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Our Sustainability Approach

About This Non-Financial Group Report
With the following separate non-financial report, MorphoSys AG voluntarily provides information pursuant to Section 315b and Section 289b ff. HGB (German Commercial Code) on material non-financial aspects for the Group’s fiscal year 2020 (January 1, 2020 to December 31, 2020) and thus on those aspects relevant for an understanding of the Group’s business development, results of operations and group management as well as the effects of its business activities.

The requirements of the CSR Directive Implementation Act (CSR-RUG) were taken into account in the preparation of the non-financial report. In particular, the analysis of the material aspects as well as the description of the concepts were additionally based on the Global Reporting Initiative (GRI) standards. A full application of the GRI standard is too extensive for the MorphoSys Group at the current time and therefore not expedient.

Unless otherwise stated, the report applies to the entire MorphoSys Group according to the scope of consolidation for financial reporting purposes.

PricewaterhouseCoopers GmbH Wirtschaftsprüfungsgesellschaft (PwC) has been engaged on a voluntary base to perform a limited assurance on the non-financial report in accordance with ISAE 3000 (Revised). The report can be found on page 20.

References made in this non-financial report to information outside the Annual Report are additional information and are therefore not part of the assurance engagement.

Our Understanding of Sustainability
We are conscious of the responsibility we share for present and future generations and see sustainable action as a prerequisite for long-term business success. MorphoSys is dedicated to the discovery, development and commercialization of innovative therapies to improve the lives of patients suffering from serious diseases. To ensure sustainable business success, it is our responsibility to incorporate ESG into our daily business and base our business model on sustainable growth that is aligned with the interests of all of our stakeholders. By doing this we are focused on creating long-term value and weigh our actions in terms of their impact on the environment, society, patients and employees.

Our Business Model
Information on our business model can be found in the 2020 Annual Report on page 53.

Non-Financial Risk Analysis
According to the CSR-RUG on the disclosure of non-financial information, companies must, in addition to reporting on material aspects, also disclose related risks that are linked to their own business activities, business relationships, products and services and that are very likely to have or will have serious negative effects on the material aspects according to Section 289c (2) HGB. The Group has not identified any such risks in the financial year under review on a net basis in accordance with Section 289c (3) Nos. 3 and 4 HGB. Further information on opportunities and risks can be found in the Risk and Opportunity Report section of the 2020 Annual Report on page 92.
**Statement on the Impact of the Global COVID-19 Pandemic**

MorphoSys recognizes the impact of the global COVID-19 pandemic on healthcare systems and society worldwide, as well as the resulting potential impact on preclinical and clinical programs, especially clinical trials. Measures to mitigate the impact of the pandemic on MorphoSys’ employees and patients were implemented immediately. We continuously monitored the situation and took appropriate decisions on a case-by-case basis to ensure the safety of our employees, patients, study personnel and other stakeholders, as well as to safeguard data integrity.

More detailed information on mitigation measures and efforts to ensure normal business operations in the different areas can be found in the respective paragraphs of this report.

**Materiality Analysis**

The report presents the material non-financial aspects that have been determined according to their business relevance and the Group’s impact on the aspects according to Section 289c (3). The analysis was based on an environment analysis and involved the responsible departments as well as MorphoSys’ Executive Committee.

The following three topics have been identified as most relevant: business ethics and compliance, social matters and employee matters.
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Business Ethics and Compliance

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**Business Ethics and Compliance**

This chapter deals with MorphoSys’ compliance organization and anti-corruption strategy, bioethics in preclinical research as well as in clinical development, and selling practices and labeling.

**Compliance Organization and Anti-Corruption**

We are committed to good corporate governance practices which include the highest standards in business ethics and compliance as set up in our [Code of Conduct](#). For further information please also see our [Corporate Governance Report 2020](#).

Our Global Compliance Committee comprises three Management Board members, the President of MorphoSys US Inc. and four executives in the legal, compliance and human resources functions. The Committee meets quarterly and is available to our employees as a point of contact at all times. The Head of Global Compliance, who also chairs the Global Compliance Committee, coordinates the different aspects of MorphoSys’ Compliance Management Program (CMP). Please see the following figure for details of our CMP.

Our maxim “Integrity in all we do” sets the direction for all our business activities. Our CMP adheres to state-of-the-art requirements and addresses anti-bribery and anti-corruption topics in line with our corporate culture, our values and applicable internal and external regulations. It is set up to protect patients and investors as well as MorphoSys as a company, its reputation, and to support business continuity and sustainable growth.

