

COMPENSATION REPORT



Summary

- Board of Directors and Group Management Team compensation in 2020 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 for Group Management Team
 - ▶ 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 2020;
- A summary of the amounts paid to the members of the BoD and GMT in the 2020/2021 authorization period and the proposed maximum amounts for BoD and GMT compensation for the 2021/2022 authorization period

The AGM on 15 April 2020 approved the BoD's proposals for the maximum prospective amounts for the 2020/2021 period. The shareholders also approved the 2019 Compensation Report in a consultative vote.

2. Rules and regulations for compensation

Evolve'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 2020. The Audit Report is presented on page 59.

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

¹ Verordnung gegen übermässige Vergütungen bei börsenkotierten Aktiengesellschaften, VegüV

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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 Association² 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.

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

Business ethics

- Commitment to treat all employees fairly and equally
- Compliance with international labor law
- Gender equal compensation

Pay for performance

- Variable compensation is tied directly to the achievement of personal and/or Company goals

Balanced & competitive compensation

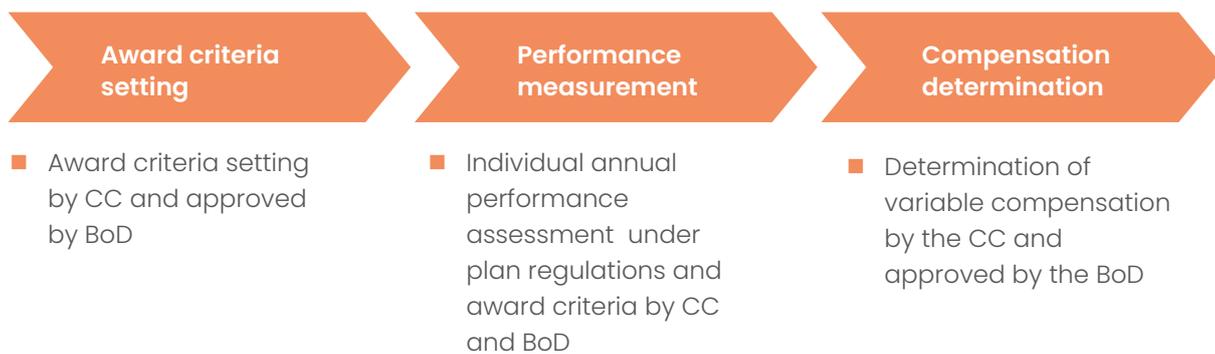
- Fixed and variable compensation structure
- Balanced and competitive compensation to attract, retain and motivate employees

2 <https://evolva.com/app/uploads/2020/05/200415d-2-Statuten-Evolva-Holding-AG.pdf>

4. Process for determination of compensation

The Board of Directors 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 Board of Directors in the detailed preparation and implementation of the compensation policy. It provides the Board of Directors with recommendations on the compensation of members of the Board of Directors and Group Management Team 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 2020, the CC consisted of two non-executive Board members: Richard Ridinger (Chair of the CC) and Stephan Schindler. In 2020, the CC formally met two times. 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.

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5. Compensation structure

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

Element	Description
Cash consideration	■ Fixed cash compensation for BoD and committee activities
Restricted Stock Units (RSU)	■ Fixed RSU grant (not performance related)

The compensation system for the Board of Directors remained unchanged.

Elements of total compensation for Group Management Team:

Element	Payment Type	Description
Annual base salary (ABS)	Cash consideration	■ Competitive, based on responsibilities, experience and required skill sets of the role
Pension & other benefits	Cash consideration	■ 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, EBITDA, other criteria) ■ 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, however max. 200% ■ Performance period: over three years ■ Performance criteria: EBITDA, Cash-Flow, minimum share price appreciation ■ Vesting: only upon successful completion of performance period and performance criteria

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 contribute to shareholder value.

2) PSU = Performance share unit

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 Group Management Team remained unchanged

5.1 Fixed compensation items for the Group Management Team

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 12 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. Regular 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. Each RSU corresponds to one share in the Company. The RSUs vest one year after grant date.

