

Evotec UK's
**GENDER PAY
GAP REPORT
2018**

1. INTRODUCTION

Evotec is a leader in the discovery and development of novel small molecule drugs with operational sites in Europe and the US. The Company has built substantial drug discovery expertise and an industrialised platform that can drive new innovative small molecule compounds into the clinic. In addition, Evotec has built a deep internal knowledge base in the treatment of diseases related to neuroscience, pain, oncology, inflammation and metabolic diseases. Leveraging these skills and expertise the Company intends to develop best-in-class differentiated therapeutics and deliver superior science-driven discovery alliances with pharmaceutical and biotechnology companies.

Evotec has offices in France, Germany, Italy, Switzerland, UK and US. Our UK offices are based in Abingdon, Oxfordshire and Alderley Park, Cheshire.

2. GENDER PAY GAP EXPLAINED

From 2017 onwards, any UK organisation employing 250 or more employees has to publicly report on its gender pay gap in six different ways:

1. Mean pay gap
2. Median pay gap
3. Mean bonus gap
4. Median bonus gap
5. Proportion of men and women who received bonuses
6. Number of men and women according to quartile pay bands

A gender pay gap is not the same as equal pay. Equal pay is a direct comparison between individuals. It considers whether an individual is paid equivalently to other employees doing the same or equivalent work regardless of gender. The gender pay gap, however, shows the difference in the average earnings between all men and women in an organisation regardless of role or seniority.

A company reporting a positive pay gap means its male employees, on average, are compensated at a higher level than its female ones. A company reporting a negative pay gap means its female employees are compensated more than its male ones on average.

From our UK legal entities, only Evotec (UK) Ltd has more than 250 employees, so this report focuses solely on data from this company.

3. EVOTEC (UK) LTD'S GENDER PAY GAP DATA 2018

We collected our data on 5th April 2018 and at this point in time, our workforce at Evotec (UK) Ltd consisted of 113 women (compared to 93 in 2017) and 193 men (compared to 187 in 2017). Employees are split between the quartiles as follows:

Lower Quartile		Lower Middle Quartile		Upper Middle Quartile		Upper Quartile	
44%	56%	46.7%	53.3%	32%	68%	20.3%	79.7%
33 women	42 men	35 women	40 men	24 women	51 men	15 women	59 men

The 2018 distribution is different to the 2017 distribution of the workforce, as the Company now has greater percentages of women in all quartiles:

2017 figures

Lower Quartile		Lower Middle Quartile		Upper Middle Quartile		Upper Quartile	
41.4%	58.6%	45.7%	54.3%	27.1%	72.9%	18.6%	81.4%
29 women	41 men	32 women	38 men	19 women	51 men	13 women	57 men

When looking at the mean gender pay gap, it is clear that Evotec (UK) Ltd's mean gender pay gap has reduced in comparison to the 2017 figures. This is primarily as a result of the increased percentage of female employees in the Upper Middle Quartile and the Upper Quartile and a decreased percentage of men in these two quartiles:

Difference between female and male employees earnings at Evotec UK

Mean gender pay gap (in hourly pay)	23.9% lower (28% lower in 2017)
Median gender pay gap (in hourly pay)	13.9% lower (13.6% lower in 2017)

Evotec (UK) Ltd continues to have an overall higher percentage of male employees (63.1%) than female employees. Given the higher proportion of male employees, there continues to be more male than female employees in all pay quartiles at Evotec UK. However, the split between male and female employees becomes greater with seniority, and therefore pay levels. The under-representation of females at senior levels is typical of the STEM sector and a challenge that most businesses in this sector face.

4. EVOTEC UK'S GENDER BONUS GAP DATA 2018

All Evotec (UK) Ltd's permanent employees in the UK are eligible for an annual bonus. 92.2% of male employees (95.8% in 2017) and 94.7% of female employees (94.1% in 2017) received a bonus in the relevant period for this report. Those employees who did not receive a bonus were not eligible, primarily due to their employment start date not being within the performance year.

