

Declaration of Governance

Declaration of compliance and reporting on Corporate Governance

Epigenomics AG has consistently based its corporate governance on the recommendations and suggestions of the German Corporate Governance Code. The most recent version of the Code is dated June 10, 2013. During the fiscal year 2013 the Executive Board and the Supervisory Board discussed corporate governance matters several times and pursuant to Section 161 of the German Stock Corporation Act ("*AktG*") jointly submitted an updated declaration of compliance for 2013 in October 2013. The declaration was 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 Law ("*AktG*"). Pursuant to this, 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 via the AGM. The AGM of Epigenomics AG takes place within eight months after the end of a respective fiscal year. According to Section 119 AktG the AGM decides upon the Articles of Association, the composition of the Supervisory Board, capital measures and the appointment of the Company's auditors. Each share of the Company corresponds to one single vote at the AGM. In order to participate in the AGM, all shareholders need to register in a timely manner. Participation and voting by proxy is also possible by granting a power of attorney.

Epigenomics AG publishes the invitation in due time before each AGM, including the specific decision proposals as well as any required reports and information according to the AktG in German and English language on its website as well as in the Federal Gazette.

Supervisory Board

According to Section 111 AktG, the Supervisory Board is responsible for the supervision of the Executive Board. The Supervisory Board is involved in strategic planning as well as in all issues of material importance to the company and decisions by the Executive Board that require Supervisory Board approval. This also includes the approval of the annual budget for each subsequent year that is being proposed by the Executive Board. Upon discussion with the Supervisory Board, changes may be required and incorporated. The Supervisory Board also retains the auditors that have been appointed by the AGM.

The Supervisory Board at Epigenomics AG consists of three members, none of whom have previously been members of the Company's Executive Board. All members need to be present to represent a quorum for decision making in Supervisory Board meetings. Among other issues, the Supervisory Board appoints the members of the Executive Board. The current members of the Supervisory Board, Mrs. Ann Clare Kessler, Ph.D., and Prof. Günther Reiter were re-elected at the AGM on May 2, 2012. Mr. Heino von Prondzynski was elected as a new member of the Supervisory Board at this AGM. The current term of office of all members of the Supervisory Board ends with the completion of the AGM for fiscal 2014.

The rules of procedures of the Supervisory Board have been formally defined by itself in a charter. According to that charter, the Supervisory Board has to meet at least once per calendar quarter. These four quarterly meetings are typically physical meetings. In addition, additional meetings can be called that may also be conducted by telephone conference. The Executive Board regularly attends the Supervisory

Board Meetings and as needed, additional members of the senior management team are invited to attend the meetings. The first annual meeting following completion and audit of the annual financial report – the so-called “balance sheet meeting” - is also attended by the company’s auditor who reports directly to the Supervisory Board on any material findings or events. During this meeting, the Supervisory Board also conducts confidential discussions with the auditors without the Executive Board being present.

Agenda and decision proposals get communicated well in advance in writing to all participants of the Supervisory Board. If needed at short notice, decisions are also being taken in writing by circular resolution. All meetings have written minutes and the minutes have to be approved by all members.

The chairman of the Supervisory Board reports annually to the AGM on the activities of the Supervisory Board. The report to the shareholders is published in the Company’s annual report.

Details of each individual member of the Supervisory Board as well as its compensation can be found in the compensation report that is part of the management report of the Company’s annual report.

Executive Board

The Executive Board is appointed by the Supervisory Board. The Executive Board leads the Company according to Section 76 AktG and according to its charter which is resolved by the Supervisory Board. The Supervisory Board appoints the Executive Board members for a maximum of five years. Multiple successive appointments are permitted. The Supervisory Board can appoint one of the members of the Executive Board as Chief Executive Officer (CEO). Notwithstanding Executive Board members’ power to represent the Company, Executive Board members should always act jointly, either together with another Executive Board member or with an authorized signatory (“Prokurist”).

The respective areas of responsibility for the individual Executive Board members are clearly defined in the charter of the Executive Board. The Company’s articles of association do not define a minimum number of Executive Board members. Since the appointment of Dr. Uwe Staub to the Executive Board effective April 1, 2013, the Executive Board of the Company consists of two members whereby Dr. Thomas Taapken acts as CFO and also as CEO since October 1, 2012. His current appointment ends December 31, 2015. The appointment of Dr. Uwe Staub ends on March 31, 2015.

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. The Executive Board consults with the Supervisory Board on all important strategic decisions. There are typically weekly coordination meetings between the Executive Board and the employees of the Company’s second management level as part of so called senior management forum. All meetings have written minutes.

Details of the compensation of members of the Executive Board can be found in the remuneration report which is part of the Company’s management report in the annual report.

Transparency

Consistent, comprehensive and timely information vis-à-vis our employees, customers, suppliers, authorities, interest groups and other stakeholders is very important to Epigenomics AG.

Reporting on any business activities and financial reports of Epigenomics AG is done by means of the annual report, press conferences and conference calls, quarterly financial reports and the annual financial report. Topical information is also disseminated in a timely manner by means of press releases and where required by law, via ad hoc releases. All press releases, presentations and notifications as well as the recent corporate calendar are accessible at the Company’s website (www.epigenomics.com) under “News & Investors” in German and English language.

Trading in the Company's stock or exercise of stock options by members of the Executive Board or Company employees is only permitted outside of defined "black-out" periods. Where required, Epigenomics also maintains insider lists according to Section 15b of the German Securities Trading Act ("WpHG"). All internal and external people privileged to such information are informed in writing about the legal requirements and sanctions in connection with insider trading.

Accounting and Auditing

Since fiscal year 2001 the group's financial statements are being prepared according to IFRS principles and since the company's IPO in 2004, financial statements are published in accordance with statutory requirements and stock exchange rules and regulations. Upon completion by the Executive Board, the consolidated group financial statements are being audited by the Company's auditors and then approved by the Supervisory Board. The consolidated group financial statements are published within four months after the end of the fiscal year as part of the annual report.

Within the scope of the balance sheet meeting, the auditors report to the Supervisory Board in timely manner 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 reports of the Company are critically reviewed by the auditors. Prior to approving each quarterly report, a joint session to analyze, critically review and if necessary amend these reports is held. Participants of these meetings are the auditors, the Executive Board, the Supervisory Board member with special expertise in accounting and auditing according to Section 100 (5) AktG, and the head of finance and accounting.

Risk Management

Epigenomics is a globally operating cancer molecular diagnostics company and as such 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, 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 system. The goal of this policy and all related systems is to systematically identify at the earliest possible stage, estimate their likelihood of occurrence as well as potential qualitative and quantitative impact, and design and implement effective countermeasures. The risk management system is regularly evaluated and is further developed and discussed with the auditors of the Company at the Executive Board and the Supervisory Board levels.

Additional information on the Company's risk management system, any specific risks faced by the group as well as accounting related internal controls and risk management can be found in the risk management section of the Company's management report in the annual report.