R-E-S-P-E-C-T!

To remind us all to be careful with our resources, our teams developed sustainable illustrations. The illustrations in this report represent our commitment to sustainability. They can be found as stickers across all sites to raise awareness amongst all co-workers.
Dear Stakeholders and Friends of Evotec

Our Company is positioned at the highest quality end of innovative drug discovery and development. Building our growing business in a sustainable manner is a characteristic and responsibility of high quality. We firmly believe that Evotec’s business model itself is practised sustainability. Together with our skilled employees and partners, we help find cures for severe illnesses, lower costs of and expand access to state-of-the-art medical treatment for millions of patients around the world. Furthermore, we continue scientific work in areas that are still highly relevant but have been abandoned by many pharma companies, e.g. antibiotics. In whatever we do, we strive to create sustainable value for our internal and external stakeholders.

Our partners approaching us, expect excellence in knowledge, science and technology but also high reproducibility, data traceability and integrity. They also expect high professionalism in communication as well as honesty, transparency, responsibility and rapid attention to their feedback and requests. To put it another way, they expect from us what we expect from each other as colleagues no matter where at Evotec we work: good information, on time, and at the necessary consistent standards.

In 2019, we have seen in addition a remarkable increase in stakeholders requests for sustainability and environment-related information. Environmental, Social and Governance criteria heavily impact decisions of investors, research and collaboration partners, authorities, and also in human resources. We want to live up to highest standards here. We have made the decision to extend our non-financial reporting beyond what is to be considered material from a regulatory point of view. In the future, Evotec’s non-financial reporting will give you comprehensive insights into our achievements, our current efforts and our long-term goals.

We are well aware that becoming and remaining a truly sustainable company, as well as reporting on that, will be a long-term approach. And while we already live up very high standards in many areas, there is without a doubt always room for improvement. First and foremost, this refers to our knowledge of Evotec’s environmental footprint, which is a continuous challenge due to the massive change and growth our Company has experienced in recent years. Nevertheless, we are fully committed to take on this challenge as we see improvement in this matter lies in our hands and in our own interest. And we are excited to see that the employees working for Evotec are committed to do so, too.

So whatever your relationship with Evotec may be, please feel invited to join this exciting journey. Your questions, suggestions and feedbacks will always be highly appreciated.

For the Management Team

Enno Spillner
Chief Financial Officer
BUSINESS MODEL

For more than 3000 of severe illnesses there still 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 partnered 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. The company is headquartered in Hamburg (Germany). Other operating sites are located in Abingdon and Alderly Park (UK), Cologne, Goettingen and Munich (Germany), Lyon and Toulouse (France) and Verona (Italy) as well as in Branford, Princeton, Seattle and Watertown (USA).

With a about 3000 highly experienced scientists, first-class scientific operations and different key therapeutic area expertise, Evotec creates and connects innovative, proprietary technology platforms and services, 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:

- Diabetes and its complications like kidney diseases
- Fibrosis
- Infectious diseases
- Neuronal diseases
- Oncology
- Pain and inflammation
- Rare diseases
- Respiratory diseases
- Women’s health

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 different partners,
(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 participation 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 of 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.

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. 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 build a 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. It also forms the framework for responsible and correct dealings with business partners.

The code of conduct is published in the Invest section of Evotec’s website (www.evotec.com). The version that had been in effect throughout the 2019 financial year covered topics such 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. In December 2019, the Supervisory Board of Evotec SE approved an updated version of the code. It now also includes sections on anti-money laundering, animal welfare, personal data, global trade and whistleblowing. Furthermore, it will replace the Aptuit code of conduct that still had been in effect since the acquisition of Aptuit in mid-2017.

Evotec is committed to do business with suppliers that adhere to the highest sustainability and social standards. In view of this commitment, evaluating a supplier’s sustainability engagement has become an integral part of the annual supplier assessment. Evaluation encompasses the supplier’s commitment to improve its environmental impact, adherence to social sustainability standards and also publication of corporate social responsibility and sustainability reports.

