

REMUNERATION REPORT 2021

The Executive Management Board remuneration system pursuant to section 87a (1) of the German Stock Corporation Act (AktG)

1 PRINCIPLES AND STRATEGIC ORIENTATION OF THE REMUNERATION SYSTEM FOR MEMBERS OF THE EXECUTIVE MANAGEMENT BOARD

The remuneration system for members of the Executive Management Board serves as an important element for the alignment of Medigene and contributes significantly to promoting the business strategy and enhancing the operating performance, and thus to the long-term success of the Group. Our aim is to support successful and sustainable corporate governance by linking the remuneration of the Executive Management Board members to both the short-term and long-term development of the Company. At the same time, the choice of suitable performance criteria provides important incentives for implementing the Group's strategic realignment. The compensation system includes performance-related parameters and parameters based on the success of the Company. In addition, the relative and absolute performance of the share price is rewarded, further aligning Management's objectives with the direct interests of shareholders. We are aware of our social and ecological responsibility. Therefore, in addition to the focus on financial performance criteria, strong emphasis is also put on the consideration of non-financial sustainability criteria (Environmental, Social and Corporate Governance (ESG) criteria) when designing the remuneration system. The remuneration system presented below applies to all Executive Board service contracts to be concluded or renewed from 1 May 2021.

2 DEFINITION, IMPLEMENTATION AND REVIEW OF THE REMUNERATION SYSTEM

The remuneration system for the members of the Executive Management Board was adopted by the Supervisory Board in accordance with sections 87 (1) and 87a (1) of the German Stock Corporation Act (AktG). In all remuneration decisions, the Supervisory Board takes into account the requirements of the German Stock Corporation Act and is guided by the recommendations of the German Corporate Governance Code (GCGC) as amended on 16 December 2019, which became effective on 20 March 2020, as well as the following guidelines:

- Advancement of the corporate strategy
- Appropriateness and customary nature
- Setting performance incentives
- Conformity with regulatory requirements
- Sustainability and long-term focus

The Supervisory Board regularly reviews the appropriateness and customary nature of the remuneration of the members of the Executive Management Board – both overall and with regard to the individual remuneration components – and makes adjustments where necessary to ensure that the remuneration package for the members of the Executive Management Board is both in line with the market and competitive within the regulatory

framework. Criteria for the appropriateness of remuneration are the duties of the individual member of the Executive Management Board, personal performance and the economic situation. The assessment of the appropriateness of remuneration is made both in comparison with other companies (horizontal comparison) and within Medigene on the basis of the ratio of Executive Management Board remuneration to the remuneration of the first management level below the Executive Board and total employees (vertical comparison). Due to the size of Medigene, the following companies are used for the horizontal comparison:

- MorphoSys AG
- Heidelberger Pharma AG
- 4SC AG
- Evotec SE
- Quiagen NV

The Supervisory Board may – in accordance with the statutory requirements in section 87a (2) sentence 2 AktG – temporarily deviate from the remuneration system if this is necessary in the interests of the long-term welfare of the Company. This may be the case, for example, in the event of extraordinary, unforeseeable developments such as a severe financial and economic crisis; general unfavorable market developments alone do not constitute such extraordinary, unforeseeable developments.

Deviation from the remuneration system is only possible by way of a corresponding resolution of the Supervisory Board and after careful consideration of the necessity. The components of the remuneration system from which deviation is possible under the above circumstances are the procedure, the remuneration structure, the individual remuneration components and performance criteria. Furthermore, in this case the Supervisory Board may temporarily grant additional remuneration components or replace individual remuneration components with other remuneration components to the extent necessary to restore the appropriateness of the Executive Management Board's remuneration in the specific situation.

3 OVERVIEW OF THE DESIGN OF THE REMUNERATION SYSTEM

3.1 General overview of the remuneration system for the Executive Management Board

The following table shows the basic components of the remuneration system and their design. All components are explained in detail in section 4.

