

# Report of the Supervisory Board

## Cooperation of the Management Board and Supervisory Board

During the 2020 financial year, the Supervisory Board comprehensively performed the duties assigned to it by law, the Articles of Association, Rules of Procedure and the recommendations of the German Corporate Governance Code (hereinafter referred to as the “Code”) with one justified exception as regards the Code in its version dated February 7, 2017 (hereinafter referred to as the “Code 2017”) and with two justified exceptions as regards the Code in its version dated December 16, 2019 (hereinafter referred to as the “Code 2020”). We regularly advised and continually oversaw the Management Board in its management of the Company and dealt extensively with the operational and strategic development of the Group. The Management Board fulfilled its duty to inform and furnish us with periodic written and verbal reports containing timely and detailed information on all business transactions and events of significant relevance to the Company. The Management Board prepared these reports in collaboration with the respective departments. In our Committee meetings and plenary sessions, we had the opportunity to discuss the Management Board’s reports and the proposed resolutions in full. The Management Board answered our questions on strategic topics affecting the Company with a great level of detail and submitted the relevant documents in a timely manner. Any deviations from the business plan were thoroughly explained to us and we were directly involved at an early stage in all decisions relevant to the Company.

An appropriate resolution was passed when the Supervisory Board’s approval for individual actions was required by law, the Articles of Association or the Rules of Procedure. The Supervisory Board members approved all actions by the Management Board requiring Supervisory Board approval based on the documentation provided in advance by the Management Board. When necessary, the Supervisory Board received the support of the relevant Committees and, together with the Management Board, discussed any projects requiring decision. All matters requiring approval were submitted for review by the Management Board to the Supervisory Board on a timely basis.

Outside of the meetings of the Supervisory Board plenum and the Committees, the chairman of the Supervisory Board regularly exchanged information and ideas with the Management Board and especially the Chief Executive Officer, Dr. Jean-Paul Kress. The Supervisory Board chairman was always kept promptly informed of the current business situation and any significant business transactions. The Chairs of the Committees have also had regular contact with the Management Board members in their respective areas of responsibility and individual Management Board members on demand.

## Supervisory Board Meetings in the 2020 Financial Year and Key Items of Discussion

A total of 10 Supervisory Board meetings were held in the 2020 financial year, whereby the majority of those meetings were held by video call due to the Covid-19 pandemic. The Supervisory Board regularly held closed sessions without participation of the Management Board as part of their Supervisory Board meetings. All Supervisory Board members were present at all Supervisory Board meetings. A detailed overview of the participation of all Supervisory Board members in the respective Supervisory Board and Committee meetings can be found in the “Statement on Corporate Governance,” which is available on the Company’s website under the heading “Media & Investors > Corporate Governance > Statement on Corporate Governance,” and in the Annual Report on pages 108 to 109. In urgent cases occurring outside of meetings, the Supervisory Board passed resolutions by written procedure.

In addition to the above, a one-day strategy meeting took place in November 2020 that primarily addressed

- the Company’s corporate strategy & financial outlook;
- the product strategy for Monjuvi and felzartamab;
- filling the pipeline for sustainable growth; and
- building a compelling global operating model of the Company.

During the 2020 financial year, the Supervisory Board paid particular attention to the following topics and passed resolutions on these topics after a thorough review and discussion:

- conclusion of the Global Collaboration and License Agreement with Incyte Corporation for Monjuvi, including a resolution for a capital increase from authorized capital to implement the purchase of 3,629,764 American Depositary Shares by Incyte as part of the Global Collaboration and License Agreement;
- evaluation of the Company's achievement of the 2019 financial year corporate targets and minor adjustments to the corporate targets defined by the Supervisory Board at the end of 2019 for the 2020 financial year;
- terms and conditions of the long-term incentive plan 2020 and of the stock option plan 2020 as well as the number of performance shares and stock options to be granted to the individual Management Board members under these plans;
- agenda and proposed resolutions for the 2020 Annual General Meeting, particularly the nominations of Wendy Johnson, Dr. George Golumbeski and Michael Brosnan as Supervisory Board candidates for re-election at the 2020 Annual General Meeting;
- confirmation of Dr. Marc Cluzel as chair and re-election of Dr. George Golumbeski as deputy chair of the Supervisory Board and establishment and staffing of the Committees in the Board's constituent meeting following the 2020 Annual General Meeting;
- appointment of the new Chief Operating Officer, Dr. Roland Wandeler, and conclusion of a corresponding management board contract;
- revision of the rules of procedure of the Supervisory Board as well as of the Management Board, including schedules of responsibilities;
- sale of Morphosys' shares of Lanthio Pharma B.V. to Lanthio Participatie B.V., a newly established entity founded by the former Managing Director of Lanthio Pharma B.V.
- conclusion of a release agreement with the former Chief Financial Officer, Jens Holstein, in the course of his stepping down as of December 31, 2020;
- award of the audit contract to the auditor for the 2020 financial year and selection of the auditor to be proposed to the Annual General Meeting 2021 for the audit of the 2021 financial year;
- issuance of convertible bonds due 2025 in an aggregate principal amount of EUR 325 million;
- conclusion of a commercial supply agreement for tafasitamab with Lonza Sales AG;
- budget for the 2021 financial year.

