



# Remuneration report

The remuneration report describes the Company's remuneration structure and provides information about payments to the board members in accordance with the requirements of the German Corporate Governance Code (the "Code"). It is part of both the Consolidated Financial Statements and the Corporate Governance report.

## **REMUNERATION OF THE MANAGEMENT BOARD**

The total annual compensation of the individual members of the Management Board is fixed by the Supervisory Board and is composed of performance-unrelated and performance-related components.

As a principle, Management Board compensation is awarded based on an assessment of performance that is oriented towards the sustainable growth of Evotec. The criteria for determining the amount of compensation awarded include the tasks of the individual members of the Management Board, their personal performance, the economic situation of the Company, the performance and outlook of Evotec as well as the comparative level of compensation at peer companies and the compensation structure in place in other areas of the Company. Moreover, the Supervisory Board considers the Management Board compensation relative to that of senior management as well as the staff overall, particularly in terms of its development over time.

Following section 4.2.3 of the Code, there is a monetary cap for the total compensation, both for overall and for individual compensation components. Deviating from that, the Share Performance Plans 2012 and 2015 as approved by the AGMs in 2012 and 2015 include a maximum regarding the number of share-based awards (Share Performance Awards, "SPA") upon allocation. The monetary value of the allocated shares is determined by the share price after the expiration of the vesting period. The Share Performance Plan 2017 has a monetary cap with a maximum level of 350% of the contractual SPA issue value and therefore complies with the Code in all respects.

A benchmarking against other biotech companies and members of the TecDAX index is conducted on a periodic basis and prior to each renewal of the management contracts. A benchmarking includes monetary aspects and current corporate governance best practices. Based on this benchmarking, the Supervisory Board considers the current remuneration system and its fixed and variable compensation levels with regards to

the duties and responsibilities of the Management Board members and decides on adjustments of the management contracts. As an example of the consequence of this practice, a clawback clause has been added to those Management contracts that have been recently renewed.

In accordance with good corporate practice, the Supervisory Board of Evotec AG proposed the system of remunerating members of the Management Board for approval to the AGMs in 2012 and in 2017 ("say on pay"). At both AGMs, the majority of the shareholders and shareholder representatives voted in favour of this agenda item.

### **Performance-unrelated remuneration**

Performance-unrelated remuneration includes base salaries as fixed compensation paid in 12 monthly instalments at the end of each month and fringe benefits such as pension allowances, contribution to commuting expenses, contributions to certain premiums for insurance policies as well as the benefit derived from the private use of a company car or a car allowance. In addition to the aforementioned remuneration, business-related private payments, expenditures and expenses are reimbursed.

### **Performance-related remuneration**

The performance-related remuneration components consist of a one-year variable compensation ("STI") determined by a bonus scheme and a long-term Share Performance Plan, which was approved by the AGMs 2012, 2015 and 2017. The one-year variable remuneration is determined by a bonus scheme based on the achievement of certain targets specified by the Remuneration and Nomination Committee of the Supervisory Board and subsequently approved by the Supervisory Board for each financial year. The Share Performance Plans are based on a forward-looking, multi-year assessment period.

The target bonuses for the one-year variable compensation for 2017 and for 2018 for the Chief Executive Officer are capped at 100% of the fixed remuneration, for the Chief Operating Officer at 75% of the fixed remuneration, for the Chief Scientific Officer at 70% and for the Chief Financial Officer at 55% of the fixed remuneration.

Based on the decision of the Supervisory Board, the bonus paid to Dr Werner Lanthaler, Dr Cord Dohrmann, Dr Mario Polywka and Enno Spillner in March 2018 was based on the achievement of clearly measurable corporate objectives for 2017 equally set for each Management member rather than individual objectives. The 2017 corporate objectives related to growth in

total revenues, adjusted EBITDA and R&D expenses set in accordance with the guidance set for 2017. This was, among other things, to be achieved by strengthening EVT Execute via integration and expansion of the Cyprotex business that was acquired in December 2016 and via increased leveraging of the capacities of Evotec (France) in Toulouse. For EVT Innovate, the first milestone in the collaboration with Celgene that was signed in December 2016 was to be achieved in 2017 and to build one new academic BRIDGE. In its March 2018 meeting, the Supervisory Board reviewed the achievement of these corporate objectives 2017 and considered them as 100% achieved. This led to a 100% bonus pay-out in March 2018.

