CSR report

Improving lives

we **raise** the bar.

Our commitment

Our commitment to Corporate Social Responsibility (CSR) is to find new ways to improve healthcare and quality of life for patients and their families with our novel mode of action investigational medicines. Our core business is discovery of breakthrough therapies for diseases with large unmet medical needs in primarily inflammation and fibrosis. On a daily basis, we aim to make a lasting contribution to society with our discovery and clinical development efforts. Filgotinib, GLPG1690, and MOR106 are the first clinical examples of how our approach to finding novel medicines may be able to make a difference for patients in many disease areas. We have a substantial pipeline of novel candidate medicines in inflammation and fibrosis. This approach addresses the disease itself rather than just treating the symptoms. In this way, we aim to make a lasting positive contribution to society through discovery of breakthrough therapies. We aim to bring impactful medicines to patients ourselves.

Implementing our CSR initiatives

In our business operations we strive to comply with all relevant laws, standards, and guidelines, prioritize the well-being of our employees, and minimize our impact on the environment. We have high ethical standards and aim to conduct business with companies that share our ethics and respect the protection of internationally proclaimed human rights. We aim to support and respect the protection of human rights through policies that address responsible supplier management, ethical procedures, and health and safety procedures.

Starting in 2019, the audit committee of the board of directors will regularly review CSR initiatives, ensuring that we implement our planned initiatives and communicate them effectively and accurately to our employees and shareholders. Our CSR report discloses the main highlights of our CSR initiatives but does not reflect all of our ongoing initiatives and procedures. As part of our commitment to CSR, we monitor new developments and practices and will consider implementing new initiatives that could further enhance our CSR activities in the future.

Our CSR report focuses on:

- Improving people's lives
- Diversity and human capital management
- Business ethics
- Environment, health, and safety

This CSR report provides the non-financial information required by article 96, §4 and article 119, §2 of the Belgian Companies Code. We have further considered reporting frameworks, such as the Global Reporting Initiative (GRI) Sustainability Reporting Standards (SRS) and the 'European Federation of Financial Analysts Societies Guideline for the Integration of ESG into Financial Analysis and Corporate Valuation' and used different elements as an inspiration to build this report.

For a discussion of risks, please see the section called "Risk Factors" in this Annual Report.

The KPIs for our new drug development, handled in the section Improving People's Lives, are the most material non-financial KPIs in our report.

Improving people's lives

We seek to discover, develop, and eventually commercialize medicines with novel modes of action, addressing disease areas of high unmet medical need. Our main mission is to improve lives with medicines which offer new treatment options to patients. Our pipeline comprises programs ranging from discovery to Phase 3 clinical trials in inflammation, fibrosis, osteoarthritis (OA), and other indications.

There is a real need for medicines with novel mechanisms of action. There are many diseases for which there is no approved therapy today and many more diseases for which current therapies leave room for improvement in clinical outcomes. New mechanism of action medicines offer opportunity for new clinical options for caregivers and patients, and could possibly decrease the burden for society, including lowered healthcare costs.

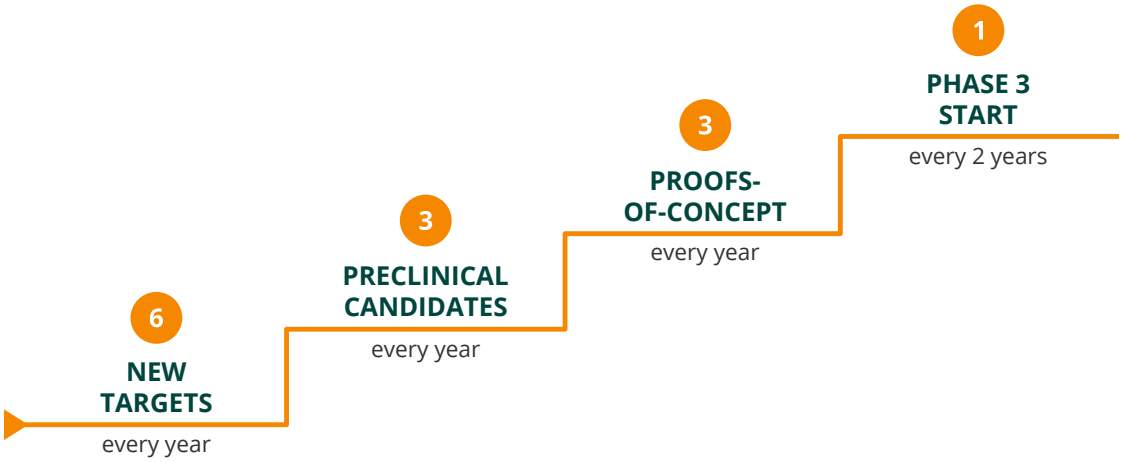
Our highly flexible target and drug discovery platform has been applied across many therapeutic areas, and our pipeline today ranges from inflammation to fibrosis candidate drugs.