Our goal is to nurture the culture of integrity and compliance and prevent compliance violations as far as possible through continuous risk assessment, monitoring of our activities and training of all our employees.
Focus in 2020

In 2020 our main focus was to support all Monjuvi® (tafasitamab-cixix) launch activities in the U.S. in line with all relevant ethical and compliance standards. We built a compliance function for our U.S. subsidiary MorphoSys US Inc., complementing the existing processes in our headquarters in Germany. The local U.S. Compliance Management Program comprises all necessary elements, such as a local Compliance Committee, policies, risk assessment and training, to keep the organization compliant with all relevant regulations and to support our development and commercialization plans in the U.S., including the launch of Monjuvi.

In the fourth quarter of 2020, we conducted a compliance risk assessment which included several interviews with MorphoSys employees in Germany and the U.S. as well as an online survey based on a tailored risk register. A detailed evaluation is ongoing and appropriate mitigation measures are being developed and implemented.

In addition, we continuously improved our policies, processes and training based on the data analysis of the compliance risk assessment, monitoring results, internal audits and feedback from other departments. This led, for example, to a newly created social media policy that was rolled out, and which employees were trained to comply with.

Special attention was paid to training in the year under review. This is a result of the rapidly growing number of employees at MorphoSys who need to be trained to the Group level of compliance and corporate culture in order to be able to operate according to our ethical standards. The global COVID-19 pandemic posed a particular challenge, as face-to-face interactions were limited and we needed to switch to virtual engagements for all training. An e-learning on the Code of Conduct has been very well received by employees throughout the Group and has already been successfully completed by a vast majority of the workforce.

In November 2020 we launched a campaign for the “Compliance Week 2020” with the goal to raise awareness of the topic among all employees. The campaign was accompanied by internal and external communications from top-management, internal presentations, videos and giveaways educating colleagues about the importance of behaving with “Integrity in all we do.”

In the reporting year the Global Compliance department implemented an integrity line hosted by an external provider. This electronic incident management system allows employees to report any compliance concerns in four languages, along with having the option to be anonymous. Every employee has been trained on how to use this system. The non-retaliation principle is reflected in the respective policy. The MorphoSys Compliance department reviews potential compliance cases, escalates them to the respectively responsible local or global Compliance Committee where necessary, and manages investigations and follow-up actions, where required, in line with the respective policies.

As an external benchmark, we use the Seven Elements of a Compliance Management Program as communicated by the Office of Inspector General (OIG), the updated Guidance 2020 of the U.S. Department of Justice, as well as applicable EU Directives and regulations. In addition, there are Entity Level Controls in the framework of Sarbanes-Oxley Act (SOX) controls addressing key compliance elements on a regular basis. These indicators are constantly monitored and improved.

One of our priority projects for 2021 will be the rollout of a transparency and disclosure system to seamlessly collect and report the spend under the U.S. Open Payments Act (“Sunshine Act”) and related regulations on a federal and state level. Both MorphoSys AG and MorphoSys US Inc. are subject to this reporting. Data collection will start in 2021; the first federal report is due in 2022. The system has already been set up and is currently in the test stage.
Bioethics in Preclinical Research

Founded in 1992, MorphoSys has almost 30 years of experience in biotechnological research. Our work on antibody discovery and research on behalf of pharmaceutical partners as well as for our proprietary portfolio has always been guided by the highest ethical standards.

As European and international legislation requires animal testing to determine the toxicity, pharmacokinetics and pharmacodynamics of drug candidates, we as a biopharmaceutical company cannot forgo this type of testing. Animal testing for our drug candidates is outsourced to contract research organizations (CROs) as we do not have laboratories suitable for this type of research.

As part of our product development activities, we award contracts for animal studies in accordance with the 3Rs principle of animal welfare (Replace, Reduce, Refine) as set out in national, European and international regulations. We aim to improve animal welfare by closely monitoring the adherence to the 3Rs principle. The principle describes the use of methods in research which replace the use of animals where possible, which enable researchers to obtain the same level of information from fewer animals (reduce), and which alleviate or minimize potential pain or distress for the animals (refine). We have established a quality assurance system with written standard operating procedures (SOPs) that are continuously updated to ensure that we work only with those CROs who comply with local, national and international guidelines and animal welfare regulations.

The institutions we work with also need to ensure that they are complying with the ethical principles and legal requirements involving animal research. In certain circumstances, these facilities are required to have a Good Laboratory Practice (GLP) quality assurance certificate. These steps are intended to help fulfill our moral obligation to treat animals respectfully as well as our legal obligations. On-site visits are also conducted with the scope of audits to check the contract research institutes’ test centers, the training and competence of the responsible staff and animal welfare.

