

# REPORT OF THE SUPERVISORY BOARD

Dear Shareholders,

During the fiscal year 2019, the Supervisory Board diligently performed all the duties assigned to it by law and the Articles of Association. On the basis of the verbal and written reports provided, the Supervisory Board regularly advised the Executive Management Board and monitored its management activities on an ongoing basis. The Supervisory Board participated directly in all decisions that were substantial for the Company and was involved in the discussions with the Executive Management Board on the strategic alignment of the Company. The Supervisory Board voted on the resolutions proposed by the Executive Management Board after in-depth examination and deliberation.

In addition to the regular Supervisory Board meetings, the Executive Management Board routinely and promptly issued comprehensive written and verbal reports on the current status of the research and development projects, the economic situation and the development of the Company and its subsidiaries as well as on corporate planning, major business transactions and fundamental matters of corporate policy, including the Company's strategic and organizational focus, cost and earnings trends, investments and financial planning. Furthermore, risk management and compliance were part of the reporting and joint deliberations. Finally, relevant agenda items for the Annual General Meeting 2019, the composition of the Supervisory Board and the Executive Management Board as well as modalities of capital measures were part of these. All documents prepared by the Executive Management Board or the responsible departments and forwarded to the Supervisory Board were examined without any exceptions. The Supervisory Board members and, in particular the Chairman of the Supervisory Board, were also in regular contact with the Executive Management Board outside the scheduled Supervisory Board meetings to keep themselves informed about current business developments. All matters were then discussed within the Supervisory Board. The Chairman of the Supervisory Board spoke regularly with the Company's Chief Executive Officer to keep himself and his Supervisory Board colleagues informed about important business matters. The Chairman of the Supervisory Board ensured that all important matters were discussed by the full Supervisory Board or in the appropriate Supervisory Board committees. Employees of the Company and, in particular, the members of the Executive Management Board, were interviewed about key topics.

As one area of particular focus, the Supervisory Board constantly observed, monitored and examined the Company's risk situation and its risk management, and its corporate governance in compliance with the law and in an ethically correct manner (Compliance). Any deviation of business development from plans and targets were explained in detail to the Supervisory Board, and the Executive Management Board received approval of the Company's strategic focus from the Supervisory Board. All business transactions of importance to the Company and its subsidiaries were discussed in detail by the Supervisory Board. The Executive Management Board provided information on a regular basis to the Audit Committee and the full Supervisory Board on the risk management system implemented by the Company. The risk management system is described in the risk report of the Annual Report.

### Election of the Supervisory Board

The Annual General Meeting elected the Supervisory Board on May 22, 2019, because with the end of this Annual General Meeting the term of office of the full Supervisory Board ceased. The following members of the Supervisory Board proposed by the Nomination- and Compensation Committee were elected individually: Prof. Dr. Horst Domdey, Dr. Yita Lee, Ronald Scott, Dr. Gerd Zettlmeissl, Antoinette Hiebeler-Hasner, Dr. Keith Manchester and Dr. Frank Mathias. The term of office of the full Supervisory Board began as of the end of the Annual General Meeting on May 22, 2019. The term of office of Dr. Yita Lee and Prof Dr. Horst Domdey will cease at the end of the Annual General Meeting, which will decide upon the discharge for the first financial year after the beginning of the term of office, i.e. after the Annual General Meeting in 2020. The term of office of Ronald Scott and Dr. Gerd Zettlmeissl will cease at the end of the Annual General Meeting, which will decide upon the discharge for the second financial year after the beginning of the term of office, i.e. after the Annual General Meeting in 2021. The term of office of Antoinette Hiebeler-Hasner, Dr. Keith Manchester and Dr. Frank Mathias will cease at the end of the Annual General Meeting, which will decide upon the discharge for the third financial year after the beginning of the term of office, i.e. after the Annual General Meeting in 2022.

