

# **Declaration of Corporate Management (§ 289a HGB)**

The actions of Evotec AG's management and oversight bodies are determined by the principles of good and responsible Corporate Governance. In this declaration, the Management Board – also acting on behalf of the Supervisory Board – provides its report on corporate management in the Group pursuant to section 289a (1) of the German Commercial Code (HGB) and pursuant to sub-section 3.10 of the German Corporate Governance Code. Our aim is to present our corporate management principles as clearly and concisely as possible.

## **Declaration of compliance and reporting on Corporate Governance**

### ***Declaration of compliance***

With the following exceptions, Evotec complies with all recommendations of the Code and the majority of the Code's suggestions. In December 2014, Evotec's Management Board and Supervisory Board declared in accordance with Section 161 of the German Stock Corporation Act (AktG):

*"Evotec AG has complied in 2014 with the recommendations of the Governmental Commission on the German Corporate Governance Code (the "Code") as published in the official section of the Federal Gazette and intends to comply in the future with the recommendations of the Code, with the following exceptions:*

- *To incentivise executives via variable long-term incentive compensation, the 2012 Annual General Meeting in June approved the so-called Share Performance Plan. This complies with the recommendations set forth in Section 4.2.3 of the Code. In particular, it refers to specific key performance indicators and defines a "Maximum Target". From 2012 onwards, the Share Performance Plan replaced Evotec's stock option programme. Stock options issued in existing stock option programmes remain valid. While the exercise of options under these programmes requires an increase of the share price, the exercise is not related to other relevant comparison parameters as recommended in Section 4.2.3 of the Code. This decision is based on the lack of relevant comparison benchmarks in the field of German Biotech at the time when the stock option programmes were created.*
- *The Company's D&O insurance and the deductible for members of the Management Board contained therein are in line with Section 3.8 of the Code and with the regulations of the Act on the Appropriateness of Management Board Compensation (VorstAG) that was enacted in 2009. However, for members of the Supervisory Board, the D&O insurance contains a "reasonable" deductible as foreseen by the version of the Code in force before its version published on 05 August 2009. The Company has decided to maintain this reasonable deductible. This decision was made in view of the Company's interest to attract international expertise for its Supervisory Board and the fact that a deductible for non-executive directors is not very common in international practice. Whilst a lot of the German companies quoted on the TecDAX do not have a respective deductible at all, the Company believes that a reasonable deductible is a good compromise.*

- *The Supervisory Board has specified concrete objectives regarding its composition, which are ensured when making proposals to the Annual General Meeting (AGM) for election or re-election of new Supervisory Board members. These objectives and Supervisory Board's rules of Procedure include inter alia that the individual age of a candidate shall not exceed 72 years at the time of the proposal. All members of the Supervisory Board were up for election at the AGM 2014. To ensure the required expertise and some element of continuity in the Supervisory Board after the AGM 2014, it was proposed to the AGM as an exemption that due to his professional expertise Dr Walter Wenninger should serve again as Supervisory Board member although Dr Walter Wenninger was already 76 years at the AGM 2014. The Rules of Procedure of the Supervisory Board allow an exemption from the general age limit of 72 years at election. The AGM has elected Dr Wenninger as Supervisory Board member."*

The current Declaration of Compliance with the German Corporate Governance Code and the declarations of the past five years can be found on Evotec's website ([www.evotec.com](http://www.evotec.com)) in the section 'Investors > Corporate Governance'.

## **Relevant management practices and compliance**

### **Relevant management practices**

Evotec takes its Corporate Governance responsibilities very seriously. As a consequence of its shares' listing at the Frankfurt Stock Exchange and its international shareholder base, the Company recognises not only German but also international Corporate Governance standards, insofar as German law does not explicitly stipulate otherwise. Evotec's Management and Supervisory Boards are convinced that complying with rigorous Corporate Governance standards is of great benefit to the Company. It includes integrity in the dealings with employees, business associates, shareholders and the public, expressed in Evotec's own exemplary conduct. As a service provider, Evotec has to win and retain the trust of its customers and business associates through impeccable behaviour. The Group's aim is to be credible, solid and reliable and act accordingly. Thus Evotec regularly reviews and enhances its Corporate Governance practices.