The assessment is carried out through standard questionnaires. Each supplier is given a points-based rating derived from the questionnaire and other performance criteria such as quality, reliability and pricing. Out of a maximum of 100 points, 15 relate to sustainability. As Evotec strives to be a sustainable company it also offers support and gives advice to its strategically important suppliers, if they are significantly below average in order to improve their scores.

In the reporting year Evotec’s purchasing teams evaluated their top suppliers. In total 58 supplier entities were evaluated and an average score of 8.7 was achieved out of the possible 15. Further analysis showed that 74% of the evaluated suppliers had environmental and/or CSR standards in place. Of all suppliers currently classified as active in our ERP system, 98.5% originate from OECD countries.

**RISKS IN CONNECTION WITH NON-FINANCIAL MATTERS**

Evotec sees the management of risks and opportunities as the permanent task of identifying, analysing and mitigating risks, including initiation of appropriate counteractions with regard to 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 2019 financial year.

**EMPLOYEE MATTERS**

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 people strategy is aimed at attracting, developing and retaining highly motivated and qualified employees that work together under safe and healthy conditions at all times to achieve the company’s objectives.

The growth of Evotec continued in 2019. In addition to the organic growth of the existing business, namely the latest acquisitions of Just Biotherapeutics, now Just – Evotec Biologics, and a Cologne-based team of stem cell biology experts, the workforce increased to more than 3,000 employees.

**HEADCOUNT**

As of 31 December 2019, the Evotec Group employed a total of 3,030 employees worldwide. This is a total increase of 15.8% compared to prior year’s end. Overall, Evotec has grown by 413 (absolute number) employees in 2019.

Across all sites and functions both in Europe and the USA, new employees were hired to further increase the Company’s capacity on innovation and to provide best-in-class service to Evotec’s partners and clients.

<table>
<thead>
<tr>
<th></th>
<th>2018</th>
<th>2019</th>
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<tbody>
<tr>
<td>Research*</td>
<td>1,425</td>
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<tr>
<td>Development* **</td>
<td>724</td>
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<td>Compound Management*</td>
<td>84</td>
<td>113</td>
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<td>Biologics</td>
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<td>98</td>
</tr>
<tr>
<td>Sales and Administration*</td>
<td>384</td>
<td>444</td>
</tr>
<tr>
<td><strong>Total Evotec Group</strong></td>
<td><strong>2,617</strong></td>
<td><strong>3,030</strong></td>
</tr>
</tbody>
</table>

**Total France** | 538 | 649 |
**Total Germany** | 613 | 720 |
**Total Italy** | 644 | 666 |
**Total Switzerland** | 16 | 0 |
**Total UK** | 681 | 727 |
**Total USA** | 125 | 268 |
**Total Evotec Group** | **2,617** | **3,030** |

* Across all Evotec sites
** Development operations includes all the services needed to transform a drug candidate typically originating from Research into a finished drug product ready to be administered in humans by the oral or the inhalation route

Evotec has a highly skilled workforce with 71% employees having at least one academic qualification. 25% of the Company’s total workforce hold a PhD degree.
Successful integration is primarily the result of successful leadership and collegiality. Based on this conviction, several new leadership instruments were developed under the heading of "EVOconnect", which have been successfully 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 being re-evaluated every year by the Board. The ambition behind this individual pay-related performance target is to shape leadership behaviour in the spirit of the desired culture. In 2019 the Corporate Leadership Goal focussed on Collaboration. In view of Evotec's strong organic and non-organic growth, collaboration between functions, sites and people is key. Therefore, leaders at Evotec were incentivised to think, operate and celebrate as one integrated external innovation platform and live an open-door policy at all levels of hierarchy and seniority.

"EVOrecognition" is another instrument in the context of incentivisation. With a specifically reserved budget, it gives managers the opportunity to reward individual employees or entire teams for exceptional performance promptly and without unnecessary bureaucracy.