We also passed a resolution in the Supervisory Board plenum on the remuneration of Dr. Jean-Paul Kress, Jens Holstein and Dr. Malte Peters, taking external benchmarking into consideration. As set out above, we evaluated the achievement of the 2019 corporate targets that were agreed with the Management Board and discussed and defined the corporate targets for 2021. We commissioned an independent remuneration consultant to confirm the appropriateness of the Management Board's compensation and its comparison to the remuneration of various levels of employees. We discussed and agreed on the key performance indicators for the long-term incentive plans for the Management Board, the Senior Management Group and other employees in key positions. Furthermore, we approved the financial statements for the 2019 financial year, acknowledged the half-year results for 2020 and discussed the first and third quarter reports as well as dealt with the Statement on Corporate Governance and the Corporate Governance Report.

Further, we dealt with the development of a new remuneration system for the members of the Management Board, which is in line with the new provisions of the German Stock Corporation Act (AktG) and the Code and which shall be submitted for approval to the Annual General Meeting 2021 as well as with the appointment of the new Chief Financial Officer, Sung Lee, and the conclusion of a corresponding management board contract.

Our regular discussions in the Supervisory Board's plenary meetings were focused on MorphoSys' long term development strategy, revenue and earnings development and the regular financial reports, the communication to the investor community, the progress of the two business segments Partnered Discovery and Proprietary Development, the results and progress of the clinical programs for the development of proprietary drugs, interactions with regulatory authorities and the development of new technologies. Further focal points of discussion were the FDA approval for Monjuvi, the readiness of US organization to launch Monjuvi and the review of the US launch status of Monjuvi following the approval. Furthermore, we discussed the financial outlook for the 2022/2023 financial years and MorphoSys' associated future potential financing needs. In addition, we carried out an evaluation on how effective the Supervisory Board and its committees fulfill their tasks, which was performed via a questionnaire that included a joint self-evaluation of the Supervisory Board, its Committees and also the Management Board. Furthermore, we kept ourselves regularly informed with respect to

the Company's asset management policy, risk management, internal audit results and the internal control and compliance management system as well as the further development and adaptation to new processes and transactions of the system of Internal Control over Financial Reporting (ICoFR) to ensure continuous SOX compliance by end of 2020.

## Conflicts of Interest within the Supervisory Board

No conflicts of interest arose within the Supervisory Board in the 2020 financial year.

## Activities and Meetings of Supervisory Board Committees

To ensure that its duties are performed efficiently, the Supervisory Board has established three permanent committees – the Audit Committee, the Remuneration and Nomination Committee and the Science and Technology Committee – to prepare the issues that fall within the Supervisory Board's respective areas of responsibility for the Supervisory Board plenum. In each Supervisory Board meeting, the chairs of the Committees report to the Supervisory Board on the Committees' work. The minutes of the Committee meetings are made available to all Supervisory Board members. The composition of these committees can be found in the "Statement on Corporate Governance," which is available on the Company's website under the heading "Media & Investors > Corporate Governance > Statement on Corporate Governance," and in the Annual Report on pages 105 to 110.

The Audit Committee met on five occasions in the 2020 financial year, whereby the majority of those meetings were held by video call due to the Covid-19 pandemic. All Committee members were present at all Audit Committee meetings. The Committee dealt mainly with accounting issues, quarterly reports, annual financial statements and consolidated financial statements. The Committee discussed these topics with the Management Board and recommended the approval of the financial statements to the Supervisory Board. The auditor took part in four Audit Committee meetings and informed its members of the audit results. The Audit Committee made a recommendation to the Supervisory Board with respect to the Supervisory Board's proposal at the Annual General Meeting

for the election of the independent auditor for the 2020 financial year. Based on the Auditors Reform Act and the requirements for the external and internal rotation of the auditor, the Audit Committee carried out in 2020 a public tender for the 2021 annual audit and half-year review. As a result, the Audit Committee made a recommendation to the Supervisory Board with respect to the Supervisory Board's proposal at the Annual General Meeting for the election of the independent auditor for the 2021 financial year. In addition, the Audit Committee dealt with the annual update of a list of permitted and pre-approved non-audit services of the auditor. The Committee also discussed the risk management system, the compliance management system and the results of the internal audit conducted in the 2020 financial year, as well as specific accounting issues under International Financial Reporting Standards (IFRS) relevant to the Company. In addition, the Committee regularly discussed the Company's asset management policy and the investment recommendations made by the Management Board. The Committee also discussed in depth the 2021 budget and the financial outlook for the 2022/2023 financial years. Furthermore, the Committee monitored the further development and adaptation to new processes and transactions of the system of Internal Control over Financial Reporting (ICoFR) to ensure continuous SOX compliance by end of 2020.

