD remained unchanged.

5.1 Fixed compensation items

Fixed compensation items comprise **annual base salary** (ABS), pension plans and other benefits. Annual base salary is predominantly driven by the responsibility, experience, skill sets, place of work and external benchmarks. **Pension plan contributions** are tailored to meet local market practices and are set-up countrywide equally for management and staff. More information on the Group's pension plans is provided in note 13 of the audited consolidated financial statements. Evolva does not offer any substantial fringe benefits to the GMT or other employees. No member of the GMT has a notice period longer than 12 months.

Compensation to members of the **Board of Directors** comprises an annual **cash consideration** and **RSUs**. Both elements are fixed, i.e. not related to the performance of the Company. Ordinary BoD members and the Chairman receive fixed annual cash consideration of CHF 40,000 and CHF 80,000, respectively. The fee for membership of a committee is CHF 5,000 and the fee for a committee Chairman is CHF 10,000. In addition, BoD members are entitled to an annual grant of equity instruments (RSU) with a fixed fair value at grant of CHF 40,000 (CHF 80,000 for the Chairman) per period they serve on the BoD.

5.2 Variable compensation items

Variable compensation comprises in 2018 the following elements:

- Short-term incentive plan (STI)
- Long-term incentive plan (LTI)

Regulations and award criteria of both plans were approved by the BoD.

Short-term incentive plan (STI)

As stated in section 5 of this report, instead of a cash incentive, the Company introduced a STI plan under which GMT members were granted PSUs in the amount of 20% of the annual base salary (measured in Swiss Francs) in the year 2018. Vesting of the PSUs was dependent upon achievement of specific company performance criteria at the end of the calendar year. Target performance criteria of the STI plan were to include total revenue and EBITDA², the former weighted 30% and the latter 70%, respectively. No vesting shall take place if the applicable performance multiplier of any of the two performance targets (revenue and EBITDA) is below 0.8 ("cliff"). The maximum multiplier of shares that can be delivered to any plan participant in aggregate is limited to 1.2.

As the combined target achievement levels were not met, no shares did vest, i.e. no shares were issued to the GMT members under this plan.

Long-term incentive plan (LTI)

The Company introduced an LTI plan in 2018. Under the LTI plan, GMT members were granted PSUs in the amount of 75% of their annual base salary on 1 July 2018. The plan contains a three years performance measurement period. Upon completion of the three years performance measurement period (1 July 2021) the awarded PSUs shall vest by 1/3 over the subsequent three years, with first vesting on 1 July 2021, provided that the performance targets will be met. Performance targets under the LTI plan include total revenue, EBITDA² (the former weighted 40% and the latter 60%, respectively) and a minimum share price appreciation.

No vesting shall take place if the applicable performance multiplier of any of the two performance targets (revenue and EBITDA²) is below 0.8 ("cliff"). The maximum multiplier of shares that can be delivered to any of the two GMT members in aggregate over the three vesting years is limited to a factor of 2.5.

Any PSUs to vest will be created from Evolva's conditional capital (Article 3C of the bylaws).

The BoD receives quarterly reports on progress towards short- and long-term goals.

² excl. share-based compensation expenses

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6. Compensation amounts for financial year 2018

Board of Directors

In accordance with the compensation structure described in section 5, each member of the BoD received RSUs for a value of CHF 40,000 resp. CHF 80,000 as Chairman of the BoD for the compensation period 2018/2019.

Total compensation to members of the Board of Directors at grant value

Table 1: Compensation per Board member for the 2018 calendar year – audited

Amounts in CHF 1,000	2018			2017 ⁴⁾
	Cash	Equity ¹⁾	Total ²⁾	Total ²⁾
Gerard Hoetmer, Chairman	80.0	80.0	160.0	80.0
Ganesh Kishore	40.0	40.0	80.0	65.0
Jutta Heim	40.0	40.0	80.0	65.0
Martin Gertsch, AC Chairman	50.0	40.0	90.0	70.0
Stuart Strathdee, CC Chairman, AC member	55.0	40.0	95.0	70.0
Thomas Videbaek, CC member	45.0	40.0	85.0	65.0
Total active Board members	310.0	280.0	590.0	415.0
Sir Tom McKillop ³⁾	-	-	-	80.0
Claus Braestrup ³⁾	-	-	-	45.0
Total former Board members	-	-	-	125.0
Total	310.0	280.0	590.0	540.0

1) Based on the grant fair value of the RSU granted on 1 January 2018.

