

justified in the declaration of conformity. This declaration and the amendment made are available in English and German on the Medigene AG website at <http://www.medigene.com/media-investors/corporate-governance>. The declarations of conformity of Medigene AG are available on the website of the Company for at least five years.

## (51) Audit fees

The auditors of the Company and the Group received the following fees for the past fiscal year:

<b>AUDIT FEES</b>		
IN € K	2015	2014
Audit services	136	137
Audit related services (review of quarterly reports)	0	14
Other services (including fees in the context of the business combination in January 2014 and for the comfort letter in the scope of the capital increase completed in July 2015 and July 2014)	321	393
<b>Total</b>	<b>457</b>	<b>544</b>

## F) EXECUTIVE MANAGEMENT BOARD AND SUPERVISORY BOARD

### (52) Executive Management Board

#### Remuneration of the Executive Management Board

Pursuant to no. 2.2.1 (2) of the German Corporate Governance Code, the Annual General Meeting may pass a resolution to approve the remuneration system for Executive Management Board members. The resolution approving the current remuneration system was passed at the Annual General Meeting on 11 May 2010. A majority of 96% of the share capital represented adopted the remuneration system for Executive Management Board members.

#### Report on the remuneration system for members of the Executive Management Board of Medigene AG

The full Supervisory Board is responsible for setting the remuneration of Medigene AG's Executive Management Board members. It is regularly reviewed, taking into account the regulations relating to the Supervisory Board pursuant to Section 87 (1) and (2) of the German Stock Corporation Act (AktG) and the recommendations of the German Corporate Governance Code.

The most recent adjustments were made by the Supervisory Board in light of the German Act on Appropriate Executive Board Remuneration (VorstAG), which came into force on 5 August 2009. At the Annual General Meeting 2010, the Executive Management and Supervisory Boards presented the current remuneration system for Executive Management Board members. It was adopted by a majority of 96% of the share capital represented. With one exception, the remuneration system has been implemented in all current employment contracts for Executive Management Board members as described below:

The amount and structure of the remuneration of Executive Management Board members depend on the respective responsibilities of each Executive Management Board member, the Company's economic and financial position and the sustained growth of the Company as well as common practice regarding remuneration, taking into account the amount and structure of the remuneration which is paid to others by the Company and that is paid in similar companies.

In addition, remuneration is based on the individual performance of Executive Management Board members as well as the achievements of the Executive Management Board as a whole. Remuneration is designed as an incentive for achieving sustainable corporate growth and a sustained increase in business value.

Total remuneration comprises fixed and variable components as well as other benefits, as described below:

**a) Fixed remuneration**

Each member of the Executive Management Board receives fixed remuneration, which is not performance-related and is paid in monthly instalments. The amount of the fixed remuneration is determined on the basis of the principles described above.

**b) Variable remuneration**

**1) Annual performance-related remuneration**

In addition to fixed remuneration, Executive Management Board members are entitled to variable remuneration, which is dependent on the achievement of several targets specified by the Supervisory Board in advance. The annual performance-related remuneration amounts to 50% of fixed remuneration in the event of 100% target achievement and may be a maximum of 75% of fixed remuneration.

**(1) Setting of targets**

The Supervisory Board sets annual targets, both comprehensively for all Executive Management Board members and, in addition, separately for each member of the Executive Management Board. The targets are weighted by the Supervisory Board.

**(2) Establishing the amount of annual performance-related remuneration**

The individual targets set by the Supervisory Board are allocated to one of three possible target achievement scenarios: low case, base case and best case.

- The low case scenario corresponds to 50% target achievement, the base case to 100% and the best case to 150%.
- In the event that target achievement is below the low case threshold, no variable remuneration is paid. If target achievement is in the range between the low case and base case, variable remuneration increases on a straight-line basis according to target achievement. In contrast to the remuneration system presented to the Annual General Meeting in 2010, variable remuneration rises on a straight-line basis in proportion to target achievement between the base case and best case. Target achievement which surpasses the best case is not reflected in terms of higher remuneration. To this extent, variable remuneration is capped.
- The amount of the annual performance-related remuneration is calculated on the basis of target achievement in relation to the specific targets, taking into account the weighting of the relevant target.

