

*Evotec AG*  
**SEPARATE  
NON-FINANCIAL  
GROUP-REPORT  
2018**

## GENERAL REMARKS

This report contains the disclosures required for the Non-financial Group Declaration in accordance with section §§ 315b und 315c i.V.m. 289b to 289e German Commercial Code (HGB). It was reviewed by the Supervisory Board of Evotec AG and adopted on 19 March 2019. Evotec discussed the option of drawing on general guidelines for sustainability reporting when preparing the Separate Non-financial Group Report. Having reviewed the relevant guidelines it was decided not to make use of this option, given Evotec's specific business model. Evotec's sustainability reporting is under further development and extension therefore the use of general guidelines will be examined again at the appropriate time.

## BUSINESS MODEL

For a large number of severe illnesses there is currently no cure. The ensuing direct and indirect costs of treating patients are enormous, particularly against the backdrop of an ever-older population in many industrialised countries. The life science industry therefore makes a very important contribution to the health and well-being of our society.

Evotec is a drug discovery and development solution provider for a large network of partners in the life science industry, e.g. pharmaceutical and biotechnology companies, academic institutions, foundations and not-for-profit organisations. With a large pool of highly experienced scientists, first-class scientific operations and different key therapeutic area expertise, Evotec creates and connects innovative, proprietary technology platforms, to identify and develop best-in-class and first-in-class differentiated therapeutics for collaborators and for its own internal pipeline. In its research activities the company focuses on fighting not only the symptoms of diseases, but also their causes. Key expertise in the following core therapeutic areas:

- ▶ Neuronal diseases
- ▶ Diabetes and its complications
- ▶ Pain and inflammation
- ▶ Oncology
- ▶ Infectious diseases
- ▶ Fibrosis
- ▶ Respiratory diseases

Evotec has a unique business model that allows the Company to act both as a service provider for the life science industry (EVT Execute) as well as running its own discovery and development projects in co-owned (i.e. risk-and-reward-sharing) models (EVT Innovate). Both segments operate on the same scientific platforms and share a common workforce.

Evotec's services (EVT Execute) comprise stand-alone or integrated drug discovery and development solutions, which are tailored to the customers' needs. Through continuous investments in its cutting-edge technology platforms, Evotec is able to offer its customers a unique portfolio of first-class scientific services for the discovery and development of innovative therapeutics protected by the partners' intellectual property. Evotec provides these services through a range of commercial structures, most of them FTE-based (Full-time scientist).

In its EVT Innovate segment, Evotec leverages its proprietary technology platforms to develop new drug discovery projects, assets and platforms, both internally or through academic collaborations to create starting points for strategic partnerships with Pharma and leading biotech companies in return for upfront payments, ongoing research payments, and significant financial upside potential through milestones and royalties.

The framework for developing Evotec's long-term, sustainable value is the Action Plan 2022 – "Leading External Innovation" –

Three key cornerstones of this action plan are

- (i) to build a diverse and financially de-risked portfolio of co-owned, first-in-class clinical drug product opportunities with a broad range of partners in the pharmaceutical and biotech industry,
- (ii) to develop the next generation of drug discovery platforms that especially support the mega trend towards more personalised and precision medicine, and
- (iii) to selectively participate in high-potential ventures through strategic investments and company formations.

In order to support patient-centric approaches, Evotec is accessing large patient data sets to re-define patient populations according to molecular phenotypes. Out of this it provides conclusions for testing new molecules as part of stratification studies (Clinical trial in a dish) and at the same time the identity from the patient is protected. The Company has built an industrialised induced pluripotent stem cells ("iPSC") infrastructure that represents one of the largest and most sophisticated iPSC platforms in the industry. Evotec is integrating 'omics' technologies as an essential tool in the drug discovery process to define and profile biological effects in a comprehensive and unbiased fashion. Finally, the Company is blending artificial intelligence and machine-learning tools into many of its biology- and chemistry-driven platforms to further accelerate and increase effectiveness in the drug discovery process.