2) Excludes the Company's mandatory contributions to social security of CHF 35,000 (2017: CHF 22,000).

3) Not re-elected in 2017 AGM.

4) In 2017, the Board waved 50% of its RSU compensation.

Evolva compensated Ms. Jutta Heim for scientific advisory services in the amount of CHF 50,000 (2017: CHF 50,000).

Compensation period	2018/2019	2017/2018
Grant date	3 May 2018	1 January 2018
Vesting date	3 May 2019	31 December 2018
Share price at grant	CHF 0.23	CHF 0.31
Total number of RSUs granted	1,217,391	903,224
Total value at grant	CHF 280,000	CHF 280,000

Group Management Team

The following tables show the GMT compensation for the past calendar year. The variable compensation in Table 2 reflects the short and long-term incentive programs. On 10 July 2018, Evolva announced that Oliver Walker would succeed Simon Waddington as CEO with immediate effect. All terms of Simon

Waddington's retirement are fully in line with the Swiss Ordinance against Excessive Compensation in Listed Companies. The table shows the compensation for the active GMT members and for Simon Waddington, who left the GMT in the course of 2018.

Total compensation to Group Management Team at grant value

Table 2: GMT compensation for the period 1 January 2018 – 31 December 2018 – Audited

Amounts in CHF 1,000	Fixed compensation			Variable compensation			Total
	Base salary	Other	Total	Short term	Long term	Total	
Oliver Walker	392.6	23.7	416.3	78.5	337.5	416.0	832.3
Other GMT members	755.3	59.6	814.9	150.0	259.8	409.8	1,224.8
Total	1,147.9	83.3	1,231.3	228.5	597.3	825.8	2,057.1
of which:							
active members	713.5	49.0	762.5	142.3	597.3	739.6	1,502.2
former members*	434.4	34.3	468.7	86.2	-	86.2	555.0

* former GMT members in the compensation period 2018 include Mr. Simon Waddington, only.

Variable compensation comprises the fair value at grant date of STI (short term) and LTI (long-term) performance share units granted in 2018. The fair value is based on 100% target achievement.

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Long-term performance share units grant overview GMT

Grant date	1 July 2018
Vesting date	various ¹⁾
Share price at grant	CHF 0.23
Total number of PSU granted	2,644,261

1) See par. 5.1 of this Compensation report

In 2017, 1,223,757 PSU with a vesting period of 1/3 each between the years 2020 – 2022 were granted to the GMT (incl. departing GMT members).

Table 3: GMT compensation for the period 1 January 2017 – 31 December 2017 – Audited

Amounts in CHF 1,000	Fixed compensation			Variable compensation			Total
	Base salary	Other	Total	Cash	Equity ¹⁾	Total	
Neil Goldsmith (former CEO)	625.6	61.9	687.4	-	94.7	94.7	782.1
Other GMT members	1,637.0	194.1	1,831.1	66.0	443.8	509.8	2,340.9
Total	2,262.6	256.0	2,518.6	66.0	538.5	604.5	3,123.0
of which:							
active members	871.9	108.9	980.8	66.0	253.5	319.5	1,300.3
former members	1,390.7	147.1	1,537.7	-	285.0	285.0	1,822.7

1) Based on the grant-date fair value of the RSU granted in February 2017 (at 100% target achievement).

Table 3 presents the compensation paid to both the three persons who were active GMT members in 2017 and to the persons who left the GMT in the course of 2017. As a result of the strategic repositioning and restructuring, the GMT was reduced from seven to three members in 2017. The active GMT members were Simon Waddington, Oliver Walker and Scott Fabro. Compensation for the departing GMT members (Neil Goldsmith, Luc Gruner, Jørgen Hansen, Pascal Longchamp and Panchapagesa Murali) includes legally and contractually agreed payments during the termination period. In some cases the termination

period extended into 2018. This last factor explains the increase in 2017 in the base salary of the former CEO, Neil Goldsmith, who stepped down as of 6 July 2017.

Given the timing of the five GMT members' departure and the length of their notice periods (six to twelve months), they received fixed compensation for up to the entire 2017 calendar year. Luc Gruner and Panchapagesa Murali stepped down from the GMT end of August 2017. Luc Gruner took another position in our commercial team. Consequently, the 2017-number for the compensation of the Chief Commercial Officer contains Luc

Gruner's salary until followed by his successor Scott Fabro. Panchapagesa Murali continued as Managing Director of Evolva Chennai. Consequently, the 2017-number for his GMT compensation contains the fixed compensation during the eight months of 2017. In total, the five departing GMT members received CHF 1.8 million in compensation in 2017.