Within the frame of strategical determination by the Management Board, specific goals are established and communicated. To accomplish our targets, we rely on the enterprise and initiative of our managers and employees. We achieve consensus on clearly defined objectives, and we regularly monitor how well we are meeting them. These agreements on aims are a fundamental component of our leadership philosophy and a crucial element of our remuneration system.

### **Code of conduct**

As a matter of course, Evotec abides by the law and by ethical principles. This is shown, amongst others, by the Company's Code of Conduct which stipulates fundamental ethical principles, such as integrity and professionalism that apply to board members and other employees alike.

The Code of Conduct sets standards for

- accounting and the permissible use of the Company's funds and assets;
- conduct in cases of insider trading or conflict of interest;

- compliance with antitrust legislation;
- a work environment free of discrimination and harassment;
- non-disclosure and protection of intellectual property and business secrets and
- the duty to report upon the suspicion of an infringement of the Code of Conduct (whistle-blowing).

In the interest of all employees and the Group, non-compliance with standards will be investigated and the causes will be remedied. This means that misconduct will be consistently prosecuted in accordance with national laws.

The Code of Conduct is published on the Evotec website ([www.evotec.com](http://www.evotec.com)) in the section 'Investors > Corporate Governance > Policies and Charters'.

### ***Compliance organisation***

Compliance Programme of Evotec AG is overseen by the Group's Compliance Officer, functioning as an independent and objective body that reviews and evaluates compliance issues/concerns within the organisation.

The Compliance Office helps to communicate the values underlying the Code of Conduct and anchor them firmly in the Group. It ensures Group-wide implementation of the Compliance Programme.

Moreover, a worldwide whistleblower system is implemented. It enables all Group employees to report compliance violations in an anonymous manner. Information received is immediately analysed by the Compliance Officer and the Chairman of the Supervisory Board's Audit Committee, who will also initiate any measures required.

Evotec also maintains an ad hoc Committee, which examines the ad hoc relevance of insider information and ensures that Evotec complies with the law.

### ***Risk management***

An important element of sound Corporate Governance is to deal responsibly with risks. Evotec has established an effective risk and opportunities management system that enables the Management Board to detect and react to relevant risks and market developments in good time. Details on the Company's risk management system and the risk report policies can be found in a separate section of the Management Report in the Evotec Annual Report ([www.evotec.com](http://www.evotec.com) 'Investors > Finance > Financial Reports 2013 – 2015'). It also contains the report on the accounting-related internal control and risk management system required in accordance with the German Accounting Modernisation Act (BilMoG).

These systems are continually developed, adjusted to match changes in overall conditions and reviewed by the auditors. The Management Board regularly informs the Supervisory Board about existing risks and the development of these risks.

### ***Transparency***

Evotec AG informs its shareholders, financial analysts, the media and the public on a regular basis about its progress. In doing so, the Company complies with all requirements of the Code regarding transparency, timeliness, openness and shareholder equality. Evotec is committed to fair disclosure of information and its communication is governed by a Company Disclosure Policy. It is a prime concern of the Company that all relevant target groups receive the same information at the same time, and this implies

communicating in both English and German. The Company's publications are available on its website [www.evotec.com](http://www.evotec.com), section 'Investors'.

Moreover, the 'Investors' section of Evotec's website (subsections 'Events' and 'Finance') maintains information such as the financial calendar containing the publication dates of the financial statements, the Annual General Meeting, Investor Relations conferences, annual and quarterly reports, other regulatory news and regularly updated Corporate Governance information. This section of the website also includes the Articles of Association, the Rules of Procedure of the Supervisory Board, the Audit Committee Charter, the Code of Conduct, the Insider Trading Policy and all declarations of compliance.

Moreover, the Company website at [www.evotec.com](http://www.evotec.com) provides comprehensive information on the Evotec Group and the Evotec share.