As of 31 December 2018 Evotec had a total of 2,518 employees. The company is headquartered in Hamburg (Germany); other operating sites are located in Abingdon and Macclesfield (UK), Göttingen and Munich (Germany), Lyon and Toulouse (France), Verona (Italy) and Basel (Switzerland) as well as in Branford, Princeton and Watertown (USA).

In the opinion of the management there are no aspects of Evotec's business model that conflict with its shareholders' interest in sustainable investment.

## SUSTAINABILITY WITHIN EVOTEC'S SPHERE OF INFLUENCE

Sustainability is of vital importance to the Evotec Group and is an essential component of all the company's business processes. For Evotec, sustainability means effectively combining economic success with ecological and socially responsible activities. In this way Evotec assumes responsibility for current and future generations and at the same time secures the basis for its long-term commercial success.

At Evotec the entire Executive Board, under the leadership of the Chief Executive Officer, is responsible for the implementation of the company's sustainability activities and standards across the group. They form part of corporate planning and cover operations at all the company's locations. The company's code of conduct, its framework for corporate governance and business ethics, describes how they impact the daily work of every employee.

The code of conduct is published in the Invest section of Evotec's website (www.evotec.com). It covers such topics as the use of company funds, correct accounting, dealing with personal conflicts of interest and insider trading, compliance with the provisions of anti-corruption and anti-trust law, the working environment, occupational health and safety, minimising adverse environmental effects and the confidential treatment of intellectual property and company secrets. Evotec's code of conduct also forms the framework for responsible and correct dealings with business partners. Employees receive training on the code of conduct. A similar code of conduct already exists for the Aptuit companies acquired by Evotec and its alignment and adaptation with Evotec's code of conduct is planned and expected to be finalised by end of 2019.

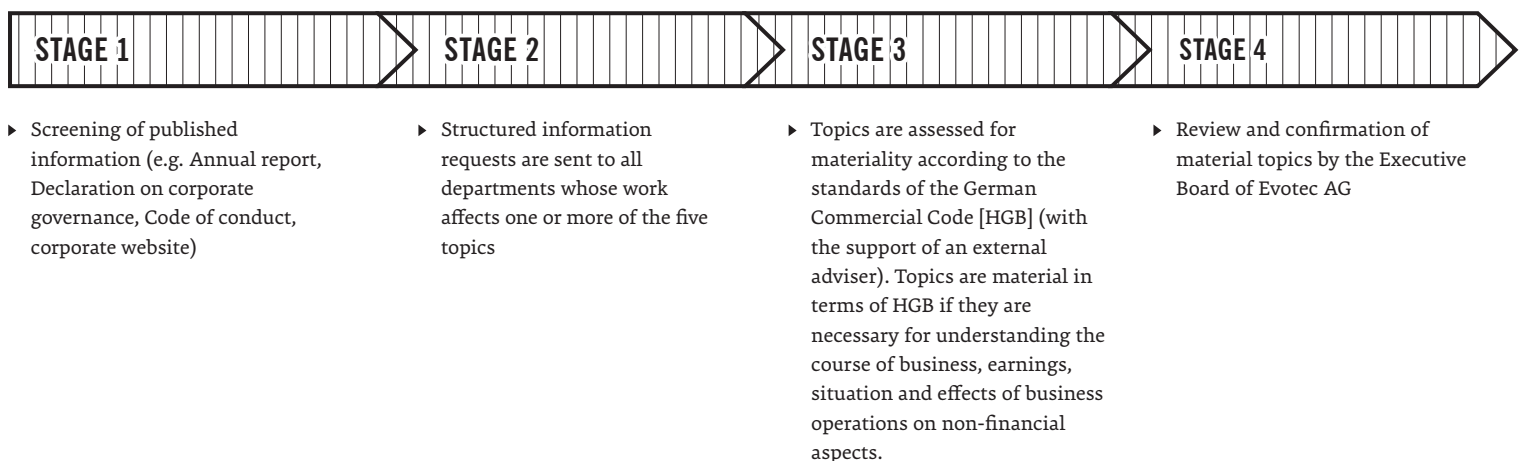
Since 2017 sustainability has also been a fixed element in the assessment of Evotec's suppliers. The established self-assessment process was expanded to include questions on the three criteria; environmental standards (e.g. ISO 14001), CSR standards (e.g. UN Global Compact or ISO 26000) and sustainable engagement (e.g. fair trade, Rainforest Alliance). Each supplier is given a points-based rating derived from the self-assessment and other criteria such as quality, reliability and pricing. Out of a maximum of 100 points, 15 relate to sustainability. No supplier can achieve the highest rating of Top Performer without scoring a minimum number of points for the sustainability criteria mentioned. If the results for a strategically important supplier are significantly below average, the supplier is given advice on how to improve its scores.

