

## Remuneration system for the members of the Management Board

(Extract from the invitation to the Annual General Meeting 2022)

The following remuneration system for the members of the Management Board of MorphoSys AG is applicable since June 1, 2022, and has been approved by the Annual General Meeting 2022 with a majority of 86.95%. You will also find the remuneration system in [the invitation to the Annual General Meeting 2022](#) under agenda item 8. 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 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. After the successful acquisition of Constellation Pharmaceuticals, Inc., MorphoSys AG has an even bigger footprint in the USA and also operates to a large extent in the US-market. The members of the Company's Management Board are therefore also largely recruited internationally with broad European and US experience. Against this background, the remuneration system is also structured in a way that allows the Supervisory Board to take into account international compensation practices regarding the remuneration of the members of the Management Board in order to ensure, that the Company attracts the best and most qualified candidates for a position in the Company's Management Board.

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 section 87a AktG and the recommendations of the German Corporate Governance Code ("**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 will, 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, 2022, onwards.

#### **C. Remuneration structure**

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 benefits. In addition, the Company makes monthly contributions to a pension plan for all members of the Management Board.

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.

<b>Fixed remuneration</b>	<b>Base salary</b>	Annual fixed salary	
	<b>Pension benefits</b>	<ul style="list-style-type: none"> <li>▪ Individual retirement contribution: Monthly contribution of 10% of the annual base salary</li> <li>▪ Monthly contribution to a pension plan</li> </ul>	
	<b>Fringe benefits</b>	Company car, allowance for health, social, accident and occupational disability insurance policies, and reimbursements for tax advice and double housing, as well as other expense allowances	
<b>Performance related remuneration</b>	<b>Annual bonus (STI)</b>	Structure	Annual bonus payment depending on the achievement of financial and non-financial performance targets
		Performance targets	Composition of one financial target (25%), one commercial target (25%), one development and BD&L-target (30%-40%) and one research and BD&L-target (10%-20%)
		Cap	Payout cap at 160% of the annual base salary (CEO) / 140% of the annual base salary (OBM)
	<b>LTI</b>	Structure	Share-based remuneration component consisting of performance share units with a waiting period of four years, which will generally be settled in cash
		Performance targets	<ul style="list-style-type: none"> <li>▪ Relative share price performance</li> <li>▪ Development milestones target</li> <li>▪ ESG-target</li> </ul>
		Cap	Payout cap at 250% of the initial grant amount
<b>Further provisions</b>	<b>Maximum remuneration</b>	Maximum remuneration for one financial year of 9,000,000 € (CEO) / 3,700,000 € (OBM)	
	<b>Malus and clawback</b>	Right of the Supervisory Board to retain or reclaim variable remuneration in particular in case of a breach of internal conduct policies or statutory duties by a member of the Management Board	
	<b>Severance cap</b>	Severance payments shall not exceed twice the annual remuneration and shall not constitute remuneration for more than the remaining term of the service agreement	
	<b>Change of control</b>	Termination right in case of (i) a change of control and (ii) a material reduction of the Management Board member's responsibilities	

#### D. Target remuneration

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.

**a) 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 especially in the U.S.-market (in particular due to the specific business model of MorphoSys AG, the representation of MorphoSys AG in the U.S.-market 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 of comparable size in Germany and abroad, in particular in Europe.

**a) 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. In such event it will be presented and reported in detail in the remuneration report.

**b) 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 differences in the relevant competitor markets of the MorphoSys-Group.

**d) 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, considering customary market practice, appropriateness and the weighting as per below ranges. Against this background, the share 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.