Almost all of these programs are based on inhibiting targets which were identified using our proprietary target discovery platform. Using human primary cells, we discover which proteins ('targets') play a key role in causing diseases. We then discover and develop small molecules that inhibit these targets, restore the balance, and thereby positively influence the course of the disease. This approach addresses the disease itself rather than just treating the symptoms. In this way, we aim to make a lasting positive contribution to society through discovery of breakthrough therapies.

Our target discovery platform provides a significant and substantial competitive advantage as it:

- closely mimics the *in vivo* situation through the use of primary human cells with relevant trigger and readout for a specific disease phenotype
- identifies possible points to intervene in a disease pathway by knocking down an individual protein in these assays; and
- enables us to analyze rapidly all of the drugable genome and select pharmaceutically tractable protein targets directly by their ability to regulate key disease biology

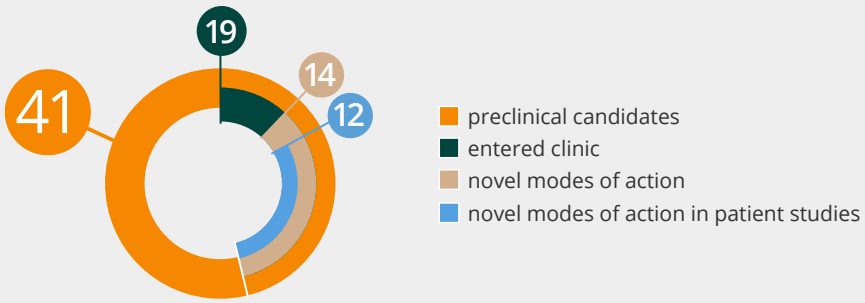
R&D goal



We aim to initiate a Phase 3 trial every other year, while conducting three proof-of-concept trials, delivering three preclinical product candidates and six new validated targets every year following the determination of more stringent, general target validation criteria in 2018. We aim to select promising programs for internal development and commercialization and establish ourselves as a fully integrated biopharmaceutical company.

Improving people's lives - 2018 actions

- We delivered 2 new validated targets, compared to our goal of 6
- We nominated 4 new preclinical candidates, all with a novel mechanism of action, compared to our goal of 3
- We started 4 proof-of-concept trials, compared to our goal of 3
- We initiated the ISABELA 1 & 2 Phase 3 program, meeting our goal of 1
- These successes brought us to 41 preclinical candidates since 2009, most of which have novel modes of action. Of these 19 have entered the clinic, 12 with novel modes of action



- We dedicated 50 FTEs to discovery efforts exploring the Toledo class of targets in inflammation

Future ambitions

- Expand capabilities to support more than 40 planned clinical trials in 2019
- Continue to deliver on our annual research & development ambition targets
- Invest in our target discovery capabilities to maintain our competitive edge in novel targets

Diversity and Human Capital Management

We believe that attracting, developing, and retaining human capital is key to our success in developing novel mechanism of action drugs which can make a difference for patients. We are dedicated to ensuring diversity of our workforce, while continuously striving to offer our employees a nurturing and rewarding work environment which facilitates their professional success. With the goal to execute more than 40 clinical trials in 2019, our organization continues to expand and build capability.

Approximately 125 new employees joined us in 2018, an increase of 21% versus 2017. Most new employees started in our Drug Development departments such as Clinical Operations, Biometrics, Medical Science, Clinical Pharmacology, and Project Management, but we also filled key positions in the new Commercial team. The recruitment of new colleagues will enable us to bring our novel product candidates further through development, with the ultimate goal to obtain approval for these therapies for patients as quickly as possible.

We expect that our Drug Development departments will continue to grow rapidly and, in 2019, our Commercial team will expand substantially as well. We continue to invest in Drug Discovery and our Shared Services departments. Expansion of staff is foreseen at all sites, including Basel, Switzerland and Boston, Massachusetts, U.S. We seek approximately 130 additional colleagues in 2019 across the business in order to meet our business goals.

