

## Corporate Governance

The Executive Management Board and the Supervisory Board report on the corporate governance at Medigene AG in accordance with Section 3.10 of the German Corporate Governance Code. This Corporate Governance Report also includes the statement on corporate governance pursuant to Section 289f and 315d of the German Commercial Code (HGB).

### Corporate Governance Report

Good corporate governance is the basis of the decision-making and monitoring processes of Medigene AG. It represents responsible and value-based leadership and control of the Company for long-term success, goal-oriented and efficient cooperation between the Executive Management Board and the Supervisory Board, respect for the interests of our shareholders, employees and other stakeholders, consistently transparent and responsible corporate decisions and an appropriate handling of risks.

Corporate governance ensures the following basic principles:

- It defines key shareholder rights.
- It demonstrates clear management principles and the associated responsibilities of corporate bodies.
- It governs the cooperation between these bodies.
- It calls for open and transparent communication with the public.
- It is based on legally compliant, ethically backed and self-responsible behavior.
- It demands a diligent and reliable accounting and auditing.

### Shareholders and Annual General Meeting

Medigene AG respects the rights of its shareholders and ensures the exercise of these rights to the extent possible within the applicable statutory framework. These rights include the free purchase and sale of shares, equal voting rights for each share (one share – one vote), participation in the Annual General Meeting including exercise of voting rights, and an appropriate satisfaction of the information needs.

Resolutions of the Annual General Meeting, which is held at least once every year, include the discharge of the Executive Management Board and the Supervisory Board as well as the election of the auditor. Further, the Annual General Meeting elects the members of the Supervisory Board if required. Amendments to the Articles of Association and measures relating to changes in share capital are decided at the Annual General Meeting and implemented by the Supervisory Board and the Executive Management Board. Shareholders may submit motions referring to resolutions proposed by the Executive Management and the Supervisory Board and can challenge resolutions passed by the Annual General Meeting.

In accordance with the relevant legal provisions, Medigene provides information in a timely manner about the venue and date of the Annual General Meeting. The summons of the Annual General Meeting as well as the reports and information required for resolutions are published pursuant to the regulations of the German Stock Corporation Act (AktG), kept

available at the Company's premises and made available on Medigene AG's website. Every shareholder who registers in time has the right to attend the Annual General Meeting in person. In the event that a shareholder is unable to exercise his/her voting right in person at the Annual General Meeting, he/she has the option of voting by nominating an authorized representative of his/her choice or through the Company's proxy, who is bound by instructions. Furthermore, shareholders may also transfer their voting rights to a proxy representative of the Company or nominate an authorized representative online in advance of the Annual General Meeting.

The Annual General Meeting of Medigene AG is prepared with the goal of effectively providing the shareholders with comprehensive information. Prior to the Annual General Meeting, shareholders are informed in detail about the past fiscal year via the Annual Report. In the invitation to the Annual General Meeting, the requirements for participation, for the exercise of voting rights, as well as the procedure of voting by proxy and the shareholder rights related to the Annual General Meeting are explained. All documents and information referring to the Annual General Meeting are available on the Medigene AG website. This includes the possibility to register online for the Annual General Meeting, the template to grant proxy to a third person as well as templates to vote on resolution proposals of the Company. Following the Annual General Meeting, Medigene AG publishes the voting results for each agenda item for which a resolution was passed, the number of shares for which valid votes were given, the proportion of share capital represented by valid votes, the number of votes in favor of the resolution, the number of dissenting votes and, if applicable, the number of abstentions. This ensures and simplifies the exchange of information between Medigene AG and the shareholders regarding the Annual General Meeting.

## **Communication with the public**

When providing information to external parties, the Executive Management Board complies with the principles of transparency, promptness, openness, comprehensibility and equal treatment of shareholders. For this purpose, the Company provides information such as press releases, financial and conference calendars, annual reports, quarterly reports and releases, announcements of transactions for which disclosure is mandatory, corporate governance information and compliance under the heading "Investors & Media" on its website, [www.medigene.com](http://www.medigene.com). This Corporate Governance Report which is updated on a yearly basis on the Company's website is part of the Company's communication with the public. Medigene AG regularly reports on the status of its research and development programs as well as other business operations in press conferences, analyst meetings and at international investor conferences.

## **Composition of the Executive Management Board and the Supervisory Board**

Medigene AG is subject to the German stock corporation law, and its structure is therefore based on a dual management system, comprising an Executive Management Board and a Supervisory Board. In addition, the Annual General Meeting is the decision-making body representing the interests of shareholders.

## Executive Management Board

The Executive Management Board is the Company's management body and represents the Company to the outside. Its members have joint responsibility for the overall management of the Company and decide on important matters relating to corporate policy and corporate strategy. The duties and the methods of operation of the Executive Management Board are regulated by law, the Articles of Association and the Rules of Procedure for the Executive Management Board. With regard to the Executive Management Board's composition, the Supervisory Board ensures a broad range of expert knowledge and experience ("diversity").

The Executive Management Board has not established any committees.