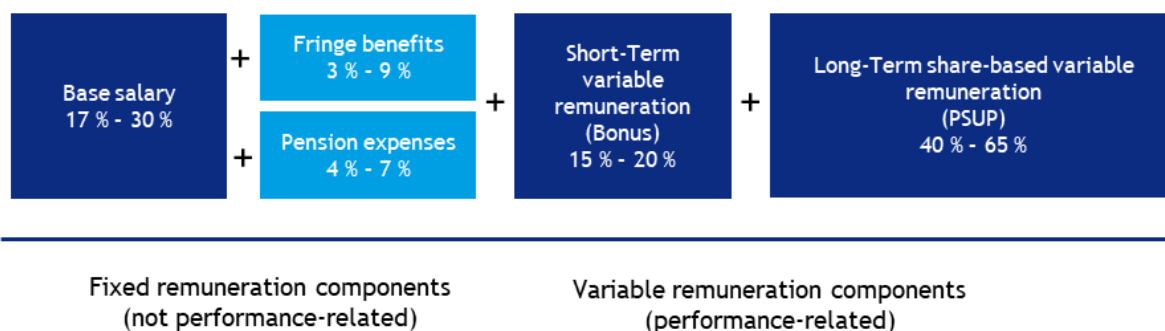
The target total remuneration for all members of the Management Board (CEO and ordinary board members) is as follows:

The fixed base salary represents around 17%-30% of the target total remuneration. Short-term variable remuneration (annual bonus) represents around 15%-20% of the target total remuneration, while long-term variable remuneration represents around 40%-65% 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 (e.g., entitlements from previous long-term incentive plans that have lapsed as a result of the assumption of the new position, whereby the Supervisory Board makes sure that the member of the Management Board is not granted more than lost from previous positions).

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 focused 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



#### e) 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, both the annual bonus and the Performance Share Unit Program 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, which includes the sum of the fixed remuneration, including fringe benefits and pensions, as well as the variable remuneration. In this regard, it is not decisive when the respective remuneration component is paid out, but for which financial year it has been granted. The Supervisory Board regularly reviews

the appropriateness of the maximum remuneration. This appropriateness review is carried out in connection with the horizontal and vertical comparison. When reviewing compliance with maximum remuneration, the Supervisory Board also includes any group remuneration of individual members of the Management Board.

The maximum remuneration for a financial year – regardless of whether the payout occurs in this financial year or at a later date – is € 9,000,000 for the CEO and € 3,700,000 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 at all) in case of a full target achievement and an increase of the share price of the shares of MorphoSys AG.

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 e.g., 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 further payment is granted.

In addition, the Performance Share Unit Program contains a maximum limit for payouts in the amount of 250% of the respective individual grant amount.

## **E. Remuneration components in detail**

### **a) 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, retirement benefits, and other benefits granted in exceptional cases.

#### **i) 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.

#### **ii) 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 or a mobility allowance, subsidies for, reimbursement of costs for, or conclusion of health, social, accident and occupational disability insurance policies, and reimbursements for tax advice and double housing, 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.

#### **iii) Pension expenses**

MorphoSys AG grants the members of the Management Board an amount 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, the Company pays a fixed monthly contribution to a pension plan for all Management Board members.

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 for the individual retirement benefits and the share of the target total remuneration set for pension expenses is not exceeded.

#### **iv) 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 lost as a result of the assumption of the new position, whereby the Supervisory Board makes sure that the member of the Management Board is not granted more than lost from previous positions).

#### **b) 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 a long-term remuneration component, the Performance Share Unit Program, 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, under the Performance Share Unit Program, ESG targets are an integral part of the performance targets to be achieved.

#### **i) Annual bonus (Short-Term Incentive, STI)**

The annual bonus depends on the business success of MorphoSys AG in the respective financial year. It is calculated on the basis of the achievement of one financial target (the “**Financial Target**”), one commercial target (the “**Commercial Target**”), one development and BD&L target (the “**Development and BD&L Target**”) and one research and BD&L target (the “**Research and BD&L Target**”). For the calculation of the overall target achievement the Financial Target and the Commercial Target are each weighted with 25%, the Development and BD&L Target is weighted with between 30% and 40% and the Research and BD&L Target is weighted with between 10% and 20%. The final bonus payment is capped at 160% of the annual base salary for the CEO and to 140% of the annual base salary for ordinary board members.