Evotec (UK) Ltd has several different bonus schemes, all of which are calculated using business success measures; bonus schemes aimed at higher-level employees also include a measure of success with individual contributions.

In general, Evotec (UK) Ltd's bonus pay gap reflects the lower amount of females at senior levels and within roles where the bonus is a larger component of overall compensation. The 2018 figures show that there has been an improvement in the median gender bonus gap when compared to the 2017 figures:

Difference between female and male employees bonus pay at Evotec

Mean gender bonus gap	83.5% lower (73.5% in 2017)
Median gender bonus gap	20.4% (21.3% lower in 2017)

6. COMMENT

Although there is a higher proportion of males to females in the higher pay quartiles, Evotec (UK) Ltd continues to have a significant proportion of males in the lower two pay quartiles who receive comparatively lower bonuses (see quartile table above). This results in the median bonus gap being lower than the mean bonus gap, due to a higher percentage of our senior employees being male, and these more senior employees having a compensation package that includes both a short term incentive and a long term incentive plan. In successful years for the company, these bonus plans can be very lucrative, and leads to a higher mean bonus pay gap.

It should be noted that Evotec is a global organisation with its head offices in Hamburg, Germany. Worldwide, Evotec employs a significant number of women at senior level and in roles where the bonus is a significant component of overall compensation. As these women have their base in other countries and are not employed by Evotec (UK) Ltd, they are not covered by this UK gender pay gap report; were the gender pay gap report to include all Evotec offices globally, the bonus differential between men and women would be less significant.

The figures are also affected by the bonus pay gap being based on actual payments received with the pro-ration of bonus calculations for part-time workers. Pro-ration is a contributing factor to the size of the reported bonus and impacts on both the mean and median bonus gap as a higher proportion of female employees at Evotec (UK) Ltd are part-time.

5. EVOTEC UK'S COMMITMENT TO REDUCING THE GENDER PAY GAP

Whilst Evotec (UK) Ltd's compensation policy and practice is one that rewards based on market comparisons and is gender neutral, we offer flexible working practices to all employees and have a diverse workforce, there is more that Evotec can do to reduce the gender pay gap.

Evotec UK is committed to continue to reduce the gender pay gap and our UK HR team will continue to work with the leadership team to create initiatives to close the gender pay gap. This will include:

- ▶ We will encourage staff at all levels to network within the STEM industry and will actively participate in events arranged by organisations such as Healthcare Businesswomen's Association (HBA)
- ▶ We will continue to address the under-representation of females in senior positions by encouraging female employees to acquire the skills necessary to move to a senior position. In 2018 Evotec saw number of women promoted to higher grades within the organisation globally
- ▶ Evotec has made an appointment to the HR team to focus on succession planning and talent management
- ▶ We will actively review our website to promote our flexible working practices and work/life balance ethos to all employees and potential candidates
- ▶ We will continue to promote our maternity/paternity/Shared Parental Leave policies to all employees

Such changes will take time to implement and we continue to work with our employees and our local community to raise awareness of the opportunities at Evotec UK and in the STEM sector.

Evotec UK's aim is to develop best-in-class and first-in-class differentiated therapeutics on its systematic, unbiased and comprehensive infrastructure. To achieve this aim we employ a highly skilled, diverse workforce who are recruited and developed based upon their skills, experience and ability. We offer a transparent and inclusive environment that rewards in a non-gender biased way based upon company and individual performance. We have systems in place to ensure that our salaries and bonuses are reviewed, benchmarked and moderated.

We acknowledge that Evotec (UK) Ltd has a gender pay gap and are committed to reducing this year on year by addressing our gender imbalance at senior levels and increasing awareness of current processes and practices that support employees in their worklife balance and their development within the organisation.

I confirm that the information in this report is accurate and prepared in accordance with the Equality Act 2010 (Gender Pay Gap Information) Regulations 2017.

Christophe Muller

EVP Head of Business Development and Abingdon Site Head