

## Declaration of Governance

### *Declaration of Compliance and Reporting on Corporate Governance*

Epigenomics AG has consistently implemented its corporate governance in consideration of the recommendations and suggestions of the German Corporate Governance Code in its respective version, currently dated 5 May 2015. During the 2016 fiscal year the Executive Board and the Supervisory Board discussed corporate governance matters several times, jointly submitting, in July 2016, an interim update of the Declaration of Compliance and, in October 2016, jointly submitting the updated Declaration of Compliance for 2016 pursuant to Section 161 of the German Stock Corporation Act (*Aktiengesetz*, "AktG"). The Declarations were made permanently accessible to the general public on Epigenomics AG's website.

### *Corporate Bodies – Composition and Functioning*

As a German stock corporation, Epigenomics AG is subject to the German Stock Corporation Act. Its constituting bodies are the Annual General Shareholders' Meeting (AGM), the Executive Board and the Supervisory Board. The Executive Board and the Supervisory Board each have their own competencies and closely collaborate in a trustworthy manner in steering and supervising the Company.

### *Annual General Shareholders' Meeting*

The shareholders of Epigenomics AG exercise their rights in the AGM. The AGM of Epigenomics AG takes place within eight months after the end of the respective fiscal year. According to Section 119 AktG the AGM decides and passes resolutions upon, inter alia, the formal approval of the actions of the Executive Board and the Supervisory Board, the composition of the Supervisory Board, the Company's Articles of Association, capital measures and the appointment of the Company's auditors. Each share of the Company corresponds to one single vote that its holder may exercise at the AGM. All shareholders who have registered in a timely manner are eligible to participate in the AGM. Participation and voting by proxy is also possible by granting a power of attorney to an attorney-in-fact of the shareholder's choice.

In due time before each AGM, Epigenomics AG publishes the invitation, the exact wording of the proposed resolutions as well as any reports and/or information required according to the applicable regulations concerning stock corporations in German and English on its website as well as in the Federal Gazette ("Bundesanzeiger").

### *Supervisory Board*

According to Section 111 AktG, the Supervisory Board is responsible for consulting and supervision of the Executive Board. Furthermore, the Supervisory Board is responsible for appointing and dismissing members of the Executive Board. The Supervisory Board is involved in strategy and planning as well as in all issues of material importance to the Company. All material decisions by the Executive Board require Supervisory Board approval. This includes the approval of the annual budget for each subsequent year, which is being proposed by the Executive Board. Upon discussion with the Supervisory Board, changes may be required and incorporated. The Supervisory Board also issues the mandate for the audit of the annual financial statements to the auditors which have been appointed by the AGM.

Until 21 June 2016, the Supervisory Board of Epigenomics AG consisted of three members. Since the enlargement of the Supervisory Board, which was resolved upon by the AGM on 25 May 2016 and became effective upon its registration in the commercial register on 22 June 2016, the Supervisory Board has been consisting of four members, none of whom has previously been a member of the Company's Executive Board. The Supervisory Board shall have a quorum if at least three of its members participate in the adoption of the resolution. The current members of the Supervisory Board, Mr. Heino von Prondzynski, Mrs. Ann Clare Kessler, Ph.D., and Prof. Dr. Günther Reiter were re-elected at the AGM on 13 May 2015. Dr. Helge Lubenow was elected as a Supervisory Board member by the AGM on 25 May 2016; her term of office began on 22 June 2016 when the enlargement of the Supervisory Board to four members – which was also resolved upon by the AGM on 25 May 2016 – was registered in the commercial register. Mr. Heino von Prondzynski is the Chairman of the Supervisory Board. The current term of office of all

members of the Supervisory Board ends at the end of the AGM that resolves on the formal approval of the actions of the Supervisory Board for the fiscal year ending 31 December 2017.