The already established "EVOtalks" pursue the aim of promoting a regular, constructive dialogue between managers and their staff and reinforcing a constructive and open 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 throughout the year and the generally more frequent and less formal exchanges between managers and their staff are intended to address good aspects of performance as well as those requiring improvement, to maintain a sharper focus on the jointly agreed development goals and to foster mutual trust by means of an open dialogue. Wherever EVOtalks were introduced, they established quickly as a popular format. By 2020, EVOtalks will be the feedback format of choice for all Evotec employees.

The steady increase of headcount means the successful integration of the new staff in cultural, operating and administrative terms is a central strategic human resources challenge for the Group. Evotec’s three core values – Innovation, Entrepreneurship and Collaboration – represent the heart of the corporate culture and give guidance to develop and achieve commercially relevant best-in-class solutions together.
Leadership development is a key HR focus area for Evotec. To facilitate the growth of the business in a collaborative, entrepreneurial and innovative way, the company supports its leaders to drive the change, enable its employees and sustain business performance. With a tailor-made global approach, we strengthen the leadership capabilities of our current and future leaders in distinct modules to fetch them at the level they are. By creating a deeper understanding of both the role and the behaviour of an effective leader in an agile business environment, participants are prepared for leading themselves, employees and leaders, globally and remotely, in an effective manner. Dedicated programmes will continue in 2020.

STRENGTHENING LEADERSHIP FOR AN AGILE BUSINESS

Evotec’s corporate and revenue growth are highly correlated with the growth of its workforce – in terms of number and skills. 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 develop as well as to retain them over the long term.

To source the best people from the market, Evotec has dedicated recruiting teams in all countries and a globally aligned IT-supported recruiting process. The key to success is the cooperation between the operational teams and the HR department, which has expanded to around 50 people in course of the company’s strong growth in recent years. The aim is to hire recruiters with scientific background in the local teams whenever possible. Social media is becoming an ever more important channel to address potential employees. Out of more than 120 ideas, 10 groups of energetic employees from across the globe came together in Verona to pitch their ideas in front of an audience and the Management Board. Some of the ideas are already being implemented, while others are being developed further with the support of a dedicated mentor of the management and budget where needed.

FINDING AND RETAINING TALENT

Evotec is convinced that in the long run only healthy and happy employees can unfold their full potential and maintain the highest quality standards the company stands for. Therefore, all employees are encouraged to have a good work-life balance and supported in their mental and physical wellbeing (see section “Health and Safety”). Evotec offers the possibility of part-time employment arrangements, flexible and work-at-home options as well as a mix of local and global benefits that are aligned with local legislation and practices in each country. The existing portfolio of benefits as well as the market competitiveness with regard to salaries are constantly evaluated and benchmarked. Ultimately, all efforts aim to make Evotec an attractive workplace with high job satisfaction and employee retention.

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. Up to 100 candidates applied and suitable candidates for several vacancies were found globally in the reporting year via the “Refer-a-Friend” programme.

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 attends career fairs and has always maintained good relations with universities. With the acquisition of Aptuit we extended 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. A cooperation between King’s College in London and the Verona site further highlights the importance of international exchange and experience. 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.

In total, some 722 new employees were recruited worldwide in 2019 through these efforts.

Offerings to continuously enhance the professional and personal skills of Evotec’s workforce represent another major factor in winning and retaining the most talented people. To develop the Company’s employees and to open doors to enhanced and new skills, on-the-job training is combined with specific technical and behavioural training. Evotec supports e.g. functional training dependent on the role, leadership and communication training, language training as well as team workshops to ensure professional excellence and an open and collaborative atmosphere. Each Evotec employee therefore is also trained to practice an open and constructive feedback culture globally. Currently a global Leadership development initiative is under development and scheduled for roll-out in 2020.