To increase efficiency, there is a joint Remuneration and Nomination Committee, which deliberates on matters relating to remuneration and nomination. The Committee met on seven occasions in the 2020 financial year, whereby all these meetings were held by video call due to the Covid-19 pandemic. All Committee members participated at all Committee meetings. In its function as a remuneration committee, the Committee mainly dealt with the Management Board's remuneration system and level of compensation. In particular, the Committee dealt with the implementation of a new remuneration system for the members of the Management Board. Further, the Committee also commissioned an independent remuneration expert with the task of preparing a Management Board remuneration report to verify the appropriateness of the Management Board's remuneration. Based on this report, the Committee prepared a recommendation on the Management Board's compensation and submitted this to the Supervisory Board for approval. The Committee also dealt with the ratio of compensation between the Management Board and the Senior Management Group and the staff overall and had this ratio reviewed by the commissioned remuneration expert. This expert confirmed the appropriateness of these "vertical" compensation ratios. In addition, the Committee gave careful consideration to the corporate targets as a basis for the

Management Board's short-term variable remuneration and offered appropriate recommendations to the Supervisory Board for resolution. The Committee discussed the key performance indicators of the long-term incentive plans for the Management Board, Senior Management Group and other employees in key positions. In its function as the Nomination Committee, the Committee recommended the appointment of Dr. Roland Wandeler as the new Chief Operating Officer and prepared the corresponding management board contract. In addition, this Committee prepared the release agreement with the Chief Financial Officer, Jens Holstein. Further, the Nomination Committee recommended the nominations of Wendy Johnson, Dr. George Golumbeski and Michael Brosnan as Supervisory Board candidates for re-election at the 2020 Annual General Meeting. In addition, this Committee dealt with succession planning within the Company, in particular as regards the succession of the departed Management Board member Jens Holstein. In this context, the Committee recommended the appointment and prepared the respective management board contract of Sung Lee as the new Chief Financial Officer, who has been appointed as member of the Management Board by the Supervisory Board.

The Science and Technology Committee was held on six occasions during the 2020 financial year, whereby due to the Covid-19 pandemic the majority of those were virtual meetings. All Committee members participated in all Committee meetings. The Committee dealt mainly with the Company's research activities as well as overall strategy to expand the proprietary drug pipeline, the development of novel technologies, the Company's drug development plans and future development strategy, progress in the clinical trials as well as required budget resources. One major focus was the development of Monjuvi up to approval and successful launch in US, as well as the expansion into other indications and lines of therapy, in combination with established or novel anti-cancer agents. The Committee also addressed the further development of felzartamab in autoimmune diseases. Additionally, at one occasion a combined Science and Technology Committee and Deal Committee Meeting was held, and the activities and execution to complement the company portfolio with innovative technologies, potential new research programs, development collaborations as well as in-licensing and merger and acquisition opportunities were reviewed.

## Corporate Governance

The Supervisory Board devoted its attention to the further development of MorphoSys' corporate governance, taking into consideration the Code 2017 and the Code 2020. The Corporate Governance Statement according to Section 289f HGB (German Commercial Code), including the detailed Corporate Governance Report, and the Group Statement on Corporate Governance according to Section 315d HGB, can be found on the Company's website under the heading "Media & Investors > Corporate Governance > Corporate Governance Report" and in the Annual Report on pages 103 to 133.

We also discussed with the Management Board the Company's compliance with the Code's recommendations and in one justified case approved an exception to the recommendations of the Code 2017 and in two justified cases approved an exception to the recommendations of the Code 2020. Based on this consultation, the Management Board and the Supervisory Board submitted the annual Declaration of Conformity on November 29, 2020. The current version of the Declaration of Conformity can be found in this Annual Report and is permanently available on the Company's website under the heading "Media & Investors > Corporate Governance > Declaration of Conformity."

## Changes in the Composition of the Management Board and Supervisory Board

The Chief Scientific Officer of the Company, Dr. Markus Enzelberger, resigned as member of the Management Board and CSO in November 2019 with effect as of February 29, 2020. By decision of the Supervisory Board of March 30, 2020, Dr. Roland Wandeler was appointed as Chief Operating Officer for a term of office of three years from May 5, 2020 until April 30, 2023. In the course of these changes in the composition of the Management Board, Dr. Malte Peters assumed the role of Chief Research and Development Officer, effective March 1, 2020, and the Supervisory Board newly adopted the Schedule of Responsibilities for the Management Board. Further, the Chief Financial Officer Jens Holstein resigned in September 2020 with effect as of December 31, 2020. No further changes in the composition of the Management Board took place during the 2020 financial year.