In its meeting on 29 September 2015, the Supervisory Board resolved that the target ratio of female members on the Supervisory Board shall be one third and that the target ratio shall be met by 31 December 2016. Currently, the Supervisory Board has two female members. This corresponds to a proportion of women of 50%. The target ratio of one third has thus been met within the imposed deadline. In its meeting on 6 February 2017, the Supervisory Board resolved that the target ratio of female members on the Supervisory Board shall remain one third and that the target ratio shall be met by 31 December 2021.

The working practices of the Supervisory Board have essentially been formally regulated by the rules of procedure that the Supervisory Board has adopted. According to those rules, the Supervisory Board has to meet at least once per calendar quarter. These four quarterly meetings are typically physical meetings, but may possibly also be conducted by telephone. Furthermore, additional meetings can be called. The Executive Board regularly attends the Supervisory Board Meetings and as needed, additional senior managers are invited to attend the meetings. The first annual meeting following the completion and audit of the annual financial statements and the consolidated financial statements – the so-called "Balance Sheet Meeting" – is also attended by the Company's auditor, who reports directly to the Supervisory Board on the audit performed. During this meeting, the Supervisory Board also conducts confidential discussions with the auditors without the Executive Board being present.

The agenda and resolution proposals are communicated well in advance of a Supervisory Board meeting in writing to all participants. If needed at short notice, resolutions are also taken in writing by circular resolution or in conference calls. All meetings have written minutes and the minutes have to be approved by all members.

The Supervisory Board has established from among its members an audit committee, which consists of two members and which has an advisory, preparatory and supervisory function, but is not authorized to adopt resolutions. Prof. Dr. Günther Reiter and Dr. Helge Lubenow have been appointed as the members of the audit committee; Prof. Dr. Günther Reiter has additionally been appointed as its chairman. The appointments have been made for a term corresponding to the relevant committee member's term of office on the Supervisory Board. The Supervisory Board has not established any other committees besides the audit committee.

Once per year, the supervisory board reports on its activities to the shareholders; the report is published in the Company's annual report. Moreover, the Chairman of the Supervisory Board reports on the activities of the Supervisory Board to the AGM each year.

Details of each individual member of the Supervisory Board as well as his/her compensation can be found in the remuneration report, which is part of the group management report in the Company's consolidated financial statements.

#### *Executive Board*

The Executive Board is appointed by the Supervisory Board. The Executive Board leads and represents the Company. The Supervisory Board appoints the Executive Board members for a maximum of five years. Multiple successive appointments are permitted.

The Supervisory Board has issued rules of procedure for the Executive Board, which govern in particular the internal working practices and the allocation of responsibilities within the Executive Board and its cooperation with the Supervisory Board.

The Company's Articles of Association do not define a minimum number of Executive Board members. Currently, the Executive Board consists of two members. On 1 July 2016, Mr. Gregory K. Hamilton succeeded Dr. Thomas Taapken as CEO, who had held this position and that of Chief Financial Officer (CFO) of the Company until 30 June 2016. Mr. Hamilton has been appointed CEO for the period until 31 December 2018. Dr. Uwe Staub is the second Executive Board member and acts as Chief Operating Officer of the Company. His current appointment ends on 31 March 2018. Each member of the Executive Board represents the Company jointly with another member of the Executive Board or jointly with an authorized signatory (*Prokurist*). The Supervisory Board has not made use of the possibility to grant sole power of representation to members of the Executive Board.

In its meeting on 29 September 2015, the Supervisory Board resolved that the target ratio of female members on the Executive Board shall be 0% and that the target ratio shall be met by 31 December 2016. Upon expiry of this deadline, the ratio of female members on the Executive Board was 0%, which means that the target ratio determined on 29 September 2015 has been met. In its meeting on 6 February 2017, the Supervisory Board resolved that the target ratio of female members on the Executive Board shall remain 0% and that the target ratio shall be met by 31 December 2021.

