

Remuneration system for the members of the Management Board of MorphoSys AG

(Extract of the invitation to the Annual General Meeting 2021)

You will also find the remuneration system in the [invitation to the Annual General Meeting 2021](#) under agenda item 11. The voting result can be found [here](#).

A. Basic principles of the remuneration system for the members of the Management Board of MorphoSys AG

The remuneration system for the members of the Management Board significantly contributes to the promotion of the business strategy and the long-term development of MorphoSys AG. By structuring the variable remuneration as fixed remuneration on the one hand and short-term variable (Short-Term Incentive, STI) and long-term variable (Long-Term Incentive, LTI) remuneration on the other hand, the remuneration system creates an incentive for results-oriented and sustainable corporate management. The remuneration of the members of the Management Board is based on the performance of the Management Board as a whole, the contribution of the individual members of the Management Board to the promotion of the Company's goals, and the business success of MorphoSys AG. The amount of the long-term variable remuneration of the members of the Management Board depends, amongst others, on the development of the share price of the share of MorphoSys AG, thereby linking the interests of the members of the Management Board with those of the shareholders. The fixed integration of non-financial and, in particular, ESG objectives into the remuneration structure also incentivizes sustainable and future-oriented action and aims to create value for all employees and shareholders of MorphoSys AG as well as for society.

In designing the remuneration system, the Supervisory Board was guided in particular by the following principles:

- Promotion of the **implementation of the long-term business strategy** of MorphoSys AG
- Incentivation of the **long-term and sustainable development** of MorphoSys AG and the MorphoSys-Group
- Ensuring an **appropriate remuneration** of the members of the Management Board, which is both **in line with customary market practice and competitive**
- Appropriate consideration and honoring of the performance** of the members of the Management Board ("pay for performance")
- Consideration of **sustainability or Environment-Social-Governance (ESG) aspects** to ensure socially responsible and future-oriented action

The remuneration system for the members of the Management Board of MorphoSys AG is designed in a clear and comprehensible manner. It complies with the requirements of the new section 87a AktG and the recommendations of the GCGC, provided that no deviation from these recommendations is declared. The Supervisory Board's objective is to offer the members of the Management Board, within this regulatory framework and in compliance with the above principles for the design of the remuneration system, a remuneration package that is both in line with the market and competitive, while at the same time retaining sufficient flexibility to be able to react to structural changes and varying market conditions.

B. Process for determining, implementing and reviewing the remuneration system

The remuneration system for the Management Board of MorphoSys AG is determined by the Supervisory Board in accordance with section 87a para. 1 sentence 1 AktG. The Supervisory Board is hereby supported by its Remuneration and Nomination Committee. The Remuneration and Nomination Committee develops a system for the remuneration of the members of the Management Board, based on the principles outlined in section A. above, the legal requirements and the requirements of the GCGC as amended from time to time, and submits this system to the full Supervisory Board for discussion and resolution.

The Supervisory Board and its Remuneration and Nomination Committee may, if necessary, consult an external remuneration expert to develop the remuneration system and assess the appropriateness of the remuneration. The remuneration expert will be rotated from time to time. When consulting an external remuneration expert, the Supervisory Board ensures his independence from the Management Board and the Company. In the past, the Supervisory Board has regularly consulted an external remuneration expert for the assessment of the appropriateness of the remuneration and has ensured compliance with the above principles.

The remuneration system is regularly reviewed by the Supervisory Board, supported by its Remuneration and Nomination Committee.

The remuneration system is submitted to the General Meeting for approval in case of any material change, but at least every four years. If the General Meeting does not approve the proposed remuneration system, a reviewed remuneration system will be submitted for approval at the latest at the following Annual General Meeting.

Throughout the entire process of determining, implementing and reviewing the remuneration system, the requirements of the AktG and the Supervisory Board's rules of procedure, as well as the recommendations of the GCGC regarding the avoidance and handling of conflicts of interest, are complied with.

The remuneration system applies to all service agreements to be concluded or extended from June 1, 2021, onwards. For existing service agreements, the previous remuneration structure will continue to apply unchanged in accordance with the requirements of section 26j para. 1 of the Introductory Act to the German Stock Corporation Act (“**EGAktG**”) and the rationale of the GCGC.

C. Remuneration structure

On the basis of the remuneration system, the Supervisory Board determines the amount of the target total remuneration for the individual members of the Management Board for the upcoming financial year. The target total remuneration comprises the sum of all fixed and variable remuneration components for one year in the event of 100% target achievement. The target total remuneration to be determined for each member of the Management Board is set in an adequate proportion to the responsibilities and performance of the respective member of the Management Board and the situation of the Company. In addition, the Supervisory Board ensures that the target total remuneration is appropriate and in line with market practice.

1. Horizontal comparison

MorphoSys AG follows a market-oriented remuneration philosophy. In order to assess whether the remuneration of the individual members of the Management Board is in line with customary market practice, the Supervisory Board, in a first step, makes a horizontal comparison with the remuneration paid to the members of the Management Board of a group of comparable companies to be determined by the Supervisory Board, taking into account in particular the market position of MorphoSys AG (including market capitalization, industry, size and country) and the overall economic situation of MorphoSys AG. In order to take into account the better comparability of MorphoSys AG with companies in the European and U.S. market (in particular due to the specific business model of MorphoSys AG and the international recruitment and composition of the members of the Management Board of MorphoSys AG), the Supervisory Board initially considers (industry-specific) listed European and U.S. companies in the composition of the peer group. Furthermore, the Supervisory Board also considers German listed companies, in particular companies included in the TecDax and the MDax, within the scope of the horizontal comparison. The Supervisory Board may also consider other listed companies of comparable size in Germany and abroad, in particular in Europe.