In the reporting year Evotec's 16 core suppliers completed the assessment described above, demonstrating a high level of cooperation. On average they scored 10,2 out of a possible maximum of 15 points. In future, additional audits on the basis of random samples are planned for non-core suppliers.

### DETERMINING THE MAIN TOPICS FOR THE SEPARATE NON-FINANCIAL REPORT

The main topics were determined for the first time in a four-stage process in the period from May to December 2017. The analysis process confirmed the assumption that the main topics for Evotec's Separate Non-financial Report relate to the areas of employee concerns (including work safety and health), human rights (animal welfare) and anti-corruption. In terms of environmental and social concerns, however, no topics were identified as being material in terms of the legal standards.

In summer 2018 the results of the materiality analysis were put through another, methodically identical review. This was done particularly in view of the acquisition of the anti-infective drugs unit from Sanofi in the interim. The review confirmed that the main topics were unchanged and again related to areas of employee concerns, human rights and anti-corruption. Within these areas there had been some isolated new issues, however, which are described in the respective sections of this Separate Non-financial Report.



## RISKS IN CONNECTION WITH NON-FINANCIAL MATTERS

Evotec sees the management of risks and opportunities as the permanent task of identifying, analysing and evaluating as well as to initiate appropriate counteractions in the range of potential and actual developments within the company and in its operating environment. This also includes material circumstances for Evotec that fall within the new statutory standards for non-financial reporting, such as human resources or compliance risks. For further information we therefore refer to the section Management of Risks and Opportunities in the Group Management Report for the 2018 financial year.

## EMPLOYEE CONCERNS

Evotec's commercial success is based on the competence, commitment, creativity and enthusiasm of its employees. Their performance and conduct are key to continuous innovation and sustainable growth. In a highly dynamic market environment, characterised by intense competition for the best talent, Evotec's human resources strategy is aimed at developing a highly motivated and qualified team that works together under safe and healthy conditions at all times to achieve the company's objectives.

The acquisitions of Cyprotex, Aptuit and the anti-infective drugs unit of Sanofi have increased Evotec's workforce from some 1,200 to more than 2,500 in the past two financial years alone. This means the successful integration of the new staff in cultural, operating and administrative terms is currently the biggest strategic human resources challenge for the Group.

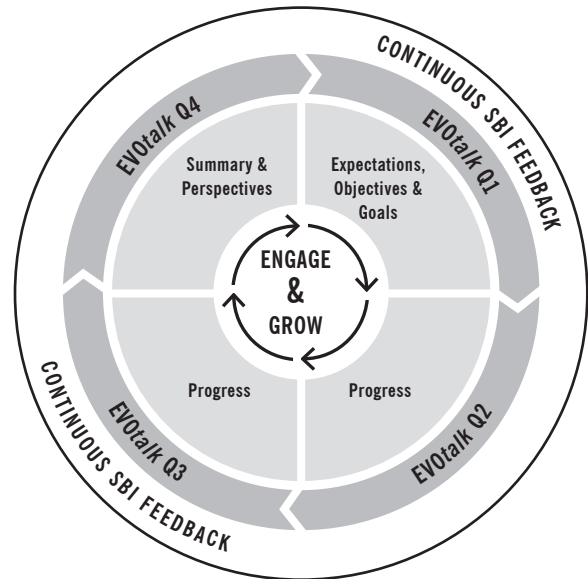
## DEVELOPMENT OF A "ONE EVOTEC CULTURE"