GENERAL OVERVIEW OF REMUNERATION COMPONENTS

REMUNERATION COMPONENT	ASSESSMENT BASIS / PARAMETER
Non-performance-related remuneration	
Fixed remuneration	The fixed remuneration of the members of the Executive Management Board is paid monthly on a pro rata basis as a salary
Fringe benefits	Company car, insurance premiums; further one-time or time-limited benefits possible for new hires with resolution of the Supervisory Board
Company pension plan	
Pension compensation	Members of the Executive Management Board receive a monthly pension payment for their own provision
Other remuneration arrangements	
Maximum remuneration	Cap on total compensation granted for a fiscal year in accordance with section 87a (1) sentence 2 no. 1 AktG for each member of the Executive Management Board: EUR 1.5 million
Performance-related remuneration	
Short-Term incentive (STI)	Bonus model based on goal achievement <ul style="list-style-type: none"> • Goal achievement is based on corporate goals set by the Supervisory Board • Cap: 75% of fixed remuneration
Long-Term incentive (LTI)	Long-term bonus model based on goal achievement <ul style="list-style-type: none"> • Goal achievement is based on corporate goals set by the Supervisory Board • Cap: 150% of target amount Share-based long-term remuneration <ul style="list-style-type: none"> • Waiting period: 4 years • Cap: 40.000 stock options per member of the Executive Management Board
Other remuneration arrangements	
Maximum remuneration	Cap on total compensation granted for a fiscal year in accordance with section 87a (1) sentence 2 no. 1 AktG for each member of the Executive Management Board: EUR 1.5 million

3.2 Remuneration components and structure

The remuneration of the members of the Executive Management Board is composed of non-performance-related and performance-related elements. The former comprises fixed remuneration, fringe benefits and pension commitments. The performance-related remuneration includes the short-term incentive (STI) with a term of one year and the long-term incentive (LTI) with a term of four years. The amount of the performance-related remuneration components is determined on the basis of the financial and non-financial performance criteria set by the Supervisory Board.

The sum of all non-performance-related and performance-related remuneration components constitutes the total remuneration of the Executive Board members. The target total remuneration (fixed remuneration + pension compensation + fringe benefits + total target STI + total target LTI) of the Executive Board consists mainly of non-performance-related compensation elements.

The remuneration structure is geared to a sustainable and long-term development of the Company. Non-performance-related remuneration accounts for around 61% of total remuneration. Basic compensation accounts for approx. 57% of total remuneration, while pension compensation accounts for approx. 4%. The performance-related remuneration accounts for a total of approximately 39% of the total remuneration target. The target amount of the STI accounts for around 19% of total remuneration, while the target amount of the LTI accounts for around 20% of total remuneration.

3.3 Maximum remuneration

The compensation of the members of the Executive Management Board is capped in two respects. Firstly, maximum limits have been set for the performance-related components and individual elements thereof (STI: 75% of fixed remuneration, LTI: 150% of target amount). Secondly, in accordance with Art. 87a par. 1 sentence 2 no. 1 AktG, the Supervisory Board has set a maximum remuneration limit which restricts the total amount of remuneration received for a particular fiscal year (fixed remuneration + pension compensation or retirement pension + payment from STI + payment from LTI). For the individual Executive Board Members, the total compensation is limited to €1.5 million each.

4 THE REMUNERATION SYSTEM IN DETAIL

4.1 Fixed remuneration

Each member of the Executive Management Board receives non-performance-related fixed remuneration paid out in monthly installments. The amount of the fixed remuneration is determined on the basis of the principles set out in the management report.

4.2 Fringe benefits

In addition to the above-mentioned remuneration components, the members of the Executive Management Board may be granted fringe benefits, in particular

- Payment of a fixed amount to be contributed to a pension fund
- A company car or alternatively, an increase in the contribution to the pension plan
- Reimbursement of costs in connection with dual households
- Co-payment of existing health insurance, not exceeding the employer's share of statutory health insurance contributions
- Reimbursement of business travel expenses
- Accident insurance coverage and payment of the relevant insurance premiums
- Inclusion in the D&O insurance in place with a deductible according to the statutory minimum amount

4.3 Variable remuneration

4.3.1 Annual performance-related remuneration

In addition to the fixed remuneration, the members of the Executive Management Board are entitled to variable remuneration depending on the achievement of several performance goals set in advance by the Supervisory Board. If 100% of the short-term and long-term performance goals are achieved, the annual performance-related remuneration currently amounts to 50% of the fixed remuneration and can amount to a maximum of 75% of the fixed remuneration.

4.3.2 Determination of the performance goals

The Supervisory Board sets annual goals that are identical for all members of the Executive Management Board. The goals are weighted among each other by the Supervisory Board. For 2021, the following have been set:

- Completion of preclinical research on PRAME-SPEcific SLL-TCR with PD1:41BB switch receptor for solid tumors (25%).

- Advance preclinical research on University of Montreal Munich Alliance TSA SPECIFIC antigens (MUM-TSAs) for solid tumors (10%).
- Achieve business development funding and/or financing to increase cash reach by 1 year (50%).
- Clinical development of TCR-T immunotherapies (15%).