The department is in regular contact with the Head of Research, who reports to the responsible Management Board Member for Research and Development.

Focus in 2020

In the reporting year we continued to strictly apply the 3Rs principle of animal welfare which is tracked by various metrics. All scientists working in the preclinical research area are instructed in regular meetings to comply with this principle.

Due to the COVID-19 pandemic, one CRO audit planned for the reporting year had to be postponed to January 2021.

Our Clinical Pipeline

<table>
<thead>
<tr>
<th>Program Indication</th>
<th>Most advanced development stage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Tafasitamab (MOR208)¹</td>
<td>L-MIND / γ, relapsed or refractory (r/r)</td>
</tr>
<tr>
<td>Diffuse large B-cell lymphoma (DLBCL)</td>
<td>PHASE 1</td>
</tr>
<tr>
<td>B-MIND / γ, r/r DLBCL</td>
<td>PHASE 2</td>
</tr>
<tr>
<td>First-MIND / γ, first-line DLBCL</td>
<td>PHASE 3</td>
</tr>
<tr>
<td>FrontMIND / γ, first-line DLBCL</td>
<td>LAUNCHED</td>
</tr>
<tr>
<td>InMiND / γ, r/r follicular lymphoma / marginal zone lymphoma</td>
<td></td>
</tr>
<tr>
<td>Felzartamab (MOR202)¹</td>
<td>M-PLACE / γ, Anti-PLA2R-positive</td>
</tr>
<tr>
<td>Membranous nephropathy</td>
<td></td>
</tr>
<tr>
<td>New-PLACE / γ, Anti-PLA2R-positive</td>
<td></td>
</tr>
<tr>
<td>Membranous nephropathy</td>
<td></td>
</tr>
</tbody>
</table>

¹ Global Collaboration and License Agreement with Incyte Corporation; co-commercialization in the U.S.; Incyte has exclusive commercialization rights outside the U.S.
² Not conducted, as not necessary
**Bioethics in Clinical Development**

We conduct clinical trials in accordance with the ICH Harmonized Tripartite Guidelines for Good Clinical Practice (ICH-GCP), with applicable local regulations and with the ethical principles laid down in the Declaration of Helsinki. At MorphoSys, we make it a priority to protect the rights, safety and well-being of all participants involved in clinical trials. Clinical trials are only initiated after the Independent Ethics Committee (IEC)/Institutional Review Board (IRB) and/or regulatory authorities give written approval or a favorable opinion as required. In addition, written informed consent of clinical trial participants must be obtained prior to their participation.

**Focus in 2020**

With the accelerated approval of Monjuvi by the U.S. Food and Drug Administration (FDA), our first proprietary drug, in July 2020, MorphoSys became a fully integrated biopharmaceutical company. The FDA approval was based on data from the MorphoSys-sponsored Phase 2 L-MIND study (MOR208C203), an open label, multicenter, single-arm trial of Monjuvi in combination with lenalidomide as a treatment for adult patients with relapsed or refractory (r/r) diffuse large B-cell lymphoma (DLBCL). Receiving approval based on a single-arm study without a comparator arm required highly innovative approaches to drive clinical development. The contribution of tafasitamab to the activity of the combination was supported by the efficacy of tafasitamab monotherapy in an r/r DLBCL cohort from the MOR208C201 study. With regards to the activity of lenalidomide, MorphoSys chose to follow a real world data approach via an observational retrospective study (MOR208C206, RE-MIND). The study was designed to characterize the effectiveness of lenalidomide monotherapy in the treatment of r/r DLBCL and to compare the effectiveness of lenalidomide monotherapy with the efficacy outcomes with tafasitamab + lenalidomide therapy. The efficacy data of the L-MIND trial was considered by the authorities in the context of results observed in the RE-MIND study and literature reports regarding the activity of single agent lenalidomide.

Due to the global COVID-19 pandemic, MorphoSys took a variety of factors into consideration, such as a potential adaptation of clinical trials due to restrictions on visits to healthcare facilities, increased demands on healthcare services and changes in the availability of study personnel. MorphoSys continuously monitored the situation and took appropriate decisions on a case-by-case basis to ensure the safety of patients, study personnel and other stakeholders, as well as to safeguard data integrity.