Successful integration is primarily the result of successful leadership. Based on this conviction, several new leadership instruments have been developed since 2017 under the heading of "EVOConnect", which are to be successively implemented at all sites:

The "Evotec Corporate Leadership Goal" is aimed at top managers and focuses on one of the three core values of the ONE Evotec Culture – Enterprise, Cooperation and Innovation – alternating every year. The ambition behind this individual pay-related performance target is to shape leadership behaviour in the spirit of the desired culture.

Since mid-2017 the established EVOtalks have pursued the aim of promoting regular, constructive dialogue between managers and their staff and reinforcing the feedback culture in the company. Quarterly talks replace the previous annual performance review and are supplemented on a day-to-day basis by frequent, informal feedback conversations. These much shorter bi-directional feedback cycles and the generally more frequent and less formal exchanges between managers and their staff are intended to address promptly both good aspects of performance or conduct and those requiring improvement, to maintain a sharper focus on the jointly agreed

development goals over the course of the year and to foster mutual trust by means of an open dialogue. Wherever EVOtalks have already been introduced, they have quickly become established as a popular format.



"EVO Recognition" is another instrument that has been implemented for the first time. It gives managers the opportunity with a specifically reserved budget to reward individual employees or entire teams for exceptional performance promptly and without a lot of red tape.

## — WORKDAY – OUR NEW HR IS SYSTEM —

The company has decided to implement Workday as global system for HR to ensure that respective processes are globally aligned and consistent within the Evotec Group. It will also help Evotec to support the growth of the company, as Workday is a scalable solution that can be applied efficiently to new entities or locations.

## — SE WORKS COUNCIL —

With the transformation of Evotec AG into Evotec SE (Societas Europaea), which was agreed at the Annual General Meeting 2018, a SE European Works Council has to be established by law. It will consist of delegates of each of the European countries where Evotec has sites. Evotec embraces the establishment of the SE European Works Council as it will help to represent staff-related matters on a European level and will ensure that information and consultation will happen the minute two or more countries are impacted by changes concerning our people.

## — FINDING AND RETAINING TALENT —

Evotec's corporate and revenue growth are highly correlated with the growth of its workforce. The company's rate of growth is therefore determined to

a very large extent by its ability to attract qualified employees to Evotec and to retain them over the long term. Under these circumstances, Evotec permanently endeavours to optimise its recruitment process and create new contact points for potential candidates. Sites with a high, recurring need for new talent now have their own recruiting teams, which can act fast, efficiently and are close to the market. In 2018 a new recruiting process was also applied, which aims among other things to cut response times to applicants significantly and to give all candidates a qualified feedback.

Alongside the classical contact points like the website or the typical social media platforms, company employees have an important role as ambassadors when it comes to approaching and attracting potential new colleagues. As part of the “Refer-a-Friend” programme they are explicitly incentivised to make vacant positions and career perspectives at Evotec known within their personal networks. If this results in a recruitment, the referring employee gets a bonus after the trial period has been completed successfully. Suitable candidates for several vacancies were found in the reporting year via the “Refer-a-Friend” programme in Germany and the UK as a first step. The applications received via the programme were of very high quality and therefore we intend to further establish to the other countries.

Another promising way of meeting future recruiting needs at Evotec’s sites in Germany and the UK is the system of apprenticeships, because the labour market is producing ever fewer laboratory technicians with professional qualifications (BTA, CTA, MTA) and thus valuable practical experience. The apprenticeship scheme will be extended, so that more of these vacancies can be filled internally in future. Furthermore, Evotec strives to intensify cooperation with local vocational training schools, by offering work placements, for example.