5.2 Variable compensation items for the Group Management Team

Variable compensation comprises in 2020 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 2020. Vesting of the PSUs was dependent upon achievement of specific company performance criteria

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at the end of the calendar year. Target performance criteria of the STI plan were to include Product revenue 45% (2019: 30%), EBITDA¹ 45% (2019: 70%), and targets related to the development and launch of new products 10% (2019: none). Regarding Product revenue and EBITDA, if the performance of any of the financial measure is below 0.8, the portion of the equity awards relating to the respective financial measure expires unconditionally and does consequently not vest ("Cliff"). The maximum multiplier of shares that can be delivered to any plan participant in aggregate is limited to 1.2 (unchanged to 2019). In 2020, the combined target achievement of total revenue and EBITDA¹ was 45% (2019: 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 2020. Under the LTI plan, GMT members were granted PSUs in the amount of 75% of their annual base salary on 1 July 2020. The plan contains a 3-year performance period. Performance targets under the LTI plan include EBITDA (50%), Cash Flow (50%). Provided that the performance targets are met, and a minimum share price appreciation is achieved, all awarded PSUs shall vest on 1 April 2023. With regard to the LTI granted in 2019, the performance target includes total revenue (40%), EBITDA¹ (60%) and a minimum share price appreciation.

If the minimum performance for a financial measure as defined in the performance range is not met, the portion of the equity awards relating to the financial measure expires unconditionally and does consequently not vest. If the minimum share price appreciation is not met, all PSUs awarded shall expire unconditionally and do consequently not vest. 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 2.0.

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

6. Compensation amounts for financial year 2020

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

¹ excluding share-based expenses

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

Table 1: Compensation by Board member for the 2020 calendar year – audited

Amounts in CHF 1,000	2020			2019		
	Cash	Equity ¹⁾	Total ²⁾	Cash	Equity ¹⁾	Total ²⁾
Beat In-Albon, Chairman	40.0	80.0	120.0	-	-	-
Richard Ridinger	20.0	40.0	60.0	-	-	-
Stephan Schindler	20.0	40.0	60.0	-	-	-
Total active Board members	80.0	160.0	240.0	-	-	-
Gerard Hoetmer	40.0	-	40.0	80.0	80.0	160.0
Ganesh Kishore	20.0	-	20.0	40.0	40.0	80.0
Jutta Heim	20.0	-	20.0	40.0	40.0	80.0
Martin Gertsch	27.5	-	27.5	55.0	40.0	95.0
Thomas Videbaek	27.5	-	27.5	47.5	40.0	87.5
Stuart Strathdee	-	-	-	27.5	-	27.5
Total former Board members	135.0	-	135.0	290.0	240.0	530.0
Total	215.0	160.0	375.0	290.0	240.0	530.0

1) based on the grant date fair value of RSU in 2020

2) excludes the Company's mandatory contribution to Social security schemes (AHV/IV/ALV) of CHF 28,000 (2019: CHF 38,000)

At the AGM 2020, all former members of the board resigned from their positions, while the three active members of the board were elected by the AGM. Consequently, all board members were compensated for a six months period only in 2020, which explains the change in compensation between 2020 and 2019 in the table above. Mr. Stuart Strathdee resigned already in 2019 and consequently he did not qualify for an equity grant in 2019.

No compensation was paid to any board member for scientific advisory services in 2020 (2019: CHF 50,000).

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

Compensation period	2020/2021	2019/2020	2018/2019
Grant date	16 April 2020	9 April 2019	3 May 2018
Vesting date	15 April 2021	8 April 2020	3 May 2019
Share price at grant	CHF 0.22	CHF 0.24	CHF 0.23
No. of RSUs granted	725,909	1,019,108	1,217,391
Value at grant	CHF 160,000	CHF 240,000	CHF 280,000

Group Management Team

The following tables show the GMT compensation for the past calendar year. The "variable compensation" column refers to short and long-term incentive programs.