To source the best people from the market, Evotec has dedicated recruiting teams in all countries and a globally aligned IT-supported recruiting process. The key to success is the cooperation between the operational teams and the HR department, which has expanded to around 50 people in course of the company’s strong growth in recent years. The aim is to hire recruiters with scientific background in the local teams whenever possible. Social media is becoming an ever more important channel to address potential employees. If needed, agencies are also incorporated to hire and attract the best suited candidates.
Approximately 38.5% of Evotec’s employees have worked for the Company for more than five years (including length of service from acquisitions).

— SEIZING DIVERSITY AS AN OPPORTUNITY —

Evotec operates in a global industry with a broad international customer base. Therefore, the Company seeks the most suitable, qualified talent regardless of gender, nationality or age. By embracing diversity, Evotec can better adjust to changing markets, secure access to a broader pool of highly qualified, talented individuals and benefit from the subsequent high cultural diversity.

**EMPLOYEES BY NATIONALITY AS OF 31 DECEMBER 2019***

- 17% Others
- 20% British
- 20% German
- 21% Italian
- 21% French

* This graphic excludes the USA for legislative reasons

Men account for 45% and women account for 55% of all employees globally.

**HEADCOUNT BY GENDER**

- 45% Male
- 55% Female

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.

One of the explicit aims of the human resources strategy is to embrace diversity of thought throughout the company. The development of the workforce from a diversity perspective is actively monitored and tracked by means of various indicators, such as diversity of thoughts within recruitment, different nationalities, and gender. With regard to gender diversity, 55% of our global workforce are women. Our corporate gender goal for senior management two levels below the Board is set by a proportion of 30% women. With recent acquisitions, we lie at around 28% and we are already on the way to get back to our set targets by respective measures.

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.

— WORKDAY – OUR NEW HR IS SYSTEM —

The Company has decided to implement Workday as global information 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. Since 2019, all Evotec sites are using Workday and new modules have been designed for implementation in 2020. They will further streamline the processes around performance management, onboarding and compensation cycle handling.

— 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 Works Council for the European sites had to be established by law. It consists of delegates of each European country with Evotec sites. In 2019 the establishment was successfully completed and the Inaugural Meeting was held. The SE Works Council functions as a European platform for information and consultation and supports a constructive relationship between the Evotec Group and its employees.

— HEALTH AND SAFETY HAVE TOP PRIORITY —

Evotec’s employees worldwide should be able to carry out their work in safe and healthy environment at all times. This aspiration is reflected in an ambitious performance target: in 2025 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 2018, 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. In 2019, the French, German and Italian teams have been strengthened with EHS specialists. The EHS Leadership Team has also grown with the successful placement of Managers on both East Coast and West Coast of the United States as well as in the UK.

One of the core tasks in the years ahead is to further 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. 2019 saw substantial progress in this context. For example, a harmonised incident reporting and investigation system has been implemented globally and a structured exchange of best practices has been established among the sites. These initiatives were accompanied by individual trainings in health and safety issues across all territories: In France, Evotec has gained 50 additional first aiders, while eight employees in the United Kingdom received trainings according to the UK national safety standard.

Furthermore, works have continued to promote the implementation of a group-wide health and safety management software to generate transparency in Evotec’s EHS activities and risk management. Several German employees have been made familiar with the use of the software solution (Quentic), which is a web-based software that supports the documentation, organization & evaluation of all Health & Safety topics. In addition, the subscription of a compliance tool (Croner-i) will help sites to keep up-to-date with local legislation and compliance requirements.

National and locally established programmes, such as “Health@work” in Germany, will continue to exist to address the specific requirements of the regulatory regime or the operating business. In total, about 550 qualifications and trainings took place in Germany in the reporting year that related to health and safety issues. 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 doctors and members of the Works Council identifies potential stress factors, possibly resulting from overwork for instance, and develops countermeasures. With “Health@work” Evotec is taking action to also address the fact that in today’s world, occupational health risks increasingly have psychological causes. Against this backdrop, 28 Mental Health First Aiders were trained in the UK. Also in the UK, the second “Mental Health at Work” week took place in 2019. Different activities were offered each day to inspire the employees to get active and also to talk about mental health issues, for example in meditation sessions or in a workshop with a rock choir conductor. Several other sites have held mental health awareness days, providing literature, safe spaces to talk and events to bring colleagues together. Further to this, Evotec has gifted all its employees a three-year pass to the mental health awareness app “Headspace” for their individual use.