#### SUPERVISORY BOARD UNTIL MAY 22, 2019

NAME	FUNCTION
Prof. Dr. Horst Domdey	Chairman of the Supervisory Board Member since 2013
Antoinette Hiebeler-Hasner	Deputy Chairwoman of the Supervisory Board Member since 2016
Dr. Yita Lee	Member of the Supervisory Board Member since 2013
Dr. Keith Manchester	Member of the Supervisory Board Member since 2017
Dr. Frank Mathias	Member of the Supervisory Board Member since 2018
Ronald Scott	Member of the Supervisory Board Member since 2017
Dr. Gerd Zettlmeissl	Member of the Supervisory Board Member since 2017

#### SUPERVISORY BOARD SINCE MAY 22, 2019

NAME	FUNCTION
Dr. Gerd Zettlmeissl	Chairman of the Supervisory Board, Member since 2017
Antoinette Hiebeler-Hasner	Deputy Chairwoman of the Supervisory Board Member since 2016
Prof. Dr. Horst Domdey	Member of the Supervisory Board Member since 2013
Dr. Yita Lee	Member of the Supervisory Board Member since 2013
Dr. Keith Manchester	Member of the Supervisory Board Member since 2017
Dr. Frank Mathias	Member of the Supervisory Board Member since 2018
Ronald Scott	Member of the Supervisory Board Member since 2017

### Supervisory Board meetings

The Supervisory Board carried out its duties on the basis of the Executive Management Board's detailed written and verbal reports, which provided timely and comprehensive information. During the 2019 fiscal year, four ordinary meetings were held. All members of the Supervisory Board participated in each of these meetings.

Furthermore, several conference calls took place in addition to the ordinary meetings as part of the regular monitoring and consultation provided to the Executive Management Board, to discuss. The Supervisory Board regularly convened also without participation of members of the Executive Management Board in so called “Executive Sessions”.

#### PRESENCE AT ORDINARY SUPERVISORY BOARD MEETINGS

MEMBER	MARCHE 26, 2019	MAY 22, 2019	SEPTEMBER 17, 2019	NOVEMBER 28, 2019
Dr. Gerd Zettlmeissl	+	+	+	+
Antoinette Hiebeler-Hasner	+	+	+	+
Prof. Dr. Horst Domdey	+	+	+	+
Dr. Yita Lee	+	+	+	+
Dr. Keith Manchester	+	+	+	+
Dr. Frank Mathias	+	+	+	+
Ronald Scott	+	+	+	+

+ = present; - = not present

All business matters submitted to the Supervisory Board for approval pursuant to the law or the Articles of Association were discussed in depth with the Executive Management Board. In addition to the Company’s economic position, its revenue and earnings trends, project developments and the latest business developments, the subjects discussed by the Supervisory Board in the fiscal year 2019 included, in particular, the Company’s strategic development and the progress of the immunotherapy programs. The granting of stock options to the members of the Executive Management Board and employees, the Company’s compliance as well as the risk management were also part of the discussions at the Supervisory Board meetings.

In particular, the Supervisory Board addressed the following transactions in the 2019 fiscal year, all of which required approval:

- Execution of two License Agreements and a “Research Collaboration and License Agreement” with Roivant Sciences Ltd.
- Execution of a Asset Purchase Agreement for the RoW-rights of Veregen® with Aresus

#### Supervisory Board committees

The Company’s Supervisory Board has established two committees to fulfil its duties more efficiently, the Nomination and Compensation Committee and the Audit Committee.

#### SUPERVISORY BOARD COMMITTEES

COMMITTEE	UNTIL MAY 22, 2019	SINCE MAY 22, 2019
Nomination and Compensation Committee	Dr. Gerd Zettlmeissl, Chairman Prof. Dr. Horst Domdey Dr. Yita Lee Dr. Frank Mathias	Dr. Frank Mathias, Chairman Prof. Dr. Horst Domdey Dr. Yita Lee Dr. Keith Manchester Dr. Gerd Zettlmeissl
Audit Committee	Antoinette Hiebeler-Hasner, Chairwoman Ronald Scott Dr. Keith Manchester	Antoinette Hiebeler-Hasner, Chairwoman Ronald Scott Dr. Gerd Zettlmeissl

The Nomination and Compensation Committee held three meetings in the course of 2019. Furthermore, several conference calls took place in addition to the ordinary meetings. The Audit Committee met four times in the reporting period.