2. Vertical comparison

In addition, the Supervisory Board considers the level of remuneration of the members of the Management Board in relation to the remuneration structure within the MorphoSys-Group, based on

the annual base salary of the members of the Management Board as well as the variable remuneration in the case of (assumed) 100% target achievement. In this vertical comparison, the Supervisory Board considers the average remuneration of the first two management levels below the Management Board of MorphoSys AG, consisting of the line managers reporting directly to the Management Board (first reporting line) as well as the line managers reporting directly to the first reporting line (second reporting line). Furthermore, the Supervisory Board also takes into account the average remuneration of the total workforce of the MorphoSys Group over time.

In the event of significant shifts in the relation between the remuneration of the members of the Management Board of MorphoSys AG and the remuneration of the vertical peer groups, the Supervisory Board examines the causes for the shift.

3. Differentiation according to different requirements for the Management Board positions

When determining the target total remuneration of the individual members of the Management Board, the Supervisory Board may differentiate in view of different requirements of the respective Management Board function, market conditions or qualification and experience of the members of the Management Board. When determining the target total remuneration, the Supervisory Board may therefore, in particular, make differentiations depending on the function of the members of the Management Board (CEO or ordinary board member), the responsibility within the Management Board or the experience or term of membership in the Management Board, and may also take into account that a higher remuneration may be customary in the market at competitors of the MorphoSys-Group abroad.

4. Components and structure of the target total remuneration

The remuneration system for the members of the Management Board consists of fixed, non-performance-related and variable, performance-related remuneration components, the sum of which determines the target total remuneration of the individual members of the Management Board.

The fixed, non-performance-related remuneration consists of a fixed base salary and fringe benefits, which may vary in amount depending on the occasion and the member of the Management Board. In addition, the Company makes payments to the members of the Management Board which are to be used by the members of the Management Board for their individual retirement provisions. In addition, all members of the Management Board participate in a pension plan.

The variable, performance-related remuneration consists of a short-term variable remuneration component in the form of an annual bonus and a long-term variable remuneration component in

the form of a so-called Performance Share Unit Program. In addition, the Supervisory Board also has the option of granting variable remuneration under a Stock Option Plan to the members of the Management Board. The Supervisory Board determines the ratio of the two programs on an annual basis.

5. Composition of the target total remuneration

The remuneration system for the members of the Management Board allows the Supervisory Board to differentiate in the determination of the target total remuneration depending on the function of the respective member of the Management Board. In addition, the Supervisory Board can adjust individual remuneration components in the context of the annual review of the remuneration of the members of the Management Board, taking into account customary market practice and appropriateness. Against this background, the shares of the individual remuneration components within the target total remuneration are presented in percentage ranges. When calculating the target total remuneration for a financial year, the Supervisory Board also takes into account any group remuneration of individual members of the Management Board.

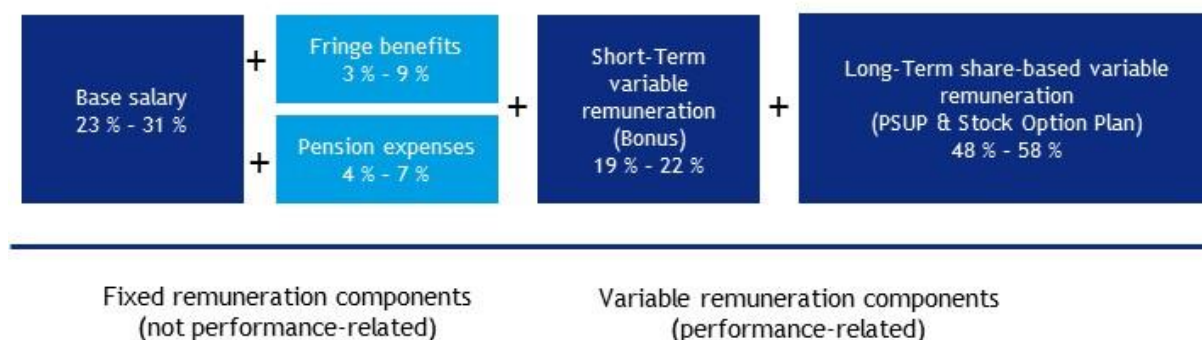
The target total remuneration for all members of the Management Board (CEO and ordinary board members) is as follows:

The fixed base salary represents around 23% - 31% of the target total remuneration. Short-term variable remuneration (annual bonus) represents around 19% - 22% of the target total remuneration, while long-term variable remuneration (Stock Option Plan and Performance Share Unit Program) represents around 48% - 58% of the target total remuneration. Fringe benefits are granted at an average rate of around 3% - 9% of the target total remuneration, while the share of pension expense is around 4% - 7% of the target total remuneration.