The members of the Executive Management Board of Medigene AG during the fiscal year 2018 are as follows:

NAME	FUNCTION
Prof. Dr. Dolores Schendel	Chief Executive Officer (from February 1, 2016), Chief Scientific Officer Board member since May 1, 2014 Appointed as EMB member from May 1, 2014 until April 30, 2022
Dr. Kai Pinkernell	Chief Medical Officer / Chief Development Officer Board member since April 1, 2018 Appointed as EMB member from April 1, 2018 until March 31, 2020
Dr. Thomas Taapken	Chief Financial Officer Board member from January 1, 2017 until August 31, 2018 Appointed as EMB member from January 1, 2017 until August 31, 2018

As of December 31, 2018, the Company's Executive Management Board consists of two members, Prof. Dr. Dolores Schendel and Dr. Kai Pinkernell.

The members of the Executive Management Board being in office during the 2018 fiscal year additionally hold positions on the following supervisory boards and/or similar bodies:

### **Prof. Dr. Dolores Schendel**

German supervisory/advisory board positions: none

Positions outside Germany: none

### **Dr. Kai Pinkernell (since April 1, 2018)**

German supervisory/advisory board positions: none

Positions outside Germany: none

### **Dr. Thomas Taapken (until August 31, 2018)**

German supervisory/advisory board positions:

- Immunic AG, Planegg/Martinsried

Positions outside Germany:

- SciBase AB, Stockholm, Sweden

The positions held by members of the Executive Management Board on other supervisory bodies are published on page 102 of the Annual Report 2018.

The profiles of the members of the Executive Management Board being in office are available on the Company's website at <http://www.medigene.com/company/leadership>.

## Supervisory Board

The Supervisory Board appoints the members of the Executive Management Board. It controls and advises the Executive Management Board in the management of the Company. In accordance with the German stock corporation law, the Supervisory Board must not take management decisions. At regular intervals, the Supervisory Board discusses the business development, planning and strategy as well as their implementation. It reviews the annual financial statements and the management report, as well as the quarterly and half-year reports. The Supervisory Board is responsible for the appointments and revocations of the members of the Executive Management Board and controls compliance with legal provisions. Its duties and methods of operation are stipulated by law, the Articles of Association and the Rules of Procedure for the Supervisory Board.

As of December 31, 2018, the Supervisory Board of the Company consists of seven members. In its meeting on May 15, 2018, the Annual General Meeting elected one further member until the end of the term of office of the full Supervisory Board in 2019, i.e. Dr. Frank Mathias, in addition to Prof. Dr. Horst Domdey (Chairman), Antoinette Hiebeler-Hasner (Deputy Chairwoman), Dr. Yita Lee, Dr. Keith Manchester, Dr. Gerd Zettlmeissl and Mr. Ronald Scott.

### SUPERVISORY BOARD UNTIL MAY 15, 2018

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

### SUPERVISORY BOARD FROM MAY 15, 2018

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

Dr. Gerd Zettlmeissl	Member of the Supervisory Board Member of the Supervisory Board since 2017
Ronald Scott	Member of the Supervisory Board Member of the Supervisory Board since 2017

During the 2018 fiscal year, four ordinary meetings were held. All members of the Supervisory Board participated in each of these meetings.

#### PRESENCE AT ORDINARY SUPERVISORY BOARD MEETINGS

MEMBER	20.03. 2018	15.05.2018	12.09.2018	27.11.2018
Prof. Dr. Horst Domdey	+	+	+	+
Antoinette Hiebeler-Hasner	+	+	+	+
Dr. Yita Lee	+	+	+	+
Dr. Keith Manchester	+	+	+	+
Dr. Frank Mathias (since 15.05.2018)	n.a.	+	+	
Ronald Scott	+	+	+	+
Dr. Gerd Zettlmeissl	+	+	+	+

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

Furthermore, several conference calls took place in addition to the ordinary meetings to discuss, e.g., the capital increase in May 2018.

The Supervisory Board submits nominations to the Annual General Meeting when the scheduled new or supplemental election of the Supervisory Board is due or a member leaves and needs to be replaced by the Annual General Meeting. For this purpose, the Supervisory Board defined the following aims with regard to its own composition and complemented by a competence profile, based on the recommendations in Section 5.4.1 of the German Corporate Governance Code:

- The Supervisory Board of Medigene AG shall be constituted in such a way that it possesses all the knowledge, skills and professional experience required for the proper exercise of its duties. However, each individual Supervisory Board member must exhibit the minimum knowledge and skills needed to understand and appropriately assess without assistance all ordinary business processes at Medigene AG.
- In view of the highly competitive international environment in which Medigene AG practices the research, development and commercialisation of innovative therapeutic products, international experience of its members is of vital importance for the composition of the Supervisory Board. For this reason, the Supervisory Board seeks to keep its composition of members with international background and relevant experience.
- Subject to Section 5.4.2 of the German Corporate Governance Code, the Supervisory Board should consist of at least 50% independent members. Material conflicts of interest and those which are not merely temporary should always be avoided, such as board functions or advisory duties for other major competitors of the Company.
- In accordance with the law to ensure equal access for men and women to leadership positions, which came into effect on May 1, 2015, the Supervisory Board determined

a target figure at a minimum of 16.7% for the representation of women in the Supervisory Board of Medigene AG to be reached by June 30, 2022.

- The age limit of members of the Supervisory Board is 75 years, whereas the limit applies at the time when a board member is actually elected.
- The duration of membership in the Supervisory Board is specified to be the longer of 12 years or three terms of office.
- The competence profile of the Supervisory Board requires specific professional director skills additionally in the fields of governance and risk compliance, financial expertise also in capital markets as well as digitization. Finally, criteria for ethics and integrity as well as communication skills are defined.