### ***Accounting and auditing***

On a regular basis, Evotec provides financial and business information to its shareholders and other interested parties by publishing its annual consolidated financial statements and quarterly reports. As an incorporated company whose registered head office is located within the European Union, Evotec AG must prepare and publish consolidated financial statements in accordance with the International Financial Reporting Standards (IFRS) whilst observing Section 315a HGB (German Commercial Code). The financial statements of the Evotec Group and the financial statements of Evotec AG are audited by the audit firm and the Supervisory Board. The audit firm is appointed by the shareholders at the Annual General Meeting and commissioned by the Supervisory Board. It participates at the Supervisory Board's deliberations on the financial statements and reports the most significant results of its audit. The Audit Committee uses this information as a guideline for its own evaluation of the statements and reports.

The disclosed financial statements and the management reports for Evotec AG, as well as the consolidated financial statements together with the consolidated management report of the Evotec Group, are audited by Ernst & Young GmbH Wirtschaftsprüfungsgesellschaft, Hamburg. These audits also covered risk management and compliance with reporting requirements concerning corporate governance pursuant to section 161 of the German Stock Corporation Act. Following its consultations, the Supervisory Board also approves the financial statements and the consolidated financial statements.

### **Working methods of the Management Board and Supervisory Board**

#### ***Composition and working methods of the Management Board and Supervisory Board***

According to the German Stock Corporation Act (AktG), a two-tier system with clear separation of "management" through the Management Board ("Vorstand"), and "control" through the Supervisory Board ("Aufsichtsrat"), is mandatory for German stock corporations. The Management Board is responsible for managing Evotec and representing the Company in its dealings with third parties, while the Supervisory Board appoints and dismisses the members of the Evotec Management Board and oversees the management of the Company. German law prohibits the Supervisory Board from making management decisions. The two boards, however, work closely together to achieve long-term and sustainable growth for the Company and to create shareholder value. They agree on the Company's strategy and on business transactions that are significant. The Annual General Meeting ("Hauptversammlung") is the company body representing the interests of the shareholders.

## *Management Board ("Vorstand")*

The Management Board of Evotec AG is responsible for the day-to-day operations of the Company and is supported by the Management Team. In its business operations and decisions, the Management Board acts on behalf of the Company and works towards its progress with the objective of sustainable creation of value, thus taking into account the interests of the shareholders, the employees and other stakeholders. The Management Board is appointed by the Supervisory Board.

The Management Board is responsible for corporate policy, the company's strategic orientation, financial, investment and personnel planning, resource allocation and the management of the divisions. The Management Board is responsible for preparing the quarterly consolidated financial statements and the annual consolidated financial statements, as well as the annual financial statements of Evotec AG. It is also responsible for the establishment of an effective risk management system, cares for compliance with legal requirements and internal guidelines.

Under Evotec's Articles of Association, the Supervisory Board determines the size of the Management Board, which must have at least one member under the German Stock Corporation Act. Currently, the Management Board of Evotec AG consists of four members. The statutory maximum term for members of the Management Board is five years, but Evotec's current practice is to limit the terms to three years. As an exemption, in 2011, Dr Werner Lanthaler, CEO, and the Company agreed upon a new contract starting March 2012 for a further five-year term. Management Board members may be reappointed and may be dismissed with good cause prior to the termination of their terms of office. Members of Evotec's Management Board have not accepted more than a total of three Supervisory Board mandates in non-Group listed companies. The Articles of Association can be found on Evotec's website under [www.evotec.com](http://www.evotec.com); section 'Investors > Corporate Governance > Policies and Charters'.

The activities of the Management Board are regulated by its internal Rules of Procedure, which set out the matters reserved for the full Management Board, the responsibilities of the areas of responsibility and the majorities necessary for passing resolutions.

Meetings of the Management Board shall be called by the Chairman of the Board. Each member of the Management Board may request that an extraordinary meeting of the Management Board be called outside its regular meetings. The board meetings are chaired by the Chairman of the Management Board, who also coordinates the areas of responsibility. Persons who are not board members can, if so resolved by the Management Board, be admitted to board meetings in a consultative capacity.