The target total remuneration for a member of the Management Board may increase in exceptional cases in the year of appointment or in the second year after appointment as a member of the Management Board, if, for example, the Supervisory Board grants the newly appointed member of the Management Board further payments as compensation for entitlements from a previous service agreement lost due to the acceptance of the new position at MorphoSys AG.

In accordance with the recommendation of the GCGC, the Supervisory Board ensures, when determining the target total remuneration, that the variable remuneration resulting from the achievement of long-term targets exceeds the proportion of short-term targets. This ensures that the remuneration system is focussed on the long-term development and implementation of the business objectives of MorphoSys AG, without losing the achievement of short-term, especially operational, objectives out of sight.

Target Total Remuneration



6. Caps and maximum remuneration

In order to achieve a balanced risk-reward profile and a corresponding incentive effect of the remuneration system, the variable remuneration components are designed in such way that the payout can be zero. Further, the annual bonus, the Performance Share Unit Program and the Stock Option Plan provide for maximum limits (cap).

In addition, in accordance with section 87a para. 1 sentence 2 no. 1 AktG, the Supervisory Board has defined a maximum remuneration for the members of the Management Board, consisting of the sum of the fixed remuneration, including fringe benefits and pensions, as well as the maximum amounts of the variable remuneration. It is not decisive when the respective remuneration component is paid out, but for which financial year it is granted. The Supervisory Board reviews the appropriateness of the maximum remuneration. This appropriateness review is carried out in connection with the horizontal and vertical comparison and includes both the fringe benefits and the pension expenses in the respective maximum amounts determined on a lump-sum basis. The Supervisory Board also includes any group remuneration of individual members of the Management Board in the calculation of the maximum remuneration.

The maximum remuneration for a financial year – regardless of whether the payout occurs in this financial year or at a later date and based on the respective maximum limits for short-term and long-term variable remuneration – is EUR 7,480,000.00 for the CEO and EUR 3,700,000.00 for each ordinary board member.

The maximum remuneration does not represent the level of remuneration sought by the Supervisory Board or the level of remuneration the Supervisory Board deems to be appropriate,

but rather an absolute maximum limit that can only be attained if targets are fully met and the share price of the shares of MorphoSys AG increases substantially.

The maximum remuneration for a member of the Management Board may increase in exceptional cases in the year of appointment or in the second year after appointment as a member of the Management Board, if the Supervisory Board grants the newly appointed member of the Management Board further payments as compensation for payments from a previous service agreement lost due to the acceptance of the new position at MorphoSys AG. In such case, the maximum remuneration may increase by up to 25% for the financial year in which the remuneration is granted. The maximum remuneration may also increase to the above extent if a member of the Management Board is granted severance payments on the occasion of the early termination of his service agreement (including early termination in the event of a change of control). However, in accordance with the requirements of the GCGC, severance payments are limited to a maximum value of two years' remuneration and compensate no more than the remaining term of the service agreement.

In addition, the Performance Share Unit Program contains a maximum limit for payouts in the amount of 250% of the respective individual grant amount. The maximum value inflow at the end of the waiting period under the Stock Option Plan will also be limited to 250% of the respective individual grant amount in the future.

D. Remuneration components in detail

1. Fixed remuneration components

The fixed remuneration of the members of the Management Board comprises a fixed base salary as well as individually agreed fringe benefits, contributions to individual pension plans, and other benefits granted in exceptional cases.

a. Base salary

Each member of the Management Board receives a fixed base salary agreed on an individual basis, which is generally paid out in twelve monthly installments.

b. Fringe benefits

In addition, the members of the Management Board receive customary fringe benefits, which may mainly include the use of company cars for business and private purposes, subsidies for, reimbursement of costs for, or conclusion of health, social, accident and occupational disability insurance policies, and reimbursements for tax advice and double budgeting, as well as other expense

allowances. Additional services, such as the (lump-sum) reimbursement of work-related relocation expenses, may be agreed upon individually with the respective member of the Management Board. MorphoSys AG further maintains a "Directors and Officers Insurance" (D&O insurance) policy with a deductible of at least 10% of the damage up to at least one and a half times the fixed base salary for each member of the Management Board.

c. Pension expenses

MorphoSys AG grants the members of the Management Board an amount of maximum of 10% of the fixed base salary of each member of the Management Board, which are to be used by the member of the Management Board for individual retirement benefits. In addition, all members of the Management Board participate in a pension plan. The pension expense may deviate from this in exceptional cases if the Management Board member's main place of residence is outside Germany. In such cases, the pension expense is adjusted to take account of national (in particular regulatory) requirements. However, the Supervisory Board ensures that the above maximum limit of 10% of the fixed base salary and the share of the target total remuneration set for pension expense is not exceeded.

d. Other services

Finally, the Supervisory Board may, in exceptional cases, agree with the respective member of the Management Board on payments in connection with their appointment as a member of the Management Board of MorphoSys AG (e.g., to compensate entitlements under previous service agreements) or on special remuneration for extraordinary performance of a member of the Management Board within the scope of the defined maximum remuneration.