**(3) Short-term and long-term components of annual performance-related remuneration**

- 65% of the annual performance-related payment granted is paid after the Company's financial statements for the relevant fiscal year have been adopted. Payment of the remaining 35% of the annual performance-related remuneration granted in a specific fiscal year is deferred for a period of three years.
- At the end of this three-year period, the Supervisory Board decides whether and to what extent sustained corporate growth can be affirmed. Based on this decision, the Supervisory Board resolves whether and to what extent the remaining 35% of the relevant annual performance-based remuneration will be paid to the respective Executive Management Board member with appropriate interest.
- The Supervisory Board's decision regarding sustained corporate growth is primarily based on the long-term trend in business value and, therefore, also the share price of the Company's shares. The members of the Executive Management Board thus participate in the Company's long-term growth on the basis of this remuneration component, and they also share in any negative developments.

**2) Stock options**

- In addition, Executive Management Board members are granted stock options on the basis of the Company's stock option programme. Stock options represent another long-term remuneration component. They are aimed at providing a performance incentive which is geared to sustainable long-term corporate growth.

- Stock options are initially granted to each Executive Management Board member within the first year of their joining the Company. Subsequently, Executive Management Board members receive further stock options every year. The exercise price corresponds to the average closing price of the last 30 trading days prior to the issue of the stock options.
- Executive Management Board members may exercise their stock options at the earliest after a vesting period of four years, starting from the date of allotment of the relevant subscription right subject to the condition that the average closing price over the 30 days of trading prior to the respective exercise date amounts to 120% of the exercise price (profit target). The options have a contractual term of ten years.
- Based on the principles stated in this section relating to the remuneration system, each Executive Management Board member receives a specific number of stock options, which is separately set for each member every year.

#### **c) Other benefits**

In addition to the above-mentioned remuneration components, members of the Executive Management Board are granted additional benefits, in particular

- a company car,
- reimbursement of business travel expenses,
- accident insurance coverage and payment of the relevant insurance premiums,
- D&O insurance with a deductible according to the statutory minimum amount and
- payment of an amount of €2 k per month as a pension contribution.

The proportional structure of annual performance-related remuneration with a three-year sustainability component and the terms of stock options with a four-year vesting period prior to exercising the stock options create a significant incentive to achieve sustained corporate growth, ensuring a balanced mix of short-term and long-term remuneration components.

#### **d) Special termination rights in the event of a change in control**

The contracts of employment for Executive Management Board members Dr. Frank Mathias, Peter Llewellyn-Davies and Prof. Dr. Dolores Schendel include special termination rights for both the Company and the Executive Management Board members in the event of a change in control.

A change in control within the meaning of the contractual agreement valid for Dr. Frank Mathias exists in the event of direct or indirect purchase of company shares by a third party, which results in the third party directly or indirectly, within the meaning of Section 30 of the German Securities Acquisition and Takeover Act (WpÜG), holding at least 30% of the Company's voting rights or more than 50% of the voting rights present on average at the Company's Annual General Meetings during the past three calendar years.

A change in control within the meaning of the contractual agreement valid for Mr. Peter Llewellyn-Davies and Prof. Dr. Schendel exists in the event of direct or indirect purchase of company shares by a third party, which results in the third party directly or indirectly, within the meaning of Section 30 of the German Securities Acquisition and Takeover Act (WpÜG), holding at least 30% of the Company's voting rights.

In the event of a change in control, the Company has a special termination right for a period of one year following the date of the change in control in each case.

The above-mentioned Executive Management Board members each have a special termination right for a period of one year after the date of the change in control if this change results in an unacceptable shift in the previous duties and responsibilities of the relevant Executive Management Board member (budget, number of employees supervised and his/her role on the Board), or if the Company informs him/her that his/her appointment as Executive Management Board member will not be renewed and denial of such renewal is not based on significant

cause for which he/she bears responsibility justifying extraordinary termination of the relevant Executive Management Board member's contract.

If the term of office of Executive Management Board member Dr. Frank Mathias comes to an end as a result of the Company exercising its special termination right referred to above, he will be entitled to receive a severance payment in the amount of the gross remuneration up to the regular end of his contract, a pro rata temporis gross bonus (without stock options) up to the regular end of his contract on the basis of the average annual bonus of the past three full years prior to termination of that contract and a severance payment amounting to 2.5 times the annual remuneration owed to him (without stock options).

This severance payment may exceed neither the sum of 3 times the total annual remuneration plus the average annual bonus agreed at the time of the termination of employment, nor 1.5 times the remuneration anticipated for the remaining term of the employment contract, nor the sum of €525 k (caps). However, the Company's Supervisory Board may at its discretion waive the last mentioned cap in recognition of Dr. Mathias' outstanding achievements and extraordinary commitment in the situation leading to this special termination.