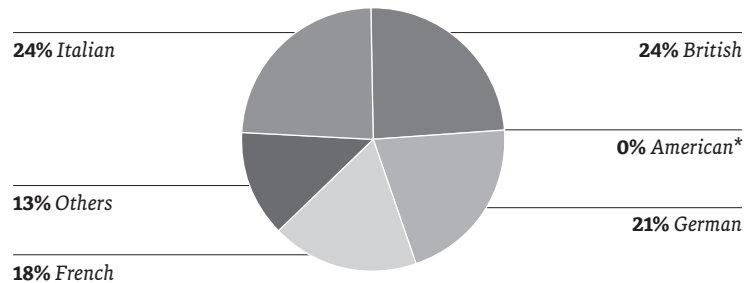
To develop contacts with talented students at an early stage, Evotec has always maintained good relations with universities. With the acquisition of Aptuit we were even able to extend our network further into Italy and the UK. For example as part of a partnership with the University of Bath, Evotec gives young academics in the UK the opportunity to complete a doctorate in cooperation with the company. In addition, graduates can attend a wide range of scientific training courses within Evotec. The company also gains access to young academics by participating in publicly funded programmes for research and innovation, such as “Horizon 2020”, which is initiated by the EU.

— SEIZING DIVERSITY AS AN OPPORTUNITY —

Evotec works in a globalised industry and has an international customer base. The company is convinced that it needs a diverse team in every respect in order to understand its customers’ different demands and to work together effectively across borders.

Employees of 69 different nationalities are already working for Evotec today. Their working environment is defined by respect, cooperation, openness and flexibility in the way they think and act. Whether in recruiting, staff development, promotion or pay – Evotec practices equality of opportunity regardless of gender, ethnic origin, sexual orientation or age. Some 646 new employees were recruited worldwide in 2018.

**EMPLOYEES BY NATIONALITY AS OF 31 DECEMBER 2018**  
**HEADCOUNT BY NATIONALITY**



\*USA is not allowed to be reported this data

The development of the workforce from a diversity perspective is actively monitored and tracked by means of various indicators, including the proportion of women in senior management. In 2018 this figure was 33%. Evotec meets its own targets for the percentage of women in management positions, in accordance with the Act on Equal Access for Men and Women to Management Positions (FüPoG), which came into effect in 2015.

One of the explicit aims of the human resources strategy is to keep advancing diversity at Evotec in all areas and across all levels of the hierarchy. An instrument that is becoming more and more important is the posting of employees to sites in other countries. Experience shows that such postings have a significantly positive effect on both the functional and personal development of the employees. In the years ahead the international rotation of staff members is therefore to be intensified in all areas of the company. A Group policy currently being drafted will provide the organisational framework.

— HEALTH AND SAFETY HAVE TOP PRIORITY —

Evotec’s employees worldwide should be able to carry out their work in safe and healthy conditions at all times. This aspiration is reflected in an ambitious performance target: in 2022 Evotec should be among the leading companies in its sector in terms of occupational health and safety. It implies that health and safety matters are handled across the group with the same competence and professionalism as the core operating business. Against this backdrop, a global Health & Safety programme was launched in the reporting year, under the leadership of the new function “Global Head of Environment, Health & Safety”, which reports directly to the Executive Board. National EHS leaders support the global EHS team and are responsible for the operational implementation of activities at their sites – taking the specific national directives and laws into account.

One of the core tasks in the years ahead is to harmonise guidelines and processes at the sites and so create global Evotec standards as far as possible. This relates to reporting on accidents, near-accidents and other notifiable events, for instance, or the safe handling of chemicals. The ISO 45001 standard for health and safety management systems published in March 2018 will act as a guideline for designing the standards.

