

Compensation Report

Summary

- Board of Directors and Group Management Team compensation in 2019 remained well within shareholders' authorization limit
- Unchanged compensation structure to prior year:
 - ▶ 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 2019;
- A summary of the amounts paid to the members of the BoD and GMT in the 2019/2020 authorization period and the proposed maximum amounts for BoD and GMT compensation for the 2020/2021 authorization period

The AGM on 8 April 2019 approved the BoD's proposals for the maximum prospective amounts for the 2019/2020 period. The shareholders also provided a favourable, consultative, vote on the 2018 Compensation Report.

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 2019. The Audit Report is presented on page 43.

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, credits and post-retirement benefits for members of the BoD and GMT.

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.

¹ Verordnung gegen übermässige Vergütungen bei börsenkotierten Aktiengesellschaften, VegüV.

Compensation Report

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

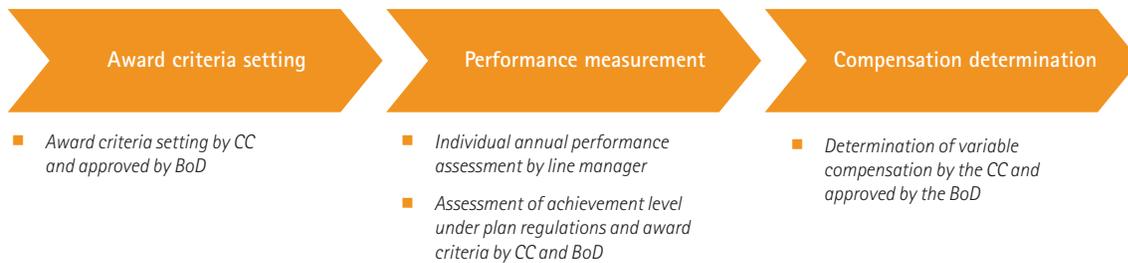
Business ethics	<ul style="list-style-type: none"> ■ Commitment to treat all employees fairly and equally ■ Compliance with international labor law ■ Gender equal compensation ■ Use benchmarking data to assess compensation
Pay for performance	<ul style="list-style-type: none"> ■ Variable compensation 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.

On 31 December 2019, the CC consisted of two non-executive Board members: Thomas Videbaek (Chairman) and Martin Gertsch. In 2019, the CC formally met three times (unchanged to 2018). In addition, the CC held several telephone conversations. 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.

Variable compensation for GMT follows the process illustrated below:



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 Et 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 (Revenue, EBITDA³⁾) 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, EBITDA³⁾ 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) is granted to GMT to preserve the Company's cash position and to link variable compensation to metrics and drivers that we believe build shareholder value.

2) PSU = Performance share unit

3) excluding share-based expenses

Compensation Report

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 11 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 2019 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 issued 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 2019. 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 EBITDA²) is below 0.8 ("cliff"). The maximum multiplier of shares that can be delivered to any plan participant is limited to 1.2. In 2019, the combined target achievement of total revenue and EBITDA² was 101%, which leads to a respective vesting of PSU in the year 2020.

Long-term incentive plan (LTI)

The Company issued an LTI plan in 2019. Under the LTI plan, GMT members were granted PSUs in the amount of 75% of their annual base salary on 1 May 2019. The plan contains a three years performance measurement period. Upon completion of the three years performance measurement period (1 May 2022) the awarded PSUs shall vest by 1/3 over the subsequent three years, with first vesting on 1 May 2022, 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 excluding share-based compensation expenses

6. Compensation amounts for financial year 2019

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 2019/2020. The shares were created from Evolva's conditional capital (Article 3C).

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

Table 1: Compensation per Board member for the 2019 calendar year – audited

Amounts in CHF 1,000	Cash	2019		2018
		Equity ²⁾	Total ³⁾	Total ³⁾
Gerard Hoetmer, Chairman	80.0	80.0	160.0	160.0
Ganesh Kishore	40.0	40.0	80.0	80.0
Jutta Heim	40.0	40.0	80.0	80.0
Martin Gertsch, AC Chariman & CC member	55.0	40.0	95.0	90.0
Thomas Videbaek, CC Chairman & AC member	47.5	40.0	87.5	85.0
Total active Board members	262.5	240.0	502.5	495.0
Stuart Strathdee ¹⁾	27.5	-	27.5	95.0
Total former Board members	27.5	-	27.5	95.0
Total	290.0	240.0	530.0	590.0

1) not re-elected for period 2019/2020

2) based on the grant date fair value of RSU granted in 2019

3) excludes the Company's mandatory contribution to Social security schemes (AHV/IV/ALV) of CHF 38,000 (2018: CHF 35,000)

Evolva compensated Ms. Jutta Heim for scientific advisory services in the amount of CHF 50,000 (2018: CHF 50,000).