The targets were met 100% in fiscal year 2021.

4.3.3 Determination of the amount of the annual performance-related remuneration

The amount of the annual performance-related remuneration is calculated on the basis of the degree of goal achievement in relation to the individual goals, taking into account the weighting assigned to each goal.

Of the annual performance-related remuneration for a fiscal year, 65% is attributable to the short-term incentive and 35% to the long-term incentive.

At the beginning of the subsequent fiscal year, the Supervisory Board assesses the percentage goal achievement of each performance goal. On the basis of the goal achievement levels calculated in this way for each performance goal and the weighting of the individual performance goals among each other defined by the Supervisory Board, the Supervisory Board calculates the overall goal achievement level for the previous financial year, on the basis of which the amount of the short-term portion is determined by multiplying the overall goal achievement level by the portion of the annual performance remuneration attributable to the short-term incentive. The short-term portion of the annual performance-related remuneration is paid out in cash after approval of the Company's annual financial statements for the fiscal year in question. The Executive Management Board member concerned may immediately dispose of the amount of the short-term performance-related remuneration paid out at his or her own discretion.

Payment of the long-term portion of the annual performance-related remuneration is deferred for a further three years. At the end of this four-year period, the Supervisory Board will decide whether and to what extent the long-term portion of the annual bonus will be paid out to the respective Executive Board member with appropriate interest. The payment of the long-term variable performance-related remuneration is therefore made in cash in the fourth year after the relevant long-term targets have been set by the Supervisory Board. The Executive Board member concerned can immediately dispose of the amount paid out as long-term variable remuneration at his own discretion.

Variable remuneration components were not clawed back. The annual performance remuneration paid out is not subject to any repayment agreement.

4.3.4 Stock options

In addition, the members of the Executive Management Board receive stock options based on the Company's stock option program in effect at the time of issue. Stock options represent further long-term variable compensation components. This is intended to create performance incentives geared to the sustainability and long-term success of the Company as measured by a positive development in the Company's share price.

Options are issued to the respective Executive Management Board member in accordance with the contractually agreed number per year (currently a maximum of 20,000 options) either in one tranche or several tranches. The maximum number of 20,000 options to be issued per year is based on the target achievement for short-term incentive compensation in the preceding calendar year. Furthermore, the Supervisory Board of the Company may grant additional stock options of up to 20,000 per year as a special recognition bonus based on additional, special, personal performance by a member of the Executive Board.

Thus, there is a maximum limit of 40,000 stock options that can be offered to a member of the Executive Management Board in a calendar year (“cap stock options”).

The value of the stock options is measured for the purpose of maximum remuneration at the time the stock options are issued, considering the conditions specified in the stock option plans and the expected increase in the price of the Company's share by the end of the four-year waiting period. This is based on a maximum increase of 500% in the price of the Company's shares at the end of the four-year vesting period compared to the price of the Company's shares at the time the stock options were issued. Once stock options have been exercised at the end of the four-year waiting period, there is no obligation to hold the corresponding shares (no “lock-up”).

The exercise price corresponds to the average closing price of the last 30 trading days prior to the issue of the stock options (allocation date). The Executive Board members may exercise the option rights at the earliest after expiry of a waiting period of four years beginning with the allocation date of the respective subscription right. Furthermore, it is required that the average closing price on the 30 trading days prior to the respective exercise amounts to 120% of the exercise price (performance target).

The pro rata structure of the annual performance-related remuneration with a total sustainability component of three years (with determination and payment only taking place in the fourth year after the year to which the long-term variable remuneration relates) and the structure of the stock options with a four-year waiting period before exercise provide considerable incentives for sustained positive corporate development, so that overall a balanced mix of short- and long-term remuneration components is achieved.

In the financial year 2021, Prof. Dolores Schendel was granted 40,000 and Axel Sven Malkomes 20,000 stock options.

4.4 Severance payment upon termination of employment due to a change of control

In the event of a change of control, the Executive Board service agreements contain special termination rights under certain conditions for both the Company and the Executive Board members. A change of control within the meaning of the Executive Board service agreements occurs if at least 30% of the shares with voting rights in the Company are acquired directly or indirectly by a third party.

If the employment of Executive Board members ends in the event of a change of control due to the exercise of a special right of termination by the Company or by an Executive Board member, the respective Executive Board member is entitled to payment of a severance payment. This may not exceed twice the sum of the annual gross compensation agreed at the time of termination of the employment relationship, nor may it exceed the remaining term of the employment contract.