The bonus for the achievement of the targets set for the financial year 2018 will be paid out to the Management Board members in March 2019. Corporate objectives for 2018 have been set by the Supervisory Board in its December 2017 meeting and finally confirmed in March 2018. As in the previous years, the objectives for 2018 primarily were the growth in total revenues and adjusted EBITDA, the execution of at least one significant integrated collaboration with more than € 25 m in transaction value as well as the achievement of at least two significant milestones (total >€ 10 m) in the Company's iPSC collaborations. Further targets included building at least two new academic BRIDGES and preparing the Company for sustainable growth.

As per 31 December 2018, the Company had accrued a total of T€ 829 for the variable portion of the remuneration to be paid to the members of the Management Board, thereof T€ 420 for Dr Werner Lanthaler, T€ 238 for Dr Cord Dohrmann, and T€ 171 for Enno Spillner. An amount of T€ 235 as bonus for 2018 has been paid to Dr Mario Polywka in December 2018, as Dr Mario Polywka retired from the Management Board of Evotec AG with effect as of 31 December 2018.

In addition to their one-year variable compensation, the members of the Management Board received 103,861 SPAs in 2018 (2017: 186,984) under the Company's Share Performance Plan. The reduced amount of SPAs in 2018 compared to 2017 is due to the increased share price in 2018 and the resulting increase in fair market value recognised per SPA. To obtain the fair market value, the target value based on the share price is converted into share rights granted. The target value may deviate from the share price. The fair market value then determines how many SPAs will be granted per year to each member of the Management Board. These 2018 SPAs vest after four years, depending on the achievement of the key performance indicators "Share Price" and "Total Shareholder Return". Detailed information on the grant and exercise of SPAs can be found in the agenda of the AGM 2017, which is the basis for this AGM resolution. This document can be found on the Company's website.

The multi-year variable target compensation in 2018 for the Chief Executive Officer reflects 50% of the total target direct compensation (sum of fixed compensation, one-year variable target compensation and multi-year variable compensation), and for the other Management Board members 30% of total target direct compensation.

**Remuneration tables**

In 2018, the performance-unrelated and granted one-year variable compensation of the active members of the Management Board totalled T€ 2,646, of which the variable part amounted to T€ 1,066. The fair value of all SPAs granted as multi-year variable compensation amounted to T€ 1,529 on the day of calculation on 01 January 2018.

The following tables present for each Management Board member:

- ▶ The benefits granted for the year under review including fringe benefits (such as car allowance, contributions made towards health insurance, a pension, accident/life insurance and accommodation costs) and including the maximum and minimum achievable compensation for variable compensation components
- ▶ The allocation of fixed compensation, fringe benefits, short-term variable compensation and long-term variable compensation for the year under review, broken down into the relevant reference years



REMUNERATION REPORT

	I				II				III				IV			
a	Dr Werner Lanthaler				Enno Spillner				Dr Cord Dohrmann				Dr Mario Polywka			
b	CEO				CFO				CSO				COO			
c																
d	2017	2018	2018 (min)	2018 (max)	2017	2018	2018 (min)	2018 (max)	2017	2018	2018 (min)	2018 (max)	2017	2018	2018 (min)	2018 (max)
1 Fixed compensation	420	420	420	420	310	310	310	310	340	340	340	340	320	316	316	316
2 Fringe benefits	100	99	75	125	22	25	17	34	15	15	15	15	55	55	55	55
3 <b>Total</b>	<b>520</b>	<b>519</b>	<b>495</b>	<b>545</b>	<b>332</b>	<b>335</b>	<b>327</b>	<b>344</b>	<b>355</b>	<b>355</b>	<b>355</b>	<b>355</b>	<b>375</b>	<b>371</b>	<b>371</b>	<b>371</b>
4 One-year variable compensation	407	420	-	420	78	171	-	171	211	235	-	238	200	240	-	240
5 Multi-year variable compensation	840	840	-	2,940	206	206	-	721	248	248	-	867	241	235	-	823
5a Long-Term Incentive ("SPA", as described in the text above) (Plan term until 5 years after grant) (Number of SPA x fair market value)	840	840	-	2,940	206	206	-	721	248	248	-	867	241	235	-	823
6 <b>Total</b>	<b>1,767</b>	<b>1,779</b>	<b>495</b>	<b>3,905</b>	<b>616</b>	<b>712</b>	<b>327</b>	<b>1,235</b>	<b>814</b>	<b>838</b>	<b>355</b>	<b>1,460</b>	<b>816</b>	<b>846</b>	<b>371</b>	<b>1,434</b>
7 Service cost	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
8 <b>Total</b>	<b>1,767</b>	<b>1,779</b>	<b>495</b>	<b>3,905</b>	<b>616</b>	<b>712</b>	<b>327</b>	<b>1,235</b>	<b>814</b>	<b>838</b>	<b>355</b>	<b>1,460</b>	<b>816</b>	<b>846</b>	<b>371</b>	<b>1,434</b>