The definition of both financial and non-financial 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 annual bonus will be paid out in cash at the beginning of the following financial year.

#### **Definition of performance targets and target achievement**

The performance targets are defined as financial and operational figures, milestones and projects to be achieved and fulfilled during the respective financial year. Therefore, the Supervisory Board deems it to be in the best interest of the Company and the shareholders to newly define the performance targets for each financial year to ensure that the defined performance targets are always demanding and ambitious and are subject to an ongoing development and review to take sufficiently account of the fast and constant growth and change of MorphoSys AG and the MorphoSys-Group. The Supervisory Board has however defined a target framework for each of the performance targets, within which the concrete performance targets for the respective financial year are to be defined.

The performance targets are generally set uniformly for all members of the Management Board. The Supervisory Board may also define the performance targets individually for each member of the Management Board.

### **Financial Target**

The Financial Target is linked to the compliance with the Company's published financial guidance for operating expenses. The Financial Target is weighted with 25% regarding the overall target achievement.

### **Commercial Target**

The Commercial Target is linked to the Monjuvi product sales targets as communicated in the Company's guidance as well as to the planning and execution of product launches. The Commercial Target is weighted with 25% regarding the overall target achievement.

### **Development and BD&L Target**

The Development and BD&L Target is linked to the clinical progress of phase I-III development programs including published timelines for the drug development or the conclusion of BD&L partnerships and M&A activities with a development purpose. The Development and BD&L Target is weighted with between 30% and 40% regarding the overall target achievement.

### **Research and BD&L Target**

The Research and BD&L Target is linked to the successful run of the Investigational New Drug (IND) application process as well as the conclusion of BD&L partnerships and M&A activities. The Research and BD&L Target is weighted with between 10% and 20% regarding the overall target achievement.

The weighting and ranges foreseen for the Research and BD&L Target and the Development and BD&L Target aim to provide the opportunity to reflect the nature of the biotechnology business, composed of early discovery, late development and business development activities. The focus of the goals will be in line with the stage of the respective pre-clinical or clinical programs and their strategic relevance in a particular financial year.

### **Determination of target achievement and bonus amount**

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%. 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%. 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). Between



the percentage points, the target achievement and the corresponding target achievement level (score) increase linearly.

Goal achievement of*	Leads to a Score of*
125%	200%
112,50%	150%
100%	100%
85%	75%
70%	50%
Below 70%	0%

\*Linear progression between percentage points.

On the basis of the so-calculated target achievement level (score) for each performance target and of the weighting of the individual performance targets, 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.

The defined performance targets for the annual bonus including their weighting will be disclosed on the Company's webpage. In addition, the remuneration report for the respective preceding financial year will transparently disclose the defined performance targets for the upcoming financial year. Further, the Company will disclose the degree of target achievement as well as the respective payout amounts for the STI in the remuneration report of the respective financial year.

## **ii) Long-term remuneration component (Long-Term Incentive, LTI)**

The long-term variable remuneration of the members of the Management Board consists of a Performance Share Unit Program.

The performance targets set by the Supervisory Board for the Performance Share Unit Program are linked to the share price performance of the share of MorphoSys AG as well as to the achievement of a strategic development milestone and an ESG target.

The design of the long-term variable remuneration as a share price-based model and the additional consideration of an ESG target 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.

### **Key features of the Performance Share Unit Program**

Under the Performance Share Unit Program, the members of the Management Board may be granted so-called Performance Share Units. After the expiry of a four-year waiting period and subject to the achievement of certain performance targets as described below, Performance Share Units are settled after a four-year waiting period in cash, or, at the election of the Company, 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 relative share price performance of the share of MorphoSys AG compared to the performance of the EURO STOXX Total Market Pharmaceuticals & Biotechnology during the waiting period as well as the achievement of a strategic development milestone and of 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 development of the share price of the share of MorphoSys AG compared to the development of the EURO STOXX Total Market Pharmaceuticals & Biotechnology as benchmark index, a development milestones target as well as an ESG target.