4.5 Severance payment upon termination of employment due to end of contract

Mr. Malkomes will receive his base salary for 6 months and his contractual rent allowance for 3 months as compensation for a contractual non-competition clause when his contract expires on April 1, 2022.

5 EXECUTIVE MANAGEMENT BOARD REMUNERATION IN DETAIL

The following table presents the benefits contained in the remuneration of the members of the Executive Management Board, which amounted to €1,218 k in 2021 (2020: €1,402 k).

REMUNERATION OF THE EXECUTIVE MANAGEMENT BOARD

IN € K	2021	2020
Fixed remuneration component (basic remuneration)	700	935
Short-term variable compensation component	227	183
Payments due at short notice	927	1,118
Mid-term variable compensation component	123	148
Post-employment benefits (service cost from pension entitlements)	48	76
Share-based payment	120	60
Total	1,218	1,402

REMUNERATION OF THE EXECUTIVE MANAGEMENT BOARD

IN € K	PROF. DR. DOLORES J. SCHENDEL				DR. KAI PINKERNELL (BIS 31.3.2021)				AXEL SVEN MALKOMES			
	IN %	2021	IN %	2020	IN %	2021	IN %	2020	IN %	2021	IN %	2020
Fixed remuneration component	57	320	73	320	60	80	66	300	57	300	62	300
variable remuneration component												
Short term	19	104	12	55	20	26	16	75	18	97	14	67
Mid-term	10	56	10	46	11	14	7	35	10	53	11	53
Post-employment benefits (service cost from pension entitlements)	0	0	0	0	9	12	7	32	7	36	7	44
Share-based payment	14	80	5	20	0	0	4	20	8	40	3	20
Total	100	560	100	441	100	132	100	477	100	526	100	484

The following table presents the benefits contained in the remuneration of the members of the Executive Management Board, which amounted to €936 k in 2021 (2020: €1,252 k).

REMUNERATION OF THE EXECUTIVE MANAGEMENT BOARD – BENEFITS GRANTED

IN T€	PROF. DOLORES J. SCHENDEL CHIEF EXECUTIVE OFFICER SINCE 1/2/2016 (MEMBER OF THE BOARD SINCE 1/5/2014))				DR. KAI PINKERNELL MEMBER OF THE EXECUTIVE MANAGEMENT BOARD SINCE 1/4/2018 UNTIL 31/3/2021				AXEL SVEN MALKOMES MEMBER OF THE EXECUTIVE MANAGEMENT BOARD SINCE 1/4/2019			
	IN %	2021	IN %	2020	IN %	2021	IN %	2020	IN %	2021	IN %	2020
Fixed remuneration	71	320	81	320	94	80	73	315	75	300	70	300
Fringe benefits ¹⁾	0	0	0	0	6	5	5	19	15	62	13	55
Total	71	320	81	320	100	85	78	334	90	362	83	355
Variable performance-based components	11	49	14	55	0	0	17	75	0	0	12	53
Total	82	369	95	375	100	85	95	409	90	362	95	408
Variable components in the form of stock options												
Number of stock options in the year		40.000		10.000				10.000		20.000		10.000
Fair value	18	80	5	20	0	0	5	20	10	40	5	20
Total	100	449	100	395	100	85	100	429	100	402	100	428

¹⁾ The fringe benefits paid to members of the Executive Management Board include expenses for the cost of maintaining dual households.

6 SUPERVISORY BOARD REMUNERATION

Supervisory Board compensation amounted to €175 k in 2021 (2020: €192 k). The total compensation of the members of the Supervisory Board comprises fixed compensation and attendance fees. In addition, expenses are reimbursed. The greater scope of activities of the Supervisory Board Chairman and Deputy Chairman is reflected in correspondingly higher compensation. Since the resolution on the compensation system for members of the Supervisory Board was adopted at the 2020 Annual General Meeting on 16 December 2020, this has also applied to the chairmanship of a committee. No advances were paid to members of the Supervisory Board and Executive Management Board.