Brief minutes have to be made of material discussions and resolutions. Resolutions of the Management Board will be carried regularly at its meetings. Resolutions may also be carried without a meeting, however, in writing, by telex or by telephone. The Management Board shall be quorate if a majority of its Members vote on a resolution. Resolutions of the Management Board shall be passed by a simple majority. Should there be a tie, the CEO shall decide.

The Management Board also provides continuous updates to the Supervisory Board through regular verbal and written reports that includes in depth analysis of the status of operations. The information provided includes written monthly management reports with extensive coverage of the Company's financial figures for the previous month, accompanied by detailed comments and explanatory text. In addition, the Management Board must submit a budget for the following fiscal year and a plan for the medium term to the Supervisory Board. The Management Board is also required to report to the Supervisory Board in a timely fashion on any transactions that may be significant with respect to the profitability or liquidity of the Company in order to give the Supervisory

Board an opportunity to express its opinion on such transactions prior to their implementation.

The Chairman of the Supervisory Board and the Chief Executive Officer as well as other members of the Management Board discuss current and ongoing topics via numerous conference calls, carried out whenever appropriate.

Details on the Management Board and the Management Team are provided on Evotec's website under [www.evotec.com](http://www.evotec.com); section 'About Us > Management'.

### *Supervisory Board ("Aufsichtsrat")*

Following the Articles of Association, the Evotec Supervisory Board consists of six members – all of whom are appointed on the basis of their qualification, work experience, independence and considering their diversity. No former member of the Management Board is a member of the Supervisory Board.

To ensure compliance with these recommendations, the Supervisory Board has specified concrete objectives regarding its composition, which are ensured when making proposals to the AGM for election or re-election of new Supervisory Board members. These objectives stipulate that the activities of the Company shall be represented by having a majority of independent Supervisory Board members with national and international experience in the respective fields of (i) Research and Development, (ii) Finance, Capital markets, Legal, Corporate Governance, (iii) Marketing and Sales and Operations and (iv) Healthcare Economy/Public Health. Potential conflict-of-interest situation(s) shall be avoided by deploying the highest scrutiny when assessing potential candidates. In addition, the Supervisory Board shall ensure that the individual age of a candidate shall not exceed 72 years at the time of the proposal. Diversity with regard to female representation shall be ensured by having a minimum of one female member of the Supervisory Board. Overall, the Supervisory Board shall be composed in such a way that the majority of its members are independent and that its members as a group possess the knowledge, ability and expert experience required to properly complete its tasks.

Currently, the composition of Evotec's Supervisory Board fulfils all those objectives with one exception: all members are independent, three nationalities are represented and there is one female member. However, to ensure the required expertise and some element of continuity in the Supervisory Board after the AGM 2014, it was proposed to the AGM as an exemption to the age related objective that due to his professional expertise Dr Walter Wenninger should serve again as Supervisory Board member although he was already 76 years at the AGM 2014. The Rules of Procedure of the Supervisory Board allow an exemption from the general age limit of 72 years at election.

The Members of the Supervisory Board are elected by the shareholders by a simple majority of the votes cast at an Annual General Meeting. The Supervisory Board appoints a chairman and one or more vice-chairmen from among its members. The members of the Supervisory Board are elected for five years and may be re-elected. The term of the current members of the Evotec Supervisory Board will expire at the end of the Annual General Meeting held in the year 2019.

The Supervisory Board advises and oversees the Management Board in the management of the Company. Based upon regular consultations with the Management Board, the Supervisory Board is involved in strategic and planning decisions and all decisions of fundamental importance to the Company.

In accordance with the internal rules of procedure, decisions taken by the Management Board on major transactions such as the strategic and operational direction of the Company, the annual budget, major acquisitions, investment or licence agreements, business contracts outside the Company's ordinary course of business that have

significantly different risk profiles as well as establishing new business operations or significantly revising existing business operations, require the approval of the Supervisory Board.

