Declaration of Conformity by the Executive Management Board and the Supervisory Board of Heidelberg Pharma AG pursuant to Section 161 of the German Stock Corporation Act

The Executive Management Board and the Supervisory Board declare that Heidelberg Pharma AG has been in conformity with all recommendations (provisions containing terms such as “shall”) of the Government Commission on the German Corporate Governance Code (GCGC) as published by the Federal Ministry of Justice in the official section of the Federal Gazette from 1 February 2019, the date of its most recent declaration of conformity, to 31 January 2020, the date of adopting the resolution regarding the declaration of conformity (Code as amended on 7 February 2017), and that the Company is and will be in conformity with said recommendations from 31 January 2020 (Code as amended on 7 February 2017), in each case with the exception of the below-mentioned deviations.

“Heidelberg Pharma” will be used as a synonym for the Group hereinafter. Each entity’s full corporate name is stated whenever facts specific to Heidelberg Pharma AG as the parent company or Heidelberg Pharma Research GmbH as the subsidiary are reported.

D&O insurance for the Executive Management Board and the Supervisory Board – Section 3.8 (2) and (3) GCGC

Heidelberg Pharma AG’s D&O insurance for the members of its Supervisory Board does not require a deductible. The statutory obligation effective 1 July 2010 to amend the given contracts pursuant to Section 93 (2) sentence 3 German Stock Corporation Act, in conjunction with Section 23 (1) sentence 1 Introductory Act to the German Stock Corporation Act (Einführungsgesetz zum Aktiengesetz), applies solely to insurance policies purchased for members of the Executive Management Board. Section 116 sentence 1 of the German Stock Corporation Act does not require a deductible for the Supervisory Board to be agreed. Instead, the law expressly exempts the Supervisory Board from the requirement to agree a deductible. It seems appropriate to distinguish between the Executive Management Board and the Supervisory Board, given the nature of service of the Supervisory Board, which is also evident in the different structure of remuneration. Both the Executive Management Board and the Supervisory Board also believe that a deductible would not impact the sense of responsibility and the loyalty with which the members of corporate bodies carry out the tasks and duties assigned to them. In addition, a significant deductible, which – for reasons of equality – would have to be the same for each member, would affect the members of the Supervisory Board very differently, depending on their private income and financial circumstances.
Compliance Management System - Section 4.1.3 GCGC
The applicable recommendation in Section 4.1.3 of the Code, whereby employees should be
given the opportunity to report, in a protected manner, suspected breaches of the law within
the Company, is not being followed. The Executive Management Board and Supervisory Board
are of the opinion that even without establishing such a system, the Company has an effective
compliance management system.

Composition of the Executive Management Board and the Supervisory Board – Section
4.1.5 GCGC, Section 5.1.2 (1) Sentence 2 GCGC, Section 5.4.1 (2) and (3) GCGC
When appointing individuals to executive positions within Heidelberg Pharma AG, the
Executive Management Board is guided solely by the professional and personal qualifications
of the given candidate, male or female. The same applies to the Supervisory Board when it
appoints individuals to the Executive Management Board and suggests candidates for
elections to the Supervisory Board. The percentage of women for the Supervisory Board, the
Executive Management Board and for the upper management level was defined and published
in the Statement on corporate governance.

The two-member Executive Management Board of Heidelberg Pharma AG currently does not
include a woman. One member of Heidelberg Pharma AG’s five-member Supervisory Board
is a woman. The professional and personal qualifications of the given candidate, whether male
or female, are at the forefront of the concerns of the Executive Management Board and the
Supervisory Board when selecting candidates.

Neither the Executive Management Board nor the Supervisory Board consider it effective not
to fill, or fill, a vacant position with a woman solely in order to ensure adequate representation
of women in leadership positions. In the view of the Executive Management Board and the
Supervisory Board, such an approach would not be in the Company’s interest.

The Supervisory Board has specified a competence profile for the Supervisory Board as a
whole. Furthermore no objectives regarding potential conflicts of interest, the number of
independent members of the Supervisory Board, a specified age restriction for members of the
Supervisory Board and a specified limit for the term of office as member of the Supervisory
Board were specified. Establishing general objectives to compose the Supervisory Board
would constitute an inappropriate limitation of the selection of suitable individual candidates
for the Supervisory Board. General objectives would interfere with the right of the shareholders
to elect the members of the Supervisory Board.

Remuneration of the Executive Management Board – Section 4.2.2 (2) Sentence 3 GCGC
Until now, the Supervisory Board has applied the criteria for determining appropriate
remuneration of the Executive Management Board based on the tasks of the individual
member of the Management Board, his/her personal performance, the economic situation, the
performance and outlook of the enterprise as well as the common level of the remuneration
taking into account the peer companies and the remuneration structure in place in other areas
of the Company. No specific and concrete comparison parameters with regard to the senior
management and the staff overall, particularly in terms of their development over time, are
considered above and beyond this. The Supervisory Board believes that it serves no purpose
to base the determination of appropriate remuneration of the Executive Management Board on specific comparison parameters.

**Age limit for Executive Management Board members – Section 5.1.2 (2) Sentence 3 GCGC**

No age restriction has been or will be specified for members of the Executive Management Board. Heidelberg Pharma AG believes that such a regulation would not be in the best interest of its shareholders, as rigid regulations on the retirement age may result in the Company having to forgo the expertise of key staff.

**Candidate proposals for the Supervisory Board chair – Section 5.4.3 Sentence 3 GCGC**

The proposed candidates for the Supervisory Board chair are not announced to the shareholders during the Annual General Meeting at which the members of the Supervisory Board are elected. Since it is the task of the Supervisory Board to elect a chairman from among its members at its inaugural meeting, earlier announcement of possible candidates does not seem appropriate and would preempt the decision-making process.

**Publication of the consolidated financial statements and the group management report – Section 7.1.2 Sentence 3 GCGC**

The annual report and thus the group management report and the consolidated financial statements for the 2018 fiscal year were not made publicly available within 90 days of the end of the fiscal year on 30 November 2018. Due to increasing legal requirements in accounting and limited personnel capacities, the group management report and financial statements were published within the statutory period, but not within the period recommended by the GCGC.

Heidelberg Pharma AG furthermore complies with the majority of the suggestions contained in the German Corporate Governance Code (provisions containing terms such as “should”).

The next Declaration of Conformity of Heidelberg Pharma AG is scheduled to be published at the beginning of 2021.

Ladenburg, 31 January 2020

For the Executive Management Board:

Dr Jan Schmidt-Brand  
Spokesman & Chief Financial Officer

Prof Dr Andreas Pahl  
Chief Scientific Officer

For the Supervisory Board:

Professor Christof Hettich  
Chairman of the Supervisory Board