- **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 during the waiting period 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. The relative share price performance will result in a target achievement of between 0% and 200%.

- **Development milestones target:**

The achievement of the development milestones target is measured by the track record related to the regulatory approval of a/multiple NDA/BLA and/or SBLA in the USA. The regulatory approval date will be determined by the actual date by which the respective regulatory agency (e.g., FDA) provides an official response to the Company of the respective drug application. The number of drug applications and the timely or accelerated approval will result in a target achievement between 0% and 200%.

- **ESG Target**

In addition to the relative share price performance and the development milestones target, 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 result in 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.

### **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:

- **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%, in line with European market practice for relative share price evaluation. 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%. Between the percentage points, the target achievement increases linearly. A further increase of the target achievement is not possible (cap).

- **Development milestones target**

After the expiry of the four-year waiting period the Supervisory Board determines the target achievement (as a percentage) for the defined development milestones on the basis of the number of regulatory approved NDA/BLA and/or SBLA applications in the USA during the waiting period. If no regulatory approved application is achieved, the target achievement is 0%. One regulatory approved application equals a target achievement of 100%. Two regulatory approved applications equal a target achievement of 150%. A third regulatory approved application at the end of the waiting period equals a target achievement of 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. The target achievement is also capped at 200%.

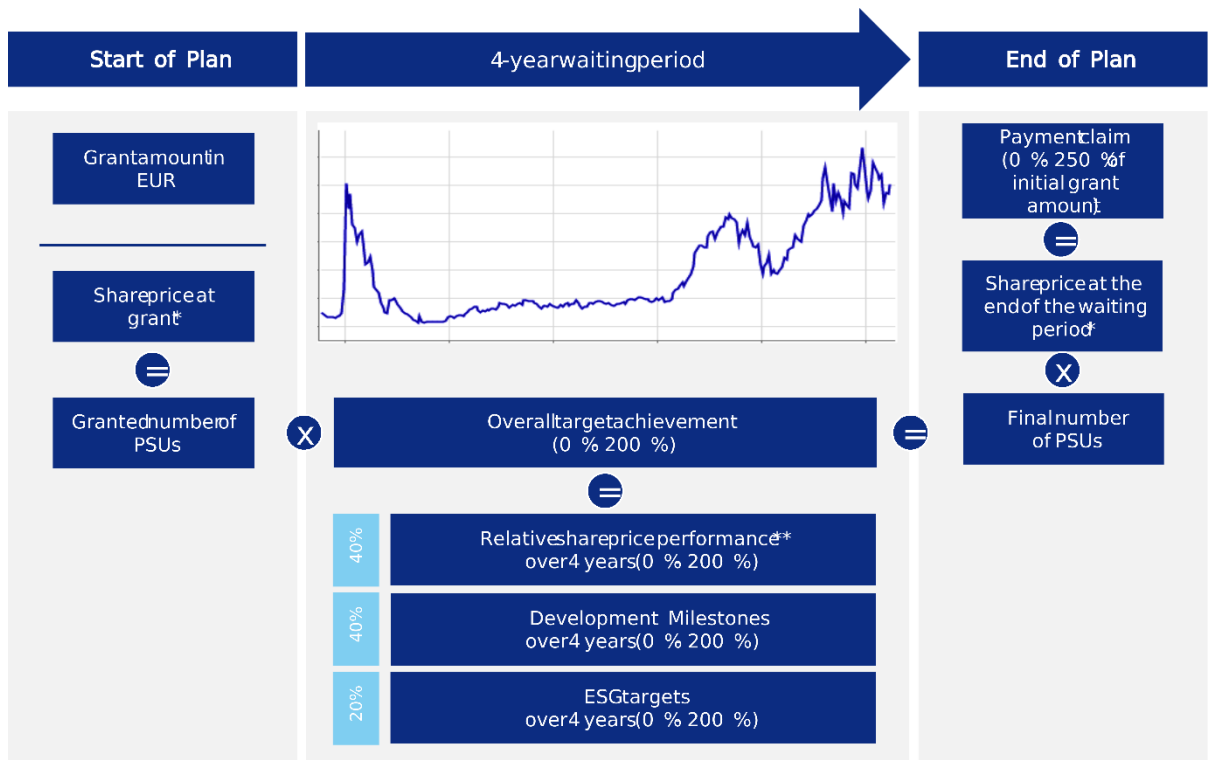
As a focus of the Company is currently in particular on the satisfaction of the employees of MorphoSys AG and the MorphoSys-Group, for the Performance Share Unit Program 2022, the Supervisory Board has determined the ESG-objective "Workforce Engagement of the MorphoSys-Group". In the future, however, the Supervisory Board also intends to consider other ESG-targets (in addition to or instead of the workforce engagement) within the long-term variable remuneration. MorphoSys AG will continue to engage with the shareholders on the appropriate choice of metrics in line with the ESG strategy of the Company.