2. Variable remuneration components

The variable, performance-based remuneration of the members of the Management Board of MorphoSys AG consists of a short-term remuneration component, the annual bonus and long-term remuneration components, the Performance Share Unit Program and the Stock Option Plan, and significantly contributes to the long-term and sustainable development of MorphoSys AG and the MorphoSys-Group. The short-term and long-term remuneration components depend on the achievement of financial and non-financial performance targets. In addition, the Supervisory Board may take ESG targets into account when determining the amount of the annual bonus. Under the Performance Share Unit Program, ESG targets are an integral part of the performance targets to be achieved.

a. Annual bonus (Short-Term Incentive, STI)

Key features of the annual bonus

The members of the Management Board receive a short-term performance-based remuneration in the form of an annual bonus depending on financial and non-financial performance targets, which rewards the operational implementation of the MorphoSys Group's corporate strategy during a financial year. The annual bonus will be paid out in cash at the beginning of the following financial year.

Performance targets and evaluation of the target achievement

The performance targets for the annual bonus include company-related financial and non-financial performance targets. Further, the Supervisory Board may take into account certain ESG-targets. The definition of both financial and non-financial as well as ESG targets for the assessment of the annual bonus rewards the implementation of the business strategy of MorphoSys AG and at the same time creates an incentive for sustainable and future-oriented actions of the members of the Management Board.

The Supervisory Board defines the performance targets for each upcoming financial year as follows:

- **Company goals**

The Supervisory Board first defines ambitious and measurable Company-related goals (*Company Goals*), which are based not only on operational objectives, but also on strategic goals and can be set uniformly for all members of the Management Board or individually for individual members of the Management Board.

The company goals may relate to both MorphoSys AG and the MorphoSys-Group. Company goals may be, in particular:

- Financial development in accordance with the published financial forecast,
- Business development,
- Targets concerning the development of the Company's pipeline,
- Goals concerning product development and approval, as well as
- Marketing goals.

The Supervisory Board may also define other corporate targets for a financial year.

For the financial year 2021, the Supervisory Board has defined the following Company Goals:

- Maximize on Tafasitamab promise,
- Fill the Company's pipeline for sustainable growth,
- Develop Felzartamab into the autoimmune disease space, as well as
- Deliver financially in accordance with the financial forecast 2021 and build a compelling global operating model.

- **ESG Targets**

In addition to the corporate targets, the Supervisory Board can also set ESG targets for all members of the Management Board on a uniform basis or individually for the members of the Management Board in order to incentivize sustainable and long-term corporate success. In this case, the Supervisory Board defines the specific ESG targets for a financial year on the basis of the following target catalog:

- Employee targets,
- Sustainability targets,
- Diversity targets,
- Goals concerning energy and environment,
- Goals concerning the MorphoSys Foundation, as well as
- Goals concerning medical progress.

For each defined performance target, the Supervisory Board sets ambitious, measurable and transparent targets for the upcoming financial year, which the Supervisory Board may take into account for the determination of the target achievement for the respective performance target. Further, the Supervisory Board defines the weighting of the performance targets for the calculation of the overall target achievement.

The Supervisory Board determines the annual bonus payment on the basis of a target amount in the event of 100% target achievement. The target amount for the Chairman of the Management Board corresponds to 80% of the annual base salary and for all other members of the Management Board to 70% of the annual base salary.

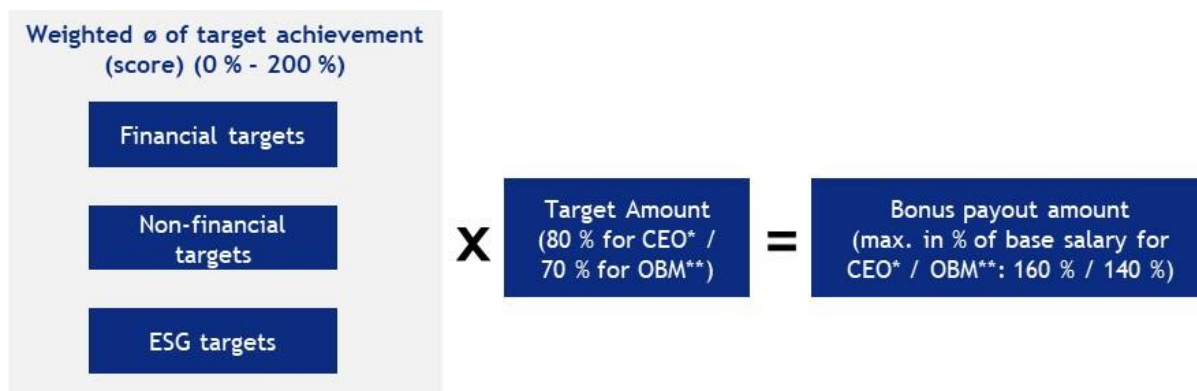
At the beginning of the subsequent financial year, the Supervisory Board first assesses the achievement (as a percentage) of each performance target, whereas a target achievement of between 0% and 125% for each performance target is possible. The so-calculated target achievement of each performance target corresponds to a specific target achievement level (Score) (as a percentage). For each performance target, a target achievement level (Score) of up to 200% can be achieved.

A percentage target achievement of below 70% corresponds to a target achievement level (Score) of 0%. Hereinafter, the target achievement increases linearly. A percentage target achievement of 85% corresponds to a target achievement level (Score) of 75%. A percentage target achievement of 100% corresponds to a target achievement level (Score) of 100%. Hereinafter, any increase of the percentage target achievement by 1% corresponds to an increase of the target achievement level (Score) of 4%. A percentage target achievement of 125% or more corresponds to a target achievement level of 200%. Any further increase of the target achievement does not result in a further increase of the target achievement level (cap).