The Supervisory Board will take the above-mentioned criteria into account in its decision-making process regarding proposals to the Annual General Meeting for the election of Supervisory Board members.

The following current members of the Supervisory Board are independent members within the meaning of Section 5.4.2 of the German Corporate Governance Code as determined by the Supervisory Board: Antoinette Hiebeler-Hasner, Dr. Yita Lee, Dr. Keith Manchester, Dr. Gerd Zettlmeissl, Ronald Scott and Dr. Frank Mathias.

#### INDEPENDENT MEMBERS OF THE SUPERVISORY BOARD AS OF DECEMBER 31, 2018

NAME	INDEPENDENT	NOT INDEPENDENT
Prof. Dr. Horst Domdey		X (co-founder of Medigene)
Antoinette Hiebeler-Hasner	X	
Dr. Yita Lee	X	
Dr. Keith Manchester	X	
Dr. Gerd Zettlmeissl	X	
Ronald Scott	X	
Dr. Frank Mathias	X	

The Supervisory Board has established two committees, the Audit Committee and the Nomination & Compensation Committee.

In accordance with Section 100 (V) of the German Stock Corporation Act (AktG), at least one member of the Supervisory Board must have expertise in accounting or auditing. As Chairwoman of the Audit Committee, Ms. Antoinette Hiebeler-Hasner fulfils these requirements according to her proficiency with regard to financial statements, securing of accounting continuity and tax consultancy. The Audit Committee supervises the accounting process. It prepares the proposal for the election of the auditor, discusses the quarterly, half-year and annual financial statements prepared by the Executive Management Board, deals with risk monitoring and monitors the efficacy of the internal control system and the compliance of the Company.

The Nomination & Compensation Committee prepares recommendations for the Supervisory Board regarding the appointment of the members of the Executive Management Board and their remuneration.

## SUPERVISORY BOARD COMMITTEES

COMMITTEE	UNTIL 14.05.2018	SINCE 15.15.2018
Nomination and Compensation Committee	Dr. Gerd Zettlmeissl Chairman	Dr. Gerd Zettlmeissl Chairman
	Prof. Dr. Horst Domdey	Prof. Dr. Horst Domdey
	Dr. Yita Lee	Dr. Yita Lee
		Dr. Frank Mathias
Audit Committee	Antoinette Hiebeler-Hasner Chairwoman	Antoinette Hiebeler-Hasner Chairwoman
	Ronald Scott	Ronald Scott
	Dr. Keith Manchester	Dr. Keith Manchester

The Nomination and Compensation Committee held four meetings in the course of 2018. The Audit Committee met four times in the reporting period.

## PRESENCE AT NOMINATION AND COMPENSATION COMMITTEE MEETINGS

MEMBER	16.01.2018	14.05.2018	06.08.2018	24.11.2018
Dr. Gerd Zettlmeissl (Chair)	+	+	+	+
Prof. Dr. Horst Domdey	+	+	+	+
Dr. Yita Lee	+	+	-	+
Dr. Frank Mathias (since 15 May 2018)	n.a.	n.a.	+	+

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

## PRESENCE AT AUDIT COMMITTEE MEETINGS

MEMBER	15.03.2018	03.05.2018	02.08.2018	08.11.2018
Antoinette Hiebeler-Hasner (Chair)	+	+	+	+
Dr. Keith Manchester	+	+	+	+
Ronald Scott	+	+	+	+

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

The members of the Supervisory Board additionally hold positions on the following supervisory boards and/or similar bodies of other companies not associated with Medigene AG:

### Prof. Horst Domdey

German supervisory/advisory board positions:

- None

Positions outside Germany:

- None

### Antoinette Hiebeler-Hasner

German supervisory/advisory board positions:

- Grob Aircraft SE, Tussenhausen-Mattsies (Chair)
- Ventuz Technology AG, Grünwald (Chair)

Positions outside Germany:

- None

## **Dr. Yita Lee**

German supervisory/advisory board positions:

- None

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

## **Dr. Keith Manchester**

German supervisory/advisory board positions:

- None

Positions outside Germany:

- Arbutus Biopharma Corporation, Canada (public)
- Roivant Sciences, Inc., Delaware, USA and Roivant Sciences Ltd., Bermuda

## **Dr. Gerd Zettlmeissl**

German supervisory/advisory board positions:

- None

Positions outside Germany:

- ASIT biotech, Brussels, Belgium (public), Chair (until 17 December 2018)
- MSD Wellcome Trust Hilleman Laboratories, New-Delhi, India (Non-Profit), Chair
- Themis Bioscience GmbH, Vienna, Austria, Chair
- Aeras, Rockville, MD, USA (Non-Profit) (until 15 November 2018)

## **Ronald Scott**

German supervisory/advisory board positions:

- None

Positions outside Germany:

- KIDpharma AG, Root, Switzerland
- Basilea Pharmaceutical International Ltd., Basel, Switzerland (public)

## **Dr. Frank Mathias (Supervisory Board member since May 15, 2018)**

German supervisory/advisory board positions:

- Mediatum Amediatum AG, Heidelberg (Chair)
- Leukocare AG, Martinsried
- August Faller GmbH & Co. KG, Waldkirch (Chair)
- leon-Nanodrug GmbH, Munich

Positions outside Germany:

- None

The positions held by members of the Supervisory Board on other supervisory bodies are published on page 103 of the Annual Report 2018.