Patient enrollment for all ongoing tafasitamab studies in the reporting year continued as planned. Patients with DLBCL suffer from a life-threatening disease that requires treatment and usually does not allow a delay in therapy. However, a potential delay in recruitment cannot be ruled out due to the factors mentioned above.

Patient enrollment for the M-PLACE study with felzartamab (MOR202), which had been temporarily paused due to the COVID-19 pandemic, was resumed in the second quarter of 2020.
Selling Practices and Labeling
The FDA approval and U.S. launch of Monjuvi was a milestone in the reporting year. In January 2020, MorphoSys and Incyte entered into a collaboration and licensing agreement to further develop and commercialize the drug globally. Monjuvi is being co-commercialized by Incyte and MorphoSys in the U.S. Incyte has exclusive commercialization rights outside the U.S.

The Monjuvi launch also brought anticipated changes in the organizational structure of MorphoSys, including the implementation of completely new functions and departments along the Company’s value chain.

In particular, marketing and sales structures had to be established starting in 2019 – a process that has continued throughout 2020. By building up a highly qualified team of experts, we wanted to ensure that we meet all relevant standards of business ethics and compliance.

To adhere to good commercial practice, Review Committees (RCs) have been established to review and approve all commercial materials and tactics. An internal RC focuses on MorphoSys materials only, a second joint RC is set up together with our partner Incyte and consists of representatives of both companies focusing on reviewing and approving joint materials and activities. Any sales and marketing materials must be reviewed and approved by the RCs prior to submission to the health authorities.

The formal training of our sales representatives is a cornerstone of our strategy when it comes to business ethics and compliance in this field. Each representative undergoes detailed training on the product and disease state. Successful certification is required before they can begin to engage with healthcare professionals. A learning management system tracks training progress and certification. In addition, our sales representatives are trained in all relevant compliance and legal policies by the MorphoSys compliance and legal teams.

Regarding product labeling, the balance of benefit and risk is always displayed in any promotional materials. As this is the main information that can be shared with prescribers, we attach great importance to ensure that all relevant information is included in all promotional materials to achieve the highest quality standards.

Focus in 2020
Our focus in 2020 was the ongoing refinement of the organizational structures as outlined above. Training courses for sales representatives were conducted and their progress was monitored. The measures implemented in the reporting year support us on our growth path as a commercial-stage biopharmaceutical company.
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Social Matters

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Social Matters

In the field of social matters, MorphoSys focuses on the following aspects as identified in the materiality analysis: 1) quality of products, 2) access to medicine, 3) innovation in research and development (R&D) and 4) data protection.

Quality of Products

We have a special responsibility to comply with the utmost in quality standards with all processes. We use a Quality Management System (QMS) to ensure the quality of commercial and investigational medicinal products and the integrity and reliability of the data generated. Furthermore, the QMS shall ensure the protection of rights, safety and well-being of clinical trial subjects.

Our integrated QMS complies with the applicable principles of Good Manufacturing Practice (GMP), Good Clinical Practice (GCP), Good Laboratory Practice (GLP), Good Distribution Practice (GDP) and Good Pharmacovigilance Practice (GVP), commonly referred to as GxP in the following, to control and regulate these processes in our own drug development activities. In doing so, we want to ensure that all development activities follow national and international laws, rules and guidelines. Our independent quality assurance department prepares an annual risk-based audit plan for the objective auditing of contract research organizations, investigational sites, suppliers and contract manufacturers in the GxP area as well as of internal GxP systems and processes.

The Head of Global Quality Assurance reports directly to a member of the Executive Committee. In addition, GMP/GDP status updates are reported and discussed with relevant members of the operational management team as well as the Executive Committee in a Quality Management Review meeting twice a year.

Focus in 2020

MorphoSys conducted audits in 2020 in the GxP area. A certain number of audits from the audit plan 2020 needed to be adjusted due to project-specific requirements, the majority of the remaining audits listed in our audit plan for the reporting year were conducted as planned. Due to COVID-19 pandemic constraints, some of the audits were conducted remotely. For audit findings an action plan was drawn up, and implementation of the measures is regularly reviewed.

The FDA approval and U.S. launch of Monjuvi was one of the key topics also in the field of quality assurance in the reporting year. The quality management system was further developed and adapted accordingly. In addition, inspections in connection with the Biologics License Application (BLA) carried out by the U.S. FDA have been conducted remotely due to the COVID-19 pandemic.