Target achievement of performance targets (0 % - 125 %)	Corresponding score (0 % - 200 %)
125 % and above	200 %
112.50 %	150 %
100 %	100 %
85 %	75 %
70 %	50 %
below 70 %	0 %

Exemplary representation of the calculation leading from target achievement to the corresponding score

On the basis of the so-calculated target achievement level for each performance target and of the weighting of the individual performance targets as defined by the Supervisory Board, the Supervisory Board calculates the overall target achievement for the annual bonus for the previous financial year, on the basis of which the amount of the annual bonus payment is determined as the overall target achievement multiplied by the target amount (80% of the annual base salary for the CEO and 70% of the annual base salary for ordinary board members). The so calculated payment amount is limited to 160% of the annual base salary for the CEO and to 140% of the annual base salary for ordinary board members.



* Chief Executive Officer; ** Ordinary Board Member

The company goals for one financial year and their weighting for the determination of the target achievement will be disclosed in the remuneration report for the respective financial year.

b. Long-term remuneration components (Long-Term Incentive, LTI)

The long-term variable remuneration of the members of the Management Board consists of a Performance Share Unit Program. The Supervisory Board may also grant variable remuneration in whole or in part under a Stock Option Plan to the members of the Management Board. The Supervisory Board determines for each member of the Management Board for each financial year the ratio of variable remuneration granted under the Performance Share Unit Program and the Stock Option Plan, always ensuring that the share of target total remuneration set for long-term variable remuneration is not exceeded.

The performance targets set by the Supervisory Board for the Stock Option Plan are currently linked to the share price performance of the share of MorphoSys AG. The variable remuneration under the Performance Share Unit Program is further linked to the achievement of non-financial and, in particular, ESG targets. The Supervisory Board also ensures that ESG objectives are always weighted with at least 20 % within the long-term variable remuneration.

The design of the long-term variable remuneration as a share price-based model and the additional consideration of non-financial and ESG targets under the Performance Share Unit Program incentivize the contribution of the members of the Management Board to the long-term and sustainable development of the Company. In addition, the share-based structure of the remuneration also contributes to a stronger consideration of the interests of the shareholders.

(i) Performance Share Unit Program

Key features of the Performance Share Unit Program

The members of the Management Board may be granted so-called Performance Share Units under a Performance Share Unit Program. After the expiry of a four-year waiting period and subject to the achievement of certain performance targets as shown below, Performance Share Units are settled after a four-year waiting period in cash, by delivery of treasury shares of the Company, or by a combination of both.

At the beginning of the four-year waiting period, the Supervisory Board determines a grant amount in Euros for each member of the Management Board within the target total remuneration, which, divided by the average closing price of the share of MorphoSys AG in Xetra trading on the Frankfurt Stock Exchange during the 30 trading days prior to the grant, results in the number of Performance Share Units to be granted to the respective member of the Management Board.

The final number of Performance Share Units is linked to the overall target achievement of three performance targets during the four-year waiting period. The performance targets are the absolute and relative share price performance of the share of MorphoSys AG during the waiting period as well as an ESG target to be determined by the Supervisory Board at the beginning of the four-year waiting period. On the basis of the target achievement of each of the performance targets, the Supervisory Board calculates an overall target achievement, which determines the final number of Performance Share Units.

The final number of Performance Share Units entitle the member of the Management Board to a cash payment, to be fulfilled by the Company within 90 days after expiry of the waiting period. The payout for each Performance Share Unit corresponds to the average closing price of the shares of MorphoSys AG in Xetra trading on the Frankfurt Stock Exchange during the 30 trading days prior to the expiry of the four-year waiting period. The Company is further entitled to settle the payment claim of the respective member of the Management Board against the Company in whole or in part by delivering treasury shares of the Company.

The target achievement for the performance targets may correspond to between 0% and 200%. In addition, payouts made to the members of the Management Board under the Performance Share Unit Program are limited to 250% of the initial individual grant amount (cap). In case, this cap is exceeded, a respective number of Performance Share Unit will forfeit without entitlement to compensation. The cap applies accordingly, if the Company settles the payment claim in whole or in part by delivering treasury shares of the Company. If not all performance share units have vested, this cap is decreased to the respective pro-rata amount of the grant amount.

Performance targets of the Performance Share Unit Program

The performance targets of the Performance Share Unit Program comprise the absolute and the relative share price performance of the share of MorphoSys AG as well as an ESG target.

- **Absolute share price performance:**

The absolute share price performance of the share of MorphoSys AG is measured by a comparison of the average closing price of the share of MorphoSys AG in Xetra trading on the Frankfurt Stock Exchange during the last 30 trading days prior to the beginning and the last three months prior to the end of the four-year waiting period.