The chairman of the Supervisory Board coordinates the work in the Supervisory Board, calls and chairs its meetings and externally represents the concerns of the body.

The articles of association provide that while resolutions shall typically be passed in meetings, however, upon the chairman's instruction resolutions can be passed without a meeting by written notice, by telephone, facsimile, e-mail or by other conventional means of communication. The articles of association further provide that more than half of the members of the Supervisory Board must participate in voting on a resolution to constitute a quorum. If such a quorum is not met a new meeting shall be called with a notice period of two weeks, in which case three present board members constitute a quorum. Absent members may participate in a resolution by delivering a written vote to the Supervisory Board. Unless otherwise required by law or by the articles of association, resolutions of the Supervisory Board are passed by a simple majority of the votes cast.

The Supervisory Board has its own internal rules of procedure (see [www.evotec.com](http://www.evotec.com); 'Investors > Corporate Governance > Policies and Charters') and complies with the Code's suggestion to hold occasional separate discussions.

The Supervisory Board was not aware of any potential conflicts of interest among any of its members in the course of 2014.

On a regular basis the Supervisory Board examines the efficiency of its activities as recommended in the Corporate Governance Code. To date all such audits have led to the conclusion that the Supervisory Board is organised efficiently and that the Management Board and the Supervisory Board cooperate very well.

An overview of its work can be found in the Report of the Supervisory Board, which can be found in the Management Report in the Evotec Annual Report on the website of the Company under [www.evotec.com](http://www.evotec.com), section 'Investors > Finance > Financial Reports 2013 – 2015'.

Information on the professional affiliations of board members and on related party transactions can be found in the Annual Report of the Company. In addition, are details on the Management Board and the Management Team be provided on Evotec's website under [www.evotec.com](http://www.evotec.com); section 'About Us > Supervisory Board'.

### *Work in Supervisory Board Committees*

A significant proportion of the Supervisory Board's work is conducted in committees. From among its members, Evotec's Supervisory Board has established, pursuant to the German Stock Corporation Act and the recommendations of the Code, an Audit Committee as well as a Remuneration and Nomination Committee. Members of both committees are appointed in accordance with the Code.

For information about the composition of the Supervisory Board Committees please see the website of the Company under [www.evotec.com](http://www.evotec.com), section 'Investors > Corporate Governance > Supervisory Board Committees'.

Evotec's *Audit Committee*, comprising three members, supports the Supervisory Board in independently monitoring the Company's financial reporting activities and in auditing reports. In particular, the Audit Committee scrutinises the Company's accounting processes, the effectiveness of the internal control system and the audit. In addition, it discusses the quarterly and half-year reports with the Management Board. Within the scope of the audit of the financial statements commissioned by the Supervisory Board,

the Audit Committee also discusses certain steps and procedures of the audit with the appointed auditing firm, including the auditors' independence, the additional services rendered by the auditor, the issuing of the audit mandate to the auditing firm, the determination of auditing focal points, the fee agreement and compliance issues.

The members of the Audit Committee possess the required skills and experience. As a current Chief Financial Officer, the Audit Committee's Chairman Bernd Hirsch not only is independent, but also has the required specialist knowledge and experience in the application of accounting principles and internal control processes. Neither the Chairman of the Supervisory Board nor a former member of the Management Board may become Chairman of the Audit Committee. Evotec's Audit Committee Charter can be found on the Company's website ([www.evotec.com](http://www.evotec.com)) in section 'Investors > Corporate Governance > Policies and Charters'.

The committee meets at least four times annually. The audit committee shall have a quorum if at least two of its members participate in the passing of a resolution. Resolutions require a simple majority of the votes cast. Evotec's Audit Committee Charter can be found on the Company's website ([www.evotec.com](http://www.evotec.com)) in the section 'Investors > Corporate Governance > Policies and Charters'.

The main duties and responsibilities of the Company's *Remuneration and Nomination Committee* are to prepare the appointment of Management Board members and to prepare recommendations concerning their remuneration system and Share Performance Plan. Final decisions are made by the full Supervisory Board.