Social Matters
**Access to Medicine**

Ensuring access to our medicines is a critical priority for MorphoSys, and we make considerable investments in developing potential medicines for patients in need. MorphoSys does so without a guarantee of clinical and commercial success, as many products in research and development phases do not achieve market authorization. Sustainable revenues from approved and commercially viable products allow for future investments into our research and development efforts.

At MorphoSys, our philosophy is to responsibly price our medicines by balancing the value of the outcomes and innovation they bring to patients and the healthcare system. There are patients who do not have third-party coverage in several countries of the world. For this reason, access to medicine also involves a social, charitable commitment to help patients without coverage. MorphoSys is dedicated to supporting patients throughout their treatment journeys, and we are working together to help remove patient access barriers. As part of this commitment, MorphoSys believes in offering patient support programs to eligible patients who are prescribed MorphoSys medicines.

The responsible department consists of a global team responsible for setting the strategic direction for value, access and policy across all markets and of a respective team to execute tactics in the U.S. There is a dual structure reporting directly to the Chief Operating Officer as well as to the President of MorphoSys US Inc., with regular updates to the Management Board.

**Focus in 2020**

Since Monjuvi launched in the third quarter of 2020, MorphoSys and Incyte have co-commercialized the drug in the U.S. As part of the companies’ commitment to supporting patients, the “My MISSION Support program” was set up in the reporting year. My MISSION Support is a robust patient support program offering financial assistance, ongoing education and other resources to eligible patients who are prescribed Monjuvi in the U.S.

In addition to My MISSION Support, the non-profit MorphoSys Foundation has been installed in the U.S. Its main purpose is to provide free product to people who are in need, meet certain eligibility requirements, and also are either uninsured, have insurance that does not cover Monjuvi, or cannot afford the cost-sharing for the drug under policies set by their insurance. Furthermore, the foundation provides charitable grants and donations. In 2020 the foundation helped fund programs to support patients affected by the COVID-19 pandemic. Each program addressed a specific unmet need, including the payment of non-medical bills, provision of psycho-social support or transportation to medical care or treatment.

Before Monjuvi launched, we provided certain patients in the U.S. with access to tafasitamab free of charge through an expanded access program (EAP). In February 2020, we launched this EAP for patients with relapsed or refractory diffuse large B-cell lymphoma (r/r DLBCL) in the U.S. who are neither treated satisfactorily with an approved drug nor able to participate in a clinical trial. An EAP enables biopharmaceutical companies and physicians to address the unmet medical needs of patients suffering from life-threatening or rare diseases by making innovative medicines available in an ethical and legally compliant manner before their approval.

**Innovation in Research and Development (R&D)**

Our research and development strategy is focused in areas of high unmet medical need where people’s lives depend on novel and differentiated treatment options. We aim to make a real difference in patients’ lives by focusing on therapeutic areas that best fit our expertise and make the best use of our resources. This includes hematological and solid tumor indications as well as autoimmune diseases. At the core, our Company looks to foster innovation, develop, and deliver high-quality and safe drugs and to make them accessible to patients – a commitment for a sustainable contribution to society’s health.

Our research organization is based in Planegg/Germany. The Head of Research reports directly to the Chief Research & Development Officer (CR&DO) to ensure close exchange and collaboration between research and development.

**Focus in 2020**

Our focus in 2020 was to position the R&D organization in line with our transition to a fully integrated biopharmaceutical company. This implies a further shift from a focus primarily on technology development to a focus on applying technologies to discover and develop highly differentiated medicines for patients in areas of high unmet need. In the sense of “OneMorphoSys,” all divisions on both sides of the Atlantic work closely together to strengthen the approach of “translational research” - from bench to bedside, but also in a reverse translational sense from bedside to bench. This led to first steps regarding a rejuvenation of our portfolio.
A cross-functional governance body, the Portfolio Innovation Board (PIB) has been installed in the reporting year which builds the platform to elevate and advance key strategic questions. This is a way to collaborate across functions and geographies to connect more nimbly, prioritize key topics, and save time and resources through early alignment that will help to gain speed on behalf of patients.

Information about ongoing clinical trials with our investigational drugs is available on ›› www.clinicaltrials.gov. Our clinical pipeline can be accessed ›› here.

**Data Protection**

As a biopharmaceutical company, we constantly work with personal data of patients, employees, partners and other stakeholders. The protection of these data is therefore of particular importance. In conjunction with the General Data Protection Regulation of the EU (GDPR) as well as U.S. requirements for the protection and confidential handling of protected health information (PHI), we implemented various procedures to safeguard compliance with these regulations and are continuously working on further improvements. Our team in the U.S. is trained on compliance with the Healthcare Insurance Portability and Accountability Act (HIPAA) and the appropriate use of PHI.