- **Relative share price performance:**

The relative share price performance of the share of MorphoSys AG is measured by comparing the performance of the share price of the share of MorphoSys AG to the performance of the EURO STOXX Total Market Pharmaceuticals & Biotechnology as benchmark index. The relevant share price of the share of MorphoSys AG is the average closing price of the share of MorphoSys AG in Xetra trading on the Frankfurt Stock Exchange during the 30 trading days prior to the beginning of the four-year waiting period and during the three months prior to the end of the four-year waiting period. The relevant price of the EURO STOXX Total Market Pharmaceuticals & Biotechnology is the average closing price of the EURO STOXX Total Market Pharmaceuticals & Biotechnology during the 30 trading days prior to the beginning and during the three months prior to the end of the four-year waiting period.

- **ESG Target**

In addition to the absolute and relative share price performance, the Supervisory Board shall define an ambitious, measurable and transparent ESG target at the beginning of the four-year waiting period to be achieved until the expiry of the four-year waiting period. Further, the Supervisory Board defines target criteria for the defined ESG-target, which will lead to a target achievement for the ESG-target of between 0% and 200%.

The Supervisory defines the ESG-target on the basis of the following target catalog:

- Employee targets,
- Sustainability targets,
- Diversity targets,
- Goals concerning energy and environment,
- Goals concerning the MorphoSys Foundation, as well as
- Goals concerning medical progress.

For the Performance Share Unit Program 2021, the Supervisory Board has determined the ESG-objective “Workforce Engagement of MorphoSys-Group”. Within this performance target, the Supervisory Board measures both the development of the workforce engagement of MorphoSys-Group during the four-year waiting period on the basis of a comparison of the workforce engagement at the beginning of the waiting period with the workforce engagement at the end of the waiting period (absolute workforce engagement), and the degree of achievement of certain target values for the workforce engagement as defined by the Supervisory Board on the basis of a market benchmark and to be achieved until the end of the waiting period (relative workforce engagement).

Determination of target achievement

After the expiry of the four-year waiting period, the Supervisory Board determines the degree of target achievement for the performance targets as follows:

- **Absolute share price performance**

If the share price declines during the waiting period, the target achievement of the absolute share price performance target is 0%. If the share price performance of the share of MorphoSys AG is 0%, the target achievement of the performance target is 50%. Subsequent increases in the target achievement are linear. If the share price of the share of MorphoSys AG increases by 32% during the waiting period, the target achievement is 100%. If the share price of the share of MorphoSys AG increases by 64% during the waiting period, the target achievement is 150%. If the share price of the share of MorphoSys AG increases by 96% during the waiting period, the target achievement is 200%. A further increase of the target achievement is not possible (cap).

- **Relative share price performance**

If the share price declines compared to the benchmark index during the waiting period, the target achievement of the performance target of the relative share price performance is 0%. If the share price performance of the share of MorphoSys AG is 0% compared to the benchmark index, the target achievement of the performance target is 100%. Subsequently increases in the target achievement are linear. If the share price of the share of MorphoSys AG increases by 32% compared to the benchmark index, the target achievement is 150%. If the share price of the share of MorphoSys AG increases by 64% compared to the benchmark index, the target achievement is 200%. A further increase of the target achievement is not possible (cap).

- **ESG Target**

After the expiry of the four-year waiting period, the Supervisory Board determines the target achievement (as a percentage) for the defined ESG target on the basis of the defined targets. A target achievement of up to 200% can also be reached here (cap).

After the expiry of the four-year waiting period, on the basis of the percentage target achievement of each performance target, the Supervisory Board calculates the overall target achievement (as a percentage), with the absolute share price performance and the relative share price performance being weighted with 40% each, and the ESG-target being weighted with 20%. The Supervisory Board may adjust the weighting in each case if required, to ensure that ESG targets are always weighted at least 20% within the long-term variable remuneration, e.g., in case stock options under the Stock Option Plan are granted at the same time.

On the basis of the overall target achievement, the final number of Performance Share Units of each member of the Management Board is calculated by multiplying the number of Performance Share Units vested after the end of the four-year waiting period with the overall target achievement.



* Average closing price during the 30 days prior to the grant resp. prior to the end of the waiting period.
 ** Calculation based on the average closing price over the last 30 trading day prior to the beginning resp. 3 months prior to the end of the waiting period.

(ii) Stock option plan

Key features of the Stock Option Plan

The members of the Management Board may also be granted stock options under a Stock Option Plan. For this purpose, as part of the target total remuneration** for each member of the Management Board, the Supervisory Board determines a target value in Euro as grant value, which, divided by

the fair value of a stock option as determined on the basis of an option pricing model, results in the initial number of stock options to be granted to the respective member of the Management Board.

The final number of stock options is linked to the overall degree of target achievement of two performance targets as set out below during a waiting period of four years. For this purpose, the degree of target achievement of the respective performance target during the four-year waiting period is determined for an assessment period of one year each. At the end of the four-year waiting period, the target achievement as determined for each of the two performance targets is used to calculate the overall degree of target achievement and the final number of stock options granted to each member of the Management Board. For this purpose, the initial number of granted stock options is multiplied by the overall target achievement and rounded up to the next whole number. The resulting final number of stock options is limited to 200% of the initially granted stock options. In addition, the actual maximum economic inflow after expiry of the four-year vesting period is limited to 250% of the grant amount (cap). In case, the cap will be exceeded, a respective number of stock options shall forfeit without entitlement to compensation. If not all stock options have vested, the cap is reduced proportionately.