In the event that Executive Management Board member Dr. Frank Mathias resigns under the special termination conditions listed above, he will be entitled to receive a severance payment in the amount of 3 times the gross monthly sum for every completed year of his membership of the Company's Executive Management Board. The gross monthly amount is comprised of one twelfth of the current gross remuneration at the time of resignation and one twelfth of the average annual bonus. The severance payment may exceed neither the total of 36 gross monthly salary payments, nor 1.5 times the remuneration anticipated for the remaining term of the employment contract, nor the sum of €525 k (caps). However, the Company's Supervisory Board may at its discretion waive the last mentioned cap in recognition of Dr. Mathias' outstanding achievements and extraordinary commitment in the situation leading to this special termination. The minimum severance payment amounts to six gross monthly salary payments (lower limit).

If the term of office of Executive Management Board member Peter Llewellyn-Davies comes to an end as a result of the Company exercising its special termination right referred to above, he will be entitled to receive a severance payment in the amount of the gross remuneration up to the regular end of his contract, a pro rata temporis gross bonus (without stock options) up to the regular end of his contract on the basis of the average annual bonus of the past three full years prior to termination of that contract and a severance payment amounting to 2.5 times the annual remuneration owed to him (without stock options). This severance payment may exceed neither the sum of three times the total annual remuneration plus the average annual bonus agreed at the time of the termination of employment, nor 1.5 times the remuneration anticipated for the remaining term of the employment contract, nor the sum of €429 k (caps).

In the event that Executive Management Board member Peter Llewellyn-Davies resigns under the special termination conditions listed above, he will be entitled to receive a severance payment in the amount of 3 times the gross monthly sum for every completed year of his membership of the Company's Executive Management Board. The gross monthly amount is comprised of one twelfth of the current gross remuneration at the time of resignation and one twelfth of the average annual bonus. The severance payment may exceed neither the total of 36 gross monthly salary payments, nor 1.5 times the remuneration anticipated for the remaining term of the employment contract (caps). The minimum severance payment amounts to six gross monthly salary payments (lower limit).

If the term of office of Executive Management Board member Prof. Dr. Dolores Schendel comes to an end as a result of the Company exercising its special termination right referred to above, she will be entitled to receive a severance payment in the amount of the gross remuneration up to the regular end of her contract, a pro rata temporis gross bonus (without stock options) up to the regular end of her contract on the basis of the average

annual bonus of the past three full years prior to termination of that contract and a severance payment amounting to 2.5 times the annual remuneration owed to her (without stock options). This severance payment may exceed neither the sum of three times the total annual remuneration plus the average annual bonus agreed at the time of the termination of employment, nor 1.5 times the remuneration anticipated for the remaining term of the employment contract, nor the sum of €410,130 (caps).

In the event that Executive Management Board member Prof. Dr. Dolores Schendel resigns under the special termination conditions listed above, she will be entitled to receive a severance payment in the amount of 3 times the gross monthly sum for every completed year of her membership of the Company's Executive Management Board. The gross monthly amount is comprised of one twelfth of the current gross remuneration at the time of resignation and one twelfth of the average annual bonus. The severance payment may exceed neither the total of 36 gross monthly salary payments, nor 1.5 times the remuneration anticipated for the remaining term of the employment contract (caps). The minimum severance payment amounts to six gross monthly salary payments (lower limit).

The following table presents the benefits contained in the remuneration of the members of the Executive Management Board, which amounted to €1,692 k in the 2015 fiscal year (2014: €1,354 k).

#### REMUNERATION OF THE EXECUTIVE MANAGEMENT BOARD - BENEFITS GRANTED

IN € K	DR. FRANK MATHIAS CHIEF EXECUTIVE OFFICER SINCE 1/4/2008		PETER LLEWELLYN-DAVIES CHIEF FINANCIAL OFFICER SINCE 1/10/2012		PROF. DOLORES J. SCHENDEL CHIEF SCIENTIFIC OFFICER SINCE 1/5/2014	
	2015	2014	2015	2014	2015	2014
	Fixed remuneration	<b>350</b>	356	<b>286</b>	277	<b>297</b>
Fringe benefit <sup>1)</sup>	<b>44</b>	44	<b>37</b>	37	<b>0</b>	0
<b>Total</b>	<b>394</b>	<b>400</b>	<b>323</b>	<b>314</b>	<b>297</b>	<b>198</b>
Variable performance-based components <sup>2)</sup>	<b>220</b>	171	<b>184</b>	133	<b>177</b>	87
<b>Total</b>	<b>614</b>	<b>571</b>	<b>507</b>	<b>447</b>	<b>474</b>	<b>285</b>
Variable components in the form of stock options						
Number of stock options in the year	<b>10,000</b>	9,839	<b>10,000</b>	9,438	<b>7,500</b>	5,000
Fair value	<b>35</b>	18	<b>35</b>	15	<b>27</b>	18
<b>Total</b>	<b>649</b>	<b>589</b>	<b>542</b>	<b>462</b>	<b>501</b>	<b>303</b>

<sup>1)</sup> Fringe benefits include pension expenses amounting to €48 k (2014: €48 k), and vehicle leasing amounting to €33 k (2014: €33 k) for the members of the Executive Management Board.