Restricted share units grant overview for members of the Board of Directors

Compensation period	2019/2020	2018/2019	2017/2018
Grant date	9 April 2019	3 May 2018	1 January 2018
Vesting date	8 April 2020	3 May 2019	31 December 2018
Share price at grant	CHF 0.24	CHF 0.23	CHF 0.31
No. of RSUs granted	1,019,108	1,217,391	903,224
Value at grant	CHF 240,000	CHF 280,000	CHF 280,000

Compensation Report

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.

Total compensation to GMT at grant value

Table 2: GMT compensation for the period 1 January 2019 – 31 December 2019 – Audited

Amounts in CHF 1,000	Fixed compensation			Variable compensation			Total ¹⁾
	Base salary	Other ¹⁾	Total ²⁾	Short term	Long term	Total ²⁾	
Oliver Walker	454.5	27.9	482.4	90.9	340.9	431.8	914.1
Other GMT members	591.3	61.3	652.6	70.3	263.7	334.0	986.6
Total	1,045.8	89.2	1,135.0	161.2	604.6	765.8	1,900.7
of which:							
active members	813.8	65.1	878.9	161.2	604.6	765.8	1,644.6
former members ³⁾	232.0	24.1	256.1	-	-	-	256.1

1) includes pension contributions

2) excludes the Company's mandatory contribution to Social security schemes of CHF 67,000 (2018: CHF 99,000)

3) former GMT members 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 2019. The fair value is based on 100% target achievement. Since PSU issued to the GMT are subjected to a three years performance period, followed by a three years vesting period, a discount of 20.7% is allowed at grant.

Long-term performance share units grant overview GMT

Grant date	1 May 2019	1 July 2018
Vesting date ¹⁾	Various	various
Share price at grant	CHF 0.23	CHF 0.23
No. of PSU granted	3,351,102	2,644,261

1) See par. 5.1 of this Compensation report

Table 3: GMT compensation for the period 1 January 2018 – 31 December 2018 – Audited

Amounts in CHF 1,000	Fixed compensation			Variable compensation			Total ¹⁾
	Base salary	Other ¹⁾	Total ²⁾	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	409.9	1,224.8
Total	1,147.9	83.3	1,231.3	228.5	597.3	825.9	2,057.1
of which:							
active members	713.5	49.0	762.5	125.8	597.3	739.6	1,502.2
former members ³⁾	434.4	34.3	468.7	86.2	-	86.2	555.0

1) includes pension contributions

2) excludes the Company's mandatory contribution to Social security schemes of CHF 67,000 (2018: CHF 99,000)

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

The table above shows the compensation for the active GMT members and for Simon Waddington, who stepped down as Evolva's CEO on 10 July 2018. Oliver Walker was elected as CEO on 10 July 2018, which led to a salary increase to reflect his new responsibilities in the second half-year 2018.

In 2019 and 2018, 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 94.

7. Compensation in 2019/2020 Authorization period

All figures in this Compensation Report so far cover the 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 8 April 2019 as well as the part that was actually used. The total compensation in the 2019/2020 period for the members of BoD and GMT remains well within the authorization given by the shareholders.

Compensation Report

Table 4: Calendar year versus Authorization period compensation for the Board of Directors

	Calendar year 2019		Authorization period 2019/2020		Approved Max.
	Includes	Amount (CHF 1,000)	Includes ¹⁾	Amount (CHF 1,000)	
Fixed compensation	January 2019 – December 2019	290,0	AGM 2019 – AGM 2020	270,0	
Fixed equity	Grant 2019	240,0	Grant 2020	240,0	
Total		530,0		510,0	700,0

1) Including an estimate of the remaining few months of the 2019/2020 Authorization period.

Table 5: Calendar year versus Authorization period compensation for GMT

	Calendar year 2019		Authorization period 2019/2020		Approved Max.
	Includes	Amount (CHF 1,000)	Includes ¹⁾	Amount (CHF 1,000)	
Fixed compensation	January 2019 – December 2019	1,135.0	July 2019 – June 2020	1,200.0	
Variable equity	STI	431.7	STI	200.0	
Variable equity	LTI	334.0	LTI	600.0	
Total		1,900.7		2,000.0	3,000.0

1) Including an estimate of the remaining few months of the 2019/2020 Authorization period.

8. Proposal for the AGM of 15 April 2020

The proposed maximum compensation amounts for the 2020/2021 Authorization period for BoD and GMT are expected to be CHF 0.7 million and CHF 2,5 million, respectively.