**PRESENCE AT NOMINATION AND COMPENSATION COMMITTEE MEETINGS**

MEMBER	MARCH 26, 2019	MAY 22, 2019	NOVEMBER 28, 2019
Dr. Frank Mathias (Chair since May 22, 2019)	+	+	+
Dr. Gerd Zettlmeissl (Chair until May 22, 2019)	+	+	+
Prof. Dr. Horst Domdey	+	+	+
Dr. Yita Lee	+	+	+
Dr. Keith Manchester (since May 22, 2019)	n.a.	+	+

+ = present; - = not present; n.a. = not applicable

**PRESENCE AT AUDIT COMMITTEE MEETINGS**

MEMBER	MARCH 21, 2019	MAY 9, 2019	AUGUST 5, 2019	NOVEMBER 11, 2019
Antoinette Hiebeler-Hasner (Chair)	+	+	+	+
Dr. Keith Manchester (until May 22, 2019)	+	-	n.a.	n.a.
Ronald Scott	+	+	+	+
Dr. Gerd Zettlmeissl (since May 22, 2019)	n.a.	n.a.	+	+

+ = present; - = not present; n.a. = not applicable

The duties of the Nomination and Compensation Committee included preparing personnel matters related to the members of the Executive Management Board. Its main tasks were the appointment of Axel Sven Malkomes as member of the Executive Management Board from April 1, 2019 (Chief Financial Officer and Chief Business Development Officer) as well as the prolongation of the appointment of Dr. Kai Pinkernell as Chief Medical Officer and Chief Development Officer from April 1, 2020, the negotiation and the execution of respective service agreements for members of the Executive Management Board as well as the setting of bonuses and stock option grants for the members of the Executive Management Board. Further, the Nomination and Compensation Committee discussed the rules of the remuneration of the Executive Management Board as such and its criteria for the short term and long-term bonus. The committee evaluated criteria of the composition of the whole Supervisory Board in its preparatory function in order to fulfill the requirements for no. 5.4.1 of the German Corporate Governance Code (competence profile).

The members of the Audit Committee dealt with topics relating to accounting, risk management, internal control system, compliance, required independence of the auditor, engaging the auditor, setting the audit focus areas and agreeing on the audit fee. The Audit Committee obtained the auditor's declaration of independence pursuant to Section 7.2.1 of the German Corporate Governance Code and monitored the auditor's independence. In the presence of the auditor and the responsible member of the Executive Management Board, the Audit Committee discussed the audit of the separate and consolidated financial statements of Medigene AG. Furthermore, the Audit Committee regularly discussed the 6-months report and quarterly statements with the Executive Management Board prior to their publication. Moreover, the Audit Committee provided the Supervisory Board with a recommendation with regards to proposing an auditor for election by the Annual General Meeting. The Audit Committee also monitored the financial reporting process, the effectiveness of the internal control system and the risk management system.

The Supervisory Board formed no other committees.

**Corporate Governance**

On November 28, 2019, the Supervisory Board together with the Executive Management Board decided to implement to a large extent the recommendations and suggestions of the German Corporate Governance Code

in its version dated February 7, 2017. On the same day, the new declaration of conformity pursuant to Section 161 of the German Stock Corporation Act (AktG) was adopted by the Supervisory Board and Executive Management Board. The declaration is permanently available to shareholders on the Company's website.

In their corporate governance report, the Executive Management Board and the Supervisory Board report on the corporate governance at Medigene pursuant to Section 3.10 of the German Corporate Governance Code. The corporate governance report is available on the Company's website.

In the event of conflicts of interest within the Supervisory Board pursuant to Section 5.5 of the German Corporate Governance Code, these are generally disclosed to the other Supervisory Board members. The Supervisory Board member, Dr. Keith Manchester, did not participate actively in the consultations on the execution of the License Agreements with Roivant Sciences Ltd. and refrained from voting on the issue. Dr. Keith Manchester is Member of the Board of Directors of Roivant Sciences Ltd. The Supervisory Board member, Dr. Yita Lee, did not participate in the consultations on the execution of the Asset Purchase Agreement for the rest-of-world-rights of Veregen® with Aresus and refrained from voting on the issue. Dr. Lee is a member of the Board of Directors of SynCore Biotechnology Co. Ltd, which is the distribution partner for Veregen® in Asia. No other conflicts of interest arose among the members of the Supervisory Board during the 2019 fiscal year. As a result of the above measures, temporary conflicts of interest relating to the mentioned deliberations and decisions could be avoided.