The profiles as well as their other memberships in controlling boards of all Supervisory Board members being in office are available on the Company's website at <http://www.medigene.com/company/supervisory-board>.

## **Cooperation between the Executive Management Board and the Supervisory Board**

The Executive Management Board and the Supervisory Board cooperate closely and trustingly for the benefit of the Company. The Chairman of the Supervisory Board maintains regular and close contact with the Executive Management Board, especially with the Chief Executive Officer. The Executive Management Board and the Supervisory Board coordinate the Company's strategic direction and discuss at regular intervals the status of research and development projects, business planning and development, strategy implementation, as well as the Company's risk situation and risk management. Deviations from the established business plans and objectives are explained and justified during these sessions. In the Executive Management Board's Rules of Procedure the Supervisory Board specifies that transactions of major significance are subject to the consent of the Supervisory Board. This includes, for example, decisions or measures that have a fundamental impact on the Company's assets, its financial as well as its income position.

## **Remuneration of the Executive Management Board and the Supervisory Board**

Information regarding the remuneration of the members of the Executive Management Board and the Supervisory Board can be found on the Company's website, [www.medigene.com/investors-media/corporate-governance/remuneration](http://www.medigene.com/investors-media/corporate-governance/remuneration), and on pages 96 and 102 et seq. of the Annual Report 2018.

The remuneration system of the Executive Management Board was approved by the Annual General Meeting on August 11, 2016 by approx. 94%, and the remuneration of the Supervisory Board was resolved by approx. 100%.

## **Risk management**

A well-structured risk management system geared to practical requirements helps the Company to identify any risks at an early stage and quickly take the appropriate steps to mitigate such risks. Information about current business risks and details regarding risk management within the Medigene Group are provided in the risk report on pages 25 et seq. of the Annual Report 2018. The report on the accounting-related internal control and risk management system can be found on page 25 et seq. of the Annual Report 2018.

## **Reporting and audit of financial statements**

Medigene AG keeps shareholders and interested parties informed at regular intervals by means of its consolidated financial statements and the quarterly and half-year reports prepared in the course of the fiscal year. The Supervisory Board discusses the consolidated financial statements as well as the half-year and quarterly reports with the Executive Management Board prior to their publication. Consolidated reporting takes place in compliance with the International Financial Reporting Standards (IFRS) as applicable within the European Union, as well as the additional commercial law provisions as applicable under Section 315a (I) of the German Commercial Code (HGB). Annual financial statements, which also provide the basis for taxation, are prepared in accordance with national regulations (HGB) for the purpose of observing German corporate law (calculation of dividends, creditor protection). The consolidated financial statements and individual financial statements are prepared by the Executive Management Board and reviewed by the auditors and the Supervisory Board. The Supervisory Board issues the audit assignment and concludes a fee agreement with the auditors. The auditors participate in the Supervisory Board's discussions about the annual and consolidated financial statements and report on key audit findings.

The consolidated financial statements and the financial statements of Medigene AG were audited by Ernst & Young GmbH Wirtschaftsprüfungsgesellschaft, Munich, the auditors elected by the 2018 Annual General Meeting. Their audit was carried out in accordance with the current German auditing regulations, taking into account the principles of proper auditing stipulated by the Institute of Public Auditors in Germany (Institut der Wirtschaftsprüfer). The audit also included an audit of the risk management system.

## Shareholdings of the Boards

Further information regarding the shareholdings of the members of the Executive Management Board and the members of the Supervisory Board can be found on the Company's website, [www.medigene.com/investors-media/corporate-governance/directors-holdings](http://www.medigene.com/investors-media/corporate-governance/directors-holdings), and on page 104 of the Annual Report 2018.

## Directors' and officers' holdings

	31.12.2018 SHARES	31.12.2017 SHARES	31.12.2018 OPTIONS	31.12.2017 OPTIONS
Prof. Dr. Horst Domdey	39,125	39,125	0	0
Dr. Yita Lee	0	0	0	0
Antoinette Hiebeler-Hasner	0	0	0	0
Dr. Gerd Zettlmeissl	0	0	0	0
Dr. Keith Manchester <sup>1)</sup>	0	0	0	0
Ronald Scott	0	0	0	0
Dr. Frank Mathias (since 15.05.2018)	20,197	n.a.	46,089 <sup>2)</sup>	0
<b>Supervisory Board TOTAL</b>	<b>59,322</b>	<b>39,125</b>	<b>46,089</b>	<b>0</b>
Prof. Dolores J. Schendel, CEO & CSO <sup>3)</sup>	846,296	929,268	72,500	52,500
Dr. Kai Pinkernell, CMO & CDO (since 01.04.2018)	0	n.a.	50,938	n.a.
Dr. Thomas Taapken, CFO (until 31.08.2018)	n.a.	6,000	n.a.	20,000
<b>Executive Management Board TOTAL</b>	<b>846,296</b>	<b>935,268</b>	<b>123,438</b>	<b>72,500</b>

1) Dr. Manchester is Partner and Head of Life Sciences at QVT Financial LP, New York, USA. According to the latest voting rights announcement on June 8, 2018, the funds managed by QVT hold 1,072,879 shares in Medigene AG.