Total compensation to Group Management Team at grant value

Table 2: GMT compensation for the period 1 January 2020 – 31 December 2020 – Audited

Amounts in CHF 1,000	Fixed compensation			Variable compensation			Total compensation ¹⁾
	Base salary	Other ¹⁾	Total ²⁾	Short term	Long term	Total	
Oliver Walker, CEO	459.0	37.9	496.9	91.8	344.3	436.1	933.0
Other GMT members	670.0	62.5	732.5	60.0	229.6	289.6	1,022.1
Total	1,129.0	100.4	1,229.4	151.8	573.9	725.7	1,955.1
of which:							
active members	765.2	62.1	827.3	151.8	573.9	725.7	1,553.0
former members ³⁾	363.9	38.3	402.1	-	-	-	402.1

1) includes pension contributions

2) excludes the Company's mandatory contribution to Social security schemes of CHF 72,000 (2019: CHF 67,000)

3) former GMT members include Mr. Scott Fabro only, who resigned on 01/2020

Variable compensation comprises the fair value at grant date of STI (short term) and LTI (long-term) performance share units granted in 2020. Since LTI issued to the GMT are subjected to a performance period over three years, a discount of 14.7% is allowed at grant¹.

¹ According to Kreisschreiben no. 37, Eidgenössische Steuerverwaltung ESTV.

Long-term performance share units grant overview Group Management Team

	LTI 3	LTI 2	LTI 1
Grant date	1 Juli 2020	1 May 2019	1 July 2018
Vesting date ¹⁾	1 April 2023	various ²⁾	various ²⁾
Share price at grant	CHF 0.2375	CHF 0.23	CHF 0.23
No. of PSU granted	2,808,941	3,351,102	2,644,261
Performance Period	1.1.2022 – 31.12.2022	1.1.2021 – 31.12.2021	1.1.2020 – 31.12.2020

1) See par. 5.1 of this Compensation report

2) Frist vesting date is 36 months post grant date and comprises 1/3 of PSU, followed by additional vesting of 1/3 after 48 respective 60 months. Number of PSU to vest depends from effective target achievement.

Table 3: GMT compensation for the period 1 January 2019 – 31 December 2019 – Audited

Amounts in CHF 1,000	Fixed compensation			Variable compensation			Total compensation ¹⁾
	Base salary	Other ¹⁾	Total ²⁾	Short term	Long term	Total	
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

In 2020 and 2019, the Company did not issue or assume any guarantees for shareholders, BoD or GMT. No shareholder and no member of the BoD or GMT have received any loans from the Company. The same applies for member of the board and member of the General Management Team, who have resigned during the reporting period.

Shareholdings and equity instruments – 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 120.

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7. Compensation in 2020/2021 Authorization period

All figures in this Compensation Report so far cover the business year, as required by Swiss law. These 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 15 April 2020 as well as the part that was actually used. The total compensation in the 2020/2021 period for the members of board and GMT remains well within the authorization given by the shareholders.

Table 4: Calendar year versus Authorization period compensation for BoD

Amount (CHF 1,000)	Calendar year 2020		Authorization period 2020/2021		
	Includes	Amount	Includes ¹⁾	Amount	Approved Max.
Fixed compensation (cash)	January 2020 – December 2020	215.0	AGM 2020 – AGM 2021	190.0	
Fixed equity	Grant 2020	160.0	Grant 2021	160.0	
Total		375.0		350.0	700.0

1) including an estimate of the remaining months of the 2020/2021 Authorization period.

Table 5: Calendar year versus Authorization period compensation for GMT

Amount (CHF 1,000)	Calendar year 2020		Authorization period 2020/2021		
	Includes	Amount	Includes ¹⁾	Amount	Approved Max.
Fixed compensation	January 2020 – December 2020	1,229.4	July 2020 – July 2021	900.0	
Variable equity	STI	151.8		200.0	
Variable equity	LTI	573.9		700.0	
Total		1,955.1		1,800.0	2,500.0

1) including an estimate of the remaining months of the 2020/2021 Authorization period.

8. Proposal for the AGM of 8 April 2021

The proposed maximum compensation amounts for the 2021/2022 Authorization period for BoD and GMT are expected to be CHF 0.5 million and CHF 2.5 million, respectively.

To the General Meeting of
Evolva Holding AG, Reinach

Basel, 24 February 2021

We have audited the accompanying compensation report of Evolva Holding AG for the year ended 31 December 2020. The audit was limited to the information according to articles 14–16 of the Ordinance against Excessive Compensation in Stock Exchange Listed Companies (Ordinance) contained in the tables labeled “audited” on pages 55 to 57 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 2020 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