<sup>2)</sup> Including an annual bonus on the basis of the accruals for 2014/2015 (without discounting) and a 100% payout based upon an estimated target achievement of 112.5% in 2015 and 96% in 2014 as well as a one-off bonus for the capital increase of €23 k for each member of the Executive Management Board in 2015.

The following table presents the remuneration paid to the members of the Executive Management Board, which amounted to €1,378 k in the 2015 fiscal year (2014: €1,130 k).

**REMUNERATION OF THE EXECUTIVE MANAGEMENT BOARD - PAYMENTS MADE**

IN € K	DR. FRANK MATHIAS		PETER LLEWELLYN-DAVIES		PROF. DOLORES J. SCHENDEL	
	CHIEF EXECUTIVE OFFICER SINCE 1/4/2008		CHIEF FINANCIAL OFFICER SINCE 1/10/2012		CHIEF SCIENTIFIC OFFICER SINCE 1/5/2014	
	2015	2014	2015	2014	2015	2014
Fixed remuneration	350	356	286	277	297	198
Fringe benefit <sup>1)</sup>	44	44	37	37	0	0
<b>Total</b>	<b>394</b>	<b>400</b>	<b>323</b>	<b>314</b>	<b>297</b>	<b>198</b>
Variable performance-based components						
thereof for 2015	23	0	23	0	23	0
thereof for 2014 <sup>2)</sup>	108	0	84	0	55	0
thereof for 2013 <sup>2)</sup>	0	129	0	89	0	0
thereof for 2011 <sup>3)</sup>	48	0	0	0	0	0
<b>Total</b>	<b>179</b>	<b>129</b>	<b>107</b>	<b>89</b>	<b>78</b>	<b>0</b>
<b>Total remuneration paid out</b>	<b>573</b>	<b>529</b>	<b>430</b>	<b>403</b>	<b>375</b>	<b>198</b>

<sup>1)</sup> Fringe benefits include pension expenses and vehicle leasing for the members of the Executive Management Board.

<sup>2)</sup> Corresponds to 65% of the variable components of the respective previous year

<sup>3)</sup> Corresponds to 35% of the variable components in 2011 plus interest

In fiscal year 2015, Medigene made a payment of €6 k (2014: €6 k) to the Company's welfare fund in connection with a pension commitment to a former member of the Executive Management Board.

**The members of the Executive Management Board additionally hold positions on the following supervisory boards and/or similar bodies:**

**Dr. Frank Mathias**

*External positions*

Positions on other supervisory boards/advisory boards in Germany:

- Faller KG, Waldkirchen
- Mediatum AG, Heidelberg
- Rentschler Biotechnologie GmbH, Laupheim
- Leon Nanodrugs GmbH, Munich

Positions outside Germany:

- Catherex, Inc., Bala Cynwyd, Pennsylvania, USA (until 29 January 2016)
- Aettis, Inc., Bala Cynwyd, Pennsylvania, USA

**Peter Llewellyn-Davies**

*External positions*

*None*

Positions outside Germany:

- Catherex, Inc., Bala Cynwyd, Pennsylvania, USA (until 29 January 2016)
- Aettis, Inc., Bala Cynwyd, Pennsylvania, USA

Prof. Schendel assumed the role of Chief Executive Officer on 1 February 2016, replacing Dr. Frank Mathias. Dr. Frank Mathias and Peter Llewellyn-Davies decided to leave the Company as at 31 March 2016. Mr. Dave Lemus joined the Executive Management Board on 1 January 2016. He was the deputy chairman of Medigene AG's Supervisory Board until 28 December 2015.