Additionally, the Executive Board resolved in its meeting on 28 September 2015 on target ratios of female employees on the first two management levels below the Executive Board which shall be met by 31 December 2016. In this regard, the Executive Board has determined that the target ratio of female employees on the first management level shall be 0% and that the target ratio of female employees on the second level of management shall be at least one third. Upon expiry of the deadline on 31 December 2016, the ratio of female employees was 0% on the first management level and around 54% on the second management level. The target ratios of 0% and of one third, respectively, have thus been met within the applicable deadline. In its meeting on 6 February 2017, the Executive Board resolved that the target ratio of female employees on the first and second management levels below the Executive Board shall still be 0% and one third, respectively, and that the target ratios shall be met by 31 December 2021.

The Executive Board regularly reports to the Supervisory Board in a timely and comprehensive manner on all significant aspects of the Company's development, its strategy and planning, on risks faced by the Group as well as on compliance related issues, and consults the Supervisory Board prior to any important strategic decisions.

Details of the compensation of members of the Executive Board can be found in the remuneration report, which is part of the group management report in the Company's consolidated financial statements.

#### *Transparency*

Consistent, comprehensive and timely information of employees, investors, customers, suppliers, authorities and other stakeholders is very important to Epigenomics AG. Reporting on any business activities and the financial situation of Epigenomics AG is done by means of the annual report, press conferences and conference calls, the quarterly statements and half-yearly financial reports and the annual and consolidated financial statements. Information is also disseminated in a timely manner by means of press releases and where required by law, via ad hoc announcements. All press releases, presentations and notifications as well as the up-to-date corporate calendar are available at the Company's website ([www.epigenomics.com](http://www.epigenomics.com)) under "News & Investors".

Generally, trading in primary or derivative securities of the Company by Executive Board members or employees of the Company is permitted only outside of the statutory "closed periods" and any internally defined "black-out" periods. When required, Epigenomics also maintains the insider registers required under Article 18 of the European Market Abuse Regulation (Regulation (EU) No 596/2014, "MAR"). All internal and external people privileged to such information are informed immediately in writing about the legal requirements and sanctions in connection with insider trading.

#### *Accounting and Auditing*

The annual financial statements of Epigenomics AG (single-entity financial statements) are prepared in compliance with the provisions of the German Commercial Code (*Handelsgesetzbuch*) and the German Stock Corporation Act and published in accordance with statutory requirements. Since the 2001 fiscal year, the consolidated financial statements of Epigenomics AG have been prepared according to IFRS and published in accordance with statutory requirements and stock exchange rules and regulations. After the single-entity financial statements and the consolidated financial statements have been prepared, they are audited by the Company's auditor and adopted and approved by the Supervisory Board. Both financial statements are published within three months after the end of the fiscal year under review.

At the Balance Sheet Meeting, the auditor reports to the Supervisory Board without undue delay after the audit of the financial statements on all material findings and events derived from the audit that are relevant for the fulfillment of

the duties of the Supervisory Board. This also includes any emerging conflicts of interest situations and rotation requirements.

The quarterly statements and half-yearly reports of the Company are regularly critically reviewed by the auditor. Prior to approval of each quarterly statement or half-yearly report, the audit committee meets in order to analyze, critically discuss and if necessary amend these reports. Participants of these meetings include the auditor, the members of the audit committee and the Senior Vice President of Finance and Accounting.

### *Risk Management*

Epigenomics is a globally operating listed cancer molecular diagnostics company and as such is subject to many industry and company specific opportunities and risks. In line with the German Corporation Sector Supervision and Transparency Act (*Gesetz zur Kontrolle und Transparenz im Unternehmensbereich*, "KonTraG"), Epigenomics has established a comprehensive and effective system to identify early, document, assess, communicate and manage opportunities and risks across all of its functions and operations. The underlying principles and guidelines have been documented in a group-wide risk management policy. The goal of this policy and all related systems is to systematically identify risks at the earliest possible stage, to estimate their likelihood of occurrence as well as their potential qualitative and quantitative impact, and to design and implement effective countermeasures. The risk management system is regularly evaluated and further developed and discussed with the auditors of the Company at the Executive Board and Supervisory Board levels.

Additional information on the Company's risk management system, any specific risks faced by the Company and on the accounting related internal control system can be found in the risk report, which is part of the (group) management report in the Company's (consolidated/annual) financial statements.