Diversity

We aim to develop a balanced workforce across a number of criteria such as gender, nationality, ethnicity, experience level, and disability. Our Executive Committee reviews the diversity of the workforce annually and is committed to creating equal opportunities for inclusion of diverse talent.

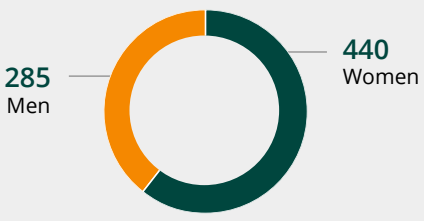
Diversity - actions 2018

In 2018 we report a healthy balance in diversity, which continues to improve.

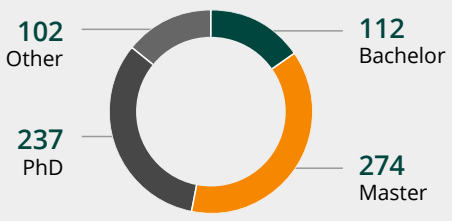
Number of employees Galapagos group

725

gender:



education:



Average age:	Number of employees older than 45:	Nationalities:	Average years of service:	Employee turnover:
41	269	38	7	10.7%

- Our board of directors currently comprises seven members of whom three are female (we refer to the section Board of directors of our Annual Report 2018 for further information on each board member)
- We attracted 125 new employees in 2018, an increase of 21% versus 2017
- We report stability in gender mix evolution, with 61% of staff overall being female in 2018, 53% of mid-level staff and 33% of senior management level
- Across all functions, over 10% of internal staff at Galapagos R&D experienced a personal growth step through promotion, extended responsibilities, or new project assignments in 2018
- We became more international with staff from 38 nationalities (compared to 25 in 2017)
- An additional ombudsperson ("vertrouwenspersoon") was hired at our Mechelen site

Diversity future goals

- Continue the commitment to build a diverse workforce

Human capital management

We invest in the development of employee knowledge, skills, and competencies to continue to deliver innovative science at our company. Furthermore, we aim to ensure that training of employees takes place on all handling of hazardous materials, laboratory and other safety aspects, and other relevant policies for conducting our business.

We have policies in place to ensure the well-being of our employees, for example, addressing different forms of leave and allowing flexible working. We aim to ensure an inclusive, open, and supportive professional work environment across our international locations. We organize regular engagement meetings for research and development staff to inspire and align the fast growing teams behind our vision and ambition. We hold regular informal lunch meetings with executive committee members for new and other employees at different sites. We organize an all-staff day to reflect upon our core values and last year's day was reserved for charitable activities.

We use a variety of indicators to measure employee satisfaction, including the rates of absenteeism and turnover among our employees. These and other indicators allow us to consider actions to optimize our work environment or working practices.

Human capital management - actions 2018

- Strengthened our human resources team to build and implement an innovative workplace strategy
- Streamlined the onboarding process across sites, designation of mentor for each new employee
- Identified four core values which we wish to maintain and develop within our company, and which are designed to foster employee engagement and work satisfaction: *Act as a pioneer*, *Raise the bar*, *Embrace change*, and *Make it happen*
- Incorporated a focus on our core values in our recruiting, onboarding, and development programs for employees
- Across all functions, over 10% of internal staff experienced a personal growth step through promotion, extended responsibilities, or new project assignments in 2018
- Raised EUR 27,578 for Sjarabang (a charity) in Mechelen, planted city gardens and created dolls for a Unicef project in Romainville, sported with kids, refurbished elderly homes and taught asylum seekers in the Netherlands the Dutch language during corporate sponsored charity activities
- Implemented a new travel policy to streamline policy with travel needs
- 1.4% annual absenteeism reported by Mechelen, Leiden, Romainville sites
- 10.7% turnover of employees for the Galapagos group
- 93% of employees are trained in our codes of conduct, including insider trading, and other policies & procedures required by Sarbanes Oxley

Human capital management future goals

- Deploy a senior leader-led program to foster culture and build leadership capability across the group
- Continue to incorporate our core values into how we attract, onboard, and develop employees
- Revisit our performance management approach to deliver a meaningful and impactful way to drive performance, support personal growth, build a strong company culture, and have a competitive reward & recognition

Business ethics

At Galapagos, our primary business is the discovery and development of drugs with novel modes of action, and we prioritize ethical behavior in all facets of our business.