Notes:

- a Name of the Management Board member
- b Function of the Management Board member, e.g. CEO, CFO
- c Date on which the member joined/left the Management Board, if in the financial year under consideration n (year under review) or n-1
- d Financial year under consideration n (year under review) or n-1
- I Benefits granted in financial year n-1
- II Benefits granted in financial year n (year under review)
- III Minimum value of granted compensation components that can be achieved in financial year n (year under review), e.g. Zero
- IV Maximum value of granted compensation components that can be achieved in financial year n (year under review)

- 1 Non-performance-related components, e.g. fixed salary, fixed annual pay-off payments (amounts correspond to amounts in "Allocation" table); values in columns II, III and IV are identical
- 2 Non-performance-related components, e.g. benefits in kind and fringe benefits (amounts correspond to amounts in "Allocation" table); values in columns II, III and IV are identical
- 3 Total of non-performance-related components (1+2) (amounts correspond to amounts in "Allocation" table); values in columns II, III and IV are identical
- 4 One-year variable compensation, e.g. bonus, short-term incentive (STI), share in profits, without deferred components
- 5 Multi-year variable compensation (total of rows 5a - ...), e.g. multi-year bonus, deferred components from one-year variable compensation, long-term incentive (LTI), subscription rights, other share-based compensation
- 5a Multi-year variable compensation, broken down into plans and stating the period of time
- 6 Total of non-performance-related components and variable components (1+2+4+5)
- 7 Service cost in accordance with IAS 19 from pension schemes and other benefits (amounts correspond to amounts in "Allocation" table); values in columns II, III and IV are identical
- 8 Total of non-performance-related components and variable components and service cost (1+2+4+5+7)

**REMUNERATION REPORT**

	Dr Werner Lanthaler		Enno Spillner		Dr Cord Dohrmann		Dr Mario Polywka*		
	CEO		CFO		CSO		COO		
	2017	2018	2017	2018	2017	2018	2017	2018	
1	Fixed compensation	420	420	310	310	340	340	320	316
2	Fringe benefits	100	99	22	25	15	15	55	55
3	<b>Total</b>	<b>520</b>	<b>519</b>	<b>332</b>	<b>335</b>	<b>355</b>	<b>355</b>	<b>375</b>	<b>371</b>
4	One-year variable compensation	407	420	78	171	211	235	200	475
5	Multi-year variable compensation	9,409	-	-	-	1,604	515	996	5,398
5a	Share Performance Programme 2012 (term until 2019)	3,951	-	-	-	1,351	-	996	5,398
5b	Stock Option Programme 1999 (term until 2021)	-	-	-	-	-	515	-	-
5c	Stock Option Programme 2000 (term until 2016)	-	-	-	-	-	-	-	-
5d	Stock Option Programme 2001 (term until 2021)	3,782	-	-	-	-	-	-	-
5e	Stock Option Programme 2005 (term until 2017)	-	-	-	-	-	-	-	-
5f	Stock Option Programme 2007 (term until 2016)	-	-	-	-	-	-	-	-
5g	Stock Option Programme 2008 (term until 2016)	-	-	-	-	-	-	-	-
5h	Stock Option Programme 2011 (term until 2019)	1,676	-	-	-	253	-	-	-
6	Other	-	-	-	-	-	-	-	-
7	<b>Total</b>	<b>10,336</b>	<b>939</b>	<b>410</b>	<b>506</b>	<b>2,170</b>	<b>1,105</b>	<b>1,571</b>	<b>6,244</b>
8	Service cost	-	-	-	-	-	-	-	-
9	<b>Total</b>	<b>10,336</b>	<b>939</b>	<b>410</b>	<b>506</b>	<b>2,170</b>	<b>1,105</b>	<b>1,571</b>	<b>6,244</b>

**Notes:**

\* T€ 235 as bonus for 2018 has been paid to Dr Mario Polywka in December 2018 as Dr Mario Polywka retired from the Management Board of Evotec AG with effect as of 31 December 2018.

a Name of the Management Board member

b Function of the Management Board member, e.g. CEO, CFO

c Date on which the member joined/left the Management Board, if in the financial year under consideration n (year under review) or n-1

d Financial year under consideration n (year under review) or n-1

1 Non-performance-related components, e.g. fixed salary, fixed annual pay-off payments (amounts correspond to amounts in "Benefits granted" table)