2) The mentioned number of stock options corresponds to 124,839 stock options prior to the share capital decrease in 2013.

3) Prof. Schendel indirectly holds 846,296 Medigene shares in her capacity as Managing Director of DJSMontana Holding GmbH which all are directly allocated to Prof. Dr. Schendel.

## Reportable securities transactions

### Directors' Dealings

Pursuant to Article 19 of the EU Market Abuse Regulation (MAR), the members of the Executive Management and the Supervisory Board of Medigene AG, as well as any persons who have a close relationship with these members (e.g. family members or legal entities, whose managing actions are carried out by a person or closely associated person who are simultaneously carrying out managing actions at Medigene AG), must undertake to report any trading in Medigene AG securities. In addition to reporting the purchase and sale of Medigene AG shares as well as the acceptance or exercise of granted stock option rights, any transactions in securities which relate to Medigene AG shares (e.g. the sale or purchase of options on Medigene AG shares) must be reported. The Company must be notified of such transactions within three working days, and it must then disclose such transactions without delay. The reporting obligation is not applicable if the total value of trading does not exceed the statutory minimum limit of € 5,000 during one calendar year. For the 2018 fiscal year, the following transactions were reported in accordance with Art. 19 MAR respectively:

## Directors' Dealings 2018

NAME	DATE	TRANSACTION	PLACE	PRICE EUR	AMOUNT	VOLUME EUR
Prof. Dr. Dolores Schendel	28.11.2018	Acceptance stock options	OTC	0	20,000	0
Dr. Kai Pinkernell	28.11.2018	Acceptance stock options	OTC	0	17,500	0
DJSMontana Holding GmbH	20.09.2018	Transfer (reduction) <sup>1</sup>	OTC	5.951	82,972	493,766.5512
Dr. Thomas Taapken	31.08.2018	Acceptance stock options	OTC	0	20,000	0
Dr. Thomas Taapken	24.08.2018	Sale	Xetra	14.97	12,000	179,612.40
Dr. Frank Mathias	14.06.2018	Exercise stock options	OTC	3.64	8,750	31,850.00
Dr. Thomas Taapken	25.05.2018	Purchase	Xetra	14.594	3,000	43,780.85
Dr. Thomas Taapken	23.03.2018	Purchase	Xetra	13.765	2,000	27,529.30
Dr. Thomas Taapken	22.03.2018	Purchase	Xetra	15.297	1,000	15,296.99

<sup>(1)</sup> The shares held by DJSMontana Holding GmbH, which are allocated indirectly to Prof. Dr. Dolores Schendel, who has also a management position within DJSMontana Holding GmbH, were transferred to a third party free of charge to fulfil the third party's claim under an existing trusteeship agreement.

## Other

Reportable securities transactions pursuant to Section 33 (1) and Section 38 (1) of the WpHG took place in the fiscal year 2018 (voting rights notifications) which are published by Medigene AG pursuant to Section 40 (1) WpHG accordingly. Information relating to these dealings is available on the Company's website, <https://www.medigene.com/investors-media/press-releases>.

## Statement on corporate governance in accordance with Section 289f and 315d of the HGB

The statement on governance in accordance with Section 289f and 315d of the German Commercial Code (Handelsgesetzbuch, HGB) comprises the declaration of conformity pursuant to Section 161 of the German Stock Corporation Act (Aktiengesetz, AktG), relevant information on corporate governance practices, and a description of the procedures of the Executive Management Board and the Supervisory Board along with the composition and procedures of their committees.

Pursuant to Section 161 of the AktG, any non-compliance with the recommendations of the German Corporate Governance Code must be described and justified in the declaration of conformity. Medigene reports on non-compliance with certain recommendations of the German Corporate Governance Code as described in the following statement on corporate governance.

### I. Declaration of conformity by the Executive Management Board and Supervisory Board of Medigene AG pursuant to Section 161 of the AktG

Section 161 (I) (1) of the German Stock Corporation Act (AktG) requires the Executive Management and the Supervisory Boards of a listed stock corporation to declare annually that the recommendations of the "Government Commission on the German Corporate

Governance Code" published by the Federal Ministry of Justice in the official section of the Federal Gazette have been and are complied with, and which recommendations have not been or are not being applied, and for what reason. In addition to the presentation of the applicable German Stock Corporation Act, the German Corporate Governance Code ("Code") also includes recommendations from which a company may deviate ("shall" provisions). However, any deviation has to be disclosed and accounted for annually.