The takeover of Sanofi’s infectious disease research unit and its site in Lyon has given Evotec three Biosafety Level 3 (BSL 3) laboratories for the first time, which require a particular level of occupational health and safety precautions. BSL 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 by 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.

**RESPONSIBLE HANDLING OF HUMAN TISSUE SAMPLES**

The use of human tissue enables Evotec to test its innovative therapeutic approaches for efficacy at an early stage of research and development. The company purchases human cells, body fluids and tissues from licensed and certified commercial providers, alliance partners and consortia. Organoid brain-like cultures, which have been subject to controversial discussion in the year under review, have not been used in any of Evotec’s research activities. However, Evotec is currently exploring the suitability of such miniaturized, simplified versions of brain tissue grown in a dish from stem cells as potential models for neurodegenerative disease.

Evotec bases its handling of human samples on applicable national legislation and European directives. A group policy 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 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.
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 dedicated laboratories under highly controlled conditions at high safety standards and with great caution. Human samples are stored and processed strictly separately from samples derived from other species in order to rule out all potential contamination.

Embryonic stem (ES) cells play a 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 parts of the population.

For several 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 and also as therapeutics as part of cell therapy approaches. This will significantly improve the chances of success for developing medicines and due to human model systems sharply reduce the volume of previously required animal experiments.

Evotec is currently working on more than 25 iPSC-based research projects in the fields of neurodegeneration, diabetes and others. Staff members present the results of these studies to the public at international conferences, thereby making important contributions to the advancement of science in these areas of research.

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**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 mandatory 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 welfare 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 on a voluntary basis have applied for accreditation by the internationally acknowledged animal protection organisation AAALAC International (Association for Assessment and Accreditation of Laboratory Animal Care International) and have been accredited successfully. 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 for the Goettingen site in 2019 and in Hamburg in 2018. The Lyon site also carries an AAALAC accreditation which had been obtained while still in possession of Sanofi. This accreditation is valid until 2020. After a first accreditation visit in November 2019, the Manchester site is expected to receive accreditation in 2020 as well. Given that the Lyon site will successfully be re-accredited in 2020, Evotec’s goal of having all six relevant sites accredited according to AAALAC standards could be reached by the end of 2020.

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 achieving best 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 high-quality experimental results can be obtained. Since 2016 a global team of veterinarians on permanent employment contracts has worked on the improvement and harmonisation of standards between the different sites. In 2019, an updated version of the “Global Animal Welfare Policy” has been issued. The vet team also introduced new guidelines concerning the maintenance of a high level of animal hygiene. Evotec stands out from many other companies in the industry by employing a total of twelve 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.

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. In the year under review, several readout methods and sampling have been improved, which will lead to a reduced number of animals required for testing in the future.

**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 SE 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 group-wide 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 and deviations. 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. As planned, compliance training for the Aptuit staff has been integrated with the Group’s electronic compliance training in 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: a platform 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 in the capacity as an Evotec 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 given by providing 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
Evotec is aware of its responsibility and the need of action of the entire industry regarding environmental aspects. So far, the sites within the Evotec Group have addressed environmental issues individually. In order to better coordinate and increase their impact, these efforts shall be combined in a harmonised global approach moving forward. Evotec has started a group-wide sustainability initiative in 2019, which aims to establish group-wide standards as well as to analyse and improve the Company's environmental balance. Employees from all Evotec sites showed great interest in the initiative and volunteered to support the global “Environment, Health & Safety” team.