We have appointed an external Data Protection Officer (eDPO) in line with the GDPR and the German Data Protection Act. The eDPO summarizes results in a report that is presented to the Management Board and Supervisory Board once a year. A defined reporting process comes into force immediately in case of suspicious incidents.

**Focus in 2020**

As a result of the COVID-19 pandemic, related data protection topics came into focus, due to increased remote work, for example. Appropriate measures were taken and implemented, such as the introduction of a remote working policy to ensure compliance with data protection principles and data security during mobile working. To reduce the dependency on face-to-face meetings, we started to develop an e-learning platform to make training accessible also in a remote working area. The rollout is planned for 2021.

In addition, data protection support for the approval and market launch of Monjuvi was a key topic in the reporting year. Here, as well, special challenges arose due to the pandemic situation, for example official inspections had to be carried out virtually. Appropriate measures were taken and the inspections were carried out accordingly.

There were no reportable data protection incidents or corresponding suspicions at MorphoSys AG in 2020.

Data protection via respective IT security measures continued to be a key topic in the reporting year. The Company engaged external security experts to check the technical security controls to detect potential weaknesses. No serious weaknesses were identified. Within the scope of special training and phishing simulations, employees learned about their joint responsibility and essential contribution to IT security in our Company. Our IT and IT security were already very well prepared for the sudden home office situation through the consistent implementation of mobile workplaces and modern infrastructure in previous years. Measures to improve collaboration were selected with a focus on security and additionally secured through integration in Security Information & Event Management (SIEM) and Identity & Access Management System (IAM).

Our internal Computer Emergency Response Team (CERT) has not detected any serious security incidents during the reporting year. Finally, various platforms in the area of Endpoint Detection & Respond (EDR), Cloud Access Security Broker (CASB), Identity & Access Management System (IAM), Security Information & Event Management (SIEM) and Mobile Threat Defense (MTD) were evaluated in order to optimize our cyber defense measures and to ensure data integrity and protection.
Employee Matters

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- Diversity and Equal Opportunities: 17
- Occupational Health and Safety (OHS): 18
Employee Matters

It is our aspiration to engineer the medicines of tomorrow and our employees are crucial to our success. In an industry such as biotechnology, where success largely depends on the innovation capability and commitment of staff, aspects such as employee attraction, retention and employee satisfaction are decisive factors. Close cooperation across disciplines and geographies is key to achieving our goals. Our Human Resources (HR) department manages all topics related to employer attractiveness, diversity and equal opportunities. Our Health and Safety department, integrated into the Technical Operations area, takes care of all aspects of occupational health and safety (OHS).

Employer Attractiveness

The transition of MorphoSys from a monoclonal antibody specialist to a fully integrated biopharmaceutical company required additional, complementary skill sets across various disciplines. This includes clinical development execution, building out a commercial infrastructure along with medical affairs, regulatory and policy in order to bring the therapy to healthcare providers and patients in need. Steady growth, with our workforce almost doubling since the end of 2018 to 6151 employees at the end of 2020, requires appropriate measures to attract and retain the right employees. We achieve this by focusing on the needs of patients and committing to our Company values – Courage, Urgency, Innovation and Collaboration – in everything we do.

Focus in 2020

We initiated several projects in 2020 to set up our Company organizationally and culturally for our growth. We defined a new global operating model based on a lean structure, built a U.S. organization and set up processes and frameworks that contribute to a culture of continuous performance excellence.

As part of our new way of working, we realigned the leadership organization by launching an Executive Committee in addition to the Management Board. The Committee consists of the Management Board members and four additional executives from legal, business development, HR and technical operations to ensure inclusive decision-making along the whole value chain. This management team is composed by a diverse group of individuals comprising gender, nationality, professional background and industry knowledge.

In addition, a Global Leadership Group including approximately 80 top executives from various departments was introduced at our sites in Germany and the U.S. to demonstrate an environment of dialogue across the Company. It is paramount to MorphoSys to be attractive by creating a culture of collaboration and inclusion of different perspectives.

As we need to continue to look for the best talent during this time of growth, we initiated new employer branding campaigns, with special focus on commercial and clinical development. In 2020 we successfully built our new U.S. commercial organization and started to build a new clinical development hub in Boston, while we continued to expand our headquarters’ corporate and R&D functions. We increased our social media presence by relaunching our employer messaging on LinkedIn as well as deploying new content on our corporate and U.S. career website. We are committed to transparency about our job opportunities, current and expected skills and capabilities of our employees, as well as the working environment which we offer to applicants across the world.