## (53) Supervisory Board

### Supervisory Board remuneration

Supervisory Board remuneration amounted to €105 k in 2015 (2014: €109 k). The total remuneration paid to the members of the Supervisory Board comprises fixed remuneration as well as meeting attendance fees. In addition, expenses are reimbursed. The greater scope of activities of the Chairman of the Supervisory Board and his deputy are taken into account and accordingly reflected by higher remuneration. Details regarding the subscription rights of members of the Supervisory Board and Executive Management Board are provided in [note \(54\)](#). No advances were paid to members of the Supervisory Board and Executive Management Board.

### SUPERVISORY BOARD REMUNERATION 2015

SUPERVISORY BOARD MEMBERS	FIXED REMUNERATION IN € K	MEETING FEES IN € K
Prof. Horst Domdey Chairman, co-founder	26	16
Dave Lemus Deputy Chairman (until 28 December 2015)	20	16
Yita Lee, Ph.D. Ordinary member	13	14
<b>Total</b>	<b>59</b>	<b>46</b>

### Supervisory Board members of Medigene AG:

#### Prof. Horst Domdey

Managing director of Bio<sup>M</sup> Biotech Cluster Management GmbH and member of the management board of Bio<sup>M</sup> AG Munich Biotech Development, Munich

#### External positions

Positions outside Germany:

→ Oasmia Pharmaceutical AB, Uppsala, Sweden

#### Dave Lemus

Chief Executive Officer, Sigma-Tau Pharmaceuticals, Inc., Maryland, USA (until 31 August 2015)

#### External positions

Positions on other supervisory boards/advisory boards in Germany:

→ Proteros BioStructures GmbH, Planegg/Martinsried

Positions outside Germany:

→ BioHealth Innovation, Inc., Rockville, Maryland, USA

#### Yita Lee, Ph.D.

Chief Scientific Officer of the Sinphar group, Taiwan

#### External positions

Positions outside Germany:

→ Sinphar Pharmaceutical Co., Ltd., Yilan, Taiwan

→ SynCore Biotechnology Co., Ltd., Yilan, Taiwan

→ ZuniMed Biotech Co., Ltd., Yilan, Taiwan

→ CanCap Pharmaceutical Ltd., Richmond, Canada

Due to his appointment to the Executive Management Board commencing 1 January 2016, Deputy Chairman of the Supervisory Board Mr. Dave Lemus resigned from the Supervisory Board effective 28 December 2015. The Company applied to the court to appoint a third member of the Supervisory Board, as required by Section 104 (1) of the German Stock Corporation Act (AktG) and recommended Prof. Ernst-Ludwig Winnacker, with the approval of the Supervisory Board. The court appointed Prof. Winnacker as a new member of the Supervisory Board in January 2016.

## (54) Directors' holdings and notes on subscription rights

### DIRECTORS' HOLDINGS AND NOTES ON SUBSCRIPTION RIGHTS

NUMBER OF SHARES/OPTIONS	SHARES		OPTIONS	
	31/12/2015	31/12/2014	31/12/2015	31/12/2014
Prof. Horst Domdey Chairman, co-founder	39,125	39,125	0	0
Dave Lemus Deputy Chairman (until 28 December 2015) <sup>1)</sup>	0	0	0	0
Yita Lee, Ph.D. Ordinary member	0	0	0	0
Prof. Ernst-Ludwig Winnacker Ordinary member (from 5 January 2016) <sup>2)</sup>	55,919	65,919	0	0
<b>Total Supervisory Board</b>	<b>95,044</b>	<b>105,044</b>	<b>0</b>	<b>0</b>
Dr. Frank Mathias Chief Executive Officer <sup>3)</sup>	2,697	1,927	69,214	59,214
Peter Llewellyn-Davies Chief Financial Officer	5,000	4,000	28,813	18,813
Prof. Dolores J. Schendel Chief Scientific Officer <sup>4)</sup>	651,593 <sup>5)</sup>	611,704	12,500	5,000
<b>Total Executive Management Board</b>	<b>659,290</b>	<b>617,631</b>	<b>110,527</b>	<b>83,027</b>

<sup>1)</sup> Dave Lemus was appointed member of the Executive Management Board effective 1/1/2016.

<sup>2)</sup> Prof. Winnacker was appointed member of the Supervisory Board by ruling of the courts dated 5/1/2016 to fill Dave Lemus' position.

<sup>3)</sup> Chief Executive Officer until 31/1/2016

<sup>4)</sup> From 1/2/2016 Chief Executive Officer and Chief Scientific Officer

<sup>5)</sup> Prof. Schendel indirectly holds 651,593 Medigene shares in her capacity as Managing Director of DJSMontana Holding GmbH. Of this total, 552,933 Medigene shares can be allocated to Prof. Schendel directly.