### ***Remuneration of Board members***

Evotec complies with the recommendations of the Corporate Governance Code to provide details of the remuneration of each individual member of the Management Board and the Supervisory Board. Detailed information on the remuneration of Management Board members, divided into fixed and variable compensation components as well as any fringe benefits, and remuneration of Supervisory Board members is reported in a separate section of the Management Report ("Remuneration Report") in the Evotec Annual Report. The Evotec Annual Report is available on the website of the Company under [www.evotec.com](http://www.evotec.com), section 'Investors > Finance > Financial Reports 2013 – 2015'. The remuneration of the Board Members is also publicised on Evotec's website under [www.evotec.com](http://www.evotec.com); section 'Investors > Corporate Governance > Remuneration'.

Evotec has procured directors and officer's liability insurance coverage for its Management and Supervisory Board members, its senior management and the directors of its subsidiaries, at a cost to the Company. For the Management and Supervisory Board members an appropriately sized deductible was agreed upon. For the members of the Management Board a deductible of 10% of the damage or one and a half times the fixed annual remuneration is planned is agreed.

### ***Shareholders and Annual General Meeting (AGM)***

Evotec AG shareholders exercise their co-determination and monitoring rights at the AGM, convened at least once a year. The AGM takes decisions on all statutory matters that are binding on all shareholders and the Company. For voting on resolutions, each share confers one vote.

All shareholders registering in due time are entitled to participate in the AGM. Evotec offers shareholders who are unable to attend the AGM the opportunity to access key parts of the event live on the internet. The Company also encourages non-attendees to exercise their voting rights by arranging independent proxies who are bound to the shareholders' instructions. Shareholders may also authorise a person of their choice to represent them in the meeting. The possibility of a postal vote was not available at the

Annual General Meeting 2014. The Management Board is however entitled to allow postal voting at future Annual General Meetings.

The invitation to the AGM and the reports and information required for voting are published in accordance with the provisions of the German Stock Corporation Act and provided in German and English on Evotec's website under [www.evotec.com](http://www.evotec.com); section 'Investors > Events > Annual General Meeting'.

### ***Directors' Dealings***

Under the Securities Trading Act ('Wertpapierhandelsgesetz'), the members of the Supervisory Board and the Management Team of Evotec as well as persons who have a close relationship with these persons are obligated to report trading in Evotec stock so far as the transactions exceed in aggregate € 5,000 (the de minimus threshold) per calendar year. In addition, Evotec has established an Insider Trading Policy (see [www.evotec.com](http://www.evotec.com), section 'Investors > Corporate Governance > Policies and Charters') that sets standards for board members' and employees' trading in Evotec shares and thus ensures transparency.

During 2014, one Directors' Dealing was reported (see on the Company's website under [www.evotec.com](http://www.evotec.com), section 'Investors > Corporate Governance > Directors' Dealings').

Date	Name	Position	Type	No of items	Price	Total
15 September 2014	Dr Werner Lanthaler	Member of Management Board	Purchase	10,000	EUR 3.057655	EUR 30,576.55

### ***Directors' Shareholdings***

As of 31 December 2014 the members of the Management Board and the Supervisory Board owned the following shares in the Company:

	Shares	Stock options	Share Performance Awards
<b>Management Board</b>			
Dr Werner Lanthaler	526,494	940,000	722,748
Colin Bond	-	290,000	284,859
Dr Cord Dohrmann	41,387	340,000	303,830
Dr Mario Polywka	60,000	398,792	305,043
<b>Supervisory Board</b>			
Prof. Dr Wolfgang Plischke	-	-	-
Dr Walter Wenninger	38,538	-	-
Dr Claus Braestrup	-	-	-
Prof. Dr Paul Linus Herrling	-	-	-
Bernd Hirsch	-	-	-
Prof. Dr Iris Löw-Friedrich	-	-	-

Changes to the directors' shareholdings will be published on Evotec website under [www.evotec.com](http://www.evotec.com), section 'Investors > Corporate Governance > Directors' Shareholdings'.