With these measures, we consider ourselves well on the way to coping with the Company’s growth.

1 Released employees, trainees and employees on parental leave are not included.
Diversity and Equal Opportunities

Valuing diversity and ensuring equal opportunities are firmly anchored in our corporate culture. We believe that every single colleague needs to be heard and plays an important role in contributing to our success. We therefore are committed to policies that do not discriminate in recruitment, hiring, training, promotion or other employment practices for reasons of race, color, religion, gender, gender identity, national origin, age, sexual orientation, marital or protected veteran status, medical condition, pregnancy, disability or any other legally protected status. We aim for an open working environment where creativity and innovation can flourish.

Focus in 2020

MorphoSys’ CEO Dr. Jean-Paul Kress signed the “CEO Pledge for a More Equitable and Inclusive Life Sciences Industry” initiated by the Massachusetts Biotechnology Council to demonstrate the commitment of MorphoSys and the whole biotechnology industry to diversity and inclusion.

Based on the most recent recommendations of the German Corporate Governance Code, the Supervisory Board of MorphoSys has updated its objectives for its composition and has established a diversity concept pursuant to the German Commercial Code (HGB). Further details can be found in our “Corporate Governance Report.”

At the end of 2020, of a total of 615 employees1 of the MorphoSys Group, 58% were women and 33 of 79 executives2 were women. The proportion of women in the company’s workforce thus remains at a consistently high level compared with the previous year. In addition, we proudly employed individuals of 39 different nationalities, which adds to our identity as a truly global organization.

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1 Released employees, trainees and employees on parental leave are not included.
2 Executives of the first and second management level.
Occupational Health and Safety (OHS)

MorphoSys considers it a key responsibility to provide a safe, healthy and clean working environment as stated in our Code of Conduct and to comply with all applicable health, safety and environmental laws and regulations, company standards, and best practices.

Focus in 2020

Due to the global COVID-19 pandemic our main focus in 2020 was to implement effective measures to protect our employees. We updated our pandemic plan and maintained our business operations. Employees were encouraged to work from home where feasible. In-office work was optional and at the discretion of the employee and the respective line manager within the existing pandemic guidelines for office work.

For the Planegg site, a task force led by the Health and Safety department was established to guarantee the implementation of all regulatory requirements as well as to inform all employees about upcoming measures and their potential impact.

For the Boston offices, the site manager was responsible for the strict adherence to federal and state guidelines as communicated and updated on state and federal websites.

Measures taken included capacity limitations, wearing masks, use of sanitizers, social distancing and contact tracing.

The above-listed measures enabled us to ensure normal business operations despite the restrictions caused by the COVID-19 pandemic.

Introduction of hazardous materials for R&D purposes

- A dedicated biosafety team as defined by the “Gentechnik Sicherheitsverordnung” (German Genetic Engineering Safety Directive) and other safety professionals perform an internal audit to assess the risk involved
- Specific safety and evacuation training for the employees working with the substances
- Assurance that all safety measures are implemented before actual work commences

Only certified companies are authorized by MorphoSys to dispose of chemical waste

Lowest possible amounts of hazardous substances used

Pathogenic organisms are processed in laboratories with particular safety standards

Only specially trained employees are allowed to work with toxic substances

Principles for Occupational Safety at MorphoSys
As part of the workplace risk assessment required by German law, MorphoSys’ Planegg site took part in an online survey on risk allocation for mental stress in the reporting year. The online survey was conducted by a specialized institute for OHS consulting. The aim was to assess the mental stress level caused by the working environment. The evaluation was communicated to the executives and appropriate measures are in progress. The results of the survey were generally comparable to benchmark values.

During the reporting year there was only one reportable occupational accident (commuting accident) for MorphoSys AG, and so the number of work-related accidents remained at a very low level and was significantly below the average level for the chemical industry in Germany, which is used as a comparative value (15.6 notifiable accidents at work per 1,000 full-time employees in the latest survey by the German Employer’s Liability Insurance Association for Raw Materials and the Chemical Industry (BG RCI) in 2019; a reportable accident as defined by the BG is an accident at work or a commuting accident that causes more than three calendar days of incapacity to work). Through the help of guidelines, training and regular medical checkups, our goal is to be vigilant and ahead of the curve in order to keep the number of accidents at this low level while maintaining the safety and well-being of all our employees.
Independent Practitioner’s Report

on a Limited Assurance Engagement on Non-financial Reporting

To MorphoSys AG, Planegg

We have performed a limited assurance engagement on the separate non-financial group report pursuant to § (Article) 315b Abs. (paragraph) 3 HGB („Handelsgesetzbuch“: „German Commercial Code“) of MorphoSys AG, Planegg, (hereinafter the “Company”) for the period from 1st January to 31st December 2020 (hereinafter the “Non-financial Report”).