National and local programmes, such as Health@work in Germany, will continue to exist to address the specific requirements of the regulatory regime or the operating business. The Health@work programme stands for an all-round evaluation of the working environment especially in terms of risks to the mental health of employees. An interdisciplinary team of managers, health and safety experts, the company doctor and members of the Works Council identifies potential stress factors, possibly resulting from overwork, for instance, and develops countermeasures. So with Health@work Evotec is taking action to address the fact that in today's world, occupational health risks increasingly have psychological causes.

The takeover of Sanofi's infectious disease research unit and its site in Lyon gives Evotec three BSL 3 laboratories for the first time, which require a particular level of occupational health and safety precautions. Biosafety Level 3 is the EU classification for biological agents that cause serious disease in humans and thus represent a severe risk for employees. Work directly on bacteria or viruses therefore only takes place in biosafety cabinets. Other precautions include special safety clothing, air-filtration systems and the special treatment of waste produced in the laboratories. To protect its staff Evotec also uses its BSL 3 laboratories for working on certain agents in the lower risk category 2. Since activities began in 2015 (therefore already before the acquisition of Evotec) there has not been a single notifiable incident at the BSL 3 laboratories in Lyon.

## HUMAN RIGHTS

Although "classical" aspects of human rights such as working and social conditions play a minor role in Evotec's business model, its activities as a drug discovery and development company do entail specific challenges. They relate particularly to the use of human tissue and cells, as well as to the use of animals in experiments.

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**RESPONSIBLE HANDLING OF  
 HUMAN TISSUE SAMPLES**  
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The use of human tissue enables Evotec to test its innovative therapeutic approaches for efficacy at an early stage of their research and development. The company purchases human cells, body fluids and tissue from licensed and certified commercial providers, alliance partners and consortia. Evotec bases its handling of human samples on applicable national legislation and European directives. Documentation of origin, the consent of the patient or trial participant to the scientific use of the samples and the related data protection have the highest priority.

All employees performing work with human derived materials are trained and appropriately protected for the handling of human samples. Whenever possible, only human material that has been tested negative for the main risks of human infection is used. To ensure the safety of all employees, any human sample work is performed in specially dedicated laboratories under controlled conditions. Human samples are stored and processed strictly separately from samples from other species in order to rule out all potential contamination.

Embryonic stem (ES) cells play an important role in biomedical research. They are obtained from five-day old embryos. They grow very quickly and can develop into any kind of body tissue or organ. However, the use of human ES cells is highly controversial from an ethical perspective. The debate centres around the protection that should be afforded to the human embryo and the question of whether embryos may be used to obtain stem cells or cultivated especially for this purpose. This kind of "destructive" research is regarded as ethically unacceptable by some sections of the population.

For some years there has been an alternative to human ES cells, known as induced pluripotent stem cells (iPSC), which are obtained from patient tissue samples. They are derived from easily available human skin or blood cells, which are "reprogrammed" in the laboratory by introducing transcription factors and can then be propagated indefinitely. Similarly to embryonic stem cells, iPSCs are able to differentiate into all types of cell in the adult organism. Evotec already differentiates iPSCs into a wide range of cell types (e.g. nerve cells, insulin-producing beta cells). It is the company's declared aim to build new disease models based on cultures of iPSC cells from many different patients and to use them in drug discovery projects. This will significantly improve the chances of success for developing medicines and due to human model systems sharply reduce the volume of animal experiments.

Evotec is currently working on more than 20 iPSC-based research projects in the fields of neurodegeneration, diabetes and others. Evotec presents the results of these studies to the public at international conferences and so makes important contributions to the advancement of science in these areas of research. As planned, Evotec published a group policy on the handling of human tissue and bodily fluids in 2018. It describes the responsible treatment of human tissue, cells and bodily fluids. The origin of the materials must be documented in accordance with high ethical standards and the applicable legislation, consent must have been obtained from the donor and the data generated must be protected. Furthermore, the policy describes responsible, safe and professional methods for the handling of human materials in the laboratory by employees.