During the initial phase of the Sustainability Initiative, the team has identified three mayor fields of action for the Company:

- Waste
- Transport
- Energy

The Company will approach these topics by rethinking its current practices in order to Reuse, Recycle, Replace and Reduce its resources.

As climate change is the key challenge of our time, reducing greenhouse gas emissions plays a major role in all the above-mentioned fields of action and will therefore be a focus area for Evotec.

Evotec’s Standards for Environment, Health & Safety (EHS) include management system Standards, structured very similarly to the ISO 14001 framework. The local EHS teams at all sites monitor the environmental impacts and report to the global head of EHS. Whereas Evotec recognizes the importance of external certifications as for example the ISO 14001 amongst others in order to assure performance in an environmentally responsible manner, we came to notice that it does not benefit all sites equally. We evaluate each research site separately and define whether an external certification is conductive. Currently, our site in Abingdon is ISO 14001 certified.

A common CO₂ tracking scheme for all sites will be implemented in 2020 which will assess the energy use situation at all Evotec sites even more thoroughly and coherent company wide. To ensure consistent improvement, targets will be set in order to reduce greenhouse gas emissions in a climate science driven process. Furthermore, dedicated budgets shall be allocated to invest in energy saving equipment such as motion detectors for lights in areas where lighting is not constantly needed, LED light bulbs which can reduce the energy consumption by approximately 50%, laptops which are more energy efficient than desktop computers or state-of-the-art air conditioning.

Evotec already limits its greenhouse gas emissions by purchasing electricity from renewable sources at some of its sites. In 2020, a systematic effort will be made to increase this respective share of sites. In addition, options for installing photovoltaics are currently explored. The Company furthermore intends to equip its conference rooms with more advanced easy to use videoconferencing technology to reduce the air travel between the sites.

Single-use plastic for food and beverages has been identified as an unnecessary source of waste at some of Evotec sites, which shall be addressed together with the colleagues working there. In the laboratory context, single-use plastic is used at all Evotec sites, and the sustainability team is working globally to reduce its use wherever possible.

In general, Evotec wants to achieve better environmental practices by involving its employees, as a true positive impact can only be achieved together. Thus, raising awareness for environmental issues will be another point of action throughout 2020.

**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. In order to further promote sustainability as an integral part of Evotec’s corporate strategy and to generate more vigour in the execution of sustainability-related targets, the Company strives to hire a full-time ESG manager in the course of 2020.

I'm out. Lights too.
ABOUT THIS REPORT

This report contains the disclosures required for the Non-financial Group Declaration in accordance with section §§ 315c i.c.w. 289c to 289e German Commercial Code (HGB). It was reviewed by the Supervisory Board of Evotec SE and adopted on 16 March 2020. Evotec discussed the option of drawing on general guidelines for sustainability reporting when preparing the 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.

DETERMINATION OF MATERIAL TOPICS ACCORDING TO GERMAN COMMERCIAL CODE (HGB)

STAGE 1
- Screening of published information (e.g. Annual report, Declaration on corporate governance, Code of conduct, corporate website)

STAGE 2
- Structured information requests are sent to all departments whose work affects one or more of the five topics

STAGE 3
- Topics are assessed for materiality according to the standards of the German Commercial Code (HGB) (with the support of an external adviser). Topics are material in terms of HGB if they are necessary for understanding the course of business, earnings, situation and effects of business operations on non-financial aspects.

STAGE 4
- Review and confirmation of material topics by the Executive Board of Evotec SE

The material topics according to the standards of the German Commercial Code (HGB) were determined for the first time in a four-stage process in the period from May to December 2017. In summer 2019 the results of the materiality analysis were put through a methodically identical review. The analysis process confirmed the assumption that the material topics still relate to the areas of employee matters (including work safety and health), human rights (including animal welfare) and anti-corruption. In terms of environmental and social concerns, however, so far no topics were identified as being material in terms of the legal standards. Reporting on these topics is thus included on a voluntary basis. However, also this part of reporting will continue to be extended over the years to come.

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