Stock options may only be exercised if the statutory four-year vesting period has expired and the respective minimum target achievement for a performance target has been exceeded. Furthermore, stock options may only be exercised within a fixed exercise period of three years after the date on which both the consolidated financial statements of the Company for the last financial year prior to the expiry of the waiting period have been approved and the waiting period has expired. Stock options are settled by delivering new shares or treasury shares of the Company, with each stock option entitling the respective member of the Management Board to subscribe for one share. The Company is also entitled, in whole or in part, instead of delivering (new or treasury) shares, to make a cash payment in the amount of the value of the shares to be delivered upon exercise of the stock options minus the exercise price.

Upon exercise of the stock options, an exercise price is payable for each share to be subscribed. The exercise price corresponds to the average closing price of the share of MorphoSys AG during the last 30 trading days prior to the day on which the stock options were granted.

Performance targets of the Stock Option Plan

The overall target achievement for the long-term variable remuneration under the Stock Option Plan is measured on the basis of two performance targets, the absolute and the relative share price performance of the share of MorphoSys AG. Each performance target has a weighting of 50% for the overall target achievement.

- **Absolute share price performance**

The absolute share price performance of the share of MorphoSys AG is measured by a comparison of the average stock exchange price of the share of MorphoSys AG in Xetra trading during the last 30 trading days on the Frankfurt Stock Exchange prior to the beginning and prior to the end of the respective one-year assessment period.

- **Relative share price performance**

The relative share price performance of the share of MorphoSys AG is measured by comparing the average stock exchange price of the share of MorphoSys AG during the last 30 trading days prior to the beginning and prior to the end of the respective one-year assessment period with the average closing price of a benchmark index during the last 30 trading days prior to the beginning and prior to the end of the respective one-year assessment period. The benchmark index is composed of the Nasdaq Biotechnology Index and the TecDAX at 50% each.

For each of the two performance targets, the degree of target achievement is determined for each of the one-year assessment periods depending on the share price performance as follows:

- **Absolute share price performance**

If the share price declines within a one-year assessment period, the degree of achievement of the absolute share price performance target is 0%. If the share price performance of the share of MorphoSys AG is 0%, the degree of target achievement of the performance target is 50%. Subsequent increases in the target achievement are linear. If the share price of the share of MorphoSys AG increases by 8%, the target achievement is 100%. If the share price of the share of MorphoSys AG increases by 16%, the target achievement is 150%. If the share price of the share of MorphoSys AG increases by 24%, the target achievement is 200%. Any further increase of the target achievement is not possible (cap).

- **Relative share price performance**

If the share price declines compared to the benchmark index within a one-year assessment period, the degree of target achievement of the performance target of the relative share price performance is 0%. If the share price performance of the share of MorphoSys AG is 0% compared to the benchmark index, the degree of target achievement of the performance target is 100%. Subsequent increases in the target achievement are linear. If the share price of the share of MorphoSys AG increases by 8% compared to the benchmark index, the target achievement is 150%. If the share price of the share of MorphoSys AG increases by 16% compared to the benchmark index, the target achievement is 200%. Any further increase of the target achievement is not possible (cap).

On the basis of the target achievement for each of the performance targets, the Supervisory Board calculates an arithmetic mean, which determines the final target achievement rate (as a percentage) for each of the two performance targets. The final target achievement rates are added up and divided by two. The result forms the overall target achievement, which is used to determine the final number of stock options for each individual member of the Management Board.



* Calculated based on the last 30 trading days prior to the beginning and prior to the end of the respective one-year assessment period.
 ** For each stock option that is exercised, an exercise price corresponding to the average closing price during the 30 days prior to the grant date must be paid. The actual inflow from the stock option plan at the end of the waiting period is capped at 250% of the original grant value.

Future Stock Option Plans may - subject to the approval of the General Meeting of MorphoSys AG - also include ESG targets in accordance with the ESG targets as defined for the Performance Share Unit Program as performance targets. In this case, the weighting of the performance targets and the determination of target achievement in future Stock Option Plans may deviate from the above, in order to allow an appropriate consideration of ESG targets.

E. Remuneration-related legal agreements

The service agreements of the members of the Management Board of MorphoSys AG are concluded for the duration of their appointment and are extended for the duration of the reappointment as a member of the Management Board, unless the Company and the respective member of the Management Board enter into deviating or supplementary agreements in connection with the re-appointment.

1. Early termination of the service agreement

The revocation of the appointment of a member of the Management Board pursuant to Sec. 84 para. 3 AktG shall at the same time be deemed to be a termination of the corresponding service agreement with a notice period of 23 months to the end of the month, unless the service agreement provides for a shorter term. In this case, the termination shall be effective as of the end of the contractual term.

In the event of an early termination of a Management Board member's service agreement (including termination by mutual agreement), payments including fringe benefits shall not exceed twice the annual remuneration (severance cap), and shall not constitute remuneration for more than the remaining term of the service agreement. If the service agreement is terminated for good cause for which the member of the Management Board is responsible, no payments will be made to the member of the Management Board. The severance cap shall be calculated on the basis of the total remuneration for the previous full financial year and, where appropriate, also the expected total remuneration for the current financial year. The entitlement to payment of performance-related remuneration components already granted (Stock Option Plan and Performance Share Unit Program) attributable to the period up to termination of the service agreement is based on the originally agreed targets and comparison parameters and on the due dates or holding periods stipulated in the service agreement. The plan conditions of the Performance Share Unit Program and the Stock Option Plan generally provide for a provision pursuant to which Performance Share Units and stock options, respectively, shall forfeit for the time period following the termination of the service agreement.