Since issuing the last Declaration of Conformity on 28 November 2017 Medigene AG has complied with the recommendations of the Code in its version dated 7 February 2017, except with the declarations made in the Declaration of Conformity of 28 November 2017. For the period starting 27 November 2018 the Executive Management and Supervisory Boards declare conformity with the Code in its version dated 7 February 2017 with the following exceptions, and declare their intention to comply in the future as follows:

### **Section 3.8 para. 3 of the Code: Deductible in the case of D&O insurances**

The D&O insurance (so-called directors' and officers' liability insurance) taken out by Medigene AG for its Supervisory Board members does not provide for any deductible. Medigene AG does not intend to agree a general deductible for its Supervisory Board members with its D&O insurance carrier. The legal obligation to agree upon D&O insurance contracts including a deductible pursuant to Section 93 (II) (3) of the German Stock Corporation Act (AktG) is applicable only to Executive Management Board members. In Section 116 (I) of the German Stock Corporation Act, the legislator did not require any deductible for Supervisory Board members, but expressly excluded the Supervisory Board instead. The Executive Management and Supervisory Board of Medigene AG believe that the nature of the position as a Supervisory Board member, which is also emphasized by the different remuneration, calls for a distinction between D&O insurances for Executive Management and Supervisory Board members. Both the Executive Management and Supervisory Boards also believe that the motivation and sense of responsibility applied by the members of the Supervisory Board of Medigene AG in the fulfillment of their duties are fully guaranteed without any general deductible as recommended under the Code.

### **Section 4.1.5 sentence 2 of the Code: Proportion of women in management levels under the Executive Management Board**

The Executive Management Board of Medigene AG resolved on a target regarding the proportion of women in the so-called „Management Team“. A second level was consciously not defined in the light of the current size of Medigene AG and the respective structure of the company, which would not be meaningful and appropriate. The definition of only one management level in the form of the Management Team reflects existing reporting lines to the Executive Management Board. A second management level which would be meaningful in the sense of the Equal Opportunities Act does not exist and cannot meaningfully defined through titles or other definitions such as responsibility over personnel.

### **Section 4.2.3 para. 3 of the Code: Establishment of a targeted pension level**

For the members of the Executive Management Board of Medigene AG, there is a defined contribution plan that does not aim to achieve a specific level of pensions. The Supervisory Board considers the existing pension system as appropriate and well balanced.

## **Section 5.4.1 para. 4 sentence 1 of the Code: AGM election proposals for the Supervisory Boards taking into account female target levels**

The Supervisory Board of the Company resolved upon a female target level of at least 16.7% in July 2017 to be achieved until 30 June 2022. This target level is also addressed within the competence profile of the Supervisory Board. By election of Dr. Frank Mathias as additional seventh member of the Supervisory Board at the Annual General Meeting on 15 May 2018 with a term of office until the Annual General Meeting in 2019, the current level of 16.7% was reduced to 14.3%. The election proposal of Dr. Frank Mathias was made in order to complement the Board's pharmaceutical expertise and because of his knowledge of the Medigene Group, and to also further fulfill the various requirements of the competence profile as a whole. This led to a reduction in the current level of the female ratio in the Supervisory Board regarding the target level. Nevertheless, the Supervisory Board keeps on holding on to the set target level of at least 16.7% until June 2022.

## **Section 5.4.6 para. 1 sentence 2 of the Code: Consideration of committee work in the compensation of Supervisory Board members**

There is no differentiation between a chairman and a regular member of a committee. Both the Executive Management and Supervisory Boards believe that the Supervisory Board members show a high degree of commitment in their committee work without any such arrangement.

Martinsried, 27 November 2018

For the Supervisory Board:

For the Executive Management Board:

Prof. Horst Domdey  
Chairman of the Supervisory Board

Prof. Dolores Schendel  
Chief Executive Officer

The declarations of conformity of Medigene AG are available for a minimum of five years in each case on the Company's website (<https://www.medigene.com/investors-media/corporate-governance/declaration-on-corporate-governance-convenience-translation/>)

## II. Function and composition of the Executive Management Board and the Supervisory Board

### Function and composition of the Executive Management Board

The Executive Management Board of Medigene AG in its entirety and each individual Board member engage in the business of the Company with the due care and diligence of proper and conscientious management in accordance with the law, the Articles of Association and the Executive Management Board's Rules of Procedure. The Executive Management Board assumes responsibility for the management of the Company. In doing so, it is obliged to act in the Company's best interest and is committed to sustainably enhancing enterprise value. In managing the Company, the Executive Management Board considers the interests of the Company's shareholders, employees and other stakeholders.

In the 2018 fiscal year, the Executive Management Board of Medigene AG had either two or three members. As of January 1, 2018, the Executive Management Board consisted out of two members, Prof. Dr. Dolores Schendel as CEO and Dr. Thomas Taapken as CFO. From April 1, 2018 with the appointment of Dr. Kai Pinkernell, the number of board members increased from two to three. Dr. Thomas Taapken left the Executive Management Board as of August 31, 2018. The Executive Management Board therefore consisted of Prof. Dolores Schendel as Chief Executive Officer and Chief Scientific Officer and Dr. Kai Pinkernell as Chief Medical Officer and Chief Development Officer from September 1, 2018 onwards. According to the allocation of duties of the Executive Management Board, Dr. Kai Pinkernell assumed the responsibility for finance matters from September 1, 2018.

Members of the Executive Management Board cooperate closely and keep each other informed about important measures taken and processes implemented in their areas of responsibility. The Executive Management Board passes resolutions during meetings which take place at regular intervals, at least once a month. If required, the Executive Management Board also takes decisions outside its regular meetings.

The Executive Management Board's Rules of Procedure describe the processes and approaches that form the basis of the Executive Management Board's work. The Rules of Procedure also include regulations for business transactions which require the Supervisory Board's consent, the Company's organisational chart and basic behavior policy guidelines.