— **TOP STANDARDS IN ANIMAL PROTECTION** —

As part of its research activities at several European sites Evotec carries out experiments on animals that are scientifically necessary or required by law. Experiments that cannot be conducted in-house are outsourced to specialised, carefully selected and tested contract research institutes. The animals used in experiments are mostly rodents (e.g. mice and rats), but also non-rodents (e.g. non-human primates).

All animal experiments are performed exclusively with regulatory approval and on the basis of European standards defined in Directive 2010/63/EU and applicable national legislation, which is mostly even stricter, (e.g. Animal Protection Act, Laboratory Animals Protection Regulation, Medical Products Act). This requires justifying in every individual case why a project cannot be carried out without resorting to animal experiments. Furthermore, the number of animals used must be kept to the minimum consistent with achieving the aim of the experiment. The competent



national authorities consult an expert commission when evaluating applications, which is made up of specialised experts with experience of animal experiments as well as representatives of animal rights associations. Evotec's work is also regularly reviewed by the competent local veterinary authorities. Internal committees have been established at all sites, which meet regularly to discuss animal welfare aspects and adapt them to the current legislation and best practice for animal experimentation. All sites also have employees designated as animal protection officers, who advise, support and audit the research departments and provide instructions on animal rights compliance.

To ensure that best practice for animal testing is followed, Evotec in Germany implements recommendations from laboratory animal science associations (GV-SOLAS, FELASA) and the German Veterinary Association for Animal Welfare (TVT). In addition, the research sites in Hamburg, Toulouse, Verona and Göttingen have applied for accreditation on a voluntary basis by the internationally acknowledged animal protection organisation AAALAC International (Association for Assessment and Accreditation of Laboratory Animal Care International) and have been accredited in full. The exhaustive accreditation took place after an in-depth review of the conditions and programmes for keeping and using the laboratory animals, as well as the professional qualifications of their keepers and the scientific staff. A re-accreditation of the sites takes place every three years and was obtained again for the Hamburg site in the first quarter of 2018, for instance.

Evotec also undertakes to apply the principle of the 3Rs when using animals for research, which refer to the replacement of animals where possible, the reduction of numbers used and the refinement of experimental methods. The 3R principle aims to ensure the welfare of laboratory animals and is an integral part of Evotec's research and development processes. In aiming to minimise the use of animals for research and development as far as possible, the company already uses a broad range of *in vitro* pharmacological experiments as part of its drug discovery process. These experiments, which are conducted in test tubes, test a wide range of parameters in human cell lines and tissues. Using the latest technologies, such as imaging and increasingly also non-invasive methods (e.g. light sensors), refined techniques and advice from biostatisticians are also in the spirit of the 3R principle.

Evotec mostly obtains its laboratory animals from certified breeders, which are audited regularly and must keep health certificates for the animals. If laboratory animals from academic partners are of interest, they must come with a clean health certificate. Only qualified staff who undergo regular professional training are deployed to care for the animals on a daily basis. The health of the laboratory animals is measured at regular intervals in line with guidelines from FELASA (Federation of European Laboratory Animal Science Associations). Evotec not only uses these standards internally, but also applies them to its suppliers.

Alongside its ethical obligation for the animals' welfare, Evotec is interested in the quality of the data generated by animal experiments. Only when the animals feel comfortable, are subjected to as little stress as possible and are kept in good, standardised conditions can high-quality experimental results be obtained.

In addition to its aim of accrediting all its sites conducting *in vivo* pharmacological work in line with AAALAC, Evotec will continue to work to develop more animal-free, less stressful and non-invasive methods. Since 2016 a global team of vets on permanent employment contracts has worked on the improvement and harmonisation of standards between the different sites. Evotec stands out from many other companies in the industry by employing a total of eight in-house vets – only at the site in Lyon are the veterinary services still provided exclusively by external suppliers. The advantages of this practice include the unlimited prompt availability of experts on site, much more efficient communications and the methodical accumulation of knowledge about company-specific interfaces and processes.