The following changes in the composition of the Supervisory Board took place during the 2020 financial year: The deputy chair of the Supervisory Board, Mr. Frank Morich, resigned as member of the Supervisory Board with effect as of April 11, 2020. Hereinafter, the Company decided to reduce the composition of the Supervisory Board to six members. Further, Wendy Johnson, Dr. George Golumbeski and Michael Brosnan were re-elected as members of the Supervisory Board by the 2020 Annual General Meeting, following the expiry of their terms of office. The Company has established a handbook to support the onboarding of new Supervisory Board members by outlining principal rights and duties of Supervisory Board members as well as relevant legal documents, such as Rules of Procedure of the Supervisory Board and its Committees.

## **Audit of the Annual Financial Statements and Consolidated Financial Statements**

For the 2020 financial year, the Company commissioned PricewaterhouseCoopers GmbH Wirtschaftsprüfungsgesellschaft, Munich ("PwC") as its auditor. The audit contract was awarded by the Supervisory Board in accordance with the resolution of the Annual General Meeting on May 27, 2020. The Supervisory Board obtained a declaration of independence from the auditor in advance.

The consolidated financial statements and the annual financial statements of MorphoSys AG, as well as the Group Management Report and the Management Report for the 2020 financial year, were properly audited by PwC and issued with an unqualified audit opinion. The key topics of the audit for the consolidated and annual financial statements for the 2020 financial year were management override of controls and fraud in revenue recognition, revenue accounting for complex out-licensing and collaboration arrangements, revenue recognition of the sale of Monjuvi, the initial and subsequent recognition valuation of the financial liability from collaboration, the valuation of the deferred tax asset, the accounting and measurement of the financial liability for the convertible bond, accounting for accruals for outstanding invoices for external laboratory funding and external services, valuation of financial assets, as well as the assessment of the design and effectiveness of internal controls in accordance with SOX404. In addition, the auditor confirmed that the Management Board had established an appropriate reporting and monitoring system that is suitable in its design and administration for the early detection of developments that could threaten the Company's existence.

The audit reports and documents relating to the consolidated financial statements and the annual financial statements were provided on a timely basis to all Supervisory Board members for review. The audit report, the consolidated financial statements, the Group Management Report of the MorphoSys Group and the audit report, the annual financial statements and the Management Report of MorphoSys AG were discussed in detail at the Audit Committee meeting on March 10, 2021, and the meeting of the Supervisory Board on March 11, 2021. The auditor attended all meetings concerning the consolidated and annual financial statements, the half-year report and quarterly interim statements and reported on the key results of his audit and review, respectively. The auditor also explained the scope and focus of the audit and review and was available to the Audit Committee and the Supervisory Board to answer questions and provide further information.

The Audit Committee discussed the audit results in detail and recommended to the Supervisory Board that it approves the consolidated and annual financial statements prepared by the Management Board. The Supervisory Board also took note of the audit results and, in turn, reviewed the consolidated and annual financial statements and Management Reports in accordance with the statutory provisions. Following its own examination, the Supervisory Board also determined that it sees no cause for objection. The consolidated and annual financial statements as well as the Group Management Report and the Management Report as prepared by the Management Board and audited by the auditor, were subsequently approved by the Supervisory Board. Thus, the annual financial statements were adopted.

The Company has prepared a separate non-financial group report in accordance with Section 315b (3) of the German Commercial Code (HGB) for the fiscal year 2020. The Supervisory Board has commissioned PwC to perform a separate limited assurance engagement of this report. All members of the Supervisory Board received the separate non-financial group report and the Independent Practitioner's Assurance Report in a timely manner. The assurance results and the assurance report of PwC were discussed at the Supervisory Board's plenary meeting on March 11, 2021. PwC's auditor participated in this discussion and presented the assurance results. The Supervisory Board took note of the results of the assurance engagement with approval.

## Recognition for Dedicated Service

On behalf of the entire Supervisory Board, I would like to thank the members of the Management Board and the employees of MorphoSys for their achievements, their dedicated service and the inspirational work environment witnessed during this past financial year. Through their efforts, MorphoSys' portfolio has continued to mature and expand, and important milestones have been achieved.

The Supervisory Board would also like to thank the departed Management Board member Jens Holstein for his excellent contribution and commitment. The Supervisory Board further thanks Supervisory Board member Frank Morich for his commitment and cooperation.

Planegg, March 11, 2021



Marc Cluzel, M.D., Ph.D.  
Chairman of the Supervisory Board