

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 fiscal year 2015 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 2015 in October 2015. 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 in 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 and passes resolutions upon, inter alia, 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 (“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 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 issues the mandate for the audit of the annual financial statements to the auditors which have been appointed by the AGM.

The Supervisory Board of Epigenomics AG consists of three members, none of whom has previously been member 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, Mr. Heino von Prondzynski, Mrs. Ann Clare Kessler, Ph.D., and Prof. Günther Reiter were re-elected at the AGM on May 13, 2015. Mr. Heino von Prondzynski is the Chairman of the Supervisory Board. The current term of office of all members of the Supervisory Board ends with the AGM that resolves on the ratification of acts of members of the Supervisory Board for the financial year ending 31 December 2017.

In its meeting on 29 September 2015, the Supervisory Board resolved that the target ratio of female members in the Supervisory Board shall be 1/3 and that the target ratio shall be met by 31 December 2016. Currently, the Supervisory Board comprises of one female member. This equals 1/3 and therefore meets the target ratio.

The rules of procedures of the Supervisory Board have essentially been formally defined by a charter that the Supervisory Board has adopted. According to that charter, 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 means of communication technology. 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 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.

Since the Supervisory Board only comprises of three members, the Supervisory Board has refrained from establishing any committees.

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 consolidated annual 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 respective areas of responsibility for the individual Executive Board members are clearly defined in the charter of the Executive Board which the Supervisory Board has issued for the Executive 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 with Dr. Thomas Taapken being CEO since 1 October 2012 and Chief Financial Officer (CFO) of the Company. His current appointment ends December 31, 2016. Dr. Uwe Staub is the second Executive Board member and acts as Chief Operating Officer of the Company. His current appointment ends on March 31, 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 in the Executive Board shall be 0% and that the target ratio shall be met by 31 December 2016.

Additionally, the Executive Board resolved in its meeting on 28 September 2015 on target ratios of female employees in 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 in the first management level shall be 0% and that the target ratio of female employees in the second level of management shall be at least one third.

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 each of all important strategic decisions. There are typically bi-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 management report in the Company's consolidated annual financial statements.

Transparency

Consistent, comprehensive and timely information vis-à-vis our employees, investors, customers, suppliers, authorities 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 available at the Company's website (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 only permitted outside of defined "black-out" periods as defined in specified insider trading rules. When required, Epigenomics also maintains insider registers according to Section 15b of the German Securities Trading Act ("WpHG"). 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

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 auditor and then approved by the Supervisory Board. The consolidated group financial statements are published within three months after the end of the fiscal year as part of the annual report.

Within the scope of the Balance Sheet Meeting, the auditor reports 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.

Quarterly reports of the Company are critically reviewed by the auditor. 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 include the auditor, the CFO, the Supervisory Board member with special expertise in accounting and auditing according to Section 100 (5) AktG, and the Senior Vice President 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 document and to systematically identify opportunities and risks 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 auditor 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 management report in the consolidated annual financial statements.