

Convenience Translation

(The text decisive for the Statement on corporate governance of Heidelberg Pharma AG is the one written in the German language.)

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 3 February 2017, the date of its most recent declaration of conformity, to 2 February 2018, 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 2 February 2018 (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 not yet specified a competence profile for the Supervisory Board as a whole and concrete objectives regarding its composition that – taking into account the company-specific situation – consider the international activities of the company, 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 as well as diversity. 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.

The Company intends to prepare a competence profile for the Supervisory Board as a whole in the course of the Board's efficiency review, which is scheduled for February 2018.

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.

Comparison parameters – Section 4.2.3 (2) Sentence 7 GCGC

The stock option plan launched back in 2005 prior to the stock exchange listing of Heidelberg Pharma AG does not relate to comparison parameters, such as a share index. However, both of the stock option plans launched in 2011 and 2017, respectively, refer to the TecDAX as a comparison parameter.

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.

Age limit for Supervisory Board members – Section 5.4.1 (2) Sentence 1 GCGC

No age restriction and no limit for the term of office as member to the Supervisory Board have been or will be specified for members of the Supervisory 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 or the term of office as member may result in the Company having to forgo the expertise of key staff. In addition, such limits for Supervisory Board members would also restrict the rights of the Company's shareholders to elect their representatives to the Supervisory Board.

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 consolidated financial statements for the 2016 fiscal year were not made publicly available within 90 days of the end of the fiscal year on 30 November 2016. Due to the course of business in 2016, considerable discussions were held, above all, regarding the business forecast, which in turn is material for the forecast in terms of continuing as a going concern. Therefore, the consolidated financial statements could not be published within the period specified 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 2019.

Ladenburg, 2 February 2018

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