We believe that ethical behavior when discovering and developing drugs touches particularly on these key areas for us in this point in our corporate development: preclinical and clinical testing, expanded access to drugs currently in development, and our codes of ethical conduct while doing business.

Preclinical testing

We are required by law to carry out preclinical testing of our product candidates. For preclinical development studies including those that help assess safety, pharmacology, toxicology, and absorption, distribution, metabolism and excretion of our product candidates, we strive to follow the "Three Rs" (3Rs) of Refinement, Reduction, and Replacement in our preclinical testing involving use of animals. For example, we plan to use more in silico (computer modelling) and in vitro (cellular testing) designs and approaches for assessing pharmacodynamics, for example, DEREK software and in vitro micronucleus assay for evaluating genotoxicity, in vitro hERG assay for evaluating cardiotoxicity. These examples show how we reduce and replace preclinical testing involving use of animals.

In addition, we follow Directive 2010/63/EU[6] in Europe with regards to preclinical testing. The requirement to be compliant with Directive 2010/63/EU forms part of the pre-assessment and selection process of the European laboratories that we use for preclinical testing, and we monitor animal welfare in the European laboratories that we have engaged on a regular basis. We require compliance with local animal welfare regulations in laboratories outside of the European Union. In the United States, for example, we work only with laboratories that are accredited by the Association for Assessment and Accreditation of Laboratory Animal Care.

Our clinical trials ethics

Galapagos sponsors and conducts clinical trials in accordance with the applicable international standards. The fundamental guidelines are the Declaration of Helsinki (and its amendments) and the Good Clinical Practice (including amendments) and Good Pharmacovigilance Practice guidelines of the International Council for Harmonisation. Our adherence to these internationally recognized guidelines ensure the rights, safety and well-being of participants in our clinical trials. Other international guidelines like The Belmont Report, Council for Coordination of International Medical Congresses guidelines, The Nuremberg Code, United National Educational, Scientific and Cultural Organization's (Declaration on Bioethics and Human Rights) also form the ethical foundation for our trial activities. We comply with laws and regulation in the countries/regions in which we are conducting our trials, including the U.S. Code of Federal Regulations, the EU Directive on Clinical Trials[7], etc.

We uphold our own internal procedures and standards for clinical trials, irrespective of the country in which the trial is conducted, and we only conduct clinical trials in countries where we intend to market our drugs.

Overall, it is our policy that the interest, safety, and well-being of the trial subject will always supersede the interests of science, commerce, as well as those of society.

[6] Directive 2010/63/EU of the European Parliament and of the Council of 22 September 2010 on the protection of animals uses for scientific purposes, OJ L 276, 20 October 2010

[7] Directive 2001/20/EC of the European Parliament and of the Council of 4 April 2001 on the approximation of the laws, regulations and administrative provisions of the Member States relating to the implementation of good clinical practice in the conduct of clinical trials on medicinal products for human use, OJ L 121, 1 May 2001

Our trials are only initiated if they are scientifically and medically justified and when they have external validation by clinical experts, and will always be reviewed by local health authorities and ethical committees before they are initiated. Trial participants (or the legally authorized representative) must give written consent after being properly informed of the trial, including the risks and potential benefits. Participants are duly informed that they are able to withdraw from the trial at any time without any explanation and then will receive appropriate standard care.

We or our representatives conduct regular site monitoring visits to ensure that clinical trials are conducted in accordance with the applicable approved study protocol.

Any adverse events are monitored and reported to authorities and ethical committees as needed, and appropriate actions taken.

Our trials ensure proper indemnification of participants in case a product candidate or trial procedure causes bodily harm.

We favor transparency and make results from our clinical trials conducted in patients available, independent of outcome to patients, physicians, and researchers, with full consideration for protection of patient data privacy and commercial confidentiality. We report the outcome in accordance with the CONSORT Statement, or Consolidated Standards of Reporting Trials, designed to improve transparency around clinical trials.

We publish our trials on the appropriate clinical trial registries (clinicaltrials.gov and the EudraCT Trial Registry) in a timely manner. We attempt to publish results in peer reviewed journals in accordance with Good Publication Practice and the International Committee of Medical Journal Editor's Uniform Requirements for Manuscripts Submitted to Biomedical Journals or at relevant scientific meetings and congresses. As a publicly listed company we may also have obligations to communicate trial results by other means, such as via press releases.