Some members of the Supervisory Board are also members of supervisory boards of other companies in the pharmaceutical and biotechnology industry. However, in line with the requirements of the German Corporate Governance Code, none of these were considered as key competitors of Medigene AG. The external mandates of the members of the Supervisory Board are published in the Company's Annual Report and Corporate Governance Report as well as on Medigene's website.

The Company supports in general all newly elected members of the Supervisory Board in the course of their respective inauguration. This is implemented, amongst others, through written and, on a case-by-case basis, oral information and clarification regarding insider laws in general and special Company-specific internal insider rules as well as reporting obligations for Managers Transactions (Directors' Dealings). Valid corporate documents such as the Articles of Association of the Company or Rules of Procedures of the corporate bodies are available to members of the Supervisory Board for download in an electronic dataroom at all times. If required, the Company informs the Supervisory Board upon essential changes in the Stock Corporation Laws and Corporate Laws as well as Corporate Governance. A personal training of all members of the Supervisory Board by an external service provider took place in November 2019 covering topics of the new German Corporate Governance Code in its version dated May 9, 2019 as well as the Law implementing the second shareholder rights directive ("ARUG II").

### **Separate and consolidated financial statements**

The independent auditor elected by the Annual General Meeting, who was duly engaged by the Supervisory Board, Ernst & Young GmbH Wirtschaftsprüfungsgesellschaft, Munich, audited the separate financial statements of Medigene AG prepared in accordance with the German Commercial Code (HGB) by the Executive Management Board for the year ending December 31, 2019, together with the management's discussion and analysis for the fiscal year 2019, and rendered an unqualified audit opinion thereon. The Chairman of the Supervisory Board issued the audit engagement in accordance with the resolution of the Annual General Meeting held on May 22, 2019. The consolidated financial statements of Medigene AG were prepared according to the International Financial Reporting Standards (IFRSs) as adopted by the EU, and the additional requirements of German commercial law pursuant to Section 315a (1) of the German Commercial Code (HGB). The auditor

also issued an unqualified audit opinion on the consolidated financial statements and the group management's discussion and analysis.

The Audit Committee established the audit focus for the reporting year together with the auditor.

The Supervisory Board members received the financial statements as well as the auditor's reports in a timely manner. They were reviewed in detail by the Audit Committee on March 19, 2019 and the Supervisory Board on March 25, 2019 and discussed in the presence of the Executive Management Board and the auditor. The auditor attended the deliberations and discussions about the financial statements and reported in detail on the most important results of the audit, amongst others, the results regarding key audit matters as well as the internal control and risk management systems and the financial reporting process. It was noted that the risks and opportunities described in the group management's discussion and analysis provide a true and fair view and the measures taken by the Executive Management Board pursuant to Section 91 (2) of the German Stock Corporation Act (AktG) are appropriate for identifying at an early stage any developments which may jeopardize the Company's ability to continue as a going concern.

After examining the separate and consolidated financial statements, the management's discussion and analysis and the group management's discussion and analysis, the Supervisory Board endorsed the auditor's findings. In the meeting on March 25, 2019, the Supervisory Board approved the separate financial statements and the consolidated financial statements as at December 31, 2019 in accordance with the recommendation of the Audit Committee. The financial statements have therefore been adopted.

#### **Acknowledgement of commitment and performance**

The Supervisory Board expresses its thanks to the Executive Management Board and to all employees of Medigene for their successful contributions in 2019. Their collective commitment ensured the achievement of important objectives and a significant progress in the further development of the immunotherapy programs as well as important license- and development partnerships.

On behalf of the Supervisory Board, I also would like to thank you, the shareholders of Medigene AG, for your continued trust.

Planegg/Martinsried, March 2020

For the Supervisory Board

Dr. Gerd Zettlmeissl  
Chairman of the Supervisory Board