Tables 2 and 3 include company contributions for GMT members to pension schemes and health insurance, which in total represents approx. 10% (unchanged to 2017) of the base salary. They exclude the company's mandatory contribution to Social Security schemes, which in 2018 represented approximately 7% of the employee's annual salary.

In 2018 and 2017, the Company did not issue or assume any guarantees for any shareholder, member of the BoD or GMT. No shareholder and no member of the BoD or GMT have received any loans from the Company.

Shareholdings and loans – audited

An overview of holdings of shares and equity instruments of the BoD and GMT can be found in the Notes to the Statutory Financial Statements on page 95.

7. Compensation in 2018/19 Authorization period

All figures presented in this Compensation Report up to this point related to the Company's business year, as required by Swiss law. These may slightly differ from those for the twelve-month period authorized by the AGM. For the BoD this period runs from AGM to AGM and for the GMT from 1 July until 30 June of the following year – the so-called "Authorization period". The differences between the Authorization period and the calendar year for GMT are shown in the following tables.

The tables show the maximum amounts authorized by the AGM as of 2 May 2018 as well as the part that was actually used. The total compensation in the 2018/2019 period for the members of BoD and GMT remained well within the authorization given by the shareholders.

Table 4: Calendar year versus Authorization period compensation for BoD

	Calendar year 2018		Authorization period 2018/2019		
	Includes	Amount (CHF 1,000)	Includes	Amount (CHF 1,000)	Approved Max.
Fixed compensation	January 2018 – December 2018	320.0	AGM 2018 – AGM 2019 ¹⁾	320.0	
Fixed equity	Grant early 2018	280.0	Grant early 2018	280.0	
Total		600.0		600.0	660.0

1) Including an estimate of the remaining few months of the 2018/2019 Authorization period.

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Table 5: Calendar year versus Authorization period compensation for GMT

	Calendar year 2018		Authorization period 2018/2019		
	Includes	Amount (CHF 1,000)	Includes	Amount (CHF 1,000)	Approved Max.
Fixed compensation	January 2018 – December 2018	1,231.3	July 2018 – June 2019 ¹⁾	1,200.0	
Variable cash	STI	228.0	STI	200.0	
Variable equity	LTI	597.3	LTI ²⁾	1,250.0	
Total		2,057.1		2,650.0	4,000.0

1) Including an estimate of the remaining few months of the 2018/2019 Authorization period.

2) Consequent to the presentation of the new compensation structure for GMT during the AGM 2018, the Company issued a long-term incentive plan (LTI) for 2018. The 2018 LTI grant date of 1st July 2018 falls under the authorization period 2018/19. Since the LTI for 2019 will provide for a grant date that also falls under the same authorization period, both grants (LTI 2018 and LTI 2019) are shown under the authorization period 2018/19 in Table 6 above; consequently and conversely, no LTI grant is shown in the authorization period 2017/18 in the table above. As a consequence, the LTI compensation for the authorization period 2018/2019 increased by CHF 0.6 million but it stays well within the authorized limits. This qualifies one-time effect which will not be observed going forward.

8. Proposal for the AGM of 8 April 2019

The proposed maximum compensation amounts for the 2019/2020 Authorization period for BoD and GMT are expected to be CHF 0.7 million and CHF 3.0 million, respectively.

Report of the Statutory Auditor on the Compensation Report



To the General Meeting of Evolva Holding AG, Reinach

Basle, 27. February 2019

Report of the statutory auditor on the compensation report

We have audited the compensation report of Evolva Holding AG for the year ended 31 December 2018. 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 sections labeled "audited" on pages 40 to 42 of the compensation report.



Board of Directors' responsibility

The Board of Directors is responsible for the preparation and overall fair presentation of the compensation report in accordance with Swiss law and the Ordinance. The Board of Directors is also responsible for designing the compensation system and defining individual compensation packages.



Auditor's responsibility

Our responsibility is to express an opinion on the accompanying compensation 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 compensation 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 compensation 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 compensation report, whether due to fraud or error. This audit also includes evaluating the reasonableness of the methods applied to value components of compensation, as well as assessing the overall presentation of the compensation 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 compensation report for the year ended 31 December 2018 of Evolva Holding AG complies with Swiss law and articles 14 – 16 of the Ordinance.

Ernst & Young Ltd

Rico Fehr
Auditor in charge
Licensed audit expert

Fabian Meier
Licensed audit expert