2. Change of control

In the event of a change of control, the service agreements of the members of the Management Board provide for the right of the respective member of the Management Board to resign from office as a member of the Management Board within three months after the occurrence of a change of control, by giving three months' notice to the end of a calendar month. The service agreement shall terminate at the same time as the resignation from the Management Board becomes effective.

Change of control means

- (i) the transfer of the corporate assets of MorphoSys AG as a whole or in substantial parts to a company not affiliated with MorphoSys AG;
- (ii) the merger of MorphoSys AG with a non-affiliated company of MorphoSys AG;
- (iii) the conclusion of an inter-company agreement pursuant to section 291 AktG with MorphoSys AG as a dominated company or the integration of MorphoSys AG pursuant to section 319 AktG; or

- (iv) the direct or indirect holding of at least 30% of the voting rights in shares of MorphoSys AG by a shareholder or a third party, including the voting rights attributed to the shareholder or third party pursuant to section 30 of the German Securities Acquisition and Takeover Act.

In order to ensure that the respective member of the Management Board assesses a potential change of control solely in the interests of the Company and its shareholders and that the actions of the member of the Management Board are not affected by any potential detriments suffered in case of such change of control, the service agreements of the members of the Management Board provide for the payment of a severance payment in the form of the annual gross fixed salary and the annual bonus until the regular expiry of the service agreement in the event of resignation from office by the respective member of the Management Board on the occasion of a change of control. The amount of the bonus entitlement corresponds to the bonus for the last financial year prior to resignation. The severance payment in the event of resignation from office due to a change of control is further subject to the severance cap described above under section E. 1 as a maximum limit. The plan conditions of the Performance Share Unit Program and the Stock Option Plan further provide for a provision pursuant to which all Performance Share Units and stock options granted to a member of the Management Board become fully vested in case of a Change of Control.

3. Incapacity to work

In the event of a Management Board member's permanent incapacity for work, the service agreement of such member of the Management Board shall end six months after the end of the month in which the permanent incapacity for work was established.

F. Post-contractual non-competition clause

The service agreements of the members of the Management Board generally provide for a post-contractual non-competition clause for a time period of one year. In such case, MorphoSys AG pays a compensation payment to the respective member of the Management Board amounting to 100 % of the fixed salary for the duration of the non-competition clause. Any severance payment will be offset against the compensation payment.

G. Malus and clawback

Service agreements of members of the Management Board to be newly concluded or extended as well as future plan conditions of the Performance Share Unit Program and the Stock Option Plan will contain so-called *malus* and *clawback* provisions which entitle the Company to retain or reclaim in whole or in part variable remuneration components in the event of a breach of internal conduct

policies or statutory duties by the respective member of the Management Board. The Performance Share Plan already provides for the right of the Company to adjust the payout under the Performance Share Plan in such cases. Further, service agreements of members of the Management Board to be newly concluded or extended, as well as future plan conditions of the Performance Share Unit Program and the Stock Option Plan will contain a provision pursuant to which the Company is entitled to reclaim variable remuneration already paid out which was based on an incorrect calculation.

H. Sideline activities

Remuneration for Supervisory Board mandates within the MorphoSys-Group is offset against the fixed remuneration of the respective member of the Management Board. The Supervisory Board shall decide whether remuneration for Supervisory Board mandates outside of non-group entities is to be offset against the fixed remuneration.

I. Extraordinary developments

In the event of extraordinary developments, the Supervisory Board is entitled to adjust the amount of the individual remuneration components, including the target total remuneration of variable remuneration components in the event of 100% target achievement, their ratio to each other, the criteria for target achievement, the respective payment amounts and the payment dates, provided that the upper limits (caps) and the maximum remuneration are not exceeded.

Extraordinary developments occur when circumstances have arisen or are more likely than not to arise that could not have been foreseen when the targets for variable remuneration components were set and which have a significant impact on the total remuneration of the members of the Management Board. Such events include, in particular, major acquisitions, the sale of significant parts of MorphoSys AG, substantial changes in the underlying accounting standards or tax regulations, natural disasters, pandemics or comparable events. In making its decision, the Supervisory Board also takes into account the extent to which MorphoSys AG, the shareholders and the employees are or will be affected by the extraordinary developments.

J. Temporary deviations

The Supervisory Board may temporarily deviate from the remuneration system if this is necessary in the interests of the long-term welfare of the Company, for example in the event of an economic or corporate crisis, in the event of the need to adjust the remuneration system in the event of a significant change in corporate strategy in order to ensure appropriate incentives, or in the event of changes in the applicable regulatory framework.

The components of the remuneration system from which deviations may be made are the procedure, the remuneration structure, the amount of remuneration and the amount of the individual remuneration components. In such cases, the Supervisory Board may also introduce new remuneration components. Deviation from the remuneration system requires a resolution of the Supervisory Board, which also determines the circumstances leading to the deviation.