The Supervisory Board measures the workforce engagement of the MorphoSys-Group at the end of the four-year waiting period compared to a pre-defined benchmark value as follows:

If at the end of the waiting period the evaluated workforce engagement of the MorphoSys-Group is below 55%, the achievement level of the Workforce Engagement Target is 0%. If the evaluated workforce engagement of the MorphoSys-Group is 55%, the achievement level of the Workforce Engagement Target is 50%. If the evaluated workforce engagement of the MorphoSys-Group is 65%, the achievement level of the Workforce Engagement Target is 100%. If the evaluated workforce engagement is 75%, the achievement level of the Workforce Engagement Target is 200%. Any further increase of the workforce engagement does not result in a further increase of the achievement level of the Workforce Engagement Target (cap). Between the percentage points, the target achievement increases linearly.

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 relative share price performance being weighted with 40%, the development milestones target being weighted with 40% and the ESG-target being weighted with 20%.

On the basis of the overall target achievement, the final number of Performance Share Units 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 waiting period.

## F. 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 reappointment.

### a) 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, 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 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 generally provide for a provision pursuant to which Performance Share Units shall forfeit *pro rata* for the time period following the termination of the service agreement.

### b) Change of control

If (i) a change of control occurs and (ii), within one year after the change of control, the Management Board member's responsibilities are materially reduced, the respective member of the Management Board has the right to resign from office as a member of the Management Board within three months after the reduction of his responsibilities has occurred 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. The respective Management Board member is entitled to a severance payment in the amount of the annual gross fixed salary and the annual bonus until the regular expiry of the service agreement. Further, a severance payment will also be granted in case of an early termination of a Management Board member's service agreement on the occasion of a change of control. Severance payments shall in any case not exceed twice the annual remuneration and shall not constitute remuneration for more than the remaining term of the service agreement.

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.

Further, in case of a voluntary takeover offer or a mandatory takeover offer in the connection with the achievement of 30% of the voting rights in MorphoSys AG in accordance with number (iv) above, the plan conditions of the Performance Share Unit Program may provide for a right of the Company and/or the members of the Management Board to cancel all Performance Share Units which are not yet exercised against payment of a cancellation compensation. The cancellation compensation per Performance Share Unit corresponds to the consideration of the respective takeover offer. The compensation payment shall in any case not exceed the payout cap of 250% as defined in the Performance Share Unit Program and the maximum remuneration for the members of the Management Board.

**c) 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.

**d) Post-contractual non-competition clause**

The service agreements of the members of the Management Board may provide for a post-contractual non-competition clause for a time period of up to 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.

**e) Malus and clawback**

The payment of all variable remuneration components, i.e., STI and LTI, is subject to so-called *malus* and *clawback* provisions, which entitle the Supervisory Board (i) 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 or (ii) to reclaim variable remuneration already paid out in case the pay-out was based on an incorrect calculation.

**f) 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.

**g) 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. The adjustment may only result in a decrease of the variable remuneration.

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. 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.

If during a financial year an adjustment is required due to extraordinary developments, the adjustment will be transparently disclosed in the remuneration report for such financial year.