SUPERVISORY BOARD MEMBER 2021 (IN €K)

SUPERVISORY BOARD MEMBERS	IN %	FIXED REMUNERATION	IN %	COMMITTEE REMUNERATION	IN %	MEETING FEE
Dr. Gerd Zettlmeissl, Chairman since 23/5/2019	71	32	13	6	16	7
Antoinette Hiebeler-Hasner, Deputy Chair	71	24	18	6	12	4
Dr. Anthony Man	80	16	0	0	0	4
Dr. Keith Manchester	70	16	13	3	13	4
Dr. Frank Mathias	53	16	20	6	20	8
Ronald Scott	70	16	13	3	13	4
Summe	69	120	14	24	14	31

7 COMPARATIVE PRESENTATION OF THE ANNUAL CHANGE IN REMUNERATION

	2017 TO 2016	2018 TO 2017	2019 TO 2018	2020	2020 TO 2019	2021	2021 TO 2020
	CHANGE IN %	CHANGE IN %	CHANGE IN %	IN T€	CHANGE IN %	IN T€	CHANGE IN %
Member of the Executive Management Board							
Prof. Dolores J. Schendel	70	-9	21	441	-20	560	27
Dr. Kai Pinkernell	n/a	n/a	50	477	-6	132	-72
Axel Sven Malkomes	n/a	n/a	n/a	484	-24	526	9
Supervisory Board member							
Dr. Gerd Zettlmeissl	n/a	44	50	42	8	45	7
Antoinette Hiebeler-Hasner	111	-8	0	31	-13	34	10
Dr. Anthony Man	n/a	n/a	n/a	n/a	n/a	20	n/a
Dr. Keith Manchester	n/a	53	0	23	0	23	0
Dr. Frank Mathias	n/a	n/a	50	27	0	30	11
Ronald Scott	n/a	42	0	23	-15	23	0
Key figures							
Revenue Medigene Group	61	-1	39	8,002	-24	10,463	31
Revenue Medigene AG (HGB)	-16	4	45	20,635	-13	9795	-53
EBITDA Medigene Group	398	43	-15	-22,191	25	-6,551	-70
EBITDA Medigene AG (HGB)	-66	10	171	5672	41	-114	-102
Average annual remuneration of employees of the Medigene Group	-2	1	0	68	1	70	3

The average annual remuneration of the Medigene Group's employees includes all employees of the Group, except for the Executive Management Board.

Report of the independent auditor on the formal audit of the remuneration report pursuant to § 162 Abs. 3 AktG

To Medigene AG, Planegg (Martinsried)

Opinion

We have formally audited the remuneration report of the Medigene AG, Planegg (Martinsried), for the financial year from January 1 to December 31, 2021 to determine whether the disclosures pursuant to § [Article] 162 Abs. [paragraphs] 1 and 2 AktG [Aktiengesetz: German Stock Corporation Act] have been made in the remuneration report. In accordance with § 162 Abs. 3 AktG, we have not audited the content of the remuneration report.

In our opinion, the information required by § 162 Abs. 1 and 2 AktG has been disclosed in all material respects in the accompanying remuneration report. Our opinion does not cover the content of the remuneration report.

Basis for the opinion

We conducted our formal audit of the remuneration report in accordance with § 162 Abs. 3 AktG and IDW [Institut der Wirtschaftsprüfer: Institute of Public Auditors in Germany] Auditing Standard: The formal audit of the remuneration report in accordance with § 162 Abs. 3 AktG (IDW AuS 870). Our responsibility under that provision and that standard is further described in the "Auditor's Responsibilities" section of our auditor's report. As an audit firm, we have complied with the requirements of the IDW Quality Assurance Standard: Requirements to quality control for audit firms [IDW Qualitätssicherungsstandard - IDW QS 1]. We have complied with the professional duties pursuant to the Professional Code for German Public Auditors and German Chartered Auditors [Berufssatzung für Wirtschaftsprüfer und vereidigte Buchprüfer - BS WP/vBP], including the requirements for independence.

Responsibility of the Management Board and the Supervisory Board

The management board and the supervisory board are responsible for the preparation of the remuneration report, including the related disclosures, that complies with the requirements of § 162 AktG. They are also responsible for such internal control as they determine is necessary to enable the preparation of a remuneration report, including the related disclosures, that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibilities

Our objective is to obtain reasonable assurance about whether the information required by § 162 Abs. 1 and 2 AktG has been disclosed in all material respects in the remuneration report and to express an opinion thereon in an auditor's report.

We planned and performed our audit to determine, through comparison of the disclosures made in the remuneration report with the disclosures required by § 162 Abs. 1 and 2 AktG, the formal completeness of the remuneration report. In accordance with § 162 Abs 3 AktG, we have not audited the accuracy of the disclosures, the completeness of the content of the individual disclosures, or the appropriate presentation of the remuneration report.

Munich, March 31, 2022

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