Evotec's vets are currently drafting global guidelines and standards in consultation with representatives of company management and the quality assurance team. Once they have been adopted they also apply to contract research institutes and other business partners. In this context a further milestone was reached in 2017 when the "Global Animal Welfare Policy" took effect, in which Evotec defines its handling of laboratory animals in line with animal protection standards.

## ANTI-CORRUPTION

Evotec's corporate culture is committed to the highest standards of transparency, integrity and accountability. One key aspect of integrity is compliance with applicable legislation and internal company guidelines. Evotec does not tolerate any infringement of applicable law or internal policies.

The compliance programme at Evotec AG is monitored by the company's compliance officer; an independent and objective function that reviews and assesses compliance matters within the group. Training is provided regularly using a groupwide electronic compliance training program, which is tailored to the company's specific compliance requirements and the associated risks. The aim of the training program is to achieve permanent awareness of compliance aspects in all business processes, to ensure that every decision meets Evotec's compliance obligations and to minimise compliance risks. It is mandatory for all members of the Executive Board and Supervisory Board and for all employees. The company's compliance officer monitors participation in this training program at regular intervals.

At the Group Company Aptuit (Verona) S.r.L. the compliance programme is also monitored by the Surveillance Board, which is made up of employees and independent external advisers. The compliance model for Aptuit (Verona) S.r.l. is regularly adapted to the company's business and applicable legislation. Compliance training for the Aptuit staff currently still takes place in the form of face-to-face courses, but integration with the Group's electronic compliance training is planned for 2019.

Evotec's commitment to a compliance-oriented corporate culture is manifested in the company's code of conduct, which defines binding ethical principles such as integrity and professionalism that apply equally to members of the Executive Board and Supervisory Board and to all employees. The code of conduct also governs compliance with anti-corruption legislation and the related internal policies, as well as a

whistleblowing charter: an obligation to report any suspicion that the policies have been breached. As in all other areas of compliance, the company's target in terms of corruption is zero incidents.

No company employee may sign a contract or enter into an agreement on the basis of a commission obtained, a kick-back, a consultancy or service contract, a bribe or the extortion of a payment. It is also forbidden if the person is aware or can assume that an unreasonable direct or indirect payment is expected for decisions or actions in Evotec's favour.

The term unreasonable payment or compensation includes money or other gifts from third parties in excess of a certain value, which have not been approved by the manager. So for instance, certain products, especially if they are free, as well as services, travel or holiday accommodation at the expense of another company, are just as much unlawful compensation as a direct cash payment. An action which is otherwise dubious is not allowed simply because it is customary in a particular place or in a particular area of commercial activity.

Another aspect of anti-corruption law is the avoidance of transactions with individuals or organisations on international sanction lists. Since year-end 2017 Evotec has followed a systematic approach intended to ensure that such individuals or organisations are identified and verified before any transactions are completed.

Another important aspect of accountability and transparency is giving all Evotec employees the opportunity to express their misgivings responsibly and effectively. Potential breaches of compliance obligations can be reported to the relevant manager, the company's compliance officer or the global compliance hotline (whistleblowing hotline), which is available 24 hours a day, seven days a week. Reports to the hotline can also be made anonymously. No reports of active or passive corruption were received by the central compliance hotline in 2018. Neither were any cases of active or passive corruption detected by any other means. The introduction of the whistleblowing hotline for the Aptuit companies in 2019 is currently under review.

## OUTLOOK

Evotec is highly committed to strengthening its own sustainability activities, safety measures and standards in the years ahead, and to developing and integrating sustainability and safety into its business processes on a continuous basis. To this end the company invests regularly in training and qualifications for its employees and in providing sufficient capacities, software and platforms to address the various topics adequately.

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