Expanded access policy

In our pursuit of the development and commercialization of novel medicines that will improve people's lives, we encourage patients to participate in clinical trials whenever possible. These clinical trials are critical to developing the information (or data) needed to evaluate investigational products and seek their approval by health authorities, such as the FDA and the EMA. In rare cases, patients are unable to participate in clinical trials and have exhausted all available treatment options. In these cases, Galapagos may consider providing an investigational product outside of a clinical trial, through a program called "expanded access." Expanded access is also often referred to as "compassionate use." A full copy of our Expanded Access Policy can be found on our website.

Our code of business conduct and ethics

We have established a code of business conduct and ethics (the code) to ensure that our directors, officers and employees are making ethical and legal decisions when conducting Galapagos' business and performing their day-to-day duties. We expect our directors, officers and employees to conduct business with integrity, ethics and respect for human rights. We expect them to turn away from conflicts of interest, corruption and fraud. To this end, we give trainings on this code to our employees. The code is available at www.glpg.com/charters-and-codes.

Our suppliers are required to adhere to contractual terms that include anti-bribery and anti-corruption provisions. Our general terms and conditions of purchase also contain a specific clause on anti-bribery and anti-corruption.

Business ethics - actions 2018

- We completed an Animal Welfare Agency audit in Romainville. There were no citations recorded
- We formalized our clinical trials ethics policy
- We established a compassionate use policy, in compliance with the 21st Century Cures Act in the U.S.
- We trained 93% of all employees in our codes of conduct, including insider trading, and other policies required by Sarbanes-Oxley
- We were not informed of any breaches of our code of business conduct and ethics in 2018

Future goals

- Promote the 3R's further in preclinical testing
- Monitor and adjust training to ensure full compliance with our business ethics guidelines

Environment, health, and safety

We are committed to acting in a sustainable and responsible manner by keeping our environmental impact to a minimum, reducing waste, and handling it in a safe and responsible way. We operate in a highly regulated sector and are subject to numerous laws and regulations pertaining to impact on the environment, well-being of employees, safety, and management of laboratory waste, which also is audited. The effectiveness of our Environmental, Health, and Safety (EHS) efforts is anchored in the shared responsibility of our staff in ensuring a safe, healthy and environmentally friendly work environment: every employee is responsible for protecting people and environment, in and around his or her workplace.

We currently have a limited impact on the environment, as at present, we have no production sites, we own no buildings, and our administrative facilities have only minor environmental liabilities such as waste handling and emissions from fume hoods. Nonetheless, we aim to reduce our environmental impact further by recycling and replacing paper for digital means altogether. We maintain safety monitoring records, in compliance with applicable legislation. We treat our dangerous waste in accordance with local laws, and we ensure that training of employees takes place on all handling of hazardous materials, laboratory and other safety aspects, and other relevant policies for conducting our business.

We also take reasonable and practical initiatives to eliminate accidents and ill health and to provide a safe work environment and processes. Our goal is to have work form part of a satisfying life, which is to the benefit of both the individual and the organization.

Environmental, health, and safety - actions 2018

- We hired a full time EHS Manager for the group with the mandate to assess current EHS efforts and establish an improvement roadmap
- We established a company-wide EHS framework based on ISO 45001 (HS)+ISO 14001 (E)
- There were no safety incidents reported, no recordable injury counts, no fatalities, and no days away from work reported due to safety issues in 2018
- We completed an environmental audit in Leiden and a Federal Agency for nuclear control audit in Mechelen. There were no major citations recorded in these audits, and all sites were compliant with applicable EHS laws & regulations in 2018
- We completed compliance reviews for health and safety and environment in each of the Leiden, Mechelen, and Romainville sites, with a number of improvement items identified. Following the findings, we set priorities and prepared action plans for each site, completing most actions
- At our Mechelen site we decommissioned one of our two radio-isotope laboratories. Fluorescence and luminescence-based technologies were used instead and we did not use radioisotopes in 2018. This further reduced our toxic and dangerous waste flows
- We rolled out a company-wide implementation of Skype video meetings in an effort to reduce business travel by employees

Future goals

- We organized exclusive use of green energy at our Mechelen site starting in 2019
- We plan to establish green car options in our company car fleet to start in 2019
- Investigate the possibilities to expand green energy use to other sites
- Make employees more aware of the need to limit the environmental impact in their workplaces
- We aim to use fewer radio-isotopes
- Establish further EHS key performance indicators for internal monitoring and external reporting