Responsibilities of the Executive Directors

The executive directors of the Company are responsible for the preparation of the Non-financial Report in accordance with §§ 315c in conjunction with 289c to 289e HGB.

This responsibility of Company’s executive directors includes the selection and application of appropriate methods of non-financial reporting as well as making assumptions and estimates related to individual non-financial disclosures which are reasonable in the circumstances. Furthermore, the executive directors are responsible for such internal control as they have considered necessary to enable the preparation of a Non-financial Report that is free from material misstatement whether due to fraud or error.

Independence and Quality Control of the Audit Firm

We have complied with the German professional provisions regarding independence as well as other ethical requirements.

Our audit firm applies the national legal requirements and professional standards – in particular the Professional Code for German Public Auditors and German Chartered Auditors (“Berufssatzung für Wirtschaftsprüfer und vereidigte Buchprüfer“, “BS WP/vBP”) as well as the Standard on Quality Control 1 published by the Institut der Wirtschaftsprüfer (Institute of Public Auditors in Germany; IDW): Requirements to quality control for audit firms (IDW Qualitätssicherungsstandard 1: Anforderungen an die Qualitätssicherung in der Wirtschaftsprüferpraxis - IDW QS 1) - and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Practitioner’s Responsibility

Our responsibility is to express a limited assurance conclusion on the Non-financial Report based on the assurance engagement we have performed.

Within the scope of our engagement we did not perform an audit on external sources of information or expert opinions, referred to in the Non-financial Report.

We conducted our assurance engagement in accordance with the International Standard on Assurance Engagements (ISAE) 3000 (Revised): Assurance Engagements other than Audits or Reviews of Historical Financial Information, issued by the IAASB. This Standard requires that we plan and perform the assurance engagement to allow us to conclude with limited assurance that nothing has come to our attention that causes us to believe that the Company’s Non-financial Report for the period from 1st January to 31st December 2020 has not been prepared, in all material aspects, in accordance with §§ 315c in conjunction with 289c to 289e HGB. In a limited assurance engagement, the assurance procedures are less in extent than for a reasonable assurance engagement, and therefore a substantially lower level of assurance is obtained. The assurance procedures selected depend on the practitioner’s judgment.

Within the scope of our assurance engagement, we performed amongst others the following assurance procedures and further activities:

- Obtaining an understanding of the structure of the sustainability organization and of the stakeholder engagement
- Inquiries the Company’s management and personnel involved in the preparation of the Non-financial Report regarding the preparation process, the internal control system relating to this process and selected disclosures in the Non-financial Report
- Identification of the likely risks of material misstatement of the Non-financial Report
- Analytical evaluation of disclosures in the Non-financial Report
- Review of processes for the collection, control, analysis and aggregation of selected data

1 PricewaterhouseCoopers GmbH has performed a limited assurance engagement on the German version of the separate non-financial group report and issued an independent assurance report in German language, which is authoritative. The following text is a translation of the independent practitioner’s report.
• Comparison of selected disclosures with corresponding data in the consolidated financial statements and in the group management report
• Evaluation of the presentation of the non-financial information

Assurance Conclusion
Based on the assurance procedures performed and assurance evidence obtained, nothing has come to our attention that causes us to believe that the Company’s Non-financial Report for the period from 1st January to 31st December 2020 has not been prepared, in all material aspects, in accordance with §§ 315c in conjunction with 289c to 289e HGB.

Intended Use of the Assurance Report
We issue this report on the basis of the engagement agreed with the Company. The assurance engagement has been performed for purposes of the Company and the report is solely intended to inform the Company about the results of the limited assurance engagement.

The report is not intended for any third parties to base any (financial) decision thereon. Our responsibility lies only with the Company. We do not assume any responsibility towards third parties.

Munich, 10th March 2021
PricewaterhouseCoopers GmbH
Wirtschaftsprüfungsgesellschaft

Hendrik Fink
Wirtschaftsprüfer
[German public auditor]
This non-financial report is also published in German and is available for download on our website. For better readability, the masculine form has been used in this report equally to all genders.