2 Non-performance-related components, e.g. benefits in kind and fringe benefits (amounts correspond to amounts in "Benefits granted" table)

3 Total of non-performance-related components (1+2) (amounts correspond to amounts in "Benefits granted" table)

4 One-year variable compensation, e.g. bonus, short-term incentive (STI), share in profits, without deferred components

5 Multi-year variable compensation (total of rows 5a - ...), e.g. multi-year bonus, deferral, long-term incentive (LTI)

5a-h Multi-year variable compensation, broken down into plans and stating the period of time

6 Other, e.g. clawbacks, which are entered as a negative amount with reference to previous disbursements

7 Total of non-performance-related components and variable components (1+2+4+5+6)

8 Service cost in accordance with IAS 19 from pension schemes and other benefits (amounts correspond to amounts from row 4 of the "Benefits granted" table and row 7 of the "Allocation table"); this is not an allocation in the financial year

9 Total of non-performance-related components and variable components and service cost (1+2+4+5+6+8)



**REMUNERATION REPORT**

**Term of contract and early termination clauses**

In accordance with the Code, new members of the Management Board are appointed for three years. Prolongations of existing contracts might be up to five years as has been agreed with the Chief Executive Officer for his current contract and with the Chief Scientific Officer for his contract extension from 2019 onwards.

Their contracts contain a change-of-control clause, which allows them to terminate their current contracts in the event of a change of control. Should members of the Management Board make use of their right to terminate their contracts in the event of a change of control, they are entitled to severance payments determined as follows: for Dr Werner Lanthaler, the severance payment shall be equal to 24 months of his base salary; and for Dr Cord Dohrmann, Dr Craig Johnstone and Enno Spillner, the payment shall be equal to 18 months of their base salary plus target bonuses for this time period. In no case shall the respective severance payment be higher than the total compensation due for the remaining term of the respective Management Board member’s contract.

In accordance with section 4.2.3 of the Code, in case of an early termination of their respective service agreement in the absence of a change-of-control situation, payments to the members of the Management Board shall not exceed the amount of two annual remunerations and shall not exceed the amount of remuneration that would be due until the expiration date of the service agreement.

**PENSION PROVISIONS FOR FORMER  
MANAGEMENT BOARD MEMBERS**

The Company has made a provision for a pension for one former Management Board member amounting to T€ 190 (2017: T€ 202). No such further provisions are due for other former Management Board members or their surviving dependants.

**REMUNERATION OF  
THE SUPERVISORY BOARD**

The remuneration of the members of the Supervisory Board is prescribed in the Company’s Articles of Association.

According to section 113 AktG, Supervisory Board remuneration is to be appropriate to the task of the Supervisory Board members and the situation of the Company. The members of Evotec’s Supervisory Board are entitled to fixed payments as well as out-of-pocket expenses. In accordance with the recommendations of the Code, the Chairman and the Vice Chairman positions on the Supervisory Board as well as the Chair positions and memberships in committees are considered when determining the remuneration of individual members. Consequently, as last amended following the approval of the AGM 2014, the fixed compensation is T€ 30 per Supervisory Board member. The Chairman of the Supervisory Board is paid T€ 75, and the Vice Chairman is paid T€ 45. Supervisory Board members serving on its committees shall be paid T€ 5 per committee membership; the Chairman of a committee shall be paid T€ 20.

For their contributions in 2018, the individual members of the Evotec Supervisory Board received the following compensation in 2018:

**REMUNERATION OF THE SUPERVISORY BOARD 2018**

	<b>Total remuneration in T€<sup>1)</sup></b>
Prof. Dr Wolfgang Plischke	95
Bernd Hirsch	70
Dr Claus Braestrup	35
Prof. Dr Iris Löw-Friedrich	35
Michael Shalmi	35
Dr Elaine Sullivan	35
<b>Total</b>	<b>305</b>

<sup>1)</sup> Cash remuneration

There are currently no consultancy agreements in place between Evotec and current or former members of the Supervisory Board.

**DIRECTORS’ AND OFFICERS’  
LIABILITY INSURANCE (D&O INSURANCE)**

In 2018, Evotec procured directors’ and officers’ liability insurance cover for its Management and Supervisory Board members, its senior management and the directors of its subsidiaries at a cost to the Company of T€ 82 (2017: T€ 74). An appropriately sized deductible was agreed upon for the members of the Supervisory Board. The deductible agreed upon for the members of the Management Board is in line with the stipulations of the legal provisions of the VorstAG.

Hamburg, 19 March 2019

*Dr Werner Lanthaler*

*Dr Cord Dohrmann*

*Dr Craig Johnstone*

*Enno Spillner*