The Executive Management Board works closely with the Supervisory Board. It keeps the Supervisory Board informed regularly, promptly and comprehensively on all business matters relevant to the Company.

### Function and composition of the Supervisory Board

It is the duty of Medigene AG's Supervisory Board to appoint the members of the Executive Management Board, to advise them regularly and to control and support the management and the achievement of Medigene AG's long-term goals. The Supervisory Board of Medigene AG is composed of seven members, pursuant to Article 10 (I) (1) of the Articles of Association and to Sections 95, 96 (I) and 101 (I) of the AktG as of December 31, 2018.

The term of office of the Supervisory Board consisting of originally three members elected by the Annual General Meeting on August 11, 2016 expires at the end of the Annual General Meeting in 2019, which will resolve on the Supervisory Board's discharge for the 2018 fiscal year. This office term also applies for the additional four members elected by the Annual General Meeting on May 24, 2017 and May 15, 2018 by way of a supplementary election.

Dr. Keith Manchester, Dr. Gerd Zettlmeissl and Ronald Scott were elected on May 24, 2017, and Dr. Frank Mathias on May 15, 2018 as additional members of the Supervisory Board. Prof. Horst Domdey (Chairman), Ms. Antoinette Hiebeler-Hasner (Deputy Chairwoman), Dr. Yita Lee, Dr. Keith Manchester, Dr. Gerd Zettlmeissl, Ronald Scott and Dr. Frank Mathias are currently the members of the Supervisory Board. Ms. Hiebeler-Hasner serves as the independent financial expert as required under Section 100 para. 5 of the AktG, while also chairing the Audit Committee.

In alignment with the defined aims for its composition, more than 50% of the members of the Supervisory Board are considered to be independent within the meaning of the German Corporate Governance Code.

The Supervisory Board conducts an efficiency review every two years in accordance with Section 5.6 of the German Corporate Governance Code. The last review took place in March 2017. The next evaluation is planned to take place in March 2019. All reviews carried out to date ascertained that the Supervisory Board's organisation is efficient and confirmed optimum cooperation between the Executive Management Board and the Supervisory Board.

The Supervisory Board has set up two committees for the fulfilment of its duties:

### **Nomination & Compensation Committee**

The tasks of the Nomination and Compensation Committee include human resource issues regarding the members of the Supervisory Board and the Executive Management Board. The focus is on preparing the service agreements for the members of the Executive Management Board and submitting proposals for their remuneration. The decision about these aspects is taken by the Supervisory Board. The Nomination and Compensation Committee comprises Dr. Gerd Zettlmeissl in the capacity of Chairman as well as Prof. Horst Domdey, Dr. Yita Lee and Dr. Frank Mathias as of December 31, 2018.

### **Audit Committee**

The members of the Audit Committee deal with issues relating to accounting, risk management, internal control system and compliance, required independence of the auditor, issuing the audit assignment to the auditor, determining audit priorities and agreeing to the audit fee with the auditors. The Audit Committee comprises Ms. Antoinette Hiebeler-Hasner in the capacity of Chairwoman, Dr. Keith Manchester and Ronald Scott as of December 31, 2018.

### III. Law on the equal participation of men and women in leadership positions

In accordance with the law on the equal participation of men and women in leadership positions, which came into effect on May 1, 2015, the Supervisory Board established by initial resolution on October 8, 2015 a target figure for the representation of women in the Supervisory Board, whereas at the time of passing the resolution, the proportion stood at 0%. The Supervisory Board of Medigene AG should reach the target of at least 15% by June 30, 2017 which was fulfilled by 16.7%. The Supervisory Board resolved on July 25, 2017 a target of at least 16.7% to be applicable by June 30, 2022. During the reporting period there was one woman on the six-member Supervisory Board of Medigene AG (equals to 16.7%) until May 14, 2018 and on the seven-member Supervisory Board (equals to 14.3%) from May 15, 2018. By election of Dr. Frank Mathias as additional seventh member of the Supervisory Board at the Annual General Meeting on 15 May 2018 with a term of office until the Annual General Meeting in 2019, the current level of 16.7% was reduced to 14.3%. The election proposal of Dr. Frank Mathias was made in order to complement the Board's pharmaceutical expertise and because of his knowledge of the Medigene Group, and to also further fulfill the various requirements of the competence profile as a whole. This led to a reduction in the current level of the female ratio in the Supervisory Board regarding the target level. Nevertheless, the Supervisory Board retains the commitment to achieve the set target of at least 16.7% until June 2022.

Furthermore, the Supervisory Board defined initial targets for the Executive Management Board on October 8, 2015. In line with these, the proportion of women in the Executive Management Board should have been at least 25% by June 30, 2017. At the time of passing the resolution on October 8, 2015, the proportion stood at 33%, as of June 30, 2017, December 31, 2017 and December 31, 2017 the proportion stood at 50%. The Supervisory Board resolved on July 25, 2017 a target of at least 25% to be applicable by June 30, 2022.

On September 30, 2015, the Executive Management Board of Medigene AG also established a target proportion of women in the "management team", the management tier below the Executive Management Board. The management team of Medigene AG consists out of departments' heads with a direct reporting line to the Executive Management Board. In line with this, the proportion of women in the management team should have been at least 30% by June 30, 2017. At the time of passing the resolution this proportion was 42%, and 40% as of June 30, 2017. The Executive Management Board resolved on July 4, 2017 a target of at least 30% to be applicable by June 30, 2022. Although this is envisaged by the act, the resolution does not define two separate tiers of management below the Executive Management Board as this would not have been meaningful or appropriate given Medigene AG's current size and structure. By only defining one tier of management (the management team) the reporting lines to the Executive Management Board are reflected. Although the definition of a second management tier would be indicated by the law, this does not exist and cannot be clearly defined by job titles or management responsibility in this case.

## OVERVIEW OF TARGET FIGURES AND DEVELOPMENT FOR THE REPRESENTATION OF WOMEN

	AS OF 08.10.2015	TARGET 30.06.2017	AS OF 30.06.2017	TARGET 30.06.2022	AS OF 31.12.2017	AS OF 31.12.2018
Supervisory Board	0 %	≥ 15 %	16.7 %	≥ 16.7 %	16.7 %	14.3 %
Executive Management Board	33 %	≥ 25 %	50 %	≥ 25 %	50 %	50 %
Management level below the Executive Management Board	42 %	≥ 30 %	40 %	≥ 30 %	33.3 %	33.3 %

Medigene AG will continue to report on its implementation in achieving the self-defined target proportions.

## IV. Compliance Management System & Key Corporate Governance Practices

### Code of Conduct

Medigene implemented a formal Compliance Management System. This includes a Code of Conduct which is published on the Company's website <https://www.medigene.com/investors-media/compliance/code-of-conduct/>.

The code of Conduct explains the Company's philosophy and addresses certain topics such as interaction amongst each other, with patients and shareholders, but also how to deal with conflicts of interest and the commitment to comply with laws and regulations, especially compliance with securities exchange regulations. Employees are asked to report any breaches to their superior or the responsible Executive Management Board member.

### Compliance risk areas

Compliance relevant areas were identified as compliance risk areas such as criminal law, tax law and accounting, data protection, laboratory security and pharmaceutical law with applicable stipulations and internal guidelines and rules of procedures.

A key aspect of this is the securities law as well as the statutory prohibition of insider trading complemented by the Company's insider policy and rules of conduct. Employees who are involved in insider projects will be informed about their rights and obligations as well as legal consequences in case of a breach of law. The members of the Executive Management Board and the Supervisory Board are informed likewise as insiders and directors of the Company regarding directors' dealings.

Medigene implemented a Risk Management System (RMS) as a supervision tool to control potential risks, to identify essential developments early and to initiate counter-measures to avoid risk materialisation. Medigene's activities are permanently exposed to external and internal influences and changes linked to risk potentials. To prevent risks and to manage risks through the avoidance of risks, minimisation of risks and risk mitigation and therefore to secure the Company's existence in the long term is the core task of a systematic risk management.

Furthermore, an Internal Control System (ICS) was implemented with the aim, amongst others, to avoid or to reduce the number of mistakes or to identify irregularities in accounting early by set control activities. The correctness, completeness and the reliability of accounting by regular manual and IT-based controls as well as a timely and reliable financial reporting through transparent business processes and control of interfaces and evaluations shall be ensured.

Company policies and standard operating procedures are issued in many areas, and these should be followed, with compliance being monitored by the appointed area's representative(s).

Furthermore, Medigene has signed up to the code of the "Voluntary Self-Regulation for the Pharmaceutical Industry" organisation ("Freiwillige Selbstkontrolle für die Arzneimittelindustrie e.V."; <http://www.fs-arzneimittelindustrie.de/verhaltenskodex>). The aim of this organisation is to observe and ensure proper collaboration between pharmaceutical companies and physicians, pharmacists, patient self-help organisations and other members of the medical community, sanctioning violations where necessary.

## Compliance Officer & Compliance Committee

The Compliance Management System and its effectiveness is supervised by a Compliance Officer. With the support of the Compliance Committee, the Compliance Officer monitors changes to legislation and directives as well as compliance with operational processes. If needed, the Compliance Officer together with the Compliance Committee works on change requests to improve the effectiveness of the CMS. The Compliance Committee, which is supporting the Compliance Officer, consists of representatives from Human Resources, Finance, Quality Assurance and Legal Affairs.

The Compliance Officer is independent in his actions in connection with his activities. It is important that he retains the necessary autonomy in the interest of a functioning CMS. Reporting is made directly to the Chairperson of the Audit Committee with information provided to the Executive Management Board being the board having the overall responsibility for compliance.

## Whistleblower System

Employees and third parties have the possibility to share information about legal violations in the Company through the Whistleblower System implemented on the Company's website. It may occur that employees or third parties witness actions or behavior that is not in line with the Code of Conduct or applicable law, such as misconduct, rude behavior, dubious practices or divergence from guidelines and procedures. The Whistleblower System allows such information to be communicated to the Company, also anonymously. Whistleblowers that provide a tip-off in good faith need not fear any negative consequences. Addressee of any tip-off provided through the Whistleblower System is the Compliance Officer.

The Compliance Management System forms the basis of Medigene AG's and its affiliates' corporate activities.

Martinsried, March 2019

For the Supervisory Board:

For the Executive Management Board:

Prof. Dr. Horst Domdey  
Chairman of the Supervisory Board

Prof. Dr. Dolores J. Schendel  
Chief Executive Officer